

annual report

2006-2007

IND-SWIFT LABORATORIES LTD.

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Corporate Information

Board of Directors

Dr. Gopal Munjal	Chairman
N.R. Munjal	Managing Director
V.K.Mehta	Jt. Managing Director
S.R. Mehta	Director
Dr. V.R. Mehta	Director
Himanshu Jain	Director
K.M.S. Nambiar	Director
Dr. J.K.Kakkar	Director
Dr S.D Nanda	Director

Management

N.R. Munjal	Managing Director
V.K.Mehta	Jt. Managing Director
Dr .Lalit K. Wadhwa	Chief Technical Officer (CTO)
N.K. Bansal	Chief Financial Officer (CFO)
Vijay Kumar	President - International Marketing
Vikas Narendra	President - US Operations
G.K. Sharma	Sr. Vice President - Production
Subodh Gupta	Sr. Vice President - Commercial
S.C. Srinivasan	Vice President - R & D
R.S. Dhaliwal	Vice President - Human Resources
Pardeep Verma	Company Secretary

Committees of the Board

Audit Committee

K.M.S. Nambiar	Chairman
Dr. G. Munjal	Member
Dr. J.K. Kakkar	Member
Dr. S. D. Nanda	Member

Remuneration Committee

K.M.S. Nambiar	Chairman
Dr. S. D. Nanda	Member
S.R. Mehta	Member
N.R. Munjal	Permanent Invitee
V.K. Mehta	Permanent Invitee

Share Transfer & Shareholder /Investor Grievance Committee

K.M.S. Nambiar	Chairman
Dr. J.K.Kakkar	Member
S.R. Mehta	Member
N.R. Munjal	Member

Compensation Committee

Dr. J.K. Kakkar	Chairman
K.M.S. Nambiar	Member
Dr. S. D. Nanda	Member
N.R. Munjal	Member
V.K. Mehta	Member

REGISTERED OFFICE
S.C.O. 493-94, Sector 35-C,
Chandigarh-160 022
Telephone:91-172-2660918,2604934
Fax: 91-172 -2660920

Share Department
S.C.O: 850, Shivalik Enclave, NAC,
Manimajra, Chandigarh 160 101
Tele: - 91-172- 2730503, 2730920
Fax: - 91-172 2730504, 2736294
Email: info@indswift.com
Website: www.indswiftlabs.com

Solicitors
P.K. Goklaney & Company
Advocate & Solicitors
38, Sector 16-A,
Chandigarh 160016

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

BANKERS

State Bank of India
Specialized Commercial Branch,
SCO: 103-106, Sector 17-B,
Chandigarh -160 017

Bank of India
Bank Square,
SCO:81-93, Sector 17-B,
Chandigarh-160 017

State Bank of Patiala
Commercial Branch,
SCO: 103-107, Sector 8-C,
Chandigarh

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NOTICE OF 12th ANNUAL GENERAL MEETING

NOTICE is hereby given that the 12th Annual General Meeting of the Members of Ind-Swift Laboratories Limited will be held on Saturday, the 29th day of September, 2007, at 11:00 A.M. at B.M.S. Lobana Bhawan, Sector 30-A, Chandigarh, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider, approve and adopt the Profit and Loss Account for the year ended 31st March, 2007, the Balance sheet as on that date and to receive, consider and adopt the Directors' and Auditors' Reports thereupon.
2. To declare dividend on equity shares for the year ending 31st March, 2007.
3. To appoint Director in place of Dr. J.K. Kakkar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Director in place of Sh. K.M.S. Nambiar, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass, with or without modification/s, the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 314 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval from the Central Government, Mr. Sahil Munjal, a son of Mr. N.R. Munjal , Managing Director of the Company, be and is hereby appointed to hold an office/place of profit under the Company as a Manager (IT) or such other positions as the Board may decide, with effect from the date on which his appointment is approved by the Central Government, on a monthly pay scale including perquisites of Minimum Rs.45,000 subject to Maximum of Rs.2,00,000 per month on the terms and conditions applicable as applicable in the Company.

