

# In good health!

Ind-Swift Laboratories Ltd. | Annual Report 2010-11



## Ind-Swift Laboratories Limited:

### High margin complex chemical synthesis

#### Key strengths

- High margin API player leveraging strong research skills in complex chemistry
- Global leadership in key products
- USFDA approved facilities
- Reliable supplier to domestic as well global formulation players
- Global reach - presence in more than 50 countries including large markets of USA and Japan through strategic alliances and tie-ups
- Research capabilities, manufacturing scale and regulatory approvals makes preferred partner of global pharmaceutical companies for CRAMS.

#### Future road map

- Increasing API product range through leveraging research skill for complex chemistry
- Creating global scale of key high value products going off-patent in next 2-3 years
- Enhancing global reach by increasing geographical presence.
- More product registrations for regulated markets - mainly for complex products.
- Continuously tapping long term CRAMs opportunities through strategic alliances with global players.

## Contents

- Corporate identity 02 ■ Vice-Chairman cum MD's overview 04 ■ Milestones 07 ■ Strengths 08
- Corporate information 21 ■ Directors' Report 22 ■ Management discussion and analysis 29
- Report on Corporate Governance 32 ■ Auditors' Report 45 ■ Balance Sheet 48 ■ Profit & Loss Account 49 ■ Cash Flow Statement 50 ■ Schedules to Accounts 52 ■ Balance Sheet Abstract 68
- Consolidated Financial Section 69 ■ Statement pursuant to Section 212 89 ■ Notice 90

Ind Swift Labs Ltd. seeks to establish global leadership through innovative pharmaceutical solutions.

Focusing on the development of active pharmaceutical ingredients, involving complex chemistry for high-growth therapeutic segments, coupled with an excellence in execution.





# Corporate identity

## Location

- Headquartered in Chandigarh, Punjab, India
- The company has manufacturing plants located at Derabassi, Patiala (Punjab) and Samba, Jammu (J&K) – in compliance with stringent USFDA and cGMP standards.

“Ill-health of body  
or of mind, is defeat.  
Health alone is victory.  
Let all men, if they can  
manage it, contrive to  
be healthy!”

-Thomas Carlyle



## Pride

- The company boasts of having a cumulative reactor capacity of 455 KL that is one of the largest in North India.
- The Company reinforces a competitive edge, having a sophisticated R&D centre manned by more than 100 scientists, again one of the largest of its kind in the region.
- In 2010-11, the company's shares which are listed on the Mumbai, National and Luxembourg Stock Exchanges, enjoyed a market capitalization of ₹331.96 crores as on 31st March 2011.

