CHAPTER 2
PROFILE OF THE PHARMACEUTICAL COMPANIES
SELECTED FOR THE STUDY
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CHAPTER 2
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2.1 INTRODUCTION:
In the previous chapter, the researcher had tried to emphasize on nature of dividend decision and importance of dividend policy. The previous chapter had covered the need of the study which includes statement of problem, scope and limitations of the study. In chapter one the researcher has described objectives, hypothesis and relevance of the study. In the same chapter the researcher has analyzed chapter scheme (organization of the study) and also emphasis on research methodology.

In this chapter, the profile of the pharmaceutical industry in India with reference to Maharashtra State has been studied in detail. Further, an attempt has been made to describe the Pharmaceutical Industry in India and its growth. The Indian Pharmaceutical sector is highly fragmented. The Pharmaceutical industry in India meets around 70 percent of the country's demand for bulk drugs, tablets, capsules, orals and injectibles. Indian Pharmaceutical Industry is growing in output, value, volume, number of units by steadily and contributing significantly in India's GDP growth.

2.2 PHARMACEUTICAL INDUSTRY IN INDIA:
In India, Pharmaceutical business came into existence in the year 1901 when Bengal Chemicals and Pharmaceutical Company started its production in Calcutta. Since then there is no looking back and today India has become one of the leading pharmaceutical products manufacturing nation. This fact would become evident by the current scenario of the industry, wherein it is not just meeting the increasing demand of the huge population of the country but also exporting the products to the other developing and developed countries of the world. Starting from the humble beginning of repacking imported raw materials,
the Indian pharmaceutical industry has gradually become a net foreign exchange earner, making its presence felt in the global pharmaceutical arena.

Globally, the Indian pharmaceutical industry is the fourth by volume and thirteenth in value terms and among the top 20 global exporters. With robust growth of around 18 percent, the Indian pharma industry is going to increase its share in the world market. The specialist-driven products contributed 62 percent of the growth in 2006. The Indian pharma industry is US $ 10 billion. The top 100 large companies are contributing 70 percent of the total production. The industry produces almost the entire range of formulations and over 400 bulk drugs. There are more than 60,000 products, out of them 30,000 are branded while others are in therapeutic segments. The pharma industry is divided between the bulk drugs and the formulation segments.

2.3 BULK DRUGS:

The bulk drugs are the Active Pharmaceutical Ingredients (API) with medicinal properties that is used to manufacture formulations. The API cannot be administered directly to the patients; and other substances called recipients are added to stabilize the formulation drugs. These end products, which include the API’s and the recipients, are called “formulations”.

The Indian pharma industry manufactures over 400 bulk drugs for several therapeutic segments. As per a survey of ORG-Marg the annual cumulative growth rate of the bulk drugs was recorded as 19.5 percent during the study period. It was higher than the growth rate of the overall pharma productions.

2.4 DOMESTIC FORMULATIONS:

Formulations are the end products of the medicine manufacturing process; it can be taken in the form of tablets, capsules, injectable or syrups. The new drug policy has also affected the growth of the pharma industry particularly domestic formulation segment. In the year 2003-04, the Indian pharma industry had over 24,000 units, out of which 260 are in the organized sector as against 23,790 and 250 units in 1999-2000. The domestic market has reported production of
Rs.22,600 crores. The Bulk Drugs’ turnover has been reported to be Rs.10,000 crores, in 2004, as against Rs.4,533 crores in 1999-2000.

In the year 2003-04, about 1/3rd of the total pharma production has been exported worth of Rs.14,100 crores, as against the exports of Rs.8,730 crores in 1999-2000. As per the survey of C-Marg 2004, the exports are growing at 25 percent annually. Average companywide market share was reported to be less than 9 percent, whereas the prescription market is growing by 10 percent annually. The generic market has a great future as it is growing by 17 percent.

2.5 FRAGMENTATION IN THE DOMESTIC FORMULATION INDUSTRY:

The Indian formulations industry is highly fragmented. The companies’ retail formulations market share is not more than 7 percent of the total formulations market. This is similar to the worldwide position where no company has more than 9 percent market share. In fact, the top 10 Indian companies formulations market share is around 37 percent of the retail formulations market, whereas, 44 percent of the market share is enjoyed by the top 10 companies worldwide.

In 1995, the Indian pharma’s finished formulation export growth was 15 percent. The Indian companies have sustained their growth in the domestic formulations market through the launch of new products during the year 2003-04. Around 60 percent of the growth in the domestic formulations market came through the new products. This was more pronounced in the segments like anti-infective, elementary tract and metabolism system. Hence, the new product launches are required to sustain the growth of companies.

After implementation of the product patent regime in India in 2005, the Indian companies would be unable to launch a new molecule patent after 1995. Hence, growth of exports in the Indian formulation market would slow down till 2008. The Indian companies which are operating only in the domestic market will find it difficult to sustain their growth. Due to increased competition, their margin of profit would be under pressure on account of the existing pricing portfolio of
drugs. Due to urbanization and changes in life-style, segments like cardiovascular and Central Nervous System (CNS) are expected to increase the growth of their market share

2.6 FEATURES OF INDIAN PHARMACEUTICAL INDUSTRY:

1. Self sufficient to meet domestic demand:
Looking to the features of Indian population, it is very important that they get quality medical treatment and medical products not only but at affordable prices. Indian pharmaceutical industry is called a success story, because it has served the population of the country in spite of the limiting features.

The pharmaceutical industry in India meets around 70 percent of the country’s demand for bulk drugs, pharmaceutical formulations, chemicals, tablets, capsules, orals and injectibles. More than 85 percent of the formulations produced in the country are sold in the domestic market.

2. Gigantic Size:
More than 25,000 registered pharmaceutical manufactures exist in the country. The leading more than 250 pharmaceutical companies control more than 70 percent of the market with the market leader holding nearly 7 percent of the market share. Indian pharmaceutical industry is one of the largest and most advanced among the developing countries.

3. High Volume of Production:
Over the decade the production of formulations rose from Rs. 1.5 million to more than Rs. 139 billion, whereas bulk drugs from Rs. 180 million to more than Rs. 31 billion.

4. Growth in Exports:
Over 60 percent of India’s bulk drug production is exported. India’s pharmaceutical exports are approximately of Rs. 85 billion of which formulations contribute nearly 55 percent and 45 percent comes from bulk drugs. The exports of pharmaceuticals during the year 1997-98 were Rs. 49,780
million. India exported drugs and pharmaceuticals to more than 200 countries in 1998-99. The share of Indian exports to USA remained 11 percent over the years 1994-95 to 1998-99. In the same year drugs and pharmaceuticals consists 28 percent of India’s export to Vietnam, 21 percent to Nepal and 20 percent to Nigeria.

5. Research and Development:
Research and Development is the key to the Indian pharmaceutical industry. The R&D expenditure by the Indian pharmaceutical industry is around 1.9 percent of the Industry’s turnover. This is obviously very low as compared to other developed pharmaceutical industry around the world. Foreign research based pharma companies spend approximately 10 to 17 percent of the turnover on the Research and Development. Now India has entered into the Patent protection area, therefore, many companies are spending relatively more on the R&D.

2.7 STRENGTHS OF INDIAN PHARMACEUTICAL INDUSTRY:
The Indian pharmaceutical industry has been the front runner in a wide range of specialties involving complex drugs manufacture, development and technology. With the advantage of being highly organized sector, the pharmaceutical companies in India are growing at the rate of $4.5 billion, registering further growth of 8-9 percent annually. More than 20,000 registered units are fragmented across the country and a report says that 250 leading Indian pharmaceutical companies control 70 percent of the market share.