RESOLVED FURTHER THAT in the event of any statutory amendment or modification or relaxation or re-enactment by the Central Government to Section 314 of the Companies Act, 1956, the Board of Directors be and is hereby authorized to vary or increase the remuneration including the salary, perquisites, allowances, etc. within such prescribed limit or ceiling without any further reference to the Company in general meeting.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to take such steps as may be necessary to give effect to this resolution."

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 AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY TO BE EFFECTIVE, SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The dividend as recommended by the board of directors, if declared at this Annual General Meeting will be paid on or after 3rd October, 2007 to those members whose names stand registered in the Register of Members as on Friday, September 28th, 2007 and in respect of shares held in electronic form, the beneficial owners of the shares by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) at the close of business hours on Monday, September 24th, 2007.
3. The Register of members and the Share Transfer Books of the Company will remain closed from Tuesday, 25th September, 2007 to Friday, 28th September, 2007 (both days inclusive) pursuant to provisions of section 154 of the Companies Act, 1956 and clauses of listing agreement entered into with Stock exchanges.
4. Members holding shares in physical form are requested to notify/send any change in their address/mandate/ bank details and particulars of their account in case the same have not been sent earlier to the Company's Registrar and Transfer Agent to facilitate better services. Such members, if desired of making a nomination in respect of their shareholding in the company, as permitted under Section 109A of the Companies Act, 1956 are requested to submit details to the Registrar & Transfer Agents of the company, in the prescribed Form 2B for this purpose.
5. Members holding shares in electronic form are advised that address/bank details as furnished to the company by the respective Depositories viz CDSL & NSDL, will be printed on dividend warrant. Members are requested to inform the concerned Depository Participant of any change in address, dividend mandate etc.

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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 Report to the meeting, as no further copies would be made available.

Place: Chandigarh
Date: 28th August, 2007

By Order of the Board

PARDEEP VERMA
COMPANY SECRETARY

Registered Office:
SCO 493-94, Sector 35-C Chandigarh

ANNEXURE TO NOTICE

Explanatory Statement Pursuant to Section 173(2) of Companies Act, 1956.

Item No. 6

Mr. Sahil Munjal is an engineering graduate in the field of Computer Science and Technology from Kurukshetra University, Haryana.

The Company is in the process of implementation of ERP/ SAP (Entrepreneur Resources Planning/ System Analysis and Programme Development) at all its locations. ERP and SAP systems will facilitate the timely dissemination of the information which will enhance the efficiency and effective decision making. Considering the education and background of Mr. Sahil Munjal, the Board of directors feel that it will be in the best interest of the Company to appoint him as Manager- IT or such other positions as the Board may deem fit, on a monthly pay scale including perquisites of Minimum Rs. 45,000 subject to Maximum of Rs.2,00,000 per month on the terms and conditions as applicable in the Company. Since Mr. Sahil Munjal is a son of Mr. N.R. Munjal, Managing Director of the Company, so as per the provisions of Section 314 of the Companies Act, 1956, approval of the shareholders is necessary.

The Board of Directors recommends the Resolution for the approval of the Members.

Mr. N.R. Munjal and Dr. G. Munjal being the relatives of Mr. Sahil Munjal are deemed to be concerned or interested in the resolution.

None of the other Directors of the Company are concerned or interested in the said resolution.

By Order of the Board

Registered Office:
SCO 493-94, Sector 35-C,
Chandigarh.

