



Ind-Swift

ANNUAL REPORT 2015-16

Ind-Swift LABORATORIES Limited

02	Message from Vice-Chairman cum Managing Director
04	Management Discussion and Analysis Report
06	Corporate Information
07	Director's Report
27	Report on Corporate Governance
43	Independent Auditor's Report
49	Standalone Balance Sheet, Statement of Profit and Loss, Cash Flow Statement & Notes forming part of Balance Sheet and Statement of Profit and Loss
72	Consolidated Accounts
98	Notice





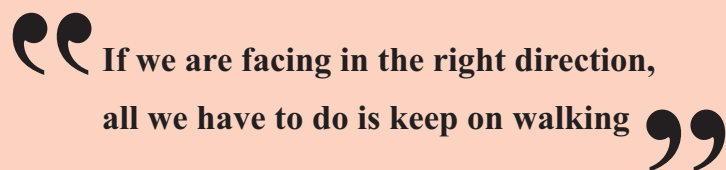
Ind-Swift Laboratories Limited

focuses on the development of Active Pharmaceutical Ingredients involving complex chemistry for high growth therapeutic segments coupled with an excellence in execution.

It has established global leadership in many products through innovative pharmaceutical solutions.

VICE-CHAIRMAN-CUM- MANAGING DIRECTOR'S OVERVIEW





If we are facing in the right direction,
all we have to do is keep on walking

Dear Stakeholders

We have always believed that great companies that are founded with a strong vision and built on solid values are the ones that thrive and live on. These are the companies that overcome challenges and excel beyond the competition, beyond economic cycles and eventually beyond lifetimes and generations. These are businesses that give their customers and society the reason why they exist, serving social needs while still delivering performance, growth and numbers.

At Ind-Swift, we have created a culture of creative optimism, of caring for people and our communities. This is what has helped us innovate and deliver strong performance even in the time of adversities, consistently. We are committed to care, to perform, to nurture and to share.

We are engaged in continuously sharpening our competitive advantage. In the rapidly changing landscape of technology and commerce in business, it is essential to continuously fine tune our growth engine. We are laying renewed emphasis on bringing superior products, designing innovative processes and building people's capabilities. Our people remain at the center stage of our performance.

We have had another year of sustained performance be it revenues, margins and enhanced EBIDTA. The Company continues to strengthen its position as an innovation-led transnational pharmaceutical company, which reinforces our belief that a strong business model, the right business practices, like-minded people, a lucrative pipeline and investments in strategic growth pays rich dividends even in the face of increased consolidation, competition and a volatile economic environment.

In FY 2015-16, all our key markets delivered and we continued to improve on operational performance, which resulted in sustained revenues of Rs. 6387.40 million despite the closing down of the menthol sales. Exports sales grew by 3.56% to Rs. 4457.58 million, EBITDA grew by 8.74% to Rs.1208.81 million and our Net Losses reduced from Rs.1191.63 million to Rs. 588.61million during FY 2015-16.

Continuing from the last year we remained focused on increasing the manufacturing sales . We have almost closed down the menthol division and its related sales . The year 2015-16 has been significant in terms of the increase in capacities of our key products, where we enhanced capacities of our few key molecules by 10-20% through de-bottlenecking and process improvements despite there being adverse pressures as to liquidity and working capital.

Japan continues to be the future growth market of the Company and the company remained focused on this market in the FY2015-16 . The revenue from the Japan increased by almost 30% during the year. Exports has been the key growth factor of the Company. Our Accredited facilities, advanced processes, technologies and sustained quality has enabled us to build our customers faith over the years. The Company facilities which enjoy all the major accreditations is one of the largest facility in the Northern India in terms of the production volumes.

We continue to increase our internal strength through process innovation and process re-engineering. All these years our people have been the main stay of the Company which enabled the Company to face the tough strides strongly and eventually we are on the verge of emerging as a winner, shortly.

During the period under review, relentless efforts have been made to settle the banks. Resultantly six accounts of the Company has been transferred to the Asset reconstruction Companies and sincere efforts are being made to settle the other banks also. Once this is achieved the Company will be able to chalk out the future core strategy of planning and managing the growth.

During the year, Company has paid a sum of Rs. 568.47 million towards Direct / Indirect Taxes and Statutory Dues. The Company's overall economic activities has created a value of over Rs. 1450 million during the year for its various stakeholders. The Company in this year has also been able to reduce its Fixed Deposit exposure from Rs. 823.30 million in the year 2014-15 to Rs. 670.30 million in 2015-16.