The Indian pharmaceutical industry has been able to export its products to a number of countries where Indian medicines have been popular due to their low cost and effectiveness. The pharmaceutical industry today is in the front rank of India’s science based industries, with wide ranging capabilities in the complex filed of drug manufacturing and technology. The Indian pharmaceutical industry has registered significant increase in capital investment over the years. It has also been a net export earner and a major source of employment. Following are the important point which highlights the strengths of Indian pharmaceutical Industry
1. Cost effective chemical synthesis:
Indian pharmaceutical industries improved cost beneficial chemicals synthesis for various drug molecules is excellent. It provides a wide variety of bulk drugs and exports sophisticated bulk drugs.

2. Competent Workforce:
India has a pool of personnel with high managerial and technical competence and skilled workforce. Professional services are easily available. One of the reasons of the progress of Indian pharmaceutical industry is its relatively large resource of well educated and trained scientist and engineers, compared to other countries, which enabled domestic companies to develop new methods to produce even complicated pharmaceutical products.

3. Legal and Financial framework:
India has more than 60 years old democracy and hence has a solid legal framework and strong financial markets. There is already an established international industry.

4. Consolidation:
In the recent times, the International pharmaceutical industry is finding great opportunities in India. The process of consolidation which has become a generalized phenomenon in the world pharmaceutical industry has started taking place in India.

5. Low cost of Production:
This is one of the highlighting features of Indian pharmaceutical industry. The low price situation is achieved by the extremely low cost of production. Pharmaceutical industry of India has definitely contributed to the better health of millions of people of India by providing medicines at affordable prices. Further, Indian pharmaceutical industry has been able to export its products to a number of countries where Indian medicines have been popular due to their low cost and effectiveness. A large domestic market and relatively inexpensive trained
manpower have also enabled the country to emerge as a low cost of production centre.

6. **Strong Technology:**
In the recent past, Indian pharmaceutical industry has made tremendous progress in the technological development. In the recent years, company have spend sufficient amount of money towards Research & Development.

7. **Globalization:**
The country is committed to a free market economy and globalization. Above all, it has a 70 million middle class market, which is continuously growing.

**2.8 GOVERNMENT INITIATIVE:**
100 percent foreign direct investment is allowed under the automatic route in the drugs and pharmaceuticals sector. The government plans to set up a US $ 639.56 million venture capital fund to give a boost to drug discovery and strengthen the pharma infrastructure in the country.

The government had issued an expression of interest for technical and financial bids for the selection of a global level consultant for the preparation of a detailed project report in order to develop India as a drug discovery and pharma innovation hub by 2020. The Drugs and Pharmaceutical Manufacturers Association has received an in-principle approval for its proposed special economic zone for pharmaceuticals, bulk drugs, active pharmaceutical ingredients and formulations.

The department of pharmaceuticals has prepared **Pharma Vision 2020** for making India one of the leading destinations for end-to-end drug discovery and innovation and for that purpose provides requisite support by way of world class infrastructure, internationally competitive scientific manpower for pharma research and development, venture fund for research in the public and private domain and such other measures.
2.9 ACHIEVEMENTS OF INDIAN PHARMACEUTICAL INDUSTRY:

Indian pharmaceutical industry has been exceedingly performed well in terms of production, domestic research and development, value addition, regional spread and diversification. Indian industry is also contributing to better health for millions of people by producing cost effective medicines and providing it at affordable prices. Indian pharmaceutical industry is exporting its products to number of countries. Pharmaceutical industry has made phenomenal progress, technological capabilities and cost effective production are achieved. One of the significant achievements includes availability of most sophisticated medical facilities to every major city of India. Some of the MNCs have entered into agreements with some of the Indian companies for research or marketing of new products, confirming the value of research.

2.10 CHALLENGES OF INDIAN PHARMACEUTICAL INDUSTRY:

Over the past decade, pharmaceutical companies have entered a difficult phase where shareholders, the market and regulators have created significant pressures for change within the industry. Current global financial conditions and the threat of a recession accelerated the timetable for implementing transformational changes in global organizations, as the industry confronts lower corporate stock prices and increasingly cost-averse customers. Leaders of the largest global pharmaceutical companies recognize the need for transformational change in their organizations but will need to move swiftly to ensure sustained growth.

Today Indian pharmaceutical industry can look forward to the years to come, with great expectations. There are opportunities in expanding the range of generic products as more molecule come off patent, outsourcing and above all in focusing into drug discovery as more profits come from traditional plays. The Indian pharmaceutical industry would have to face several challenges such as drug price control, effects of new product patent, regulatory reforms, infrastructure development, quality management and compliance to global standards.
2.11 SAMPLE PHARMACEUTICAL COMPANIES SELECTED FOR THE STUDY:

2.11.1 AJANTHA LTD:

FACTORIES:
- M.I.D.C. Chikalthana, Aurangabad
- M.I.D.C. Paithan, Aurangabad
- M.I.D.C. Waluj, Aurangabad

1. INTRODUCTION:
In 1979, the company was incorporated by Mr. Purushottam Agarwal for manufacturing and marketing pharmaceutical nature based products such as Thirty Plus, Livoplus and Pinkoo Gripe water. These products are classified as lifestyle product by the market in India. During the year 1979-1984, the company became one of the major Over-the-Counter (OTC) players in states of Maharashtra, Karnataka and Gujarat. Ajanta pharmacy has strong presence in the OTC market in 1992; the company started its operation in the international market.

2. HISTORICAL PERSPECTIVE:
In 1997 the company entered the production drug market. The company has a plant at Paithan which carries out solvent and aqueous on the pilot scale. In 1998, the company introduced bulk drug segment for marketing to sell its antibiotics, anti-oxidant and cardioraslaw products in Maharashtra.

Basically, the company is known as “Thirty Plus” brand of energizers. In 1999, the company launched its OTC brand “Pinkoo” for children up to 12 years. Later Ajantha Pharma launched its “Ezmbed” drug for lowering cholesterol in heart patients and made progress over a period of time.

3. MANUFACTURING:
Manufacturing is an important part of organization activities. The company’s manufacturing facilities incorporates the latest technology and sophisticated
equipment to ensure high level of productivity and consistent quality of products. The company has GMP facilities for manufacturing with several regularity authorities. In Maharashtra, the company has its formulation plant at Chikalthana (Aurangabad) and Paithan. These plants are approved by the WTO with GMP facilities.

4. MARKETING OPERATION:
Marketing means marketing of quality products of the company to doctors in particulars and to the public through chemists, in general. Ajanta Pharma Limited is a mid-sized pharmaceutical company. The company is commonly known as the “Thirty plus” brand of energizers. The company is marketing in the antibiotics, antioxidant and cardiovascular segments.

5. PRODUCT:
“Product is anything that can offer to a market for attention, acquisition use or consumption that might satisfy a want or need”. The company has developed unique molecules in different segments with lower prices as compared to the leading brands to its competitors. Over the past three years, the company has reduced its dependence on some of the old brands and moved towards becoming self-reliant by launching several new brands.

