

Annual Report 2001-2002



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Ind-Swift

Ind-Swift Laboratories Limited

Corporate Information

BOARD OF DIRECTORS

Sh. Viswajeet Khanna, IAS	Chairman (Nominated by PSIDC, w.e.f. 09.05.2002)
Sh. N. R. Munjal	Managing Director
Sh. V. K. Mehta	Jt. Managing Director
Sh. Yogesh Goel	Director (Nominee PSIDC)
Sh. A. K. Mahajan	Director (Nominee PSIDC)
Sh. A. K. Jain	Director
Sh. Udayan Roy	Director (Nominee IIBI)
Dr. J. K. Kakkar	Director
Sh. K. M. S. Nambiar	Director
Sh. Vivek Aggarwal, IAS	Chairman (Nomination withdrawn by PSIDC w.e.f. 09.05.2002)
Mrs. Kalpana Mittal Baruah, IAS	Chairperson (Nomination withdrawn by PSIDC w.e.f. 25.01.2002)

VICE PRESIDENT (FINANCE)

Mr. N.K. Bansal

COMPANY SECRETARY

Mr. Pardeep Verma

LEGAL ADVISOR

P. K. Goklaney & Company
Advocate & Solicitors
38, Sector 16-A, Chandigarh.

AUDITORS

M/s Jain & Associates
Chartered Accountants
819-20, Sector 22-A, Chandigarh- 160 022

BANKERS

State Bank of India

Industrial Finance Branch
Sector 17, Chandigarh.

State Bank of Patiala

Industrial Finance Branch
Sector 8, Chandigarh.

Bank of India

Bank Square,
Sector 17, Chandigarh.

REGISTERED OFFICE

S.C.O. 493-94, Sector 35-C,
Chandigarh.

HEAD OFFICE

S.C.O. 813, Shivalik Enclave, NAC, Manimajra,
Chandigarh.

WORKS

Barwala Road, Village Bhagwanpura,
Near Derabassi,
Distt. Patiala (Punjab)

SHARE TRANSFER AGENT

Alankit Assignments Ltd.
205-208, Anarkali Complex,
Jhandewalan Extension,
New Delhi - 110 055
Tel. : 011-3546001, 3683650

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Notice

Notice is hereby given that the SEVENTH ANNUAL GENERAL MEETING of the members of IND-SWIFT LABORATORIES LIMITED will be held on Wednesday, the 25th September, 2002 at 11.30 A.M. at Bal Bhawan, Sector 23-B, Chandigarh to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the audited accounts for the financial year ended 31st March, 2002 and the report of the Directors and the Auditors thereon.
2. To appoint a director in place of Mr. V.K. Mehta who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a director in place of Mr. A.K. Jain who retires by rotation and being eligible offers himself for re-appointment.

SPECIAL BUSINESS

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

"RESOLVED THAT pursuant to Section 224A and other applicable provisions, if any, of the Companies Act, 1956, M/s Jain & Associates, Chartered Accountants, the retiring Auditors of the Company, be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting of the Company and to examine and audit the accounts of the Company for the financial year 2002-2003 at remuneration to be fixed by the Board of Directors of the Company."

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

"RESOLVED THAT Mr. K.M.S. Nambiar whose term of office expires at this meeting pursuant to Section 260 of the Companies Act, 1956, and in respect of whom a notice has been received from a member u/s 257 of Companies Act, 1956 proposing his candidature, be and is hereby appointed as a director whose period of office shall be liable to determination by retirement of directors by rotation.

NOTES :

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON HIS BEHALF AND THE PROXY SO APPOINTED SHALL BE ENTITLED TO VOTE ON A POLL ONLY AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. The Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of special business as set out above is appended hereto and forms part of the Notice.
3. Proxies in order to be effective, must be received by the Company not later than forty eight hours before the meeting.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday the 21st day of September, 2002 to Wednesday, the 25th day of September 2002. (both days inclusive).
5. Members are requested to notify, immediately any change

of address, to their Depository Participants (DPs) in respect of their electronic share accounts and to **ALANKIT ASSIGNMENTS LTD. 205-208, ANARKALI COMPLEX, JHANDEWALAN EXTENSION, NEW DELHI 110055**, in respect of their physical shares folios, if any.

6. Members desirous of having any information as regards accounts are requested to write to the Company at least ten days in advance so as to enable the Management to keep the information ready.
7. Members are requested to bring their copies of the Annual Report to the Meeting, as no further copies would be made available.

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

ITEM NO. 4

In terms of Section 224A of the Companies Act, 1956, the appointment of the Auditors of the Company is required to be made by Special Resolution, if not less than 25% of the subscribed share capital of the Company is held, either singly or in any combination, by Public Financial Institution or Government Companies or the Central or any State Government or any Financial or other Institution established by any provincial or State Act in which the State Government holds not less than 51% of the subscribed share capital or any Nationalised Bank or insurance Company carrying on General Insurance Business.