We realize that with growth comes responsibility and accountability. We must manage expectations of all stakeholders and commit to deliver superior performance each time. There is a need to continuously raise the bar and reinvent ourselves. We must focus beyond performance and intended outcomes. We are continuously evaluating various aspects of our business and how they impact our preparedness to achieve our objectives. Our ability to change, adapt and improvise shall remain the key to our growth initiative.

I appreciate the Support provided by our customers, bankers, creditors, fixed deposit holders, shareholders and above all employees. They have shown their unflinched faith in the Company and Company too will reciprocate in times to come.

N. R. Munjal
Vice Chairman
Cum Managing Director

Management Discussion and Analysis Report

INDUSTRY STRUCTURE AND DEVELOPMENT

Global Pharmaceutical markets are in the midst of major discontinuities . While growth in developed markets will slow down, emerging markets will become increasingly important in the coming decade. The Indian pharmaceutical market along with the markets of the China, Brazil, and Russia will spearhead growth within these markets.

The Indian Pharmaceutical markets has characteristics that make it unique. First: branded generics dominate , making upto 70-80 per cent of the retail market. Second: local players have enjoyed a dominant position driven by formulation development capabilities and early investments. Third: price level are low, driven by intense competition. While India rank tenth globally in terms of the value it is ranked third in volumes. These characteristics present their own opportunities and challenges.

A robust revenue growth of the global pharmaceutical market is poised to break horizon from the pharmerging market. The spending growth in the pharmerging market is expected to grow with a CAGR of 12% to 15% which will expedite the market growth in these countries.

Pharmerging markets will add USD 198 billion in annual sales to the global pharmaceutical market between 2016 and 2020. This value represents two third of the global pharmaceutical market growth which will be an increase of global share from 25% in 2016 to 33% in 2020. The BRIC nations i.e. Brazil, Russia, Indian and China will lead the pharmerging market.

Pharmerging markets have been classified into three categories as tier 1, tier 2 and tier 3 markets. Tier 1 pharmerging market includes China which is the largest and fastest growing pharmaceutical market. Tier 2 category includes India, Brazil and Russia. Tier 3 category includes the rest 17 countries which is further differentiated based on the average pharmaceutical spend per capita.

Major growth momentum will come through inorganic growth. However, multinationals are also growing organically by investment.

RISKS AND CONCERN

Generic competition, less margins is a concern. Regulatory constraints pose a threat. The Management is fully acquainted with these risks and concerns associated with the industry and continue to address them from time to time as required.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY:

The Company has adequate internal control system commensurate with its size and complexity. The Internal Financial Control System of the Company is being regularly monitored by the Internal team as well as Internal Auditors. Any deficiency in the controls is viewed seriously and corrective actions are taken to avoid repetition.

The Company has well-documented Standard Operating Procedures (SOPs) for various processes which are periodically reviewed. The Internal Auditor monitors the efficiency of the internal controls/compliance with SOPs and provides required information to the Audit Committee.

The Audit Committee of the Board of Directors reviews the adequacy and effectiveness of internal control system and suggests improvements for strengthening them. These controls are regularly monitored by the Internal Auditor to check effectiveness of the controls. The Audit Committee Members/ Board of Directors are regularly updated on the same.

The Company has the Risk Assessment Policy of each segment of business and the concerned Heads of Department are responsible to monitor the risks and take effective measures to mitigate them.

The financial statements are prepared in conformity with the established Accounting Standards and Principles.

Management Discussion and Analysis Report (Contd.)

FINANCIAL PERFORMANCE AND ANALYSIS

The Company achieved a turnover of Rs. 6529.28 million including a sum of Rs. 4457.58 million as export turnover. It earned an EBIDTA of Rs. 1208.80 million during this period. The bottom line however, continues to be in red at Rs. 588.61 million net loss for the year 2015-16. The consolidated accounts of the Company during the period under review, showed a turnover of Rs. 6674.36 million with a net loss of Rs. 586.88 million against the total income of Rs. 6827.06 million and net loss of Rs. 1193.68 million in the previous period.

The year 2015-16 saw the company focusing purely on the API sales and reducing to a great extent the trading and the menthol turnover. The increased focus resulted in achieving the similar EBIDTA levels from the reduced turnover also. The year had been tough in terms of managing the banks and financial institutions. Currently, top most efforts are being made by the Company to come out of this situation by roping in investments which could take care of the defaulting banks and financial institutions.

OPERATIONS REVIEW & COMPANY'S OUTLOOK

Company is well placed globally to claim the opportunities thrown open by the patents going off patent for major drugs, majority of which Ind-Swift Labs is already present. Company's strong research and technical skills has made it a preferred supplier of APIs and Intermediates.