As per the survey of ORG-MARG in 2003-04 the top 5 brands of Ajanta pharma contributed 55 percent of its total sales. “Pinkoo” and “Thirty Plus” had become their top-selling products in their categories in India as well as in Maharashtra State. The product has provided the kind of impetus needed to an infant company to take bold strides in the industry dominated the multinationals. As per the survey the company has focused on high growth nice segments such as antioxidant with natural carotenoids “Carofit”, which has reported a contribution of 15 percent to the total sales. In the pediatrics segment, “Pinkoo” contributed 25 percent to the total sales. For attaining leadership in the domestic pharmaceutical industry, the company has a strong presence in the therapeutic segments such a Dermatology, Gynecology, Internal Medicine Pediatrics and ENT.
During the study period, sales of the company’s increase due to proper customer identification, good marketing practices such as right product at right place, proper chemists survey and close monitoring on prescriptions trends of the doctors in different segments.

6. JURISDICTION OF MARKET:
In Maharashtra, the company is operating its marketing business with the help of over 35 medical representatives and almost 450 medical representatives all over India backed by a product management team. It has strong network of sales depots, stockiest and pharmacy retail outlets.

More than 250 doctors and almost 150 chemists are on the company’s database in each headquarters with constant updates on products through a training field force. Currently, formulations of the company are sold in various states of India. The company is also planning to increase the strength of the marketing team by increasing the number of the medical representatives in a five year time frame.

7. RESEARCH AND DEVELOPMENT:
Patient care through convenience and better compliance, using “Innovation and Technology” in R&D makes “A Class Apart” in Healthcare. Dedicated team of 130 scientists, supported by well-equipped laboratories, using their excellent development skills to formulate and develop new technological innovations to say “We Really Care”

The gap identification for patient needs in the specialty segments by marketing was just a beginning but became a reality only through company’s R&D efforts. There were challenges and hurdles, which were crossed by the R&D in delivering new product launches during the year, many of them being 1st of its kind. Company’s new state-of-the-art R&D facility called “ADVENT” is being ready in Kandivli, the western suburb of Mumbai with about 30,000 sq.ft of built up area.

8. PERFORMANCE:
Ajantha Pharma has emerged as one of the fastest growing companies in specialty segments. The consistent growth in total income during last 5 years at
CAGR of 24 percent was the result of speciality focuses and brand promotions worldwide, which enabled higher margins. This was reflected in Net profit moving faster with CAGR of 57 percent for last 5 years.

Innovative formulations and early to market facilitated better growth over the years. It will continue to be the driving force in future. The benefits of economies of scale are clearly reflecting in the performance and will help to the company to improve it further.

The company has achieved excellent performance recording overall growth better than the industry average. The total income increased by 16 percent whereas profit before tax has grown by 55 percent and profit after tax jumped 32 percent over the previous year. The brand and specialty focus enabled the company to achieve leadership position in many of its product categories. The company is continued to add more markets and products ensuring healthy growth. Further, company has improved its presence in the domestic market, which holds strong potential for the coming years with focus on specialty segments.

- Revenues for the year 2006 up to 16 percent at Rs.247 crores, growth continues.
- Presence in more than 50 countries with brand marketing.
- More than 1109 product registrations, 697 dossiers in pipeline worldwide
- Strong R&D Capabilities.
- Entering developed market of USA with Contract R&D Manufacturing.
2.11.2 CIPLA Ltd:

LOCATIONS:
- L.B.S. Marg, Vikhroli(West), Mumbai
- D-7, M.I.D.C. Industrial Area, Kurkumb, Pune

1. INTRODUCTION:
In 1935, Mr. Khwaja Abul Hamid started Cipla as a registered Indian Public Limited Company with an authorized capital of Rs. 6 lakhs. Cipla launched its first product in the market in 1937.

2. HISTORICAL PERSPECTIVE:
In 1944, Cipla started its first class modern pharmaceutical works in a laboratory. In 1946, Cipla’s first product for hypertension “Serpinoid” was exported to the American Ronald Corporation, to the tune of Rs. 8 Lakhs. In 1951, the company entered into an agreement with a Swiss firm for manufacturing Foromycin after a continuous and consistence growth.

In 1961, Cipla started manufacturing “Diosgenin” along with several steroids and hormones derived from diosgenin. In 1939, our Father of the Nation Mahatma Gandhi visited the factory, which was the period for essential medicines during the Second World War. During this period, Cipla was the leader in the Pharmaceutical Industry in India.

From 1965 onwards, Cipla became India’s leading domestic pharmaceutical company in R&D distribution network. The company took active steps and became leader in quality anti infective and anti-asthmatic formulations from 1984. In 1991, the company set up plants at five locations, mainly in Maharashtra State.

In 1998, company succeeded in sustaining its wing level of performance both in the domestic and international markets. In 2001, major decline took place due to direct concentration of Cipla’s focus on the Generic Segment in the domestic
market. This generic segment has much lower margin than the formulations which eventually impacted the overall profitability.

From 2002, onwards, the company once again took the lead in introducing a largest number of formulations in the country. In 2003, the company had marketed its total formulation products and many of these were spontaneously welcomed by the medical profession.

The bronchodilator for asthma “Asthalin HFA” Salbutamol inhaler has been accepted in the market very well. In the pediatric segment, ‘Cefadur Reduisl” Cefdroril syrup is a brand leader, whereas a betablocker has given an overwhelming response to “Doxacard” tablets. During the study period, Cipla had also succeeded to establish is ompi loxicillin preparation “Novacl ox-B and Novamox Ax, and amoxicillin plus ambrodol preparation for bronchitis.

3. MANUFACTURING:
In 1944, the company bought premises at Bombay Central and decided to put up a “first class modern pharmaceutical works and laboratory.” The Vikroli factory started manufacturing diosgenin. This heralded the manufacture of several steroids and hormones that were derived from diosgenin.

Cipla has set up plants at 5 locations, mostly in Maharashtra. Currently, it has about 2,200 employees. Cipla is aggressively expanding its therapeutic reach in the high-margin segment of cardiovascular, diabetic, anti-asthma inhalers and central nervous system to boost domestic sales.

4. RESEARCH AND DEVELOPMENT:
Cipla is India’s leading domestic pharmaceutical company. It has excellent process R&D and distribution network. It is a leading player in anti-infective and anti-asthmatic formulations. Its in-house R&D was established in 1952. The Pharma R&D division made significant contributions to the development of new drug delivery system and products employing innovative technology such as topical applications with micro emulsion technology. Development work was carried out on the use of pro drugs and alternate salts to improve the tolerance.
and enhance the bio-availability of formulations. All the three R&D centers of the company continue to have the approval of the Ministry of Science and Technology, Government of India. The focus of the company’s R&D efforts was on the following areas:

i) Development of new drug formulations for existing and newer active drug substances.

ii) Development of agro-technology, genetics and biotechnology for cultivation of medicinal plants and isolation of active ingredients from plant materials.

iii) Development of new drug delivery systems for existing and newer active drug substances as also newer medical devices.

iv) Patenting of newer processes/newer products/newer drug delivery systems/newer medical devices/newer usage of drugs for both local and international market.

v) Development of new innovative technology for the manufacture of the products.

vi) Development of methods to improve safety procedures, effluent control, pollution control, etc.

vii) Development of products related to the indigenous system of medicines.

