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Annual Report 2008

Empowered by perfection...
Enriched by values...

HERBALS
GENERIC
NUTRACEUTICALS
MEDICINES
INTERNATIONAL BUSINESS
BRANDED FORMULATIONS
DIAGNOSTICS

Mission

To create a 'Global Healthcare' brand identity synonymous with nurturing healthcare, eternal values, strong ethics and global quality of highest standards in pharmaceuticals, nutraceuticals and allied healthcare products.



Corporate Information

Chairman and Managing Director

Shashikant Patel

Whole-time Director & Chief Executive Officer

Chirag Patel

Executive Director

Gauravi Parikh

Director

Dr. G.N. Qazi

Pramod Shrivastava

Abhay Suhane

Company Secretary

Ashok Mishra

Auditors

N.P. Gandhi & Co., Chartered Accountants

Cost Auditors

Vijay P. Joshi & Co., Cost & Works Accountants

Registered Office

A.B. Road, Manglia-453 771, Distt. Indore (M.P.)

Administrative Office

37, Industrial Estate, Pologround,
Indore - 452 015 (M.P.)

Corporate Office

Sabnam House, Ground Floor, Plot No. A/15-16,
Central Cross Road B, Andheri (East),
Mumbai-400 093

Share Transfer Agent

Link Intime India Private Limited,
C-13, Pannalal Silk Mills Compound, LBS Marg,
Bhandup (West), Mumbai - 400 078

Bankers

Bank of Baroda
State Bank of Indore
IDBI Bank Limited
Exim Bank
State Bank of India
Bank of India
HSBC Limited
IndusInd Bank
Karur Vysya Bank
Allahabad Bank

Website

www.plethico.com



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1963 - 70

- ❑ The beginning of the group activity.
- ❑ Company's first formulation plant, manufacturing Tablets, Capsules and Liquid Orals, at Indore, Madhya Pradesh, India, established.

1981 - 90

- ❑ An ultra modern formulation plant was established at Manglia, near Indore, India to manufacture a wide range of allopathic formulations.

Innovative branded formulations were introduced and established in Anti-malarials, Anti-tubercular, Cardiovascular & Cough & Cold segments.

The company pioneered the launch of Doxycycline and Cotrimoxazole in the Indian market.

2001 - 2007

- ❑ Commissioning of the state of the art formulation manufacturing plant at Kalaria, Indore, as per the requirements of WHO GMP, UK MHRA and US FDA.
- ❑ Plethico, ranked amongst the Top five Anti-TB companies in India, with its revolutionary three/four drug fixed dose Anti-TB combinations.
- ❑ The company launched its Consumer Healthcare Division in India.
- ❑ Ultra modern fully integrated plants set up for manufacture of PET bottle (AOKI, Japan) and hard boiled candies (Klockner Hansel GmBH, Germany).
- ❑ The company acquired a marketing and distribution chain in the CIS, with subsidiaries in Russia, Ukraine, Kazakhstan, Moldova, Azerbaijan and Kyrgyzstan. Marketing and Distribution Joint ventures in South East Asia, Africa and Latin America.
- ❑ Initiative to acquire a USD 100 million company Natrol, in the United States of America, opening up the regulated markets like US, UK, Europe, Australia, New Zealand.

1971 - 80

- ❑ Up-gradation and expansion of Manufacturing facilities. Establishment of a nation wide marketing and distribution network. Introduction of branded formulations in various categories.

1991 - 2000

- ❑ Diversification into Herbal & Natural formulations with scientific and modern manufacturing plant for Herbals set up at Indore.
- ❑ Introduction of novel herbal products for hepatocare, diabetes and Syndrome X developed with in-house research and clinical evidence.
- ❑ Major thrust into International Marketing. Travisil, an indigenously developed herbal Cough & Cold product became a star performer in the entire CIS market.