Company is presently manufacturing more than 50 products across 16 therapeutic segments, few of them growing by more than the industry growth rates. Company has Filed more than 499 DMF's and it has filed DMF's even for the Drugs going off patent by 2022-2023.

During the year three new products (viz. Nateglinide, Ezitimibe and Rosuvastatin) were commercially launched and one new product was supplied in the bio-batch quantities (Lisdexamphetamine). The revenues are expected to increase with the launch of these new products .

The production capacities of 8 molecules was increased during the year through de-bottlenecking and improvement in processes. The Company continued to be one of the largest API manufacturer in the region with two manufacturing facilities one in Derabassi (Punjab) and another in Samba, (J&K). Company's Derabassi Manufacturing facility has all the major accreditations in place including that of the USFDA, TGA, MHRA, COS, KFDA, ANVISA & PMDA.

The Company is in process of settlement with its bank and this will boost the future growth plans of the Company.

HUMAN RESOURCE DEVELOPMENT / INDUSTRIAL RELATIONS

The Industrial relations in all divisions of the Company are cordial and harmonious. The employee strength of the Company as on 31st March, 2016 was 2247 including on-roll and contract employees. The Company encourages the employees to upgrade their knowledge and skills. The training sessions on various working parameters are conducted in routine apart from allowing employees for outside specialized training, wherever required.

ACCOUNTING TREATMENT

In the preparation of the financial statements, the Company has followed the Accounting Standards notified pursuant to Companies (Accounting Standards) Rules, 2006 (as amended) and as referred to in Section 133 of the Companies Act, 2013. There is no deviation from the prescribed Accounting Standards.

Statements in "Management Discussion and Analysis" describing the Company's objectives, projections, estimates, expectations or predictions are forward looking statements within the meaning of applicable security laws or regulations. These statements are based on certain assumptions and expectations of future events. The actual results might differ materially from those expressed or implied depending upon factors such as climatic conditions, global and domestic demand-supply conditions, finished goods prices, raw materials cost and availability, foreign exchange market movements, changes in Governmental regulations and tax structure, economic and political developments within India and the countries with which the Company has business. Therefore, the Company assumes no responsibility in respect of forward looking statements herein which may undergo change in future on the basis of subsequent developments, information or events.

Corporate Information

Board of Directors

S.R. Mehta	Non-Executive Chairman
N.R. Munjal	Vice-Chairman-cum-Managing Director
Himanshu Jain	Jt. Managing Director
Rishav Mehta	Executive Director
Dr. G. Munjal	Non Executive Director
Dr. V.R. Mehta	Non Executive Director
K.M.S. Nambiar	Independent Director
Dr. J.K. Kakkar	Independent Director
S.V. Singh	Nominee Director (SBI)
Pradeep Kumar	Independent Director
Dr. Ashwani Kumar Vig	Independent Director
Prabhat Khurana	Independent Director
Preetika S Chaubey	Independent Director (Ceased w.e.f. 11.08.2016)

Chief Financial Officer Narinder Kumar Bansal

Compliance Officer Pardeep Verma
GM-Corp. Affairs & Company Secretary

Senior Management Team

Dr. Lalit K. Wadhwa	Director & Chief Operating Officer (COO)
Vijay Kumar	Director (Marketing & Special Projects)
Vikas Narendra	President (US Operations)
Sahil Munjal	President (Operations & Special Assignments)
G.K. Sharma	Manufacturing Head
Subodh Gupta	Member Executive Board
Dr. R. Arul	Vice President (R&D & CRAMS)
Atul Choubey	Group HR Head
Suresh Chandra Arora	Head (Maintenance & Utility)
Sandeep Singh	Vice President (Procurement)
Saranjai Tyagi	Vice President (QA)
Rakesh Bahuguna	Vice President (QC)
Anurag Chaturvedi	Vice President (Marketing)
Varun Chhabra	Vice President (Marketing)

Committees of the Board

Audit Committee

K.M.S. Nambiar	Chairman
Dr. J.K. Kakkar	Member
S.V. Singh	Member
Pradeep Kumar	Member
N.R. Munjal	Member
Prabhat Khurana	Member

Nomination & Remuneration Committee

Pradeep Kumar	Chairman
K.M.S. Nambiar	Member
Dr. J.K. Kakkar	Member
S.V. Singh	Member

Stakeholders Relationship Committee

Dr. J.K. Kakkar	Chairman
Pradeep Kumar	Member
N.R. Munjal	Member
S.R. Mehta	Member