5. PRODUCTS:

“Product is anything that can be offered to a market for attention, acquisition use or consumption which might satisfy a want or need”. Cipla has developed unique molecules in different segments with fewer prices of leading brands over its competitors. These products are as follows:

- Asthalin HFA (Salbutamol inhaler) - CFC-free bronchodilator aerosol for asthma.
- Atorlop (atorvastatin tablets) - advanced lipid lowering agent.
- Bambudil (bambuterol tablets) - Long-acting bronchodilator for asthma.
- Cefadur Rediuse (cefadroxil syrup) - ready-to-use pediatrics antibiotic formulation.
• Doxacard (doxazosin mesylate tablets) - once-daily alpha blocker for hypertension and symptomatic relief of benign prostatic hyperplasia (BPH).
• Entofoam (hydrocortisone acetate foam)-corticosteroid rectal foam for ulcerative colitis.
• Melflam (meloxicam tablets)-preferential COX-2 inhibitor NSAID for arthritis.
• Nevimune (nevirapine tablets)-novel antiretroviral for HIV infection.
• Novaclox-LB (amoxicillin, cloxacillin and lactobacillus capsules)-antibiotic-lactobacillus combination free of gastrointestinal side effects.
• Novamox- AX (amoxicillin plus ambroxol tablets)-antibioticmucolytic combination for bronchitis.
• Seroflo Rotacaps (salmeterol plus fluticasone)-new corticosteroid bronchodilator combination for asthma.

In the beginning of the study period, the company had launched new products such as “Beclate Aquanase” a major advancement in allergic rhinitis; “Cytoplatin” an anti-cancer agent; “Forcan” and an anti-fungal; “Imusporin” an immunosuppressant in organ transplantation; “Kelfer” an iron chelator for thalassaemia; “Lanzol” a proton pupmp inhibitor; “Nuzac” an anti-dpresant; “Odirox” a macrolide antibiotic and “Qinarsol” for chloroquin-resistant malaria. 

Other new products that were introduced are: “Acivir” antivirus herpes, Anlopress antivirust herpes, “Anlopress” Calcium channel blocker in hypertension and angina, Anlopress AT a combination antihypertensive, Budecort 200-a higher strength corticosteroid in bronchial asthma, Budenase AQ a corticosteroid protection in allergic rhinitis, cronal a nant cell stabilizer in allergic conjunctivitis, cytonid an antiandrogenic agent in prostate cancer, Norflox an antidiarrhoeal in diarrhea of mixed origin, Optipes betaxocol eye drops, Profenac anti-inflammatory eye drops, Terfed D a combination antihistamine and decongestant and Trivedon 20 that is used in ischaemic heart disease.
The products launched in the year 1995 were Azee (azithromycin capsules) a new macrolide antibiotic; Budecort (budesonide rotacaps) dry powder inhaled corticosteroid therapy for asthma; Cipril H (lisinopril + hydrochlorothiazide tablets) a combination antihypertensive; Ciplox TZ (ciprofloxacin + tinidazole tablets) the combination bactericide for aerobic/anaerobic infections; Entosec (secnidazole tablets) single dose therapy for amoebiasis/trichomoniasis; Fincar (finastrid tablets) for being prostatic hyperplasia; Metolar (metaprolol injection) beta-blocker protection for post myocardial infarction and Zoflut (fluticasone propionate cream) a new topical corticosteroid.

The products introduced during 1997 were; Alerid-D an antihistamine and decongestant for cold and congestion, Amlopres-L a tablet for hypertension, Aqatears-an eye drop, Azee 1000 a single dose for STDs, Budecort Respules-neubulised corticosteroid therapy for asthma, Dilgard XL-a diltiazem, Glumet-tablet for obese diabetics, Glygard-tablet for obese diabetics, Glygard tablet for diabetics, Ipranase AQ (ipratropium nasal spray) an anticholinergic therapy for rhinorrhoea, Ocutim (an eye drop) a glaucoma therapy in acqafilm formulation, Osteifos 10 tablet for osteoporosis, Prolyte Fizz a rehydration effervescent tablet, Pylokit; an advanced H pylori kit, Rismia a typical antipsychotic, Stavir and antiretroviral for AIDS, Synclar 250 and advanced macrolide antibiotic, Theoday a tablet for asthma and Zoflut Lotion a topical corticosteroid.

6. MARKETING OPERATIONS:
During the study period, the company had launched a series of various products in different segment. The company once again took the lead in introducing the largest number of formulations in the country. While many of these were spontaneously welcomed by the medical profession, the major products launched during the study period had given very good contribution to its total sales.

7. JURISDICTION OF MARKET:
The company is operating in Maharashtra with the help of over 55 medical representatives’ force backed by a product management team. It is spread over a strong network of sales force, wholesalers, stockiest and retail outlets. More than 275 doctors and nearly 150 chemists are on the companies’ data base from each
headquarters with constant update on products through a trained field force. The company’s offices are being controlled by a corporate office within the country, comprising an energetic team of 250 managers and 1,400 medical representatives.

8. PERFORMANCE:
During the year 1997, company’s performance has indeed been commendable. Sales at Rs. 451.89 crores recorded a growth of 25 percent and profit before tax of Rs.102.75 crores increased by 175 percent. The company has not only been successful in enhancing its share both in the domestic and export markets, but also in ensuring increased productivity and cost effectiveness at all levels. This outstanding performance reflects the Cipla team’s relentless pursuit of excellence in every sphere of activity. Exports for the year under review amounted to Rs. 61.70 crores – a growth of 56 percent over the previous year.

The company also earned technical fees from overseas customers for the supply of technology, knowhow and documentation for the manufacture of bulk drugs and formulations. The company has a worldwide reputation for innovative technology and for manufacturing a wide range of sophisticated products.

During the year 1998, Company crossed the 500 crore milestone, achieving an overall turnover of Rs. 514.43 crores. Despite the general slowdown, both of the economy and the pharmaceutical industry, sales registered an increase of 13 percent over the previous year. Profit after tax recorded a 44 percent jump at Rs.102 crores. This growth was attained by rationalizing the product mix, increasing productivity, reducing the interest burden and containing overall costs. It is significant that exports contributed nearly 40 percent to the net profit of the company.

The company’s policy of exporting high-value, high technology products contributed substantially to the overall profitability of the company. Exports for the year amounted to Rs. 72.81 crores, a growth of 18 percent over the previous year. This performance was especially commendable, considering the uncertainties in the overseas market scenario. Crashing currencies badly mauled
the South East Asian market. There was a substantial decline in sales on account of the economic situation prevailing in the region. However, Cipla overcame the effect of these setbacks by consolidating its presence in other international markets such as the United States, Europe, Australia, and regions of Latin America, Africa and the Middle East.

The year 1999 was yet another successful one for the company, even as the business environment remained highly challenging and intensely competitive. Sales at Rs. 617.16 crores showed a growth of 20 percent over the previous year, with a proportionate increase in profit after tax at Rs. 114.95 crores. Once again, exports contributed substantially to the company’s profits. Cipla’s export earnings, including fees for technology transfer, exceeded Rs. 119 crores, recording a remarkable 60 percent growth over the previous year. This achievement can be proudly attributed to company’s global reputation for innovation, quality and reliability in making available wide range of products.

Company has yet another commendable performance during the year 2000. Sales at Rs. 759 crores showed an increase of 23 percent with the company sustaining its high level of performance both in the domestic and international markets. Profit after tax at Rs. 133 crores was 17.5 percent of sales marginally lower than the 18.6 percent level of previous year. This was mainly because of intense competition, which affected price realization. The company’s export at Rs. 143 crores grew by more than 20 percent during the year. Cipla entered into contracts with leading US generic companies, for the supply of select drug formulations to the US market. Similar tie-ups are already in place in Europe and other important markets. The company earned Rs. 3 crores as technical fees for the supply of know-how to companies in various countries including the USA, Europe and the Middle East.

