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Annual Report 1997-98



Torrent Pharmaceuticals Ltd.

THE GREAT INDIAN TOMORROW.



Shri U. N. Mehta
(1924 - 98)
Founder Chairman
Torrent Group

With his pioneering zeal, 'can do' attitude, strategic thinking and emphasis on nurturing and building human capital, he built from scratch a business conglomerate - "Torrent", whose turnover aggregated over Rs.20 billion. He has thus laid the foundation for reaching the Rs.100 billion mark in the next few years. And left behind an indelible mark in the Indian Corporate scenario.

He was passionately committed to deliver a better quality of life at affordable price to his countrymen. Among his invaluable contributions, towards various spheres including management studies and social development works, healthcare research invites particular mention.

His life, worthy of emulation is a perennial source of inspiration for the Torrent Parivar.

CORPORATE INFORMATION

DIRECTORS	Mr. Sudhir Mehta	<i>Chairman</i>
	Mr. D.S. Shah	
	Mr. J.R. Shah	
	Mr. B.S. Mahadev	<i>Nominee Director</i>
	Prof. Erik Emil Anggard	
	Dr. Prathap C. Reddy	
	Mr. Samir Mehta	<i>Vice Chairman & Managing Director</i>

AUDITORS	C.C.Chokshi & Co. Chartered Accountants
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BANKERS	Bank of Baroda Corporation Bank Canara Bank State Bank of India Oriental Bank of Commerce Punjab National Bank UTI Bank Ltd.
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REGD. OFFICE	Torrent House, Off Ashram Road, Ahmedabad - 380 009.
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PLANTS	Village Indrad, Taluka Kadi, Dist. Mehsana.
	Village Rajpur, Taluka Kadi, Dist. Mehsana
	87-3/B, GIDC Estate, Vatva, Ahmedabad.
	A-26, Electronics Estate, GIDC, Sector-25, Gandhinagar.

REGISTRARS & TRANSFER AGENTS	MCS Limited, 101, Subh Shatdal Complex, Opp. Bata Show Room, Ashram Road, Ahmedabad - 380 009
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NOTICE

NOTICE IS HEREBY GIVEN THAT THE TWENTY FIFTH ANNUAL GENERAL MEETING OF THE MEMBERS OF TORRENT PHARMACEUTICALS LIMITED will be held on Thursday, 24th September, 1998 at 10.00 A.M. at Dinesh Hall, Ashram Road, Ahmedabad - 380 009 to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet as at 31st March, 1998, the Profit & Loss Account for the year ended on that date and reports of the Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. D.S.Shah who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. J.R.Shah who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

To consider and if thought fit, to pass with or without modifications, the following Resolutions:

6. As an Ordinary Resolution.

"RESOLVED THAT Dr. Prathap C. Reddy, who was appointed as Additional Director by the Board of Directors and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company."

7. As an Ordinary Resolution.

"RESOLVED THAT pursuant to the Provisions of Sections 198, 309, 310 and schedule XIII of the Companies Act, 1956 and in partial modification of the Resolution passed at the Annual General Meeting held on 23rd September, 1996 regarding appointment of Mr. Samir Mehta as Vice Chairman & Managing Director of the Company and payment of remuneration to him, the Board of Directors of the Company be and is hereby authorised to approve the payment of the remuneration including Minimum Remuneration as Salary, Bonus, Commission, Perquisites, benefits etc. on the terms and conditions as the Board may deem fit within the overall ceiling prescribed in Sections 198, 309, Schedule XIII and other applicable provisions of the Companies Act, 1956 or its amendments, if any, and as may be agreed to between the Board of Directors and Mr. Samir Mehta w.e.f. 01.10.1997 till the expiry of his term of office."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take such steps as may be necessary to give effect to this resolution."

8. As an Ordinary Resolution

"RESOLVED THAT pursuant to the provisions of Sections 198, 309, 310, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and in partial modification of the Resolution passed at the Annual General Meeting held on 23.09.1996 regarding appointment of Mr. K.K.Sureka as Dy. Managing Director and payment of remuneration to him, the Company hereby accords its approval to the payment of increased remuneration and perquisites to Mr. K.K.Sureka as set out hereinafter for a period from 01.10.1997 to 30.05.1998.

