

## ANNUAL REPORT 1999-2000



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**TORRENT PHARMACEUTICALS LIMITED**



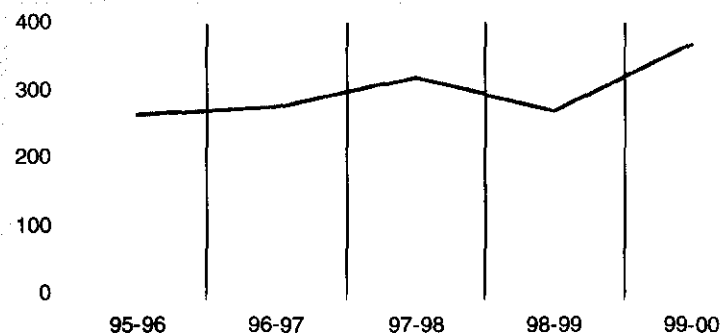
## CORPORATE INFORMATION

DIRECTORS	Mr. Sudhir Mehta	<i>Chairman</i>
	Mr. D.S.Shah	
	Prof. Erik Emil Anggard	
	Dr. Prathap C. Reddy	
	Mr. Samir Mehta	<i>Managing Director</i>
COMPANY SECRETARY	Mr. Parthiv Parikh	
AUDITORS	C.C.Chokshi & Co. Chartered Accountants	
REGD. OFFICE	Torrent House, Off Ashram Road, Ahmedabad - 380 009.	
PLANT	Village Indrad, Taluka Kadi, Dist. Mehsana	
REGISTRARS & TRANSFER AGENTS	MCS Limited, 101, Subh Shatdal Complex, Opp. Bata Show Room, Ashram Road, Ahmedabad - 380 009.	

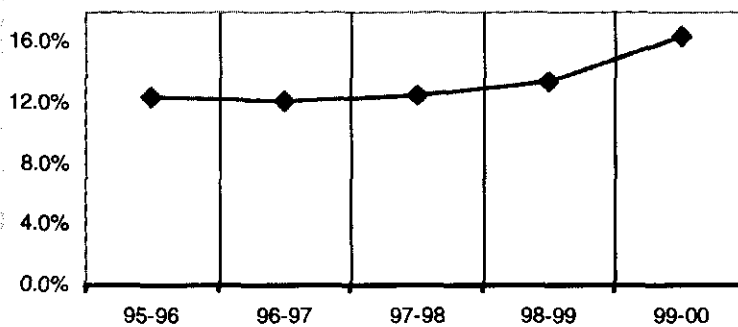


Torrent Pharmaceuticals Ltd.

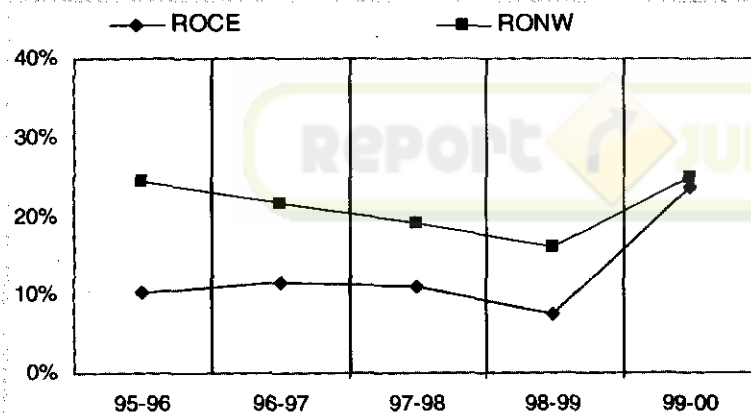
## Net sales (Rs. In Crores)



