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Unichem Laboratories Limited
Annual Report 2001-2002

Forward-looking statement

In our report we have disclosed forward-looking information so that investors can comprehend the company's prospects and make informed investment decisions. This annual report and other written and oral statements that we make periodically contain such forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried, wherever possible, to qualify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words and terms of similar substance in connection with any discussion of future operating or financial performance.

We do not guarantee that any forward-looking statement will be realised, although we believe we have been diligent and prudent in our plans and assumptions. The achievement of future results is subject to risks, uncertainties and validity of inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, our actual results could vary materially from those anticipated, estimated or projected. Investors should bear this in mind as they consider forward-looking statements. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.¹



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Who we are

commenced operations in 1944. Unichem was promoted by the late Mr Amrut Mody, a pioneer in the Indian pharmaceutical industry. Formulations account for a significant portion of Unichem's revenues with active pharmaceutical ingredients (API or bulk actives) and veterinary products accounting for the rest. The key therapeutic segments addressed by the company include gastrointestinal, cardiovasculars, psychiatry, neurology, anti-bacterials, anti-infectives and pain management among others.

Unichem is headquartered in Mumbai and has four manufacturing locations in Roha (Maharashtra), Goa, Ghaziabad (Uttar Pradesh) and Baddi (Himachal Pradesh). The Goa plant has been approved by UK MCA, MCC (South Africa), WHO (Geneva) and TGA (Australia). The Baddi plant has been approved by UK MCA and MCC (South Africa).

Unichem has established an R&D facility in Jogeshwari (Mumbai) to spearhead research in Novel Drug Delivery Systems (NDDS) and engage in the development of New Drugs. It has also invested in a biotechnology research center in collaboration with the Indian Institute of Sciences, Bangalore.

Vision

Unichem Laboratories Limited's long-term vision is to emerge as an Indian multinational in the global pharmaceutical industry.

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Unichem strengthened its brands - Losar, Trika, Roff and Zulu during 2001-2.

The company made deeper inroads into the new lifestyle-related therapeutic segments like cardiovasculars and psychiatry.

International regulatory approvals were received for key plants. Product registrations also increased.

○ Processes were initiated for floating subsidiaries in new markets like Latin America and South Africa.

○ The company invested in biotechnology research and facilities in collaboration with the Indian Institute of Sciences, Bangalore.

Report

Highlights

2001-02

Post-balance sheet date developments

The company acquired a 60 per cent stake in Niche Generics Limited, a UK company, dealing in the production and sale of generic products in the developed countries of the European Union.

NSAIDs are prescribed for chronic ailments like arthritis and rheumatic disorders, among others.

○ PRONIM, a nimesulide-based formulation was the first molecule to be introduced by the company to manage pain and fever. The product proved successful.

Unichem's

○ MELOXICAM, a Cox II inhibitor, was launched next. This product manages rheumatoid arthritis. This emerged as a brand leader with a 35 per cent marketshare.

○ Soon after, CELIB (CELECOXIB) was launched. This product manages rheumatoid arthritis and chronic pain. It emerged as the number three brand in its segment.

○ ROFF (ROFECOXIB) was launched to manage acute pain and osteoarthritis. It emerged as the number three brand in its segment.

THE VALUE SHIFT IN UNICHEM'S REVENUES

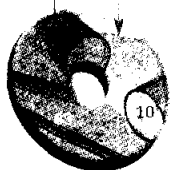
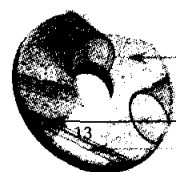
and margins transpired through some conscious initiatives. The most important was the migration from low value to high value therapeutic areas. From the treatment of simple anti-infectives to critical ailments like heart diseases and musculo-skeletal disorders.

Unichem also generated significant revenues from new product launches. It focused on the identification of gaps in existing therapeutic segments and swiftly plugged them. It deepened its therapeutic presence in existing areas by launching a number of complementary products. And created strong brands out of them.

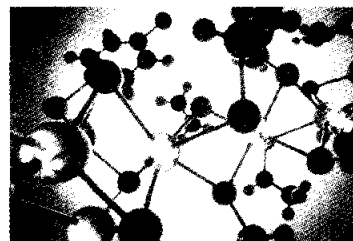
Migration to value-added segments

Strong lifestyle-related therapeutic growth

At Unichem, the migration up the value-chain has been a six-year journey. A quick look reveals that in 1996 revenues from older therapeutic areas and products accounted for 61 per cent of the company's formulation sales. In 2002, the number declined to 37 per cent.



Old and acute therapeutic areas		Per cent
	1996	2001
Anti-infectives	48	27
Alimentary canal disorders	13	10
Others	39	63
Total	100	100



strengths

New products and strong brands

	1996	2001
Cardiovascular / diabetes	8	17
Psychiatry	10	14.4
Musculo-skeletal disorders	2	13.6
Others	80	55
Total	100	100



Unichem's value-migration is also evident from the sale of its top 12 products. In 1996, the highest selling products from old therapeutic segments accounted for 50 per cent of formulation sales. By 2001, this had fallen to 30 per cent.