1. **Salary** : Rs.1,25,000/- p.m.
2. **Commission** : Rs.20,00,000/- p.a. payable prorata on a monthly basis.
3. **Perquisites** :
 - A
 - (I) House Rent Allowance of Rs. 75,000/- per month.
 - (II) Reimbursement of medical expenses for self and family subject to a ceiling of Rs.12,000/- per annum.
 - (III) Reimbursement of Annual fees of two clubs.
 - (IV) Personal accident insurance premia upto Rs.10,000/- per annum.
 - (V) Medical insurance for self and family as per the Company Rules.
 - B
 - (I) Provision of Car with driver at the entire cost of the Company for personal use and office work.



C

- (II) Provision of telephone at the residence at the entire cost of the Company.
- (I) Contribution to the Provident Fund @ 12% of salary.
- (II) Contribution of a percentage of salary towards Pension/Superannuation Fund provided that such contribution together with contribution to Provident Fund not to exceed the limit laid down under the Income Tax Act, 1961.
- (III) Gratuity at a rate not exceeding half a month's salary for each completed year of service.

4. OTHER TERMS

D

- (I) One month's privilege leave for every eleven month's service. Encashment of leave, if any, at the end of the tenure of service.
- (II) Reimbursement of entertainment expenses incurred in the course of business.

The above remuneration shall be subject to overall ceiling prescribed in Sections 198 and 309 of the Companies Act, 1956."

"RESOLVED FURTHER THAT in the event of inadequacy or absence of profits in any Financial Year, the remuneration payable to Mr. K.K.Sureka, shall be governed by Section II of Part II of Schedule XIII of the Companies Act, 1956 or any statutory modification thereof."

"FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to take such steps as may be necessary to give effect to this resolution."

Registered Office
"TORRENT HOUSE"
Off Ashram Road,
Ahmedabad - 380 009

By Order of the Board of Directors
For **TORRENT PHARMACEUTICALS LIMITED**

Ahmedabad
June 20, 1998

PARTHIV PARIKH
Company Secretary



NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
2. Proxies, in order to be effective, must be received by the Company not later than 48 hours before the commencement of the meeting.
3. The related Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business above is annexed.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from 1st September, 1998 to 10th September, 1998 (both days inclusive).
5. The dividend as recommended by the Directors, if approved at the Annual General Meeting, will be payable to those members whose names appear on the Company's Register of Members on 10th September, 1998.
6. The members are hereby informed that unclaimed dividend for the financial year ended on 31st March, 1995 will be transferred to General Revenue Account of the Central Government in the month of November, 1998 in terms of the provisions of Section 205 A of the Companies Act, 1956.
7. Members are requested to intimate to the Company queries, if any, on the accounts at least 10 days before the meeting to enable the management to keep the required information available at the meeting.
8. Those who have not exchanged their Letters of Allotment against Debenture Certificates, are requested to exchange the same at the earliest.
9. The Members are requested to advise the Company or the Registrar immediately about any change in addresses.
10. To avoid the incidence of fraudulent encashment of warrants, the members are requested to furnish the particulars of their Bank, Branch, Account No.etc. if the same has not been furnished earlier.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**ITEM NO.6**

Dr. Prathap C. Reddy was appointed as an Additional Director by the Board on 30.03.1998. Pursuant to the Provisions of Section 260 of the Companies Act, 1956, he holds office only upto the date of ensuing Annual General Meeting. The Company has received a notice in writing from a member pursuant to the Provisions of Section 257 of the Companies Act, 1956 signifying his intention to propose Dr. Reddy for the office of Director.

Dr. Reddy is a Chairman of Apollo Hospitals and possesses long and rich experience in the Health Care Industry. The Company would be benefited by his experience and expertise in the field. Hence, it would be in the interest of the Company to continue to avail the services of Dr. Prathap C. Reddy as Director of the Company.

The Board commends this Resolution for your approval.

None of the Directors except Dr. Prathap C. Reddy is concerned or interested in the said Resolution.

ITEM NO.7

The Members at the Annual General Meeting held on 23rd September, 1996 had approved the appointment of Mr. Samir Mehta as Vice Chairman & Managing Director of the Company and payment of remuneration for a period of five years w.e.f. 01.04.1996.

Recently, the Government vide notification in the Employees Provident Fund and Miscellaneous Provisions Act, 1952 increased the rate of contribution to Provident Fund from 10% to 12% of the salary and as a result the rate of maximum limit of Provident Fund and Superannuation Fund contribution have been increased from 25% to 27% of salary under the Income Tax Act.

With a view to take care of any eventuality/amendments, it is proposed to authorise Board of Directors of the Company to determine the remuneration payable to the Vice Chairman & Managing Director within the overall ceiling prescribed in Sections 198, 309, Schedule XIII and other applicable provisions of the Companies Act, 1956 or its amendment if any, for the remaining term of his office.