In the year 2001, the general economic slowdown has affected almost every major indigenous industry. Inflationary trends have escalated operating expenses, while increasing domestic and global competition has led to lower price realization. The Indian pharmaceutical sector was adversely affected, showing an overall growth rate of just 8 percent for the year compared to over 12 percent in previous years. The company has able to overcome the negative industry trend
and recorded an overall turnover growth of about 40 percent – the highest in the last three decades. Sales crossed Rs. 10,000 million mark for the first time and touched Rs. 10,475 million, while profit after tax at Rs. 1790 million registered a 34 percent growth. A strong product portfolio, a substantial rise in exports and sustained efficiency in operations contributed to this outstanding performance.

The exports recorded a commendable sales growth of 84 percent over the previous year. Total exports for the year amounted to Rs. 2583 million. In addition, company has earned around Rs. 80 million as fees for transfer of technical know-how. Cipla has made successful forays into new markets in Europe, the USA, South America, Africa and the Middle East.

The company continued to be exclusively in the pharmaceutical business segment. During the year 2002, sales at Rs. 13858 million grew by a remarkable 33 percent over the previous year. Exports at Rs. 4942 million showed a record increase of 92 percent. In addition, the company has earned around Rs. 26 million as fees for transfer of technical know-how. The company’s net profit at Rs. 2351 million was higher by 31 percent over the previous year. Once again, this outstanding performance can be primarily attributed to the wide range of the company’s products and a high level of productivity and efficiency in overall operations. The leap in exports was a result of the company’s constant efforts to tap new markets and introduce new products. Cipla is now a reputed name in many global markets.

The year 2003 was a sluggish year for the Indian industry as a whole. The domestic pharmaceutical industry was no exception. For the first time in nearly five years, the Operations Research Group (ORG) and IMS Health reported a single digit growth in retail sales of drug formulations for the year ended 31st march 2003. The company’s sales crossed Rs. 15,000 million mark – a growth of 12 percent compared to the previous year. Overall exports at Rs. 5,660 million registered a growth of 15 percent. Notably, exports of formulations recorded a healthy growth of 60 percent over the previous year. Cipla now exports its drug formulations to over 140 countries in North and South America, Europe, Africa, Middle East, Asia and Australia.
The pharmaceutical industry in India continues to be highly competitive and fragmented and has grown by 7 percent during the year 2004. In this year, Cipla is ranked first in trade sales as per the ORG and IMS retail audit. Operating income of the company crossed Rs. 20,000 million for the first time. At Rs. 19,746 million, its sales recorded an impressive growth of over 27 percent. Exports registered a volume of Rs. 8,123 million with a growth of 44 percent, and constituted more than 40 percent of the total sales. There has been a significant increase in the exports of both active pharmaceutical ingredients (APIs) and formulations. The company has introduced several formulations and active pharmaceutical ingredients during the year. Some of these advanced drugs have been manufactured for the first time in India by Cipla.

During the year 2005, the Indian pharmaceutical industry grew by 4.2 percent. Sales for the year crossed Rs. 23,250 million, recording an impressive 18 percent growth over the previous year. Cipla maintained its leadership in the domestic market, retaining its number one rank in the ORG and IMS ratings. Exports grew by 30 percent, exceeding Rs. 10,500 million. Both active pharmaceutical ingredients and formulations contributed to the growth in business in the international market. Overseas business now forms 45 percent of the company’s total turnover. The company received the Express Pharma Pulse Award for overall performance and jointly won the best exporter award.

The domestic pharmaceutical industry in India grew at more than double rate, recording 11 percent growth in value as per ORG-IMS, compared to 4.2 percent during 2005. As expected, year 2006 was a year of consolidation, merger and acquisitions. Several international pharmaceutical companies established and strengthened their presence in India. During the year 2006, company’s turnover crossed Rs. 3,000 crore mark. At Rs. 3,019.68 crore, sales recorded a healthy 30 percent growth over the previous year. Once again, this was way above the overall growth rate of the industry. Exports continued to do well and at Rs. 1,513.64 crore contributed 50 percent to the overall sales of the company. Technical know-how fees received during the year amounted to Rs. 41.56 crore. The overall net profits of the company grew by 48 percent and stood at
Rs.607.64. This was mainly on account of improved product mix, optimum utilization of tax benefits and higher non-operating income. Cipla is one of the handfuls of company in India that has consistently increased its turnover and profitability over the past 15 years in a row.

2.11.3. FDC Ltd:

**LOCATIONS:**
- Jogeshwari (Mumbai),
- Waluj, (Aurangabad)

**1. INTRODUCTION:**
In 1940, FDC was promoted by Chandwadkar family as a federal corporation to import drug from Jogeshwari, Mumbai. In 1949, FDC set up its first manufacturing facility at Jogeshwari, Mumbai. In June 1985, its name was changed to FDC Private Limited and, later on as FDC Ltd., in September 1988. It has four manufacturing facilities at Jogeshwari (formulations), Waluj (ORS and ophthalmic), Roha (bulk drugs and foods) and Sinnar (powder ORS).

**2. HISTORICAL PERSPECTIVE:**
In 1999, the company expanded its therapeutic reach with increased focus on dermatology, hematology and anti-infective by launching 10 products in these segments. In the year 2000, the company launched anti-viral and homeostatic formulations.

In the year 2002, the company concentrated on high margin market of Europe, particularly the UK. Moreover, a new manufacturing formulations plant at Goa has given boost to the exports of FDC Ltd.

**3. MANUFACTURING:**
The company has GMP facilities for manufacturing with several regulatory authorities. In Maharashtra, the company has its formulation plant at Jogeshwari. The Waluj plant and Roha plant are approved by USA and UK with WTO GMP
facilities. The Sinnar plant has ORS Powder manufacturing facilities and Jogeshwari plant has formulation facilities.

4. RESEARCH AND DEVELOPMENT:
The company’s research and development center’s main emphasis is on the ORS and Ophthalmic segments. Presently, the R&D activities are on the task force in neutral cuticle with new products range in dermatology and anti viral.

5. PRODUCT:
The company has presence in ORS, anti-infective, ophthalmic, dermatology and haematinics. It’s leading products are Electoral (ORS) and Piromon (ophthalmic) with a market share of more than 25 percent and 6 percent respectively. FDC is expanding its therapeutic reach with increased focus on dermatology, hematology and anti-infective. During the market survey, Executive of the company informed that in future they have plans to strengthen its presence in nutraceuticals with a new range of products. FDC has also restructured its distribution system from super-stockiest to C&F agents.

6. MARKETING OPERATIONS:
The company is marketing its products in various segments, but their special targeted products are in Oral rehydration, Ophthalmic, Haematinics, Dermatology and Anti-bacterial segment. FDC is a medium sized desi pharmaceutical company with a dominant position in oral re-hydration solution. In the oral re-hydration solution, maximum sales of the company come from ophthalmic segment.

7. JURISDICTION OF MARKET:
The company operates in Maharashtra with the help of force of over 45 Medical representatives backed by a product management team. FDC is spread over a strong network of sales force, wholesalers’, stockiest and retail outlets. More than 250 doctors and nearly 150 chemists are on the company’s database from each headquarters with a constant update on the products through a trained field force. The company’s overall marketing is controlled by a corporate office within the
country. The FDC is comprised of an energetic team of 230 managers and 1,000 Medical Representatives.