## Products

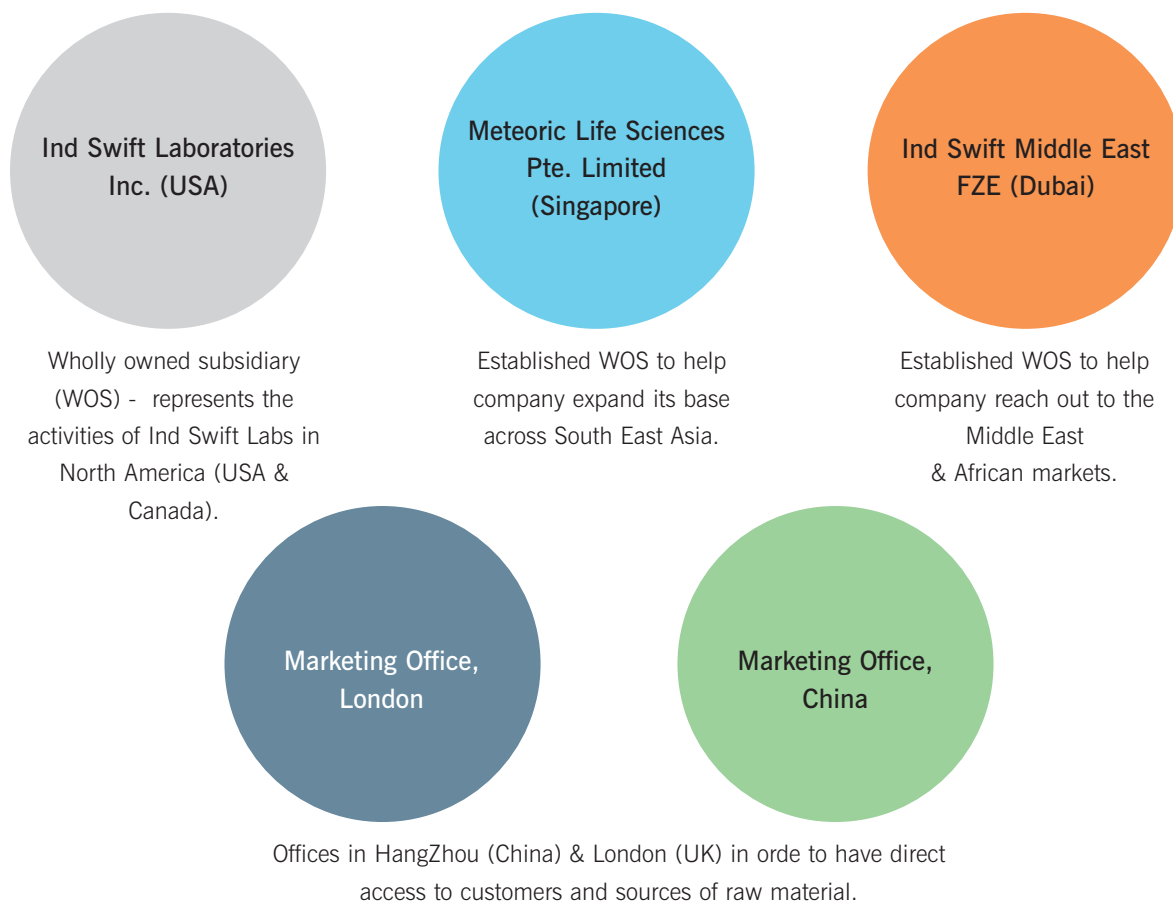
- Ind Swift Labs has evolved as one of the largest manufacturers of APIs and advanced intermediates.
- It has its presence in 16 therapeutic segments, of which five comprise sustained use therapies like cardiology, diabetology, oncology, anti-depressant and anti-hyperlipidemic.
- Its product basket comprises 40 APIs that are marketed in India and in the international markets. Of the product folder, 8 APIs are related to sustained-use therapies.
- The company is among the two leading global manufacturers of Clarithromycin/granules (with its own patented technologies), Atorvastatin, Fexofenadine, Clopidogrel and Nitazoxanide.

## Main Products

Therapeutic Segment	Molecule Name
Macrolide Antibiotics	Clarithromycin
Cardiovascular (CVS)	Atorvastatin, Clopidogrel
Anti-Cancer	Imatinib, Temozolamide
Anti-Hypertensive	Telmisartan, Olmesartan
Anti-Histamine	Fexofenadine
Anti-Diabetic	Pioglitazone
Anti-Diarrheal	Nitazoxanide
Anti-Depressants	Venlafaxine
Alzheimer's Disease	Donepezil

Source: Company Data

## Subsidiaries & Alliances



ISLL has been on a strong growth trajectory over the past five years benefitting from healthy growth in its key molecule - clarithromycin, ramp-up in the sales from new molecules and new client addition. This momentum is expected to continue on the back of planned new launches in regulated markets and tie-ups with generic companies.

The Indian pharmaceutical market has seen a CAGR of about 14% in the last five years.

It continues to be highly fragmented and dominated by Indian companies. The domestic pharmaceutical industry grew by 18% in March 2010 versus 10% in March 2009. Acute therapy dominates, with a share of over 75% of the total market value.

The chronic segment has registered a growth of 21%, versus 16% in the acute segment. Anti-infectives grew by 14%, respiratory and dermatology by 21%, cardiac by 21% and CNS by 20%.

In terms of scale, the India pharmaceutical market is ranked 14th in the world. By 2015, it will rank among the top 10 in the world, overtaking Brazil, Mexico, South Korea and Turkey.