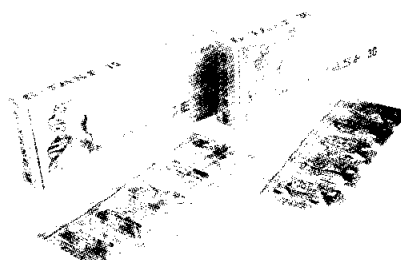
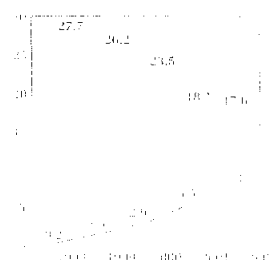
"It is my duty to prescribe the best quality of products to alleviate the pain of my patients. Unichem helps me do so which is why I recommend its products actively."

- Dr. Dayanand
Kumbha, Thane

An isolated view of the contrast in old and new product sales is also evident in the following table:

Per cent of formulation sales					
Ampoxin (old)	27.7	26.2	23.5	18.1	17.6
Losar (new)	0.2	1.5	2.9	5.5	7.4

9 January - March 2002



Unichem's

Unichem's success in the pharmaceutical market

Finally, ZULU, a combination of nimesulide and tizanidine, was launched. This tackles acute muscle skeletal pain that is accompanied by spasms. It is the number one brand in its segment.

Cumulatively, these products address more than 60 per cent of the value of the NSAIDs therapeutic group.

The evolution in the nature and quality of income built on the launch of new products in emerging therapeutic areas - mainly in lifestyle-related segments - and a deepening of the product portfolio.

The selection of the appropriate products backed by a strong marketing team drove revenues. Performance improvement also coincided with a change in the selection profile which reduced the average age of MRs from more than 47 years in 1996 to less than 29 in 2002.

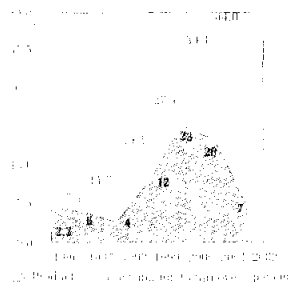
The selection and broadening of product portfolio played an instrumental role in the growth process. The company launched new products and built them into brand leaders. Importantly, the products covered a significant part of the therapeutic groups that provided doctors with wider options.

The study of the musculo-skeletal (NSAIDs) segment is representative of this success.

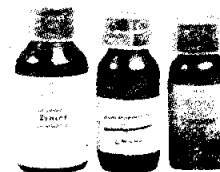
Revenues from new product launches.

1996	7	2.2
1997	6	7.5
1998	4	11.7
1999	12	19.2
2000	23	27.4
2001	20	39.3
2002 #	7	44.0

June - Aug 2002



strengths



The power brands

The impact of the product launches and brand-building initiatives are reflected in the ranking that the brands enjoy in the market place. Cumulatively, the leading brands of the company accounted for 21 per cent of sales in 2001-02.

Roff	2000	3
Losar	1998	1
Corvadil A	1997	3
Zulu	2000	1
Serta	1998	2
Lanpro	1996	4
Losar H	1999	1
Celib	2000	3

Source : ORG

Outlook

A basket of blockbuster products is expected to be launched in the immediate future. Unichem's strategy is to emerge amongst the top five brands in its chosen segments. The company's success - delineated above - is indicative of things to come.

Building the

Pharmaceutical
Company

Unichem's strategy is influenced by the following

- Strengthening a formulations presence in India
- Building stronger API capabilities
- Enhancing its international presence
- Engaging in value added research and basic research

This multi-flank strategy will help the company build strong capabilities across its value chain, therapeutic segments and geographies.

The India formulations strategy

This strategy is expected to translate into the development of a wider product range in existing and new therapeutic segments.

Unichem has enhanced the value of its therapeutic segments by moving into lifestyle-related ailments. This has resulted in growing revenues, margins and profits. The entry into each therapeutic segment has also been flanked with the introduction of newer products within each segment.

The key focus of therapeutic segments continue to be pain management, cardiovascular, diabetes, psychiatry, neurology, gastroenterology and anti-infectives. A stronger molecule introduction sequence will strengthen the existing portfolio.

Active Pharmaceutical Ingredients

Unichem's API focus lies in the migration up the value-chain and the development of niche products. The company will leverage its core chemistry strengths to manufacture wide-ranging products for the domestic and international markets. This strategy will be aided by the approvals of its production facilities by international regulatory agencies.

Unichem also expects to migrate from simple manufacturing activities to the provision of turnkey services. This will entail the assistance to customers to draft their formulation dossiers, dissolution and bio-equivalence studies as well as a range of other technical services. This activity is likely to gain prominence in the near future.

Our strategic objective is to emerge as a leading provider of therapeutic solutions in India's pharmaceuticals industry, delivering relevant and cost-effective patient cures.