8. PERFORMANCE:
The company’s performance during the year 1997 has not been up to the projections. The projections were made on the basis of past performance. Sales in the Eastern division were severely affected in the peak season during the year. Due to the setback in sales as a result of change in the distribution system, company had to keep on hold its field expansion plan in many sales territories in the Eastern Division, which otherwise would have resulted in higher sales volume. Introduction of certain new products was also delayed. Apart from distribution set-up, the sales performance of a pharmaceutical company is prone to changes in climatic conditions to some extent, depending on its product portfolio. Therefore, sales of some of the seasonal products suffered due to unfavourable climatic conditions.

During the year, the company has achieved export sales of Rs. 1,646.82 lacks, as compared to Rs. 1,667.27 lacks for the previous year. The company is making sustained efforts to explore new markets and to consolidate its position in the existing market. The company’s total projected income during the year was Rs. 15,509 lacks and actual total income was Rs. 10,606 lacks. Further, the company’s projected profit before tax was Rs. 1,967 lacks and actual profit before tax was Rs. 683 lacks whereas projected profit after tax was Rs. 1,361 lacks and actual profit after tax was Rs. 573 lacks respectively. This shows that company’s performance was not up to the projections.

Again in the year 1997-98 the company’s performance has not been up to the projections. During the year, efforts were intensified to implement effective controls and streamline various systems. As a result, the profitability of the company has improved substantially, although the turnover has increased only marginally. In order to meet the growing competition, company management has taken various steps in the areas of distribution, product promotion, and new product introductions which will fructify into greater market share in the near future. Conscious efforts were made during the year to enhance profitability by
changing the product mix. During the year, stringent control on receivables as well as inventories has resulted into better deployment of internal funds. The company was also successful in negotiating and swapping high cost borrowings with low cost debts of financial institutions or banks.

In order to improve the productivity of assets significantly, the company concentrated on technology improvement, automation, product mix changes and enhancements of yields of various products. These steps have enabled the company to control the fixed expenses and save on input costs. The company has achieved and export sales of Rs. 1,822.06 lacks as compared to Rs. 1,646.82 lacks in the previous year. The company has made an investment of Rs. 94.39 lacks for setting up a wholly owned subsidiary in Netherlands.

The company’s total projected income during the year was Rs. 18,447 lacks and actual total income was Rs. 11065 lacks. Further, the company’s projected profit before tax was Rs. 2,379 lacks and actual profit before tax was Rs. 1,389 lacks whereas projected profit after tax was Rs. 1,619 lacks and actual profit after tax was Rs.1,113 lacks respectively. This shows that company’s performance was not up to the projections.

During the year 1998-99, the steps taken by the company since 1996 have resulted into an excellent performance during the year. Implementation of various controls and systems has contributed to increased productivity and profitability. The restructuring of various operations is a continuous process and has been followed throughout the year. As a result of various steps taken in the past as well as during the year, the company management has been successful in enhancing the shareholders wealth. Some of the significant business achievements during the year are as under:

- Finished Dosage business reached Rs. 11,635.61 lacks against Rs. 9,108.21 lacks in the previous year.
- Despite international competition, exports registered a growth of 16.44 percent.
- Sales up by 27.4 percent, net profit up by 77.59 percent
• New products line extensions have been introduced in the different segments.
• An excellent working capital management during the year has resulted in negative financial cost. The company has been able to rationalize the various components of working capital by reducing the outstanding of debtors to 33 days, previously it was 52 days.
• The company has achieved export sales of Rs. 2,121.77 lacks as compared to Rs.1822.06 lacks in the previous year.

During the year 1999-2000, the sales registered a marginal growth of 3.44 percent. However, profit before tax increase by 20.54 percent due to various cost control measures. The domestic branded pharmaceutical market registered a lower growth of 9.8 percent during the year as compared to the previous year, due to introduction of low price generic products by large number of Indian pharma companies. The main reason for near stagnant sales of the company was less than half coverage of the domestic market due to inadequate field staff and stiff competition from generic products for some of the leading brands of the company.

Despite stiff international competition, the company has achieved export sales of Rs. 2,376.47 lacks as compared to Rs. 2,121.77 lacks in the previous year. Prudent financial management of the company has resulted in building up a liquid investment portfolio of Rs. 2,000.52 lacks. The company has already given up the cash credit arrangement with its bankers since the company is confident of generating enough incremental revenues to support future operations.

During the year 2000-01, company’s sales and other income amounted to Rs. 16,947.19 lacks reflecting a growth of 12.58 percent over the previous year, though, the operating profits stagnated due to increased marketing overheads in view of enhanced customer coverage and new product launches. The domestic branded pharmaceutical market registered a growth of 9 percent during the year. During the current year, the export sales increased to Rs. 2,469.59 lacks as compared to Rs.2,376.47 lacks in the previous year. Efforts are being made to
register the company’s products in various countries which should yield results in future. Various measures taken by the company have also resulted into lower inventories giving better liquidity to the company.

In the year 2001-02, the domestic branded pharmaceutical market of over Rs.16,000 crores registered a sluggish growth. As against the Indian pharma industry growth of 10.6 percent, the present company registered a growth of 25.8 percent during the year 2001-02 as a result of aggressive marketing strategy of expanding the physician coverage coupled with proper positioning of its products in the domestic market. The exports during the year have increased to Rs. 2,975.19 lacks as compared to Rs. 2,469.59 lacks in the previous year, registering a growth of 20.47 percent. Continuous efforts are made by the company to reduce costs and achieve excellence which has resulted in improved margins.

As per ORG-MARG report, the company has registered a growth of 19.3 percent during the year 2002-03 as against the Indian pharma industry growth of 5.7 percent. The company’s market share has increase by 0.11 percent and its market rank has leaped from 30 to 27. The company has performed reasonably well during the current year. Gross sales have registered a growth of 18.05 percent and profit before tax was at Rs. 4,985.49 lacks, higher by Rs. 589.57 lacks, over the previous year. Profit after tax was at Rs. 3,980.16 lacks. During the year company has achieved export sales of Rs. 3,269.94 lacks, as compared to Rs. 2,975.19 lacks of the previous year, registering a growth of 9.91 percent. The company has expanded its export formulation operations to seven new countries. Due to the increase in the size of operations at various locations, working capital management has been posing a growing challenge to the company. Despite increase in turnover, company has been able to restrict the level of debtors and inventories to 34 days and 65 days respectively.

During the year 2003-04, as per ORG-MARG report, company has registered a growth of 21 percent, as against the Indian pharma industry growth of 7.3 percent. The company’s market share has increased to 1.24 percent and its market rank has improved from 27th to 25th. FDC continuous to be amongst the Top-5
companies in terms of value and volume growth, both having recorded an increase of more than 20 percent in the current year.

The company has performed well during the year. Gross sales have registered a growth of 27.62 percent and profit before tax was at Rs. 7,888 lacks, higher by Rs. 2,903 lacks i.e. 58.23 percent over the previous year. Profit after tax was at Rs. 6,627 lacks, higher by Rs. 2,647 lacks i.e. 66.51 percent over the previous year. During the year, the company has achieved export sales of Rs. 4,411 lacks, as compared to Rs. 3,270 lacks in the previous year, registering a growth of 34.89 percent. The export operations in formulations, has expanded to 54 countries.

