



Ind-Swift

CONSTANTIA ET VIRTUTE

(BY FIRMNESS AND CONVICTION)

IND-SWIFT LABORATORIES LIMITED
ANNUAL REPORT 2012-13



01	Constantia Et Virtute
02	Message from Vice Chairman cum Managing Director
04	Review of Key Markets
08	Research & Development
10	Quality Control and Quality Assurance
12	Our Manufacturing Strengths
14	Presence in Phyto-Chemicals
16	Human Resources Developments and Key Achievements
17	Corporate Social Responsibility
19	Corporate Information
20	Director's Report
27	Management Discussion and Analysis Report
29	Report on Corporate Governance
41	Independent Auditors' Report
44	Balance Sheet
45	Statement of Profit and Loss
46	Cash Flow Statement
48	Notes Forming Part of Balance Sheet and Statement of Profit and Loss
67	Consolidated Accounts
90	Notice



CONSTANTIA ET VIRTUTE

(BY FIRMNESS AND CONVICTION)



Every business experiences challenges and difficulties in its path of progress. Many a times, the challenges are due to external factors over which a business does not have much control. Changes in governmental regulations, occurrence of an unforeseen accident, are some examples that create temporary aberrations for any business, however well-prepared it might be.

But what differentiates successful businesses is how they face these challenges and their attitude to overcome the difficulties in their paths. It is with the firmness of their faith and conviction in their strengths that businesses not only survive, but emerge stronger.

At Ind-Swift, we are passing through one such challenging phase in our journey. We faced setbacks due to forex losses

and delayed return on the heavy capital expansions. The fire accident at Dashmesh Medicare Pvt. Ltd. plant caused severe damage to life and property. And to make matters worse, interest rates increased and raising fresh capital became not only expensive, but difficult.

In spite of these challenges, we have maintained our operational efficiency and pace. We are confident and committed to overcome troubled times by firmness and conviction

CONSTANTIA ET VIRTUTE

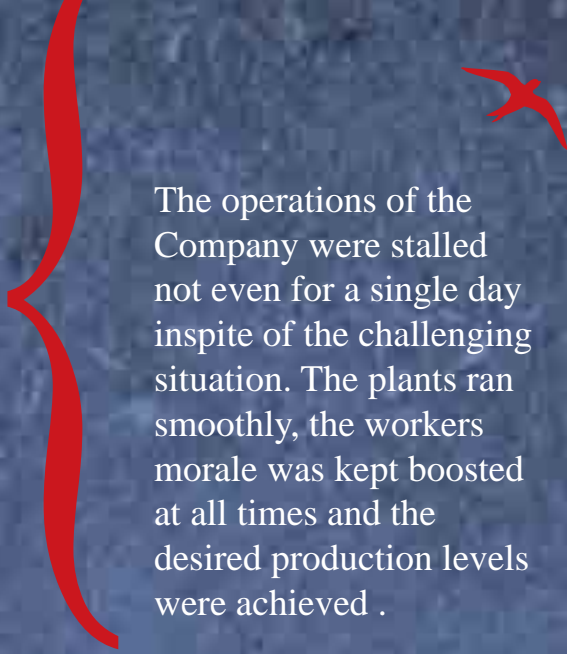
MESSAGE FROM VICE CHAIRMAN CUM MANAGING DIRECTOR

My Dear Shareowners,

The financial year 2012-13 was a tough year in the history of the Company as we had to take some harsh decisions in view of the severe liquidity crisis perpetuated by various reasons like forex losses, high debt burden and lesser return from the investment made by the Company on Fixed Assets and R&D. The Company went into CDR with the support of its lending banks, which came at a right time and enabled the Company to consolidate its operations and focus on plan to put it back on the track .

The CDR package stands implemented and the Company is performing as per the projections laid down in the CDR. The financial year saw the Company achieving a turnover of ₹ 11,005 millions and EBIDTA of ₹ 883 millions. The financial year saw Company recording a major net loss of ₹ 1,190 millions.

All this time, when the Company was focusing on the CDR and managing the difficult times, we were focused on one thing - operations. The operations of the Company were stalled not even for a single day inspite of the challenging situation. The plants ran smoothly, the workers morale was kept boosted at all times and the desired production levels were achieved .



The operations of the Company were stalled not even for a single day inspite of the challenging situation. The plants ran smoothly, the workers morale was kept boosted at all times and the desired production levels were achieved .