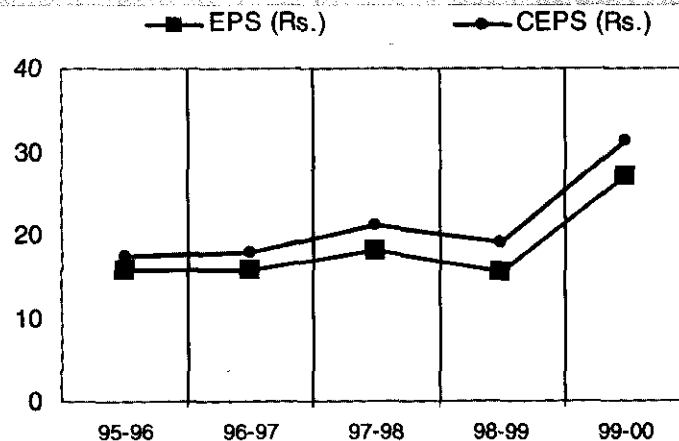
## PAT to Net Sales

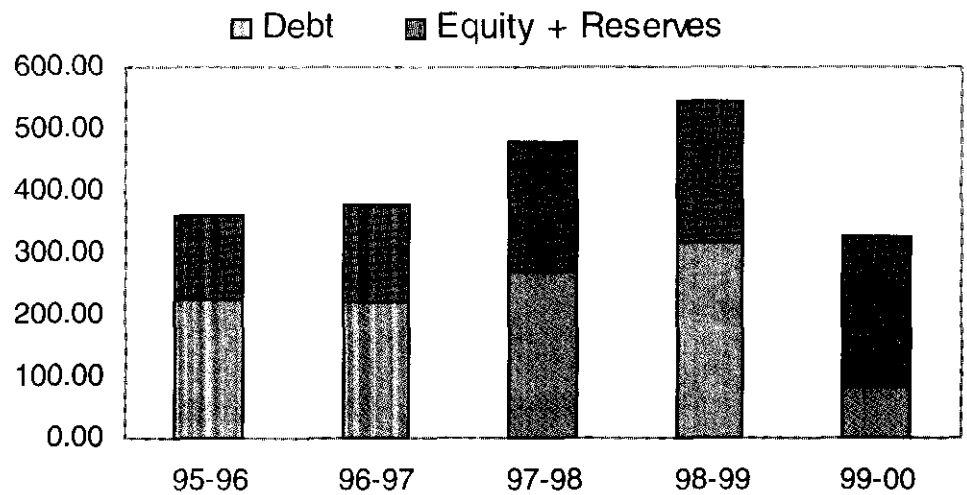
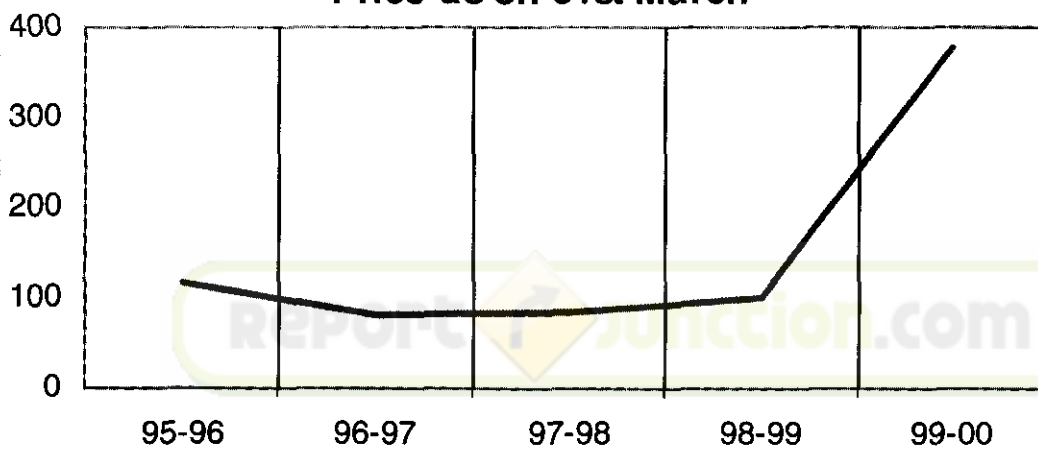
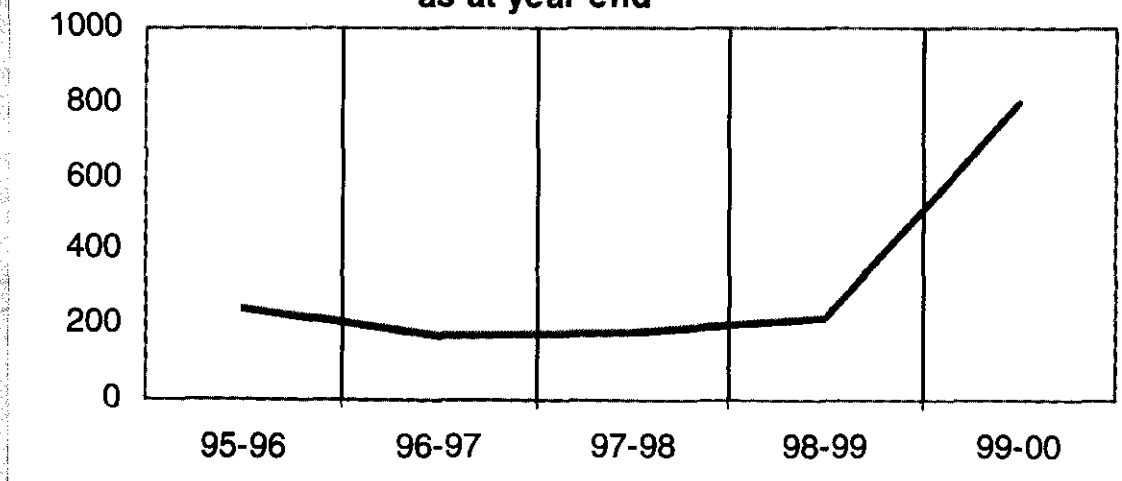