Compensation Committee

Dr. J.K. Kakkar	Chairman
K.M.S. Nambiar	Member
S.V. Singh	Member

Sub-Committee of Board

N.R. Munjal	Chairman
Himanshu Jain	Member
K.M.S. Nambiar	Member
Dr. J.K. Kakkar	Member
Pradeep Kumar	Member

Risk Management Committee

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

Solicitors

P.K. Goklaney & Company
Advocate & Solicitors
#38, Sector 16A, Chandigarh-160015

Auditors

Jain & Associates
Chartered Accountants
SCO 819-20, Sector 22-A, Chandigarh - 160022

Internal Auditors

Anju Sharma & Associates
Chartered Accountants
728, Phase- 4 Mohali-160059

Bankers

State Bank of India, Specialized Commercial Branch,
SCO: 103-108, Sector 17B, Chandigarh 160017

Bank of India, Bank Square,
SCO: 81-83, Sector 17B, Chandigarh 160017

State Bank of Patiala, Commercial Branch,
SCO: 103-106, Sector 8C, Chandigarh-160008

Registered Office

SCO 850, Shivalik Enclave, NAC,
Manimajra, Chandigarh - 160 101
Tele: - +91-172-5061850, 2730920
Fax: - +91-172-2730504, 2736294
Email: investor@indswiftlabs.com
Website: www.indswiftlabs.com

Corporate Identity Number:

L24232CH1995PLC015553

Registrar and Share Transfer Agent

M/s Alankit Assignments Ltd.
205-208, Anarkali Market,
Jhandewalan Extension,
New Delhi-110 055
Tel:- +91-11-42541965, 42541953
Fax:- +91-11-41540064
E-mail: info@alankit.com
Website: www.alankit.com

Directors' Report

Dear Shareowners,

Your Directors have great pleasure in presenting the 21st Annual Report together with audited statement of accounts for the year ended 31st March, 2016.

FINANCIAL RESULTS

Particulars	(Rs. in Millions)	
	Year Ending 31st March 2016	Year Ending 31st March 2015
Sales (net of excise) and other income	6529.29	6679.90
Profit before Interest, Depreciation, Tax & Amortisation	1208.81	1111.61
Less: - Interest	1064.08	1172.86
- Depreciation	847.49	842.90
- Impairment of Assets	Nil	Nil
- Extra Ordinary Item	145.81	527.91
Loss / (Income) on sale of fixed assets	-17.20	0.78
Profit / (Loss) before Tax	(831.36)	(1432.85)
Less: - Provision for tax	Nil	Nil
- Income tax adjustment of previous years	Nil	Nil
- Mat Credit Entitlement	Nil	Nil
- Provision for Fringe Benefit Tax	Nil	Nil
- Provision for Deffered Tax	(242.75)	(237.74)
Profit (Loss) after Tax (A)	(588.61)	(1191.63)
Amount B/F from Previous year(B)	(313.46)	878.18
Profit (Loss) after Tax available for Appropriations (A+B)	(902.07)	(313.46)
Transfer to deferred tax liability	Nil	Nil
Provision for Dividend on Equity shares	Nil	Nil
Provision for Equity Dividend Tax	Nil	Nil
Transfer to General Reserve	Nil	Nil
Balance carried forward to Balance sheet	(902.07)	(313.46)

OPERATIONS AND BUSINESS PERFORMANCE

During the current financial year, the Company has achieved a turnover of Rs. 6529.29 millions against the turnover of Rs. 6679.90 millions during financial year 2014-15. The Company has significantly recovered from losses as Net loss during 2015-16 is Rs. (588.61) millions against loss of Rs. (1191.633) millions in 2014-15. The Company's exports remained stable at 4457.58 millions in 2015-16 against Rs. 4304.30 millions during 2014-15. There has been no change in the nature of business of the company during the year under review. Kindly refer to Management Discussion & Analysis & Corporate Governance Report which forms part of this report.

CONSOLIDATED FINANCIAL PERFORMANCE

Your company recorded a consolidated turnover of Rs. 6674.36 Millions during 2015-16 against the turnover of Rs. 6827.06 Millions during 2014-15. In consolidated terms, the Company suffered a loss of Rs. 586.88 Millions in 2015-16, against loss of Rs. 1193.68 Millions in 2014-15. The Consolidated financial figures include the respective financial figures of the Company's three subsidiaries and one Associate Company. As required under the provisions of the Companies Act 2013 and SEBI (LODR) Regulations, 2015, Audited Consolidated Financial Statements form part of the Annual Report and the same are annexed to this Report.

DIRECTORS

Sh. S R Mehta, (DIN No. 00005668) and Sh. Rishav Mehta, (DIN: 03028663), Directors, retire by rotation at the ensuing Annual General Meeting ("AGM") and being eligible offer themselves for re-appointment. The Board recommends their re-appointment.