Ind-Swift at present is one of the largest generic manufacturers of bulk drugs across the globe. We have one of the largest accredited facilities having all the required certifications like USFDA, TGA, MHRA, PMDA, KFDA etc. We have the best generic manufacturers across the globe as our clients. The Company has been determined at providing the best materials with top-class quality to its customers. The Company has a big global footprint covering customers spread across the major economies of the world and is ever increasing as the Company explores new markets for its products.

The Company has established a strong foothold in the highly regulated market of Japan where it ventured in the last two years. Presently, four of our products are commercially supplied to this market and two more are in the pipeline. The formulation of largest selling drug - Atorvastatin was launched in Japan with our API. Similarly, in Europe the formulation of Atorvastatin was launched on the very first day of its generic launch with our API.

Exports constitute 54% of the total sales. The Company's Derabassi manufacturing facility for API is focussing on exports. The facility comprises of 19 blocks and is one of the largest API manufacturing facility in Asia.

The Company has a strong R&D set up with a dedicated state of the art R&D centre at Mohali. Last year, Ind-Swift filed total of nine patent applications. Of these, five applications have been filed in India, three as PCT applications and one application has been filed in USA. In 2012-13, the Company has also been awarded two patents, one in USA and one in Russia for Ivabradine Oxalate.

The in-house Chemical Research and Development (CRD) works on the process development of molecules going off patent in coming years.

The patent non-infringing processes have been developed for Saxagliptin Monohydrate, Dabigatran Etxilate, Fesoterodine Fumarate, Raltegravir Potassium, Tapentadol Hydrochloride, Minodronic Acid and Silodosin. All these molecules have a great business potential upon patent expiry.

CRD has also carried out extensive process and operational improvements in the existing commercial products like Aripiprazole, Ivabradine Hydrochloride, Fexofenadine and Atorvastatin.

These efforts have helped the organisation bring down the cost of manufacturing and remain competitive in global markets.

Given the strong track record of process development, process research and manufacturing expertise from GMP plants, Ind-Swift has started offering Contract Research and Manufacturing services to global pharmaceutical companies. Ind-Swift has started offering Early Phase Drug Development Services, Process Development / Research Services, Custom Chemical Synthesis (CCS), Contract Manufacturing and Full Time Equivalents (FTEs) for Chemistry, Analytical, Regulatory and IPR services.

Within a short span of time, Ind-Swift has been able to establish relationships with various global innovators, Generics and biotech companies. The Company has successfully completed initial feasibility & evaluation of projects. This new SBU has already received business from reputed companies from the EU and Japan.

Ind-Swift has started offering Contract Research and Manufacturing services to global pharmaceutical companies.

Economis all over the world had foreseen hard times during the last financial year and this year it is our domestic economy which is under tremendous pressures and is now being termed as “ECONOMIC SLOW DOWN”. The rising value of the US dollar has its own impacts on the Company with high exports turnover. But despite these factors, the future appears stable and offers opportunities terms of increasing market share in the new markets and increasing turnover of new products launched recently.

Besides this, efforts are continuously being guided towards the process improvement and cost effectiveness in our current products and maintaining costs in the Company to ensure that difficult times are faced effectively.

We appreciate the support provided by our customers, bankers, creditors, fixed deposit holders, shareholders and our employees who have stood by us during this testing time for the Company. We are confident that with their support these difficult times will soon be a thing of the past in the coming two to three years. Till that time, we shall strive to achieve what we are destined to achieve with firmness and conviction

CONSTANTIA
ET VIRTUTE

Yours faithfully

N. R. Munjal
Vice Chairman
Cum Managing Director



25%

The compound growth rate in Latin American markets was more than 25%.

The hard work done by the Company during the last 6-8 years of gestation period has started yielding results in the regulated markets with increasing sales and realisations in these markets. This is helping company to drop some of the poor yielding markets and activity leading to overall improvement .

REVIEW OF KEY MARKETS

LATIN AMERICA

The outlook for the Latin American market is very positive, given the sheer size of it and the population growth projected. Challenges include potential cost-containment measures to be employed in countries such as Brazil and Argentina, local industry protection and over-reliance on GDP growth. Generics and biologics are amongst the strongest areas. Even if standards vary, the tendency is for 'similar drugs' without proven bio-equivalence to be phased out.

In Mexico, Argentina and Peru, public healthcare coverage is broadening, which will benefit the pharmaceutical industry. Clinical trials are also a growing sector, with huge patient pools.