The Board commends this Resolution for your approval.

Mr. Samir Mehta is deemed to be concerned or interested in the said Resolution.

Mr. Sudhir Mehta and Mr. D.S.Shah, Directors of the Company are also concerned or interested in the said Resolution being relatives of Mr. Samir Mehta.

None of the other Directors of the Company is in any way concerned or interested in the said Resolution.

This alongwith the relevant Resolution may be treated as an abstract pursuant to Section 302 of the Companies Act, 1956.

ITEM NO.8

The Members at the Annual General Meeting held on 23rd September, 1996 had approved the appointment of Mr. K.K.Sureka, as Deputy Managing Director of the Company and payment of remuneration to him for a period of five years w.e.f. 01.04.1996.

Mr. K.K.Sureka has since resigned from the Directorship of the Company from the close of 30th May, 1998.

In view of the continuous growth and expansion of the Company, the activities and responsibilities of the Dy. Managing Director have been considerably increased. Considering the complexities and increase in size and operation of the business of the Company, the Board of Directors at its meeting held on 21st November, 1997 revised the remuneration payable to the Dy. Managing Director for the period from 01.10.1997 to 30.05.1998 within the overall ceiling prescribed in Sections 198, 309, Schedule XIII and other applicable provisions of the Companies Act, 1956.

None of the Directors except Mr. K.K.Sureka is in any way concerned or interested in the said Resolution.

This alongwith the relevant Resolution may be treated as an abstract pursuant to Section 302 of the Companies Act, 1956.

Registered Office
"TORRENT HOUSE"
Off Ashram Road,
Ahmedabad - 380 009

Ahmedabad
June 20, 1998

By Order of the Board of Directors
For **TORRENT PHARMACEUTICALS LIMITED**

PARTHIV PARIKH
Company Secretary



DIRECTORS' REPORT

Your Directors are pleased to present the Twenty Fifth Annual Report and Audited Accounts of your Company for the year ended March 31, 1998.

FINANCIAL RESULTS		
	For the year Ended 31.3.98 (Rs. in crores)	For the year ended 31.3.97 (Rs. in crores)
Sales	361.79	317.94
Profit before Tax	42.27	34.03
Provision for Tax	2.55	0.82
Profit after Tax	39.72	33.21
Add :		
Prior year adjustments (Net)	0.97	2.80
Balance profit of previous year	16.26	13.94
Less :		
Adjustment arising out of amalgamation	—	(3.29)
Profit available for appropriation	56.95	46.66
Appropriated to :		
Debenture redemption reserves	6.06	6.31
Dividend - Preference shares (incl. tax thereon)	1.25	—
Proposed on equity shares	10.58	12.81
Additional tax on proposed dividend	1.06	1.28
General Reserves	10.00	10.00
Balance carried to Balance Sheet	28.00	16.26

Dividend

Your Directors are pleased to recommend a dividend of Rs. 5.00 per share for the year ended 31st March, 1998. Last year, your Company paid a dividend of Rs. 3.50 per share, plus a special Silver Jubilee Year dividend of Rs. 2.50 per share.

The proposed dividend, if approved at the Annual General Meeting, shall result in a total appropriation of Rs. 11.64 crores (inclusive of tax thereon).

During the year, your Company issued 25,00,000 preference shares (12% cumulative redeemable of Rs. 100 each) and has paid an interim dividend at the rate of 12 percent per annum, from the date of allotment (14th November, 1997) till 31st March, 1998 to the Preference Shareholders. This, together with tax thereon amounts to Rs. 1.25 crores. In view of this, no final dividend on preference shares has been recommended.

Operations

The overall sales of your Company stood at Rs. 361.79 crores against Rs. 317.94 crores in the previous year. This amounted to 14 % growth as compared to 6 % growth in the previous year. The PBIDT and PAT for the year were up by 25 % and 20 % respectively over the previous year.

Marketing

Domestic Sales

During the year under review, domestic sales of formulations crossed Rs. 250 crores as against Rs. 237 crores in the previous year, which included the turnover of brands now transferred to its joint venture company, Sanofi Torrent (India) Ltd. Last year these brands accounted for a sale of Rs. 16 crores.

Sales of Speciality Division products, in comparison to last year, registered a creditable growth of 15% while Pharma Division products growth did even better at 17%. Overall, the formulations sales registered a growth of 15% over the previous year.

Your Company has maintained its leadership position in Cardiovascular and Neuropsychiatric segments by retaining 1st position in both the segments during the year. In the Gastrointestinal segment, your Company has attained the 2nd position in molecular ranking.