PARDEEP VERMA
COMPANY SECRETARY

Dated: 28th August, 2007

Details of Directors Seeking Re-appointment at the forthcoming Annual General Meeting of the Company (pursuant to clause 49 of the Listing Agreement with the Stock Exchanges)

Name of Director	Mr. K.M.S. Nambiar	Dr. J.K. Kakkar
Date of Birth	03.01.1943	10.06.1936
Date of Appointment	30.10.2001	9.01.1997
Expertise in specific functional Area	Finance and Accounts	Health Management & Administration
Qualifications	MA, FCS	MBBS, DPH, FISCD
Details of Share held	Nil	Nil
List Company in which outside Directorships held as on 31.03.2007 (excluding Private & Foreign Companies)	Ind-Swift Limited	N/A
Chairman / Member of the Committees of other Company on which he is director as on 31.3.07	Ind-Swift Limited Chairman - Audit Committee and Shareholders Grievance Committee	N/A

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From the M.D. & J.M.D. Desks



N.R. Munjal
Managing Director



V.K. Mehta
Jt. Managing Director

Dear Share Owners,

The environment of the global generics business remained dynamic marked equally by opportunities and challenges across the globe. Over the last few years the Company has focused its efforts to seek these opportunities and face the challenges, as a result of which it has rapidly evolved from an India focus to Global presence with progressive investments in marketing set-up and the state of the Art infrastructure.

To realize its true potential as a global value driven pharmaceutical Organization ,the Company recognized that it would not be enough to merely scale its product portfolio but to supplement it with a wide, deep and consistent presence across the key global markets. Today your Company is present across all the regions of the globe. In line with the vision of the Company to have a progressive shift to the regulated markets, a substantial share of export revenues came from the European Markets. Company also received the first USFDA approval of its facilities in addition to the TGA and COS accredition thus paving the way for its entry to the most stringent and regulated markets of the US.

Our sustained investments of over the years in creating the manufacturing facilities meeting Global Standards have been pioneers of the high quality standards.

While our journey to becoming a discovery-led global pharmaceutical Company continues unabated, it is fact that we performed well below par during the year. There can be little doubt that 2006-07 has been a very challenging year for your Company.

Heavy Capital expansion in 2005-06 , intense competition and severe pricing preasures resulted in low margins. Your Company suffered a fall in EBIDTA and PAT for the first time in its history. Although we managed to keep the revenues at PAR but overall increase in operational costs and finance cost eroded the margins which fell by nearly 44%.

The old products sustained the pricing pressures and continued to support the bottom line. The impressive new product launches and new product pipeline re-enforced the Company's focus on launching new Blockbuster drugs in the coming years.

We have consistently felt that the only viable way of securing higher growth and profits and thereby reaching global scale of operations is through successful R&D. Therefore, despite short-term market reversals, we actually raised R&D investments by almost 26% percent, from Rs. 458.58 million in 2005-06 to Rs. 585.04 million in 2006-07. Today, R&D investments account for 16 percent of the total revenue of your Company, which is not only the highest among all Indian pharmaceutical players but also is proportionately in line with global best-in-class.

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From a purely short-term perspective, the fall in margins combines with higher R&D investments contributed to a sharp, unprecedented drop in your Company's profits. However, we need to emphasize that it is a short-term phenomenon. For one, we have put corrective processes in place to further reduce operational costs and gain markets, which ought to reverse what occurred in 2006-07. The effective steps being taken are that :

1. The Iran project has been operationalised and put on a fast track which would give the Company an enhanced presence in the Middle East.

2. The Company is in the process of setting up a new containment facility for oncology products which will give additional and sustained revenues to the Company.

3. The Successful USFDA of the Clarithromycin has triggered the opening of the Regulated markets for the Company; the Company thru its US Subsidiary has inked key exclusive supply contracts which will begin from the 2009 onwards.

4. The opening up of a separate R&D centre has boosted the Research efforts of the Company, a number of new products are in pipeline for launching in the domestic and international markets

Growth is imperative for enterprise success. We are constantly scouting for and evaluating new opportunities of growth that will take your Company to new heights. As we write we are structuring a model for attaining in-organic growth it will be pre-mature to share the details at this stage but proper information will be disseminated as and when the deals are finalized .

The year 2006-07 was more of a year for introspection, consolidation and making each of us to be more determined than ever before . With the support of our dedicated Human Resources we endeavour to achieve new targets in the coming years .