According to IMS Health, the Latin American market will double in size from 2011 to 2015. Brazil is the most attractive market, but steady growth in other countries make Latin America a healthy proposition for investors, particularly when compared with other mature but stalling markets.

In the last few years, Ind-Swift has again achieved good sales in the Latin American region. The sales in Latin America in 2012-2013 was USD 14.7million. Ind-Swift also enjoyed a positive growth in the markets of Argentina, Colombia, Brazil, Mexico, El

Salvador and Peru. The Company already had presence in Peru, El Salvador and Ecuador markets, but the aggressive strategies helped us to penetrate the market deeper. We won many public tenders through our customers in these markets. The compound growth in these markets was more than 25%.

The new products offered in these markets for development are Dutasteride, Dapoxetine, Rousuvastatin, Temozolomide and Aripiprazole.





APAC

Asia is emerging as a global hub for the pharmaceutical industry. Given its traditional resourcefulness and determination, it is beyond doubt that Asia is a key driving force of the current global pharmaceutical industry. In recent years, healthcare demands among the region's populations have increased and its low operating costs continue to attract pharmaceutical companies.

The Asia-Pacific region is the third largest pharmaceutical market in the world after North America and Europe. In South-East Asia region, the pharmaceutical trends and developments vary from one market to another i.e., different speeds of growth. Despite the price competition faced from China, this region grew by 15%. The sale in 2011-2012 was USD 22.33 million which increased to USD 25.68 million in 2012-2013. The major contribution came from markets like Japan, South Korea, Pakistan and Bangladesh. The South-East Asian countries also saw a positive growth in 2012-2013.

Sales of the API which landed up in Japan increased from USD 6.24 million in 2011-12 to USD 10.82 million in 2012-13. The proactive steps taken in the form of product registrations fetched the growth of 74% for Japan market.

The new products offered in Asian markets are Dutasteride, Rosuvastatin, Deferasirox, Ivabradine (SE Asia), Dapoxetine and intermediates of Fexofenadine and Clopidogrel.



The proactive steps taken in the form of product registrations fetched the growth of 74% for Japan market.

74%





EUROPE & TURKEY

It's a mixed bag in Europe. 9 out of the 17 countries remain in recession and in a crisis mode. This has been a continuous trend for last 18 months which has been the longest ever, since the consolidated area data started getting recorded in 1995. Almost all large countries except Germany are in recession.

Acquisitions and mergers have become the norm rather than the exception in today's environment. Smaller companies are getting consolidated into large players. The key to success in Europe lies in establishing associations with top generic companies and Ind-Swift is on the right track with its strong relationships.

Last year saw the patent expiry of the world's largest selling product 'Atorvastatin Crystalline'. The Company was well prepared to take on the challenge to get its share of the pie and did so with entry through a leading generic company in almost all countries across Europe. The sales were further supported by captive consumption through the launch of finished formulations by our group company in key European markets. A large part of the revenues, besides Clarithromycin, were from this product.

Europe continues to lead the way in the world in terms of pricing pressure.

The austerity measures across the EU are impacting the revenue model and growth of several big players, which eventually is percolating down to smaller companies as well. The issue of reference pricing is also a concern. Pressure is eventually being passed onto API companies. To create a balance, Ind-Swift decided to follow the principle of carefully selecting the business of choice.

The Company was able to achieve its objective during the year by generating better than expected price realisations and a marginal growth in sales.

Turkey has repeatedly demonstrated consistent growth in the pharmaceutical sector. The market was more than USD 9.35 billion last year and has grown almost 12% in the first 4 months of 2013. With a rising internal demand, its increasing presence in regions like Middle East, North Africa, a growing demand for a mutual inspection procedure with EU and easing its entry further into all European markets, Turkey holds a promise of sustained growth. The Company is well established with the top players in the country and has built its strong business relations over the past decade and a half.



MENA

In spite of recent political unrest, economic, social and demographic changes are making the pharmaceutical markets in the Middle East & North Africa (MENA) region more attractive. Major advances for the pharmaceutical market in the Middle Eastern region include the establishment of a number of healthcare and biotech parks and the initiation of strategic partnerships between foreign and regional institutions for pharmaceutical R&D. Further adding to this is the general increase in the incidence rates of lifestyle diseases such as cancer. This has led to the establishment of numerous hospitals across many Middle Eastern countries increasing the demand for specialised and targeted therapies. The introduction of recent policies to liberalise the economy and the introduction of robust regional health insurance systems are likely to be key factors contributing to the growth of this market in the next five to ten years. Analyst estimates show a steady increase in the market size to as much as USD 15 billion by 2015.