The company has registered a much higher growth of 11.10 percent during the year 2004-05, as against the Indian pharma industry growth of 4.20 percent. The company’s market share has improved from 1.24 percent to 1.32 percent and its market rank has improved from 25th to 22nd. Further, the company has achieved export sales of Rs. 8,005.58 lacks, as compared to Rs. 4,411.42 lacks of the previous year, registering a growth of 81.47 percent. The company has expanded its export formulation operations to 97 countries. The company has achieved gross sales of Rs. 35,005.45 lacks and a profit after tax of Rs. 5,453.48 lacks, as compared to the gross turnover of Rs. 30,396.05 lacks and profit after tax of Rs. 6,627.55 lacks, in the previous year. The overall operating and marketing costs in the pharmaceutical business have escalated sharply and have reduced the margins.

During the year 2005-06, FDC Ltd has registered a much higher growth of 21.70 percent, as against the Indian pharma industry growth of 15.40 percent. The company’s market share has improved from 1.34 percent to 1.51 percent and its market rank has improved from 25th to 22nd. During the year, the company has decided to reduce its exposure to trading exports; as a result, the company has achieved export sales of Rs. 4,191.43 lacks as compared to Rs. 8,005.58 lacks of the previous year. The company has recorded sales growth of 26 percent in the domestic market, which constitutes 89 percent of the total sales. However, exports were lower than the previous year due to reduction in trading exports. The margins, though under pressure due to increase in costs of utilities, employee
and other costs, were better than the previous year. The liquidity position was also comfortable.

2.11.4. FULFORD INDIA LTD.

**LOCATION:** Suren Road, Andheri (East), Mumbai

1. INTRODUCTION:
The company was incorporated in 1948 under the name C E Fulford (India) Ltd; as a wholly owned subsidiary of C E Fulford Ltd, U.K. In 1968, Schering Corporation USA acquired the entire share capital of C E Fulford Ltd, UK (now known as Schering-Plough Holdings Ltd). In 1971, the company introduced its first ethical pharmaceutical product “gramycin”. The company became a public limited company in 1981.

2. HISTORICAL PERSPECTIVE:
The company has products in the areas of antibiotics, antifungal, antiallergics, dermatological, etc. In 1971, the company introduced its first ethical pharmaceutical product “garamycin”. Since then, with the active assistance of Schering Corporation, USA, the company undertook manufacturing of a range of other ethical pharmaceutical products. The company has products in the areas of antibiotics, antifungal, antiallergics dermatology.

In the year 1981, the company entered into an agreement, with C E Fulford Ltd, UK (now known as Schering-Plough Holdings Ltd., U.K.) which grants the company a license to continue to use the words C E Fulford Ltd, UK or ‘Fulford’ as part of the company’s corporate name. In the year 1981, the name of the company as changed to Fulford (India) Pvt. Ltd.

In 1989, a new dermatological product namely ‘ensamycin’ cream was launched. During the period of 1992-1997, the company launched very unique products, focused its promotional resources on new products, viz., new amino glycoside (netromycin) and an anticancer (intron-a). Anticancer product ‘drogenil’ ‘leucomax’ and ‘elocon’ cream were launched. ‘Alaspan’ syrup, a hi-tech product
for relief of symptoms associated with allergic rhinitis which was well accepted in the market. A new brand of interferon alph-wb viz. ‘viraferon’ was also launched for hepatitis segment respectively. City-based pharma company Fulford India Ltd. has permanently closed down its production facility at Andheri since 2001.

Fulford (I) Limited is a 40 percent affiliate of Schering-Plough Corporation, US. Schering allows Fulford to enjoy the benefits of its R&D efforts and as a result, most of the products introduced by the company in India are original research products of Schering-Plough.

The company has a strong presence in dermatological (45 percent of the revenues) and oncology (12 percent of the revenues) segments. The other therapeutic segments where the company operates include cardiology, anti-histamine, anti-infective and analgesic. Its main brands are quadriderm, dipsalic, garamycin, intron and polaramine (all licensed from Schering).

3. PRODUCT:
Year 1997 witnessed the launch of “ALASPAN” (Loratadine) syrup, a hi-tech product for relief of symptoms associated with allergic rhinitis. The product has been received well in the market and has shown good potential for the future. A new brand of interferon Alpha-2b viz; “VIRAFERON” was also launched for Hepatitis segment. Further, company has strong presence in dermatological and oncology segment.

After suffering set back during the year 1999, resulting from write-off of certain products, the major objective was to recapture the lost market of major brands. The recovery of sales of these brands was slow but consistent. To accelerate growth, the company also launched five new products, most of these, in the latter part of 2000. The products are REMICADE, PLARIUM, CAELYX, INTEGRILIN, and TEMODAL.

During the year 2001, the company has launched the product namely “VIRAHERONPEG”. This is a unique dosage form of interferon. This has a higher efficacy and better response rate compared to the other conventional
interferons. In the same year company has launched another new product namely “REBETRON”.

During the year 2002 the company has suffered a serious setback in terms of suspension of production tablets and injectable ampoules on account of contamination of products with microorganism as well as disruption in supplies of raw material and finished product led to loss of sales and resultant profit contribution. During the year, the company launched the product called as “REBETOL”. This is in a form of capsule. In the year 2003, all the new products in Oncology, Virology and Cardiovascular segment progressed very well and recorded handsome growth.

The specialty segment comprising of Oncology, Virology and Cardiovascular segment witnessed very stiff competition from branded generics as well as other competitive brands. However, as a result of undisputed quality of these products, company has witnessed the trend of return to company’s brands in the few months of year 2004.

Three new products namely Trewor for Acne, Pilogro for the management of Androgenetic alopecia or male pattern baldness and Alaspan in the anti-histamine segment were introduced during the year 2006.

4. JURISDICTION OF MARKET:
The company is operating in Maharashtra with the help of over 25 medical representatives. It has spread of a strong network of sales force, wholesalers, stockiest and retail outlets. More than 250 doctors and nearly 150 chemists are on the company’s database from each headquarters with constant update on products through a trained field force.

The company’s offices are being controlled by a corporate office within the country, comprising of energetic team of 30 managers and 350 medical representatives. The company is only promoting the products. Shering Plough being the 9th largest pharmaceutical company in the world is very much a mature multinational company. The Fulford (India) Limited has presence in dermatology
and since 1994 the company is concentrating on different marketing strategies to increase the state wise sales performance. The company has appointed skilled marketing people and spending huge amount on training & development. For effective promotion, the company has spent comparatively good amount of marketing and selling.

5. PERFORMANCE:

Sales for the year 1997 increase to Rs. 112.60 crores from Rs. 97.36 crores in 1996, recording a growth of 15.6 percent. While the profit before tax increase by 29 percent, profit after tax increase by 54 percent over the previous year.

Sales for the year 1998 increase to Rs. 128.29 crores from Rs. 112.60 crores in 1997, recording a growth of 14 percent. The profit before tax increase by 24 percent and profit after tax increase by 26 percent over the previous year. Thus, despite high cost escalations, company improved the profitability though increasing the volume of operations and rigorous cost monitoring. This was also despite the significant investment made to strengthen company’s franchise in highly competitive market.

During the year 1999, sales have been decreased to Rs. 122.70 crores from Rs.128.29 crores in 1998, recording a decline of 4.6 percent. Further, during this year company has incurred loss of Rs.3.29 crores.

Sales for the year 2000 increase to Rs. 134.49 crores from Rs. 122.70 crores in 1999, recording a growth of 9.6 percent. The profit before tax was Rs. 68.34 lacks as against a loss of Rs. 3.29 crores during the previous year. The profit before tax has been arrived at after providing for an extraordinary item of one third charges amounting to Rs. 1.06 crores of the Voluntary Retirement scheme implemented during the year, but for this charge the profit before tax would have been Rs. 1.74 crores. The improvement in the profitability was achieved through increasing the volume as well as rigorous cost monitoring.