## Returns



## Earnings Per Share



**Capital Employed (Rs. In Crores)****TPL Market Prices at BSE (Rs.)****Price as on 31st March****Market Capitalisation (Rs. In Crores)****as at year end**

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**Profit & Loss Account for the Year Ended 31st December, 1999**

	Amount (RRu'000s)	Amount (RRu'000s)	Amount (Rs'000s)	Amount (Rs'000s)
	Year ended 31/12/1999	Year ended 31/12/1998	Year ended 31/12/1999	Year ended 31/12/1998
Net Sales	34,983	5,615	56,569	11,586
Interest	0	2	0	3
Other Income	203	4,685	328	9,667
	<u>35,186</u>	<u>10,302</u>	<u>56,897</u>	<u>21,256</u>
Cost of Sales of Goods & Services	25,678	4,524	41,523	9,335
Commercial Expenses	2,488	916	4,023	1,890
Interest	4	13	6	27
Other Operating Expenses	6,291	8,181	10,173	16,880
Road Tax & Other Taxes	640	58	1,035	119
	<u>35,101</u>	<u>13,692</u>	<u>56,760</u>	<u>28,251</u>
Profit / (Loss)	85	(3,390)	137	(6,995)
Balance brought forward	(3,482)	(92)	(5,630)	(190)
Balance carried over to Balance Sheet	<u>(3,397)</u>	<u>(3,482)</u>	<u>(5,493)</u>	<u>(7,185)</u>

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**S. SHAMSI**  
General Director

**A.KOMAROV**  
Chief Accountant

Date - 14 February, 2000

Note:

Exchange Rate used is 1 RRu = Rs. 1.6170 (previous year 1 RRu = Rs. 2.0634).