(V.K. MEHTA)
JT. MANAGING DIRECTOR

(N.R. MUNJAL)
MANAGING DIRECTOR

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MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Structure and Developments

As per IMS Health, the 2006 global pharmaceutical market grew 7.0 percent, to $ 643 billion. A rebound in growth to 8.3 percent in the U.S fueled by an increase in prescribing volume due to Medicare Part D and innovations in oncologics that drove strong 20.5 percent global growth in that therapeutic class, were key contributors to the market's expansion.

In 2006, specialist-driven products contributed 62 percent of the market's total growth, compared with just 35 percent in 2000. A number of primary care classes are experiencing slowing or below market-average growth due to the entry of lower-cost, high-quality generics and switches to over-the-counter product. These classes include proton pump inhibitors, and antidepressants. Last year, generics represented more than half of the volume of pharmaceutical products sold in seven key world markets - U.S., Canada, France, Germany, Italy, Spain, and the U.K. This trend reflects the changing balance between new and old products and the growing "genericization" of many primary care categories.

In 2006, North America, which accounts for 45 percent of global pharmaceutical sales, grew 8.3 percent to $290.1 billion, up from 5.4 percent the previous year. This strong growth was due to the impact in the U.S. of the first year of the Medicare Part D benefit and the resulting increase in prescribing volume, as well as solid 7.6 percent growth in Canada. The five major European markets (France, Germany, Italy, Spain and the U.K.) experienced 4.4 percent growth to $123.2 billion, down from 4.8 percent growth in 2005, the third year of slowing performance . Sales in Latin America grew 12.7 percent to $33.6 Billion, while Asia Pacific (outside of Japan) and Africa grew 10.5 percent to $66 billion.

Japan experienced a 0.4 percent decline from a year earlier, to $64.0 billion, the result of the government's biennial price cuts. Pharmaceutical sale in China grew 12.3 percent to $13.4 billion in 2006, compared with a 20.5 percent pace the prior year. This slowdown in growth was due to the government's introduction of a campaign to limit physician promotion of pharmaceuticals. India was one of the fastest growing markets in 2006, with pharmaceutical sales increasing 17.5 percent to $7.3 billion.

Last year, India transitioned from a 'developing' market to an emerging one, with many multi-national pharmaceutical companies tapping into the huge potential this market offers. Several factors, including the acceptance of intellectual property rights, a robust economy and the country's burgeoning healthcare needs have contributed to accelerated growth in India .

Overall, 27 percent of total market growth is now coming from countries with a per-capita Gross National Income of less than $20,000. As recently as 2001, these lower-income countries contributed just 13 percent of growth.

Opportunities

Demand for effective medicines is rising, as the population ages, new medical needs emerge and the disease burden of the developing world increasingly resembles that of the developed world. The E7 countries Brazil, China, India, Indonesia, Mexico, Russia and Turkey are also becoming much more prosperous, with real gross domestic product (GDP) projected to triple over the next 13 years. By 2020, the E7 could account for as much as one-fifth of global sales.

Despite continued expansion of the pharmaceutical market, underlying dynamics continue to alter the landscape. In 2006, products with sales in excess of $18 billion lost their patent protection in seven key markets - - including the U.S., which represents more than $ 14 billion of these sales. With high uptake of lower-cost therapies replacing branded products in classes such as lipid regulators, antidepressants, platelet aggregation inhibitors, antiemetics and respiratory agents, generics will assume a more central role as payers seek to restrict the growth of healthcare expenditures. Another factor influencing the market is the increasingly active role of patients as they take charge of their health and demand greater access to therapies that will improve or prolong their lives.

These shifts are placing new demands on pharmaceutical and biotech companies of all sizes. The most successful manufacturers will be those that focus on payers and patients, without losing perspective on the crucial role of physicians.

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To sustain growth, pharmaceutical companies need to stay ahead of the dynamics that are rebalancing the marketplace worldwide. This requires a sharper focus on realizing productivity gains from their sales, marketing and launch investments, a comprehensive assessment of their R&D and portfolio strategies to support opportunities in both emerging and mature markets, and a commitment to better demonstrate the value of the medications among key interest holders.

