

# Wintac LIMITED

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ANNUAL  
REPORT  
2006-2007



*Winning Technologies*

**BOARD OF DIRECTORS**

Shri S.T.R. Mady	Chairman
Shri S. Jayaprakash Mady	Managing Director
Shri H.R. Kedlaya	Director
Dr. K. Nagarajan	Director
Dr. C. Prakash	Director
Shri. Tobby Simon	Director

**G.M. (FINANCE) & SECRETARY**

Shri B.P. Thyagaraj

**BANKERS**

UCO Bank, K.G. Road, Bangalore.

**AUDITORS**

M/s. Rao & Swami  
 Chartered Accountants,  
 2/1, Connaught Road,  
 Bangalore-560 052.

**SHARE TRANSFER AGENT**

Canbank Computer Services Ltd.  
 4th Floor, Naveen Complex, 14,  
 M.G. Road, Bangalore - 560 001.

**SHARES LISTED AT**

Bangalore Stock Exchange Limited  
 Stock Exchange - Mumbai  
 (Listing fee paid for the year 2006-07)

**REGISTERED OFFICE**

16/2, OVH Road, Basavanagudi,  
 Bangalore - 560 004.

**CORPORATE OFFICE**

163, Reservoir Street, Basavanagudi,  
 Bangalore-560 004.  
 Phones : 080-26612792/26677027  
 Fax : 080-26622566

**MANUFACTURING UNIT**

54/1, NH4, Near 39th Mile Stone,  
 Boodihal Village, Nelamangala Taluk,  
 Bangalore District, Karnataka.



## N O T I C E

Notice is hereby given that the Seventeenth Annual General Meeting of the members of Wintac Limited will be held at Pai Vijay Hall, 530/58, 33<sup>rd</sup> Cross, 11<sup>th</sup> Main, 4<sup>th</sup> Block, Jayanagar, Bangalore-560011 on Thursday, the 27<sup>th</sup> September, 2007 at 10.00 am to transact the following business:

### ORIDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31<sup>st</sup> March, 2007 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Shri. S.T.R MADY who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint auditors to hold office from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

### NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.**
2. Pursuant to the provisions of Section 205A and Section 205C of the Companies Act, 1956, the amount of dividend remaining unclaimed or unpaid for a period of seven years from the date of transfer to the Unpaid Dividend Account of the Company shall be transferred to the Investor Education and Protection Fund (the Fund) set up by the Government of India and no payments shall be made in respect of any such claims by the Fund. Accordingly, the dividend which had remained unpaid/unclaimed for the financial years from 1995-96 to 1998-99 have been transferred to the Fund. Members who have not encashed dividend warrant(s) for the financial year ended 30<sup>th</sup> June, 2000 and thereafter, are requested to make their claims to the Company accordingly without any delay.
3. The Register of Members and the Transfer Books of the Company will remain closed on 26<sup>th</sup> September & 27<sup>th</sup> September, 2007.
4. Members who have multiple folios in identical names are requested to send all their share certificates to the Company's Share Transfer Agent for consolidating all such share holdings into one account to facilitate better service.
5. Members holding shares in physical form and desirous of making a nomination in respect of their shareholding in the Company, as permitted under Section 109A of the Companies Act, 1956 are requested to submit nomination in Form 2B to the Share Transfer Agents of the Company.

6. Members are requested to notify the change in their address to the Company's Share Transfer Agents – Canbank Computer Services Limited, R&T Centre, Naveen Complex, 4<sup>th</sup> Floor, No.14; M.G.Road, Bangalore-560001.
7. Brief Resume, Expertise, Board Memberships in other companies and Committee positions thereof of Directors seeking re-appointment pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges.

**Shri. S.T.R.Mady**

Shri.S.T.R.Mady is 71 years old and is on the Board since the year 1993. He is a graduate in Pharmacy and well-known industrialist having over 40 years of Industrial experience and is one of the promoters of the Company. He is currently the Technical Director of Bangalore Pharmaceuticals & Research Laboratory Pvt. Ltd. Shri.S.T.R.Mady has wide experience in the field of manufacture of pharmaceutical formulations.

Shri.S.T.R.Mady is also on the Board of Bangalore Pharmaceuticals & Research Laboratory Pvt. Ltd. and Shasta Pharma Laboratories Pvt. Ltd. He does not hold any Committee Membership in any other company. He holds 4,07,750 shares in the Company as of 31<sup>st</sup> March 2007. He retires by rotation and is eligible for reappointment. The Board recommends his re-appointment.

Regd.Office:  
 No.16/2, OVH Road,  
 Basavanagudi,  
 Bangalore-560 004.

Date : 22.08.2007  
 Place : Bangalore

By Order of the Board of Directors  
 For Wintac Limited

**B. P. THYAGARAJ**  
**G.M.(FINANCE) & SECRETARY**



## DIRECTORS' REPORT

### To the Shareholders

The Directors have pleasure in presenting the Seventeenth Annual Report together with the Audited Accounts for the year ended 31<sup>st</sup> March, 2007.