  
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# TORRENT PHARMACEUTICALS LIMITED

## DIRECTORS' REPORT

### 1999-2000

#### Significant Highlights

**A year of exceptional performance in sales and profits**

The highlights of the year under review include the following :

- Turnover growth of 32.48% - Major increase came from exports. Domestic sales increased by 4.38%.
- Growth in operating profits by over 75%.
- Exceptional charge of Rs. 15.14 crore for writing off a part of the advance given for supply of material to the Torrent Gujarat Biotech Limited (TGBL), as a pro-active prudent measure in view of TGBL being declared a sick company.
- Completion of the restructuring process in domestic marketing (formation of three divisions - Prima, Vista and Psycan) to improve focus both on products and doctors.
- Relook at the overall strategy of the company in great depth with the active support of an international consultancy firm.
- Patents have been filed both locally and internationally for three classes of NCEs.

#### Domestic Marketing

*The company is currently intensifying its penetration in its core therapeutic areas and synergetically exploiting new therapeutic areas.*

To strengthen the marketing penetration and effectiveness, restructuring of the domestic formulations operations into three divisions - Prima, Vista, and Psycan - was initiated last year. This year was largely evolutionary. It involved large scale field force recruitment, redeployment of existing field force, foundation training of new representatives, booster training for existing representatives and managers and, importantly, the compilation of doctor data base to match the therapeutic focus. The fine tuning of the divisionalization process to improve both focus and penetration has now been completed.

Traditionally, the prime selling media have been the field force, trade push, and general promotion. During the current year, emphasis was shifted to prescription building through scientific promotion, direct marketing and increased use of market research. Consequently, the mix of the marketing promotional inputs is being worked upon to improve its efficacy.

The company enjoys the 5th position in corporate ranking of prescription share according to C-MARC (Centre for Marketing and Advertising Research Consultancy) prescription analysis.

Brand building, an effective strategy to achieve sustained sales, is being given considerable emphasis particularly in respect of our leading products.

Opportunities for acquisition of brands in relevant therapeutical areas are also being pursued.



Torrent Pharmaceuticals Ltd.

**Domestic  
Turnover**

Domestic sales of Rs. 305.09 crore (registering a growth of 4.38%) has been achieved as compared to Rs. 292.27 crore in the previous year.

Cardio and Neuro-Psychiatry were the company's strong areas. In Cardio, the company ranked No.1 in turnover; in Neuro-Psychiatry, it ranked second.

The company continues to enjoy the largest market share in India for several of its products. Six brands, ranked among the top 250 brands, contributed to over 36% of the domestic sales.

- Alprax, the leader in anxiolytic market, continues to grow at over 20%.
- In the antiemetic segment, Domstal maintained its leadership position with a growth of over 20%.
- Droxyl emerged as a "Brand Leader" in the fast growing oral cephalosporin market.
- Topcid, in the Famotidine oral solids, maintained its top position.
- In the cardio range, Dilzem and Listril continue to retain No.1 position.
- Nikoran emerged as the No.1 Potassium channel opener.
- Among the psychotropic products, Lamitor registered very impressive growth.

**Domestic  
Field  
Force**

The availability of field personnel, meeting the required profile, has been an issue faced by the industry. It has also affected the company's performance marginally.

Competence and motivation, the two attributes which are essential to increase the productivity of the field force, have been addressed through clear definition of roles and responsibilities, robust training, relevant field control systems and appropriate compensation packages. The effectiveness of the field force is further proposed to be enhanced through improved prescription audit, effective use of doctor-brand matrices, etc., resulting in right targeting.

**Domestic  
Distribution**

During the year, 70 stockists were added to the distribution network. Several initiatives were taken to settle the long pending issues with inactive stockists. Such streamlining is expected to yield good results in the coming year.

In view of the rise in the distribution and other operational costs, fresh agreements involving hike in commission charges have been negotiated with the C & F Agents.

Considerable emphasis has been placed on making the supply chain management more efficient and effective. The materials planning, indenting procedure, and despatch scheduling have been considerably fine tuned. These actions are expected to result in increased sales.

**New  
Products**

Two major line extensions to the Prima division portfolio - Alprax SR and Quintor TZ - have been well accepted by the medical profession.