Internal Control Systems

Your company has an adequate system of internal controls which ensures that its assets are protected against loss from unauthorized use or disposition and all transactions are authorized, recorded and reported in conformity with generally accepted accounting principles.

The internal control systems are documented with clearly defined authority limits. These systems are designed to ensure accuracy and reliability of accounting date, promotion of operational efficiency and adherence to the prescribed management policies. These policies are periodically updated to meet current business requirements.

In line with the requirement of the amended Clause 49 of the Listing Agreement which came into force on 1st January, 2006 the company had appointed a firm of Consultants to do a complete review of risks faced by the company and to help put in place a Risk management framework. Risk Management as a formal concept is an integral part of the business process and the recommendations are being implemented.

Segment wise performance

The company operates only in the pharmaceutical segment.

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Human Resources

During the year Company cultivated a work environment that encouraged high performance, team efforts, work culture and up gradation of talent and capabilities.

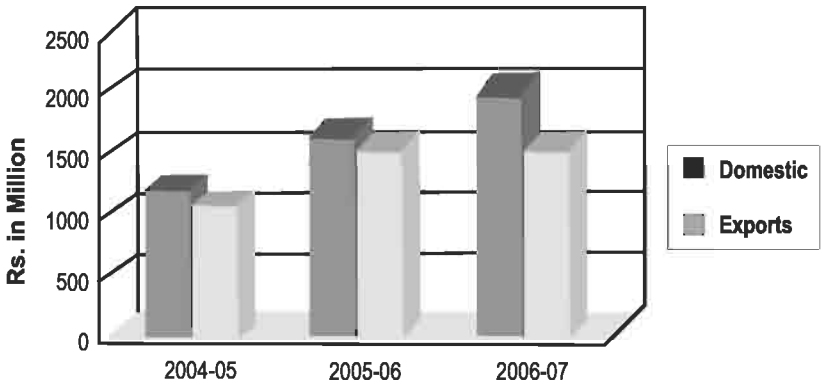
Human resources management is a key focus area for the Company and there has been a constant endeavor to attract and retain the best talent.

The Company is regularly conducting Training and Workshops to meet the training and development needs of its employees.

Financial Performance with respect to Operational Performance Sales

The gross sales revenue increased from Rs. 3234.16 Million in 2005-06 to Rs. 3561.06 Million in 2006-07 recording a growth of 10.11% over the previous financial year.

Revenue from Domestic sales increased from Rs.1674.07 Million to Rs. 2017.43 Million recording a growth of 20.51%. The revenue from exports decreased by 1.06%, ie., from Rs.1560.09 Million in the previous year to Rs. 1543.63 Million in the year 2006-07.

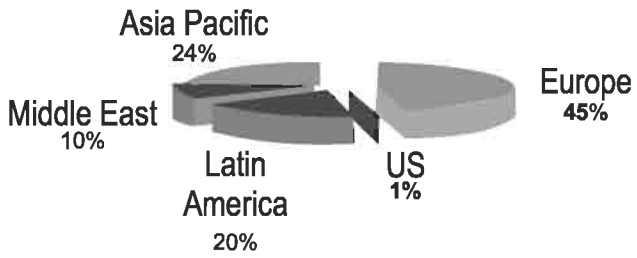


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The Company experienced pricing pressure on its products during the year. In volume terms the sales increased from 194.04 Tonnes in 2005-06 to 227.51 Tonnes in 2006-07.

Exports constitute about 43.35% of the company's gross sales. The company has presence in 45-50 countries-principally European countries, Asian Countries, Latin American countries and Middle East.

Composition of the export income



Review of the Key Export Markets

USA

US continues to be a major thrust area for the Company. Ind Swift Laboratories Inc. (ISL, Inc.), a wholly owned subsidiary of Ind-Swift Pharmaceuticals, Ltd., was incorporated in USA in March, 2004 to facilitate the entry of the Company to the regulated markets. ISL Inc. has been instrumental in triggering and completion of USFDA for the Company.