### Financial Performance

	Rs. Lakhs
	For the year ended 31 <sup>st</sup> March, 2007
	For the year ended 31 <sup>st</sup> March, 2006
Income from operations	1466.06
Other Income	46.90
Total Revenue	1512.96
Total Expenditure	1267.80
Operating Profit	245.16
Interest	108.95
Profit before Depreciation (PBDT)	136.21
Depreciation	116.90
Profit before Provisions/Prior period expenses	19.31
Provisions/Prior period expenses	5.75
Provision for Taxation (FBT)	2.50
Profit after Tax	11.06
Balance brought down from previous year	(154.13)
Balance carried forward	(143.07)

### OPERATIONS

The sales and other income during the year under review was Rs.1513 lakhs as against Rs.1578 lakhs during the previous year. The profit after tax for the year was Rs.11.06 lakhs as compared to Rs.10.07 lakhs during the previous year.

As the current operations are confined to contract manufacturing for the domestic market, there is no significant improvement in the performance of the Company during the year under review. Albeit a dip in sales, the operating profit has improved by 24%. As reported in the previous year your Company has taken steps to enter the global market to achieve steady growth in sales and profitability. With our tie-up with Synergia Consultants we have started exporting the products to several countries and since it was our first year of export operations the volumes are not very conspicuous. However, the volumes have increased substantially during the current period and we expect to achieve a reasonable export turnover during the year 2007-08.

The other major initiative taken by your Company during the previous year was to enter the largest pharmaceutical generic market i.e., USA. As you are aware your Company has signed an exclusive multi-product supply agreement with an US based mid size generic pharmaceutical company,

Lannett & Company Inc, Philadelphia. We are happy to inform that your Company has executed a similar agreement with another US company, Actavis Mid Atlantic LLC, Delaware for the development of five products. With this, a total of fourteen products are under development for filing the ANDA's with USFDA. The product development work of these products is progressing as per schedule. We expect to file the ANDA's for the first two products during October/November 2007, which will trigger the USFDA inspection. Your Company is making necessary capital investments for the up-gradation of the Plant to meet the USFDA requirements and revenue expenditure for the development of products. During the year your Company issued 15% cumulative preference shares for Rs.300 lakhs and also raised a term loan of Rs.300 lakhs to fund the said capital and revenue expenditure. Your Directors are confident that the entry into the US market would certainly bring-in substantial growth and enhance the shareholders value over a period of next 2 to 3 years.

### **Directors**

Sri.S.T.R.Mady, Director retires by rotation and being eligible offers himself for reappointment.

### **Corporate Governance**

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange, a Management Discussion and Analysis statement, Corporate Governance Report and Auditors' Certificate on the compliance of conditions of Corporate Governance are made a part of the Annual Report.

### **Directors' Responsibility Statement**

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm that

- in the preparation of the annual accounts for the year 2006-07, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;
- they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- they have prepared the annual accounts on a going concern basis.

### **Auditors observation**

Auditors have drawn attention to Notes No. 6, 7(b), 7(c), 9(a), 9(b), 9(c)(i) & 10 forming part of the accounts and expressed their reservation. The said notes to accounts are self explanatory.

### **Personnel**

There were no employees drawing remuneration during the year in excess of the limits specified under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.



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**Conservation of Energy, Technology Absorption and Foreign Exchange Earnings/Outgo**

In pursuance of the provisions of Section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo are annexed to the Report.

**Auditors**

The Auditors Messers Rao & Swami, Chartered Accountants retire at the forthcoming Annual General Meeting and being eligible offer for reappointment.

**Acknowledgement**

The Board places on record its appreciation for the continued cooperation and support received from the Medical Profession, various Government Agencies, Shareholders, Business Associates, Employees, Depositors and Bankers.

For and on behalf of the Board of Directors

Date : 22.08.2007

Place : Bangalore

S.T.R.MADY

CHAIRMAN

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**ANNEXURE TO THE DIRECTORS' REPORT**

Information under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31<sup>st</sup> March, 2007.

**I. CONSERVATION OF ENERGY**

The Company continues to explore measures which will help in conservation and saving of energy.

**FORM - A**

2006-2007                      2005-2006

**A. Power and Fuel Consumption**
**1. Electricity**

a. Purchased units	KWH	11,91,450	10,48,785
Total Amount	Rs. Lakhs	58.56	51.23
Rate/Unit	Rupees	4.91	4.88

**b. Own Generation**

Through Diesel Generators:

Units	KWH	2,72,753	2,68,063
Cost/unit	Rupees	11.08	9.68

2. Coal	Tonnes	Nil	Nil
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**3. Furnace Oil**

Quantity	Kilolitre	Nil	Nil
Total Amount	Rs. Lakhs	-	-
Average Rate	Rs./KL	-	-

4. Other/Internal Generator (Diesel - Ltrs)	98,981	90,128
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**B. Consumption per unit of Production**

Total Production

Capsules (Nos.)		Sterile Products (Ltrs)		Tablets (Nos)		Powder (gms)	
2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
519 Lakhs	551 Lakhs	3.19 Lakhs	3.33 Lakhs	939 Lakhs	287 Lakhs	23,000	17,800