Your Company's strategy of targeted growth in the Anti-infective segment has enabled your Company to be an emerging force by registering handsome growth of over 40% in this segment. Quintor, quinolone brand, of your Company has quantitatively the largest selling brand in its category in the Country. Quintor also featured in the "TOP 50 PRODUCTS BY VOLUME" list. This is the first occasion when your Company has featured in this list.

The improved performance during the year was reflected in your Company moving up the ORG ranking to 5th position from 7th at the end of previous year.

New Products

Your Company enjoys a well justified reputation for bringing into the Indian market innovations in therapy by introduction of new molecules and new dosage forms of existing molecules.

During the period under review, your Company introduced nine new dosage forms with improved efficacy. In June, 1998 your Company has introduced, for the first time in India, several molecules in the Neuropsychiatry and Cardiovascular segments. These molecules have already achieved a huge success in the developed

country markets. Your Company also hopes to achieve similar success in the Indian market. The new introductions include the following :

Lamitor (Lamotrigine)	an advanced anti-epileptic
Serenata (Sertraline)	a break-through anti-depressant
Tozaar (Losartan)	an anti-hypertensive under a new class of molecules called Angiotensin II inhibitors.

Your Company has the distinction of introducing, for the first time in the world, Syscan (Flucanazole) eye drops for treatment of ophthalmic fungal infections.

Field Force

Currently, the field force strength of your Company is 800. Your Company has initiated plans to increase its field force strength to more than 1000 by creating an additional marketing division. This will help to increase doctor coverage by about 25 % and strengthen brand recalls leading to a further growth in the market share of your Company's products.

Exports / International operations

Last year was a noteworthy year for your Company's export, which attained a high of Rs. 105 crores, of which formulations accounted for Rs. 21 crores and bulk drugs at Rs. 12 crores.

The boost in exports was because of the substantial business from the Ministry of Health, Russia, which your Company secured against stiff international bids.

Tender business is characterized by uncertainty. Whether our efforts in the coming years will be similarly rewarded remains to be seen.

Zao Torrent Pharma, a fully owned subsidiary, incorporated by your Company during the previous year in Russia, commenced its operations in the quarter ending December, 1997. This subsidiary of your Company has started retail distribution activities in Moscow and serving to regional customers in Russia. This year, it is expected to commence wide scale national operations and cover the Russian Federation.

Your Company, over the years, has built up a good presence in several international markets and this will serve as a stimulus for strong export led future growth.

Human Resource Development

Your Company places a lot of emphasis on development of human resources.

Your Company organises and participates in training programs for motivation, skill upgradation and improving employee participation in the Company activities.

Your Company has, since long, adopted a formal evaluation process, which is constantly under review to meet the changing requirements of business and industry.

Research & Development

The second phase of Research and Development project has been under progress during the year under review.

The research centre has filed 2 patents for NCEs (New Chemical Entities) and 1 process patent. The centre has developed cell-based biological screening capabilities, which is expected to speed up the screening of NCEs.

Your Company has commenced researching in fungal disease formulations, which is an important and relevant area for tropical countries like India.

Future Prospects

The growth strategies of your Company are based on enlarging market base, improved market share and value addition to customer services.

The upgraded manufacturing facility built keeping in view CGMP and USFDA compliance's will increase and improve acceptance of your Company products in the domestic and international markets. The new products and dosage forms in the pipeline should help in enlarging the market base of your Company.

Your Company can confidently look forward to continued growth and harnessing of its potential in the coming years.

Joint Venture

Sanofi Torrent India Ltd., your Company's joint venture with Sanofi of France, has successfully commenced marketing operations in India with a field force of over 150 medical representatives. It has achieved a turnover of Rs. 14.12 crores (nine months period) in the first year of operation and is listed amongst the top 100 companies in India as per ORG rankings.

New Issues

In order to meet capital requirements, your Company has issued 25,00,000 12% Cumulative Redeemable Preference Shares of Rs. 100.00 each, aggregating Rs. 25 crores and 50,00,000 Secured Redeemable Non Convertible Debentures of Rs. 100.00 each, aggregating Rs. 50 crores on a private placement basis.

Fixed Deposits

As on 31st March, 1998 the Company was holding an aggregate sum of Rs. 25.83 crores on account of deposits received from the public. Deposits of an aggregate amount of Rs. 0.27 crores, which had matured during the year, remained unpaid as on 31st March, 1998 for want of requisite instructions from concerned deposit holders.