Company has thru its subsidiary tied up for 8 of its products in the US markets the supplies will commence after the patent expiry. Company has also bagged an agreement with a biotech company to supply API's on an exclusive basis for their ongoing NDA project. In next 4-5 years, Company expects US to contribute to 20% of the Revenues

Latin America

In the last few years, the world has witnessed the great pace of economic development in Latin American region wherein, majority of the countries have demonstrated a record economic boom. In the light of exploring more business opportunities, Ind-Swift has thus, been able to effectively carve out a niche for itself within this region, with its ability to provide a strong technical support to its customers.

Brazil

Brazil has the distinction of being the largest pharmaceutical market in Latin America. Last fiscal year witnessed, Ind Swift, consolidating its position for its products mainly, Fexofenadine, Clarithromycin powder & Granules with the leading generic companies. With patents nearing expiry for few products from our range in Brazil, we have successfully been able to enter into the tie-ups with generic companies with Ind-Swift Labs as the exclusive primary source. The strategy of laying focus on the specific customer has been the key to our consistent growth in this market.

Mexico

In the year 2004-2005, we started our operations in Mexico, which has started yielding results. With a turn over of more than 1 million USD, within the first year of operation, the market further, opens up new avenues of growth. We have attained the position of market leader for our macrolide range of products, and with the considerable interest developing on Clopidogrel and Nitazoxanide, we aim to maximize business from other products in the years to come.

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Argentina

Despite economic slowdown in Argentina, Ind Swift has continued to strengthen its position in the market. The market has a huge potential for all the products manufactured by Ind swift. Besides our existing marginal market share for Clarithromycin Powder, Clarithromycin Granules & Atorvastatin, Ind Swift has positioned its new range of products viz Letrozole, Nitazoxanide & Clopidogrel. In Chile, the pharmaceutical industry is mainly dominated by three local pharma companies with which Ind-Swift has entered into alliances for its range of products. The market share in Columbia has further grown considerably, in the last fiscal year.

Uruguay and Paraguay

Although Uruguay and Paraguay are not very big markets but the countries offer good potential for our range of products. Thus, in the year 2006-2007, the company made a strategic move of entering Paraguay and within a year, Ind-Swift emerged as a strong API player has been able to firm up its presence in these markets within a short span of time.

Ind swift has been able to successfully mark its presence in the Central American markets of Guatemala, & Costa Rica, as well and making inroads in the other countries in the region.

Europe

In line with the vision of the company to have a progressive shift to the regulated markets, the year witnessed a substantial share of revenues from the European markets.

The European markets mainly include the 27 member states of the European Union. Most countries in the European Union follow similar rules and regulations pertaining to the Pharmaceutical sector. Whereas in 2004 the European Union added 10 states including countries like Poland, Cyprus, Hungary, Slovenia, beginning of 2007, two more countries Bulgaria and Romania joined the European Union.

Ind-Swift recorded US$ 12 million in sales during the fiscal year with a large part of it coming from the Central and Eastern European markets (CEE). Though the sales from this region have grown over the years are the company has filed more DMF's in the last few years and established new plants consistent with the standards set by the European Union, the best is yet to be seen in the next few years.

The grant of the Certificate of Suitability (COS) for Clarithromycin, company's paramount product, opened many more opportunities not only in CEE but also West Europe.

Ind-Swift is now exporting to more than 15 member states of the EU including some of the highly potential markets such as Germany, France, Greece, Spain, Poland, Romania and Slovenia. With an array of new product developments and patents for several of our range of products expiring in the next 5 years, this region promises to offer the necessary impetus to growth and expansion of the company. The company is scheduled to file DMFs in CTD format for several new products in Europe throughout next year.

West Asia, North Africa & Gulf Countries.

The West Asia which is also sometimes referred to as the Middle East,

which also includes certain states of the African Continent has been the mainstay for the company for past several years.

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