In the case of your Company, the Punjab State Industrial Development Corporation Ltd. (PSIDC), a state owned Institution holds more than 23.14% of the subscribed share capital of the Company and UTI holds around 4.07%. Hence, a Special Resolution is required to be passed to re-appoint, M/s Jain and Associates, Chartered Accountants, as Auditors of the Company. As required under Section 224(1) of the Companies Act, 1956, a certificate has been received from them to the effect that their appointment, if made, will be in accordance with the limits specified in Section 224(1-B) of the Companies Act, 1956.

ITEM NO. 5

Mr. K.M.S. Nambiar was appointed as an Additional Director of the Company by the Board of Company at its meeting held on 30th Oct. 2001 in terms of Article 94 of Articles of Association of the Company and Sec. 260 of the Companies Act, 1956. He holds office upto the date of the ensuing Annual General Meeting of the Company.

As required u/s 257 of the Companies Act, 1956 the Company has received a notice alongwith deposit from a member proposing the candidature of Mr. K.M.S. Nambiar as a Director of the Company. Mr. Nambiar is a fellow of Institute of Company Secretaries of India, presently working as Secretary and GM (HRD) in Fujitsu Ltd.

He has experience of vast areas of management such as Company Secretarial, Finance, Personnel, Administration And General Management in diverse organisations like Private, Public, Autonomous and Educational. The Board considers that having regard to his wide sphere of Knowledge and Experience it will be in the interest of the Company to appoint Mr. K.M.S. Nambiar as Director of the Company.

The Board recommends the resolution for your adoption.

Date : August 22, 2002
Place : Chandigarh

By order of the Board
(**PARDEEP VERMA**)
Company Secretary

Directors' Report

Dear Shareholders,

Your Directors have great pleasure in presenting the 7th Annual Report together with Audited Accounts of your Company for the year ended 31st March, 2002.

FINANCIAL RESULTS

	(Rs. in Mlns.)	
	2001-2002	2000-2001
Sales & Other Income	1131.67	927.26
Profit before Interest, Depr. & Tax	140.97	114.35
Interest	61.77	54.68
Depreciation	18.36	14.65
Profit before Tax	60.84	45.02
Provision for Tax (Net)	16.94	3.50
Profit after Tax available for appropriation	43.90	41.52
Appropriation		
General Reserves	-	-
Balance C/F to Balance Sheet	43.90	41.52

OPERATIONS REVIEW

During the year under review the company achieved a turnover of Rs. 1131.67 Millions registering a 22% increase over the previous year figures of Rs. 927.26 Millions. Profit before tax also increased from Rs. 45.02 millions to Rs. 60.84 millions registering a growth of 35%. A provision for deferred tax to the tune of Rs. 12.74 millions was made during the financial year 2001-2002. The exports of the Company also increased by 11.40% from 375.92 million to 418.78 millions during the year.

The growth during the year can be primarily attributed to the wide range of the Company's products and a high level of productivity and efficiency in overall operations. The leap in exports was a result of the Company's constant efforts to tap new markets.

Considering the expansion plans and future fund requirements of the Company the Board has not considered declaration of dividend for the financial year 2001-2002 on both the Preference and Equity share capital.

CAPITAL STRUCTURE

During the year the paid up share capital of the Company was increased by addition of 10,00,000 equity shares allotted to promoters group on 30th October, 2001. The Company has already received the in-principal approval from all the Stock Exchanges for the listing of these shares. The funds raised through the issue has been utilized towards the setting up of new multi-purpose plant for the manufacture of Pioglitazone and Candesartan, capacity enhancement of the existing molecules and upgradation of the R & D facilities. No parts of the fund remained unutilized.

The Board in its meeting held on 30th July, 2002, forfeited all the 1,75,900 equity shares on which the allotment money was due since 1997. The Board would consider the re-issue of these shares in the due course.

DIRECTORS

During the year, Sh. Vivek Aggarwal, IAS, Additional Managing Director of Punjab State Industrial Development Corporation Limited (PSIDC) was nominated as the Chairman of the Company in place of Mrs. Kalpana Mittal Buruah, IAS, w.e.f. 25th January, 2002.

The nomination of Sh. Vivek Aggarwal, IAS has also been withdrawn on 09.05.2002 and now Sh. Viswajeet Khanna, IAS has been nominated as the Chairman of the Company by the PSIDC.

Sh. KMS Nambiar, a professional director was inducted as additional Director on the Board of the Company w.e.f. 30.10.2002. The appointment of Sh. K.M.S. Nambiar is being regularized in the ensuing Annual General Meeting of the Company.