Vista division's new introductions include two line extensions - Syscan CT and Herpex 800 DT - have augmented the Gynaecology and Dermatology portfolio.

Psykan successfully launched Nikoran intravenous - a first time offering in the world.

In line with the company's policy of launching new products on an aggressive first basis to get the early bird advantage, a number of new products, including line extension, is expected to be launched during the current year to provide the much needed thrust to the sales growth.



Torrent Pharmaceuticals Ltd.



**Future Prospects**

Improvements on several fronts initiated during the year - fine tuning of divisionalization, focus on core and synergetic therapeutic areas, right targeting, appropriate mix of promotional inputs, particularly scientific inputs, enhancing the quality of field force, a number of new product introductions, effective supply chain management - are expected to give a considerable boost to the company's sales in the coming year(s).

The new product developments in pipeline are:

- An exciting array of products in the core therapeutic areas of Cardiology and Neuro-Psychiatry.
- Newer drugs for GI and antibacterials.
- An entry into synergetic therapeutic areas comprising Diabetes and Pain Management.

**International Operations**

During the year, the total exports of Rs. 116.81 crore comprised Rs. 89.57 crore of sales to the Russian Ministries of Health and Defence, Rs. 23.24 crore of formulations, and Rs. 4 crore of bulk actives. The increase in exports of formulations during the year by 59% has been due to the conscious efforts put in to increase the export of value added formulations instead of the bulk actives.

Apart from intensifying the marketing efforts in the existing markets, steps were taken to focus on and penetrate in a few select countries with market potential. These strategic initiatives will provide the necessary focus and thrust to the overall marketing effort.

**New Business Opportunities**

Acquisitions are one of the key instruments for growth. The company, therefore, has decided to explore this route for growth, both in domestic and international markets.

Discussions have been initiated in the domestic arena for the acquisition of brands to enrich the portfolio. In the international arena, action plans are in place to enable the company to establish a strong foot hold in Europe, South Africa, China and Latin America.

**R & D**

The third phase of R & D project has been completed during the year under review.

Fourteen patents under discovery projects have been filed at the Indian Patent Office and at WIPO, Geneva, under PCT. For NCEs, eight patents under development projects have been filed at the IPO and at WIPO under PCT.

Environment friendly process has been introduced for one bulk drug, which resulted in the reduction in process time leading to substantial cost saving.

The company's R & D Centre is fully committed to support the spate of launches of several new products planned for the domestic market. Its activities in development of new drug delivery systems and NCEs are also progressing well. The Drug Controller of India is expected to approve one of the NCEs for clinical trial; the clinical trial will be initiated in the later part of the year.

**Manufacturing**

Pursuing the company's policy and mission of delivering products of the highest quality, continuous innovations and improvements were made with the active support of the company's R&D Centre, to improve the efficiency and efficacy of the products at the manufacturing plant at Indrad.

Further, improvements are also being made in the manufacturing facilities to sustain the existing standards and to meet more stringent regulatory requirements. A major modernization-cum-expansion project with an estimated cost of Rs. 55 crore has been taken up. The work on the project is progressing satisfactorily and it is expected to be completed by the end of the year. This modernization will not only enable the company to meet the European Regulatory standards but also the increased demand from the local markets.



Torrent Pharmaceuticals Ltd.



**FINANCIAL RESULTS**

	<b>For the year ended 31.03.2000 (Rs. in Crores)</b>	<b>For the year ended 31.03.1999 (Rs. in Crores)</b>
Sales - Domestic	<b>305.09</b>	292.27
- Exports	<b>116.81</b>	26.17
Total Sales	<b>421.90</b>	318.44
Other Income	<b>14.13</b>	12.36
Sales and Other Income	<b>436.03</b>	330.80
Operating Profit	<b>71.17</b>	40.64
Exceptional Charge	<b>15.14</b>	0.00
Profit Before Tax	<b>56.03</b>	40.64
Provision for Tax	<b>10.45</b>	4.29
Profit After Tax	<b>45.58</b>	36.35
Balance Brought Forward	<b>27.60</b>	28.00
Total	<b>73.18</b>	64.35
<b>Appropriated to</b>		
(i) Debenture Redemption Reserve	<b>1.26</b>	9.36
(ii) General Reserves	<b>10.00</b>	10.00
(iii) Dividend on Preference Shares	<b>3.00</b>	3.00
(iv) Dividend on Equity Shares	<b>21.37</b>	12.69
(v) Tax on Distributed Profits	<b>2.68</b>	1.70
(iv) Balance Carried Forward	<b>34.87</b>	27.60