2008

- ❑ Successful acquisition of Natrol Inc, USA and integration of its business along with Indian operations.
- ❑ Acquisition of 20% stake in Tricon Holdings FZE, having Retail Pharmacy Chain across CIS enabled company to expand its retail reach in CIS.
- ❑ Manufacturing project at UAE is at advanced stage of implementation. This manufacturing unit after completion will enable the company to make UAE as the main hub going forward.
- ❑ Up-gradation project of existing Kalaria Manufacturing Unit to make it UK MHRA compliant is at the advanced stage of completion.
- ❑ Project related to setting-up of another manufacturing unit at Kandla Special Economic Zone, Gandhidham, Gujarat commenced.

Manufacturing



The company has two ultra modern, fully integrated, state of the art, WHO-GMP certified units located in the lush green, pollution free surroundings of Indore, in the state of Madhya Pradesh, in Central India.

Both the plants conform to the regulatory requirements of US FDA, UK-MHRA & the CEU guidelines.

The manufacturing unit at Kandla set-up during the year 2000 also comply to the WHO-GMP specifications.

In order to expand manufacturing capacities, the Company is setting-up an ultra modern manufacturing unit at UAE, expected to commence commercial production during year 2009.

All the plants are well equipped with the most modern and validated manufacturing and analytical equipment and detailed SOPs are in place, with respect to Quality management, Personnel, Premises, Equipment, Documentation, Production, Complaints and Self Inspection / Audits.

All the plants are eco-friendly in design and operations, in conformity with Indian and International standards for effluent treatment.

FROM THE CHAIRMAN'S DESK



Dear Shareholders

It is my privilege to share with you our company's performance of 2008 at a juncture where economy is scaling down worldwide and almost all the countries are struggling to overcome this ever biggest economic crisis. This year was one of the most turbulent and unstable for the pharmaceutical industry but we did well, thanks to our foresight and team efforts. Being so closely connected with the industry, we realized that economy is going to be tremble and vibrate on the one side and horribly increased prices of inputs would hit our bottom line on the other side, so we planned carefully and implemented seamless increase in production and pricing of some popular products, whilst cutting cost in the overall enterprise. We continued to enrich and scale-up company's operations and capabilities that enabled the company to outperform and deliver sustainable results during 2008.

While mergers and acquisitions, alliances and collaborations offer avenues for rapid growth, the seamless integration of the businesses, which had different cultures and different ways of the business is a daunting task posing around challenges. But at Plethico, we did it successfully. The business integration of US based US\$ 100 mn. Natrol Inc. acquired during January 2008 is successfully done and started generating synergy benefits. Soon after acquiring Natrol, the company acquired a 20% stake in Tricon Holdings FZE, a Dubai-based Retail Pharmacy Chain.

These acquisitions propelled the company into the big league whereby we straddle all flavours, all segments and all price points with brands in leadership position particularly in nutraceutical and herbal segments.

At Plethico, we have a strong sales and distribution outfits with a wide range of high quality popular brands. Our relationship with trade has always been transparent and honest. This has helped us greatly in expanding our business not only in CIS, Africa, Latin America, South East Asia, GCC, but also in the regulated market of US, Europe, Hong Kong and China. We have strengthened our sales and distribution efforts through fully integrated marketing and distribution chains riding on a ERP enabled network providing real-time data, enabling smooth workflow in production, distribution and marketing.

Today, the company is focusing in all the key pharma markets of the world, through innovation and research and development while maintaining high standard of quality and ethics. In order to withstand at the global marketplace, we have developed a very strong, well-equipped, empowered, independent and professionally managed team within the organization, which is addressing all key regulatory issues and building faith in **made in India** brands by establishing a robust regulatory system on lines with the world class specifications.

We, at Plethico always strive to create a balance between earning healthy profits and realizing responsibilities towards society. We continue to support, guide and educate communities through our Charitable Trust and to make them self-sufficient and to provide them much-needed hygienic and healthcare conditions.

Employees are our greatest strength and we always accorded very high priority to provide a very healthy and safe working environment to them. We regularly organized detailed trainee program to various functionaries to disseminate knowledge and techniques with an object to improve productivity at all level. The challenges to bring about attitudinal change in the mindset of the employees continue and we are happy to say that there have been perceptible improvements.

We take this opportunity to thank you for continued support and commitment in 2008. We look forward to your active support in the exciting years ahead.