Despite the progress, the pharmaceutical sector in the Gulf is still in an emerging phase, and drug manufacturing is at a relatively nascent stage due to a number of obstacles.

Market scenario

The Middle Eastern sector is primarily an import-oriented market with foreign investors holding respective shares in established businesses. As a part of the emerging pharma hub, major multinational giants including Amgen, Roche, Sanofi, Teva, Sandoz and J&J have considerable presence across the region. Simultaneously, base players of the Middle East and North African (MENA) market such as Julphar, Hikma, MEENA, Rhino, Sedico and Dar-Al-Dawa are also investing heavily in R&D, developing strong therapeutic portfolios in areas such as pediatrics and for lifestyle diseases such as obesity and cancer.

Ind-Swift has achieved good growth rate i.e., around 6 % in terms of revenue from year 2011-12 to 2012-13. Jordan is a primary market for Ind-Swift where we have achieved notable growth and new business is being developed day by day in this market. We have introduced new products and developed many new customers. In addition, we have got regular business with major players in this market like Dar Al Dawa, Hikma, Jordanian Pharmaceutical Company and many more. Due to political unrest in nearby countries, local formulation manufacturing companies exports are suffering leading to a small decrease in consumption.

The Egyptian pharmaceutical industry has enjoyed a period of considerable development in recent years. Since last year, the political situation is not stable causing production of local manufacturing companies to be hampered. Ind-Swift is catering its products to many companies and we have developed many new customers in this market and continue to develop many more.

The latest financial sanctions have a major impact on the pharmaceutical trade in Iran, although Ind-Swift is reaping benefits through joint venture of its Dubai subsidiaries with HFC. This year also we have achieved improved growth as compared to last year.

DOMESTIC

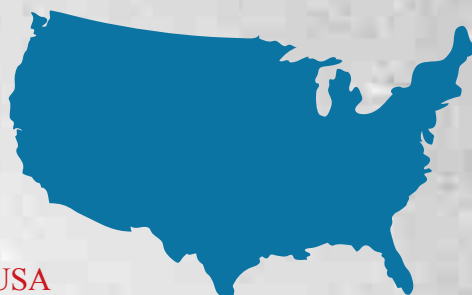
The Company has enjoyed another outstanding year with all top products enjoying healthy double digit growths. Ind-Swift is today regarded as the preferred partner by all major Indian and MNC finished dosage manufacturers. We have consolidated our product leadership in Clopidogrel, Fexofenadine and Atorvastatin without resorting to price drops. In fact, there have been instances where we

have been able to firm up the prices there by reducing the impact of a weakening currency. With increasing pressures we have kept our focus on the bottom line and are pleased to register a healthy growth.

Our key products like Clarithromycin, Atorvastatin, Clopidogrel and Fexofenadine have grown by over 50 %.

The key drivers to our growth have been:

1. excellent planning and execution under able guidance
2. the right mix of technical and timely support.



USA

The US generics market, currently estimated at USD 350 billion, continued to be most lucrative in the world, comprising more than half of the share of the global generics market. The huge potential of this market can be interpreted from its vast pharmaceutical market, which is again the largest in the world. Generics had an estimated share of around 78% in the US pharmaceuticals market and the growth of generics has outpaced the growth of overall pharmaceutical market. This generic drugs market is anticipated to grow by around 10-11% over next two years.

This year, Ind-Swift has filed 1 more US Drug Master File (DMF) with USFDA. The Company has started commercial sales of 4 more APIs viz., Donepezil HCl, Ropinirole HCl, Letrozole USP and Acamprosate Ca in North America.

ISL INC. will be launching three more products in the USA immediately after the expiry of their patent in coming years.

The Company's four additional products are being actively reviewed by regulatory agencies.

This year, the US subsidiary has facilitated a out-licensing agreement of a finished dosage product dossier for the Canadian market of Ind-Swift limited, a group company under supply agreement of API from Ind-Swift Laboratories Limited. Ind-Swift is continuously building alliances with top North American Pharmaceutical companies.

RESEARCH & DEVELOPMENT



195

patent applications
filed till date

109
patent
applications
filed in India

49
PCT
applications
filed

37
application
filed abroad
through
National Phase
Entry