The company, with the active support of the associate companies, has substantially reduced its debts in the year under review.

The Board at its meeting held on March 27, 2000, declared an interim dividend at Rs.10.10 per share on 2,11,59,840 equity shares of the company. No further dividend has been recommended on the equity shares and the interim dividend is to be treated as the final dividend for the year 1999-2000.

The dividend of 12% per annum on 25,00,000 preference shares of the company has been paid as interim dividend.



Torrent Pharmaceuticals Ltd.

**Repayment/  
Redemption of  
Non-Convertible  
Debentures**

The 1st instalment of Rs. 25 each of 57,00,000 15% partly convertible debentures of Rs. 75 each (NCD Portion) issued by the company in the year 1994, which was due for payment on April 21, 2000, has been paid on due date. The total payment made in this regard was Rs. 14.25 crore. The value of the said debentures stands reduced to Rs. 50 per debenture from April 22, 2000.

The 2nd instalment of Rs. 25 each will become due for payment on April 21, 2001.

The non-convertible debentures worth Rs. 40 crore issued by the company on private placement basis during the year 1998-99 have been repaid in full.

Your company has also redeemed secured redeemable non-convertible debentures (NCDs) worth Rs. 25 crore out of NCDs worth Rs. 50 crore issued on private placement basis.

**Preference  
Shares**

25,00,000 12% cumulative redeemable preference shares, aggregating to Rs. 25 crore issued on private placement basis, will be due for redemption in November 2000.

**Fixed  
Deposits**

As on March 31, 2000, the company was holding an aggregate sum of Rs. 11.91 crore on account of deposits received from the public. Deposits of an aggregate amount of Rs. 73.08 lacs, which had matured, remained unpaid as on March 31, 2000, for want of requisite instructions from the concerned deposit holders.

**Corporate  
Governance**

The powers, duties and responsibilities of the Board of Directors of a company, the system of checks and balances and the penalties for breach and contravention of law have been provided for in The Companies Act, 1956. However, with the change in business environment and globalization of the activities of business corporations, there has been a renewed thrust on the development of a comprehensive code of corporate governance.

In India, the Securities and Exchange Board of India (SEBI) has appointed the Kumar Mangalam Birla Committee for formulation of corporate governance code. The recommendations of the committee have been accepted by SEBI and made mandatory for the company with effect from financial year 2001-2002. Internationally, the Cadbury Committee has formulated a similar code.

The company is fully committed to comply with the corporate governance requirements and has initiated actions in that direction.

**Insurance**

The company's properties, including buildings, plant and machinery, stocks, stores, etc., continue to be adequately insured against all risks.

**HRD**

A professionally qualified team committed to quality work manages the company.

The company believes that its most valued assets are human resources and hence their overall development is of utmost importance. The continuous training and development of the employees focuses on deliverance of high quality work and preparedness to face challenges posed by competition both in domestic and international markets, thereby increasing the value of the individuals as well as the company.

Not only does the company take care of the professional needs of its employees, but it also endeavours to improve the quality of life by reaching out to each employee's individual aspiration and needs. One of the noteworthy undertakings, in this area, was the comprehensive health check up that was carried out for all employees in January.

Hard work, sincerity, and commitment of each employee is recognized and appreciated through a professional performance evaluation system.

The senior management team of the company has been considerably strengthened during the year under review.



Torrent Pharmaceuticals Ltd.