More importantly, the incremental market growth of \$14 billion over the next decade, is likely to be the third largest among all markets.

The US and China are expected to add \$200 billion and \$23 billion respectively. India, Japan, Canada and the UK are expected to be the next in line with growth expectations in the range of \$13-14 billion during this time frame.

In keeping with this optimistic industry scenario, ISLL has been in the investment phase over the past 2-3 years with focus on developing APIs for products that are expected to go off-patent in regulated markets and for filings DMFs. The

company has increased the capacities for its major products this year. The new facilities will augment the company's efforts to tap the regulated markets and strengthen its presence in new markets, which is expected to account for hefty increase in its bottomline over the next four years. While doing so, ISLL has also conscientiously focused on process efficiencies, thereby increasing the production capacities without involving much of the investment.

ISLL received the Japanese government approval, which will facilitate company's presence in the Japanese market. In line with its strategy to strengthen its presence in the US market, the company has started supplying APIs in development quantities to generic companies for molecules that are expected to go off-patent post 2012 onwards.

As ISLL plans to target patent expiries in regulated markets, the company is in the process of expanding its product profile with major focus on chronic lifestyle related therapy areas such as Anti-Cancer, Anti-Diabetic and Anti-Psychotic.

ISLL has been on a strong growth trajectory over the past five years benefitting from healthy growth in its key molecule - clarithromycin, ramp-up in the sales from new molecules and new client addition predominantly in semi-regulated markets. This momentum is expected to continue on the back of planned new launches in regulated markets and tie-ups with generic companies. Further, the scale-up in menthol business is also likely to support growth going forward.



A man with grey hair and glasses, wearing a dark blue pinstripe suit, a light blue striped shirt, and a blue and white striped tie, is gesturing with his right hand towards a large orange circle. The background is a light green with a blurred pattern of concentric circles. There are also some abstract geometric shapes like a grey circle and a blue circle in the background.

ISLL increased the capacities for its major products this year. The new capacities will augment the company's efforts to tap the regulated markets and strengthen its presence in new markets which is expected to account for hefty increase in its bottom line over the next four years.



“Competitive pressures across the global pharmaceutical market have prompted industry players to continually modify their strategies in a bid to sustain revenue growth. While consolidation will continue, there is a growing trend for innovators to acquire or ally with generic companies as a new means of gaining entry to emerging markets dominated by branded generics.

Rapidly growing economies, increasing population, greater inclination and higher disposable income to spend on healthcare are driving the growth of pharmaceuticals in emerging markets. At Ind Swift, we have leveraged all these emerging and potential opportunities to map greater achievements of the company in the years to come”.

- Himanshu Jain, Jt. Managing Director

Over the next five years, ISLL plans to expand its product profile from 40 (at present) to 80 with focus on products that are expected to go off-patent between FY 2012-20. The steady growth in company's key molecules, introduction of new APIs, foray in newer markets and client addition are continuous processes. The growth has been particularly strong over the past two years driven by launch of several molecules, both in the domestic and exports markets. The Company has grown at a CAGR of 28% in terms of revenue and 40% in terms of post-tax profit in the last ten years.

The Company has earmarked a comprehensive business strategy to achieve US\$ 500 mn by 2015:

**Building up product pipeline with focus on regulated markets to drive growth:** In line with its strategy to transform its business with focus on regulated markets, ISLL is in the process of developing products that are expected to off-patent in the US and European markets post 2012 onwards.

**Expanding presence in fast-growing chronic therapeutic segments:** Traditionally, the product mix of ISLL has been concentrated on therapy segments such as antibiotics, CVS and anti-histamine. As it plans to target patent expiries in regulated markets, the company is in the process of expanding its product profile with major focus on chronic lifestyle related therapy areas such as Anti-Cancer, Anti-Diabetic and Anti-Psychotic.

**Establish a presence with leading generic players in Europe:** In European markets, ISLL has a fairly well established

presence with leading generic players in Central and Eastern European countries and hopes to further consolidate this alliance.