## FORM - B

**II RESEARCH AND DEVELOPMENT (R&D)**

- |  |   |  |
|--|---|--|
| i. Specific areas in which R&D carried out by the Company  | : | 1. Formulations development for Export Market.<br>2. Analytical method development.<br>3. Stability studies as per ICH Guidelines to meet international Standards.<br>4. Process improvements to improve quality of formulations and reduce cost.  |
| ii. Benefits derived as a result of the above R&D          | : | Development of eight products for the export Market including two products for US Market.  |
| iii. Future plan of action                                 | : | i. The above R&D activity will be continued.<br>ii. Eight products under development for US Market.<br>iii. Two products for development and Tech. Transfer to the customer site.<br>iv. Eight products under development for Costa Rica market<br>v. Preparing for USFDA audit.<br>vi. Upgradation of R&D facility. |
| iv. Expenditure on R&D                                     |   |  |
| a. Capital   |   | Rs. 96.35 Lakhs  |
| b. Recurring   |   | Rs. 44.84 Lakhs  |
| c. Total   |   | Rs. 141.19 Lakhs   |
| d. Total R&D expenditure as a percentage of total turnover |   | 9.33 %   |

**Technology absorption, adaptation and innovation**

- |   |   |  |
|---|---|--|
| i. Efforts, in brief, made towards technology absorption, adaptation and innovation   | : | Technology associated with the manufacture of Tobramycin and Fluromethalone Ophtha suspension, Brimonidine Tartarate Ophtha solution and Prostaglandin Injection were absorbed and commercialised. |
| ii. Benefits derived as a result of the above efforts   | : | Developed personnel with high technical abilities in the above areas.<br><br>Sustainability of our business as a manufacturing company is realised as the R&D efforts leads to commercialisation.  |
| iii. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be given: |   |  |
| Technology imported   | : | Nil  |
| Year of import  | : | N.A.   |
| Has technology been fully absorbed ?  | : | N.A.   |
| If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action  | : | N.A.   |
| iv. FOREIGN EXCHANGE EARNINGS AND OUTGO   |   |  |
| Foreign Exchange earned   | : | Rs. 179.78 lakhs   |
| Foreign Exchange used   | : | Rs. 111.37 lakhs   |

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY STRUCTURE AND DEVELOPMENTS, OPPORTUNITIES, THREATS AND OUTLOOK

The Indian economy experienced sustained growth with strong macro-economic fundamentals characterizing it during 2006-07. The GDP grew by over 9 per cent and the manufacturing sector specifically has grown at double-digit rates. However, the concern is of sluggish growth in Agriculture, which was dismal at 2.7 per cent in 2006-07 as against 6 percent growth in the previous year. The international annual price of the Indian basket of crude also increased and the impact was contained by a 3-way burden sharing arrangement between the Government, oil-marketing companies and the consumer, for whom the increase was 12.5 percent last year.

There is a world wide structural trend evolving in pharmaceutical industry. The global pharmaceutical industry has, recently, been under immense pressure to develop blockbuster drugs to strengthen its drying pipelines as well as to overcome the loss of sales to generics due to patent expires of many blockbusters. Over the last few years, the need to outsource for big pharmaceutical companies has increased considerably, and outsourcing is gradually moving from being just a tactical or opportunistic option to a more strategic one for sustaining growth and leadership. In order to achieve efficiencies in cost capacity and time to market or to obtain specific expertise that is not available in-house, large manufacturing companies have turned towards contract manufacturing organizations. The contract research and manufacturing services (CRAMS) has emerged as a new arena for the thriving Indian Pharmaceutical industry to accelerate its overall growth prospects. The Indian CRAMS market is known for its quality services at a lower cost and many of the domestic players are gradually entering into CRAMS business to enhance their bottom line. According to ASSOCHAM the contract manufacturing market is poised to touch US\$1 billion in 2010.

Your Company aims to transform itself into a completely integrated player in CRAMS space. India has emerged as a secure territory for contract research and manufacturing of products and your Company would leverage this opportunity. To fully integrate ourselves in CRAMS activities, we have upgraded our manufacturing plant to meet the USFDA requirements at a cost of Rs.600 lakhs. We have tie-ups to work with firms from Europe, USA and Costa Rica and plans to increase the customer base in these countries. We are expecting a substantial growth in a couple of years from this activity.

The operations of your Company during the year were confined to domestic contract manufacturing activities and as such there is no significant growth. The turnover and the profit after tax for the financial year under review was Rs.1512.96 lakhs and Rs.11.06 lakhs respectively as compared to Rs.1577.79 lakhs and 10.07 lakhs during the previous year.

### RISKS AND CONCERNS

The major activity of the Company is contract manufacturing of the pharmaceutical formulations and currently is mainly for the domestic market. For attaining substantial growth the Company is entering the export market with a couple of tie-ups with US based marketing companies and upgraded the manufacturing facility to meet USFDA requirements. Generally it takes about 18/24 months for the development of the products, file ANDAs and to obtain approval from USFDA after which the commercial supplies can begin. Therefore, there could be a possibility of price reduction in the generic market by the time our commercial supplies begin and may affect our future profitability.