In accordance with the provisions of the Companies Act, 1956, Sh.V.K. Mehta and Sh.A.K. Jain, Directors retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Board recommends their re-appointment.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report as required under the listing agreement with the stock exchanges is enclosed and forms part of this Director report.

AUDITORS

M/s Jain & Associates, Chartered Accountants, the Company's Auditors, retire at the conclusion of ensuing Annual General Meeting and being eligible offer themselves for reappointment.

STOCK EXCHANGE LISTING

The shares of your Company are listed on Mumbai Stock Exchange, National Stock Exchange, Delhi Stock Exchange & Ludhiana Stock Exchange. We also confirm that the Company has paid the listing fee to all these Stock Exchanges during the year 2001-2002 and there are no payments outstanding to these stock exchanges.

DEPOSITS

Your company has not accepted any fixed deposits from the public during the year.

TECHNOLOGY, R&D, FOREIGN EXCHANGE

The information relating to Conservation of Energy, Technology Absorption and Foreign Exchange Earning and outgo as required under Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, is annexed and forms part of this report.

HUMAN RESOURCES

The Company continued to have cordial relationship with the employees. Management development continued to be an area that received high importance. Employees are continuously sponsored for various external programmes and seminars.

Statement of particulars of Employees under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particular or Employees) Rules, 1975 is Nil.

CORPORATE GOVERNANCE

The Company has complied with the mandatory provisions of the Corporate Governance as prescribed in the listing Agreement with the stock Exchanges. A separate report on Corporate Governance is included as a part of the Director report along with the Auditors Certificate on its Compliance.

DIRECTORS RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 217 (2AA) of the Companies Act, 1956 ("the Act"), your directors confirm that :

- i) in preparation of the accounts, the applicable accounting standards have been followed;
- ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company for the year ended 31st March, 2002 and the profit for that year;
- iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities,
- iv) the Directors have prepared the accounts on going concern basis.

ACKNOWLEDGMENT

Your Directors thank all the employees for their sincere efforts, active involvement and devoted services rendered.

Your Directors thank the shareholders of the Company for the confidence reposed in the Management of the Company.

Your Directors place on record their gratitude to the Customers, Suppliers, Company's Bankers and Financial Institutions for their support and cooperation during the year under review.

On behalf of the Board

Date : 22.08.2002
Place : Chandigarh

(VISWAJEET KHANNA)
CHAIRMAN

ANNEXURE TO DIRECTORS REPORT

ANNEXURE 'A'

Information pursuant to the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 forming part of the Report of Directors.

A) CONSERVATION OF ENERGY

i) During the year following energy conservation measures were undertaken :

- Conventional florescent tube lights replaced with energy efficient tube light, which has resulted in low power consumption with extra light.
- The Company has installed Beblec-P-20 energy saving device in lighting system to operate the lights at rated voltage, which has resulted in low power consumption.
- The company has installed more capacitors in utilities and plants at load ends to optimize the power consumption.
- The company has provided electronic timer switches to auto off the vessel lights, which resulted to reduce the wastage of power consumption.
- The company has installed double heat exchanger system for Clarithromycin process, which results, to save in utility input thus saved energy.
- The company has implemented the effective preventive maintenance system, which results to increase the efficiency of utility machines thus saved energy.

ii) Total energy consumption and energy consumption per unit of production :

A. ELECTRICITY AND FUEL CONSUMPTION

	2001-2002	2000-2001
1. Electricity		
a) Purchase Unit (KWH)	24,36,854	25,31,278
Total amount (Rs. in lacs)	80,01,906	81,56,885
Rate / Unit (Rs.)	3.28	3.22
b) Own Generation		
i) Through Diesel		
Generator Unit (KWH)	7,51,720	5,94,040
Unit per Litre of Diesel Oil	3.46	3.41
Cost / Unit	4.39	4.50
ii) Through Steam Turbine/Generator	Nil	Nil
2. Coal (Specify quality)	Nil	Nil
3. Furnace Oil/L.D.O. (Quantity)	940000	940000 Ltrs
Total amount (Rs. in lacs)	87,78,824	118,83,684
Average Rate (Rs. per litres)	9.34	12.64
4. Other/Internal Generation	Nil	Nil

B. Consumption per Unit of Production

Unit	Standards	2001-2002	2000-01
Electricity	(KWH)	75.64	104.40
Diesel/Furnace Oil	(Ltr./Kg.)	23.10	34.93

B) TECHNOLOGY ABSORPTION**I) RESEARCH & DEVELOPMENT**

Key areas in which R&D is carried out by the Company.

- Technology development for Active Pharmaceutical Ingredients (APIs) & key intermediates, - complying to international quality and regulatory norms.
- Innovation/upgradation of existing technology/products on ongoing basis.
- Design, synthesis and discovery of new compounds in selected therapeutic areas.
- Stability studies complying to U.S. Food & Drug Administration (USFDA) guidelines.