Your's truly

Shashikant Patel
Chairman & Managing Director



ABOUT PLETHICO

Incorporated in 1963 as a small partnership firm, the company has now transformed into a fully integrated pharmaceutical and nutraceutical company with strong research and development capabilities coupled with a robust manufacturing platform. Today company manufactures and markets variety of pharmaceutical formulations, nutraceuticals, herbals, lozenges, candies, hospital consumables, food supplements, dietary supplements and many other consumer and healthcare products in India and internationally to several key markets across the globe. Company's manufacturing facilities are complying to world class specifications backed by an in-house R&D Center.

Plethico possesses core competence in finished formulations and herbal preparations since last four decades. The existing activities are spread globally with product portfolio of about 500 formulations in more than 39 therapeutic segments. The company has significant presence worldwide with strategic tie-ups and alliances and a very strong global marketing and distribution network in CIS, African continents and third front including Latin American Countries, Middle East, South East Asia and GCC. With significant presence across the globe, Plethico is committed to become an innovative and integrated partner to the global pharmaceutical industry by creating a profitable enterprises with due respect to stockholders' interests, corporate governance and social responsibilities.

ABOUT NATROL USA

Natrol is synergistically operating in Herbal and Nutraceutical sphere, but is predominantly present in USA. Natrol has a portfolio of Healthcare and wellness brands representing quality nutritional supplements, functional herbal teas and sport nutritional products. Established in 1980, Natrol's portfolio of brands includes Natrol®, MRI®, BioSil™, Laci Le Beau®, Promensil®, Trinovin®, Nu Hair® and Shen Min®, which are household names in USA.

Natrol distributes products nationally through more than 54000 retail outlets as well as internationally in over 40 other countries through distribution partners and subsidiaries in UK & Hong Kong.

Consumer needs are central to Natrol's focus. The company pledges to deliver nutritional products with uncompromised service, quality, and innovation through the best that science, nature, and technology can offer.





RESEARCH & DEVELOPMENT

Our R&D is a manifestation of our belief in quality and innovation.

Commitment of channelizing substantial revenues into R&D has always made sound business sense to us at Plethico.

“As we sow, so shall we reap”, is the research and development philosophy we follow. Over 400 product approvals and an innovation team of 40 research personnel in two separate R&D centers, is testimony to our focus on R&D.

Our team consists of committed scientists with expertise in botany, pharmacognosy, analytics and pharmacology as well as consultant having long associations with the herbal drug industry. Procuring authentic material, pharmacological evaluation in laboratory models, formulation development and modern clinical trials are integral processes of the herbal product development cycles.

We are presently strengthening development in the areas of effervescent products, finger printed herbal extracts, a range of medicated/center filled lozenges, sustained release formulations, Fast melt tablets and use of pelletization technology.

QUALITY ASSURANCE

Quality culture and Quality consciousness has been an inherent virtue in Plethico's operation, be it in processes, equipments, test methods, standards, validation or simply the mundane activities like cleaning procedures.

Adherence to strict norms of pharmacopoeial standards, practiced world wide is mandatory at our ultra modern quality control labs. We have the latest technical equipment, be it analytical, chemical, microbiological or specialized testing methods. Our quality management systems includes, compliance with GLP, GCP and GEP, detailed SOPs and regulatory validation procedures to ensure total quality management (TQM).

Quality building at each stage is a routine procedure right from raw material, quarantine, testing, approval and assurance at production, in-process and finished product level.

Regular in-house and sponsored manpower training and development programmes provide a regulatory environment that encourages continuous improvement in processes, testing methods and Total Quality Compliance (TQC).

INDIAN OPERATIONS

For more than 45 years, Plethico has been at the forefront of providing top-notch healthcare products for curing critical and chronic diseases worldwide. With its apt chemistry skills and low cost advantage both in research and manufacturing coupled with skilled manpower, Plethico has emerged as an excellent healthcare institution committed to deliver high quality sustainable healthcare products.

Social transformation, life style changes, higher disposable incomes, health consciousness and regulatory changes have boosted the consumer healthcare segments significantly in India. Plethico quickly forayed in this market segments and identified consumer healthcare as a major growth area. The Consumer Product Division today, has an established range of products in sports nutrition, confectionary, lozenges, pharma OTC and herbal supplements marketed across the country with a vibrant supply-chain network.