Directors' Report (Contd.)

In terms of the Companies Act, 2013 ('Act') Independent Directors are required to be excluded while computing the number of Directors to retire by rotation. Accordingly only the promoter directors have been considered for calculating the number of those who are to retire by rotation.

In accordance with Section 149(11) of the Companies Act, 2013, the current tenure of Independent Directors of the Company (except Sh. Prabhat Khurana) is for a term of 5 consecutive years from the date of their respective date of appointment. Sh. Prabhat Khurana who was appointed as Independent Director for a period of one year w.e.f. 25.03.2015, was re-appointed as Independent Director by the Board for a period of 5 years w.e.f. 25.03.2016. The Board has proposed re-appointment of Sh. Prabhat Khurana for approval of shareholders in the ensuing AGM. Ms. Preetika Chaubey, Independent Woman Director of the Company, ceased to be a Director w.e.f. 11.08.2016.

The Company has received declarations from all the Independent Directors of the Company confirming that they meet the criteria of independence as prescribed under the applicable provisions of Section 149 of the Companies Act, 2013.

During the year, six Board meetings were held on 16th May 2015, 19th June, 2015, 8th August 2015, 9th October 2015, 24th October 2015 and 10th February, 2016. The details regarding the meetings are given in the Corporate Governance Report.

CORPORATE GOVERNANCE

A Report on Corporate Governance forms part of this Annual Report. The Auditors' certificate certifying compliance with the conditions of Corporate Governance under Regulation 34(3) read with Schedule V of the SEBI (LODR) Regulations, 2015 is annexed as **Annexure 1** to this Report.

CORPORATE DEBT RESTRUCTURING

As on 31st March, 2016 some of the CDR Lenders viz. Catholic Syrian Bank, State Bank of Travancore, Allahabad Bank, State Bank of Hyderabad & Central Bank of India have assigned their Loans to Asset Reconstruction Companies (ARC). The Company is making all efforts to make settlement with other Banks and transfer their accounts to ARC. The entire amount of Promoters Contribution required to be infused by the Company as per CDR requirement has been infused during the year. The Company is awaiting necessary approval for the allotment of equity shares to promoters against the promoters contribution infused by them.

DIVIDEND

In view of financial losses, the Board has not recommended any Dividend for the Financial Year 2015-16.

Unpaid dividend outstanding as on 31.03.2016 is Rs. 9.76 lacs (Previous year Rs 13.51 lacs). During the financial year, an amount of Rs. 3.88 lacs was transferred to central government account (IEPF) on account of unpaid dividend for the financial year 2007-08.

EMPLOYEE STOCK OPTION SCHEME

The members of the Company have approved 'Employee Incentive Scheme 2014' in the Annual general Meeting of the Company held on 30th September, 2014.

The Scheme is being implemented by the Company and the in-principle approval of the Stock Exchanges for Listing of Securities to be issued under the said scheme has been obtained.

The Compensation Committee, Constituted in accordance with the SEBI Guidelines, administers and monitors the Scheme. The applicable disclosures as stipulated under the Regulation 14 of the SEBI (Share Based Employee Benefits) Regulations, 2014 with regard to Company's "Employee Incentive Scheme, 2014" are available on the website of the Company at www.indswiftlabs.com and the weblink for the same is:

http://www.indswiftlabs.com/pages/Disclosure_regarding_Employee_Stock_Options.pdf

CHANGE IN CAPITAL STRUCTURE AND LISTING OF SHARES

The Company's shares are listed on the National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE) and are actively traded.

During the year under review, there is no change in Capital Structure of the Company as no new shares were issued.

SUBSIDIARY COMPANIES

As on 31.03.2016, your Company had 3 Subsidiaries. The US subsidiary of the Company viz. Ind-Swift Laboratories Inc. achieved net sales of \$ 39,70,118 and recorded a net Profit of \$ 63,815. The Singapore Subsidiary viz Meteoric Life Sciences PTE Ltd. has no sales and recorded a net loss of \$ 3194.72. The Dubai Subsidiary viz. Ind-Swift Middle East FZE has not started operations yet.

Pursuant to the first proviso to Section 129(3) of the Companies Act, 2013 and Rules 5 and 8(1) of the Companies (Accounts) Rules, 2014, the salient features of the financial statements, performance and financial position of each subsidiary and a joint venture is given in Form AOC - 1 as **Annexure 2** to this report. The Company has framed a policy for determining material subsidiaries, which has been uploaded on the Company's website.