**Working on a two-pronged growth strategy for the European markets:** In addition to supplying bulk drugs to generic companies, as part of its strategy for European markets, the Ind-Swift group also aims to enter into the formulations segment through its formulations company - Ind-Swift Limited. ISLL will supply the APIs to ISL, which will in-turn file dossiers/enter into a marketing tie-up (with companies holding product registrations in Europe) and manufacture formulations.

**Alliance with generic majors and new product launches to expand presence in the U.S. market:** The company's strategy for the US market is slightly different from that for European markets as it intends to position itself only as a standalone API player by tying up with leading generic players for products that are expected to go off-patent over the next 2-3 years.

Taking all these views into consideration, it is evident that the company is in a healthy growth phase and stakeholders have myriad reasons of optimism across the foreseeable future.

Signed  
**N R Munjal**





# Milestones

## 1995

Incorporated by Ind Swift Limited with PSIDC

## 2004

- Maiden dividend
- Sets up subsidiary in US
- Launched Nitazoxanide in Asia for the first time

## 2007

USFDA approval for Clarithromycin

## 1997

IPO for ₹75 mn raised

## 2005

Second Plant at Jammu established

## 2008

Ventured into Phyto-Chemicals business

## 1998

First Plant at Derabassi commences production

## 2006

- USD 10 mn GDR raised
- New R&D facility in Mohali.
- JV in Iran to manufacture APIs

## 2010

KFDA approval for one product

## 2011

PMDA approval for two products





# Strengths

## Diversified portfolio

ISLL has a portfolio of 40 APIs that are marketed in India and abroad. Its portfolio caters to the 16 therapeutic areas including antibiotics, anti-cholesterol, anti-histamine, anti-diarrhea, anti-diabetics, anticancer, anti-depressants and anti-psychotic, among others. Its key products are Clarithromycin/ granules, Atorvastatin, Fexofenadine, Clopidogrel and Nitazoxanide.



## ISLL is among the larger API manufacturers in the world

- Manufactures APIs for 10 of the top 25 blockbuster drugs with a global market ~ US\$ 35 billion.
- Strong portfolio of 40+ products across 16 therapeutic categories.
- Worldwide presence in over 50 markets including mature markets (US, European Union and Japan) and 'pharmerging' markets.
- Amongst largest global manufacturers of Clarithromycin (including granules).
- Facilities approved by USFDA, MHRA, PMDA and TGA.

## Expanding reach beyond India

ISLL has 19 manufacturing and R&D blocks/plants located at Derabassi in Patiala district (Punjab) and Samba (J&K), which export APIs and advanced intermediates. Europe is the company's biggest export market, followed by Asia-Pacific, Latin America, Middle East and the US. ISLL has filed 21 drug master files (DMF) with the US FDA so far, and 353 DMFs across the globe in the common technical document (CTD) format.

## Therapeutic Segments

Over 40 Products Across 16 Segments

Segment	Products
Macrolide Antibiotics	Clarithromycin
Cardiovascular	Atorvastatin, Clopidogrel
Anti-Histamine	Fexofenadine
Anti-Diabetic	Pioglitazone
Anti-Diarrheal	Nitazoxanide
Aromatase Inhibitors	Letrozole, Anastrozole
Anti-Depressants	Venlafaxine
Anti-Psychotic	Quetiapine, Aripiprazole
Alzheimer Disease	Donepezil
Anti-Migrane	Naratriptan
Anti-Cancer	Imatinib, Temozolamide
Bone Resorption Inhibitor	Risedronate Sodium
Parkinson Disease	Ropinirole HCl
Hyperparathyroidism	Cinacalcet
Antihypertensive	Telmisartan, Olmesartan, Medoxomil
Alcohol Abstinence	Acamprosate Calcium

## Strong player in anti-biotic segment

ISLL derives more than 25% of its revenues from macrolides, a class of antibiotics. Clarithromycin and its coated granules is a second-generation macrolide product of the company, and its largest revenue contributor. It accounts for around 18.76% of total revenue for FY11. ISLL is a leading supplier of macrolides to generics companies in the World.