Plethico is swiftly moving towards basic research driven undertaking with enlarged portfolio of quality products and healthcare services. Committed ourselves to meet company's mission everyday – to enhance, preserve and restore vision worldwide, we at Plethico always try to deliver sustainable healthcare products at affordable cost.

GLOBAL OPERATIONS

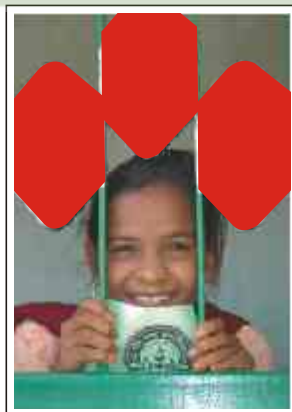
At Plethico, we have realized that successful global company of the future will be one that enters into business-enhancing alliances and acquisitions with International companies having established competencies. Recognizing this philosophy, the company had made initial beginnings of breaking out in the International market through small acquisitions, joint ventures and strategic alliances that has facilitated quicker growth, better capital allocation and plugging of business gaps. In 2003-04, the company decided to stretch it wings into new geographies and acquired controlling stake in CIS based Rezlov Group of Companies. In early 2008, the company acquired US\$ 100 million US based leading nutraceutical company Natrol Inc having portfolio of premium health and wellness brands with predominant presence in US, UK & Hong Kong. In December 2008, the company has concluded the deal of acquisition of 20% stake in Tricon, a Dubai-based retail pharmacy chain. Within the course of five years, the company has concluded major acquisitions across the globe that enabled the company to better positioned at global market place.

Suddenly, Plethico has evolved from an Indian pharmaceutical Company to a global organization with an international footprint in terms of outlook, focus, presence, customers and employment. The acquisitions gave the company a strong foothold not only in CIS, Africa, South East Asia, Latin America and GCC but also in other regulated markets like US, Europe, Australia, New Zealand, Hong Kong and China.

Today, Plethico has operations in 25 countries, exports to over 40 countries and presence in almost 39 therapeutic segments with more than 500 product approvals. The extensive distribution and marketing network successfully established the company as a dominant player in many reasons across the globe. Internationally, the company is now on an exponential growth path, continuously expanding target markets to add new countries to its operational business map.



SOCIAL COMMITMENT



At Plethico, we believe social commitment and community service are a part and parcel of our ethos and philosophy. We are, what we contribute to the society as a responsible corporate citizen.

This principle has set the tone for our corporate social philosophy of 'education' as a means to uplift the society in general. We have supported activities in educating women, in rural and backward areas and established educational institutes which impart modern education to more than 1000 students on scholarships.

These institutes are now recognized by the education board of the government, thus creating a major window of opportunity for gainful employment of the rural masses and uplifting their economic status.

*If you educate a boy, you are educating a person.
If you educate a girl, you are educating a family.....*

Shashikant Patel
Chairman cum Managing Director

PRODUCT PORTFOLIO

Sustained growth is the quest of every enterprise, more so in pharmaceuticals, where newer product Registrations, and effective marketing of products, adds buoyancy to the product stable.

We at Plethico understand that growth means a changing product profile with continuous introduction of new products and widening of consumer base. In order to widen the product spread, Plethico has successfully diversified its product profile

over pharmaceutical formulations, OTC drugs, nutraceuticals, herbals, hospital consumables and veterinary segments.

A coordinated effort between market research, product development, and product launch teams ensures a continuous flow of new products in our pipe line thereby feeding the respective market segments to ensure sustained growth in volumes and margins.

With over 400 different formulations in more than 39 therapeutic segments, Plethico has a strong presence in Cardiac, Anti-malarial, Anti-tubercular, Anti-

infectives, Pain, Gastro, and Cough & Cold segments. Identification of new therapeutic categories, product, innovation in Novel Drug Delivery Systems & patient compliance is the basis of our product selection.

A range of clinically proven herbal products, developed from scientifically validated herbal extracts offers a safe and natural alternative in treating lifestyle related disorders, like diabetes, high cholesterol, sleep disorders, digestive disorders and pain management.