Benefits derived as a result of R&D activities

- Technology to manufacture APIs & high value Intermediates.
- Generating high quality data complying with international regulatory requirement, for registration of APIs in India and abroad.
- Improved productivity/process efficiencies.
- Improved product quality.
- Competitive costs.
- Waste minimisation.
- Safe and environmental friendly processes.
- Self reliance and import substitution.
- Enhanced Global presence/visibility.

Future plan of action :

- Augmentation of R&D capabilities and productivity through technological innovations coupled with modern scientific and technological tools (such as FMEA, DOE, Combinatorial technologies, high throughput screening assays, etc.)
- Enhanced thrust in the area of New Drug Discovery Research.
- Continue developing innovative, commercially viable process know-hows for both APIs and dosage forms.
- Upgradation of regulatory filings, networking and compliance's.
- Improvements in packaging for pharmaceuticals to ensure shelf-life/stability, quality, patient convenience and compliance.
- Enhanced focus on national and international research collaboration / networking.

Expenditure on R&D during 2001-2002

	(Rs. in Millions)
a) Capital	25.44
b) Recurring	11.76
Total	37.20
c) Total R&D expenditure as a percentage of total turnover.	3.29%

II. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION.

- The Company has continuously adopted innovative process in the manufacture of its bulk drugs and its intermediates.
- The Company has adopted, upgraded and successfully commercialised the processes developed and involved in the manufacture of Clarithromycin, Clarithromycin Granules, Roxithromycin, Roxithromycin Granules, Clopidogrel, Pioglitazone, Candesarten, Cilixtile.
- The Company has not imported any technology.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

The information on earnings and outgo of foreign exchange is given in notes on Accounts appearing in Schedule XVII of the Accounts.

Management Discussion and Analysis Report

INDUSTRY STRUCTURE & DEVELOPMENTS

The Indian pharmaceutical market is witnessing a slowdown in the last few years. The average growth rate of the Industry has been around 10-12% against 14-15% levels in the past. However there is a phenomenon increase in the pharmaceutical exports in the past. The developed countries of US, Western Europe and Japan are the biggest markets. Higher purchasing power and a well-developed health insurance and reimbursement system implies that regulated market are much bigger in size & constitutes approximately 80% of the total world market. Growth in these markets is also higher as new blockbuster drugs drive growth. While the domestic market is expected to grow in double digits in the near future, the global generic market is expanding rapidly with an estimated \$ 50 billion worth of drugs going off patent in the next five years.

Important developments in the Indian Pharmaceutical sector was the passing of the Patents Amendment Act, 2002 by the parliament. It would pave the way for adoption of a product patent regime. The New Drug Policy unveiled in February 2002 reflects the direction towards re-orientation of the industry to meet the impending product patent regime with reduced span of control on pricing, increase in foreign investment limit to 100%, and provision for providing impetus to R & D.

There has also an accelerated growth in chronic therapy segments due to the changing disease profile. This has led to increase in instances of life-style diseases like, diabetes, hypertension, stress, depression, etc. This has fuelled the accelerated growth in the chronic therapy segments.

PERFORMANCE REVIEW OF THE COMPANY

During the year under review the company has achieved an sales turnover of Rs. 1131.67 Millions registering 22% increase over the previous year figure of Rs. 927.26 Million. Net profit of the Company during the year also increased from 41.52 millions to 43.90 millions, registering a growth of 5.73%.

Exports has been the major thrust area of your company. The

Exports during the year grew by 11.40% from 375.92 million in 2000-01 to 418.78 millions in 2001-02. The exports account for 33.22% of the total turnover of the Company. The Company already enjoys a recognized export house status.

Ind-Swift has been continuously building its reputation as a reliable and quality conscious supplier of Active Pharmaceutical Ingredients both in the Domestic and the International market. Last year saw more efforts towards building a stronger bond between the company and our invaluable customers.

Our customers in key markets such as Middle East and East Asia increased manifold and we were able to generate much higher revenues from these markets as compared to previous year. The company attained more than 90% market share in Turkey, its biggest market for Clarithromycin.

Another important achievement was in the Latin American market, where we doubled our revenues in the last year and were able to secure our payments despite severe economic problems in markets such as Argentina.

A continuous investment is also made in enhancing the production capacities and up gradation of Company's manufacturing facilities in order to meet the increasing demand for Ind-Swift Laboratories Ltd. products in India and other countries.

OUTLOOK ON OPPORTUNITIES

Research and development activities along with process improvements and productivity enhancements will continue to play a pivotal role in sustaining our company's premier position in the Industry. The upgradation of manufacturing facility and approval from US international agencies is an other requirement for access to the highly developed market of Europe.

On the back of state of the art facilities, our companies can pursue cc