Sales for the year 2001 increase to Rs. 140.41 crores from Rs.134.49 crores, recording a growth of 4.4 percent. The profit before tax for the year 2001 was Rs.
1.46 crores as against Rs.0.68 crores during the previous year. The company has been able to improve its margins by rigorous cost control.

Sales for the year 2002 decrease to Rs. 94.70 crores from Rs. 140.41 crores recorded in the year 2001 indicating a decline of 33 percent. The loss before tax for the year 2002 was Rs.7.60 crores as against profit before tax for the year 2001. The Fulford (India) turned around its operation during 2003. The gross sale for the year 2003 increased to Rs.130.50 crores from 94.70 crores in 2002 registering a growth of 37.8 percent. Profit before tax for the year was Rs.5.92 crores as against the loss for the year 2002 of Rs.7.60 crores.

The company made profits during 2004. Its gross sales in the year 2004 increase marginally to Rs.131.80 crores from 130.50 crores in 2003, registering a growth of 1 percent Profit before tax for the year 2004 was Rs.18.74 crores as against Rs.5.92 crores for the year 2003.

During 2005, performance improved both in terms of sales and profits. Gross Sales for the year 2005 increase to Rs.151.87 crores from Rs.131.80 crores in 2004, registering a growth of 15.23 percent. Profit before tax for the year 2005 was Rs.24.40 crores as against profit for the year 2004 of Rs.18.74 crores, registering a growth of 30.13 percent.

Gross sales for the year 2006 increase by roughly 1.8 percent to Rs.154.66 crores from Rs. 151.87 crores in 2005. Profit before tax for the year 2006 was Rs. 19.75 crores as against Rs.24.40 crores for the previous year registering a decline of 19.04 percent. The company’s performance during this year has not been encouraging.
2.11.5. GlaxoSmithKline Ltd. (GSK)

FACTORIES:

- 2nd Pokhran Road, Thane
- Ambad, Nashik

1. INTRODUCTION:
Incorporated in 1924, as H J Foster & Co Ltd, to distribute Glaxo baby food in India, the name was later changed to Glaxo Laboratories (India) Ltd. following a change in the parent company’s name. In 1962 Glaxo India acquired the Indian branch of Allen & Hansbury Ltd, UK. Starting with basic vaccine manufacture at Worli in 1956, Glaxo set up the bulk drugs unit at Thane in 1961, a formulations unit at Nashik in 1983 and another bulk drugs unit at Ankleshwar in 1985. Aligarh plant started with milk drying operations in 1960 and later included other food products. The name was changed to Glindia Ltd. in 1987 and back to Glaxo India Ltd. in 1989. For better focus on its pharmaceuticals marketing, Glaxo formed two strategic business units, viz Glaxo Pharmaceuticals and Glaxo Allenburys. In 1994, Glaxo UK stake was raised to 51 percent through a preferential issue.

2. HISTORICAL PERSPECTIVE:
In 1924, the company was incorporated in India under the name of H.J. Foster & Company Ltd as an Agency House for distributing the well known baby food Glaxo of the then UK Company, Joseph Nathan & Company two years later, the company became a wholly-owned subsidiary of Joseph Nathan & Co.

In 1950, the company changed its name to Glaxo Laboratories (I) Ltd. During the year 1962, the company took over the business of the Indian branch of Allen & Hanburys Ltd., U.K. as this company was acquired by Glaxo Laboratories Ltd; U.K.
In 1987, family product division introduced two new products, viz; Farex-Veg and Farex Egg. In 1988, the company launched a product in the market namely, ‘Fortun’, a new generation cephalosporin ingestible antibiotic.

In 1988, the company merged its entity as an integrated research based group with global sales of 7.94 billion pounds and a net profit 2.6 billion pounds. It’s Research and Development expenditure as 2 billion pounds. Headquarter in Britain; it has operations in 70 countries, employing over 45,000 people; 7,000 of whom are in R&D. There are currently some 60 major research projects and 100 development projects underway globally. In July 1989, the name of the company was again changed from Glindia Ltd., to ‘Glaxo India Limited’.

In 1994, the company launched two anti-TB products, ZUCOX & RIZAP with the novel concept of a patient-friendly compliance kit. The company has launched special Respiratory, Dermatology and Hospital Sales teams to further sharpen its focus in these areas. “Zucox plus” Tablets, “Phexin kid Tablets,” “Cetazine” Syrup, “Ceftum 500” tablet, “Zovavet-S”, “Salbutomal” Respirator solution” and “Livogin” with Zinc capsules were launched to improve market share in the relevant therapeutic segments.

In 1995, Wellcome, UK was formed by Glaxo consolidating its world leadership position. In 1996, the company was awarded ‘The Marketing Company of the year’ award by the Institute of Marketing and Management, New Delhi. The company was also adjudged the most respected pharmaceutical company of India.

In 1997, Glaxo (India) has emerged as the largest pharma company in India after its merger with Burroughs Wellcome with a combined market share of 7.2 percent in 1998. In 1999, the Pharma Majors Ranbaxy Laboratories Ltd and Glaxo Ltd. announced an agreement for co-marketing of an advanced dosage form of the antibiotic cephalexin.
The year 2003 focused on around 30 brands to power growth and sidelined low-margin products, including those falling under the price control, allows Novartis to sell generic Augmentin.

In the year 2004, GlaxoSmithKline has launched a pivotal Phase III study of a new cervical cancer vaccine. In 2005, GlaxoSmithKline Pharmaceuticals (GSK), a major MNC in India, suffered setback during the first quarter ended March 2005 due to de-stocking by the trade during the quarter and implementation of VAT.

3. MANUFACTURING:
The company manufactures corticosteroids, anti-infectives, and anti-ulcer and vitamin formulations. Glaxo-Smithline UK, the parent company of Glaxo, is a world leader in manufacturing respiratory, anti-viral (anti-AIDS) and central nervous system. Other therapeutic segments are cardiovascular, GI tract, oncology and critical care. Glaxo-wellcome’s merger with Smithkline Heccham worldwide is expected to catapult and combined entity into the top pharmaceutical company in the world.

The company’s manufacturing facilities incorporates latest technology and sophisticated equipments to ensure high level of productivity and consistent quality of products. The company’s Good Manufacturing Practices (GMP) documentation and validation protocols have met with approvals from the World Health Organization (WHO) as the company has several regulatory authorities globally.

In Maharashtra, the company has its formulation plants in Nasik and Mumbai. These plants are approved by the United State Food and Drugs Authority (USFDA) and WHO-GMP certification.

4. RESEARCH AND DEVELOPMENT:
The company has its headquarters in Britain. The company has an integrated research based group, with global sales of 7.94 billion pounds and net profit 2.6 billion pounds. R&D expenditure is 2 billion pounds. Over 7,000 scientists are
deputed over the centers of 70 countries for research and development activities. The departments are continuously on research and development. There are currently some 60 major research projects and 100 development projects underway globally.

5. PRODUCTS:
Glaxo-Wellcome is concentrating on therapeutic segments such as respiratory system, anti-infective, AIDS, cardiac care, CNS, oncology and anti-viral/anti-biotics. Major products are: Anti-ulcernet Zantac (Ranitidine), Anti-herpes Zovirax (Acyclovir), and Anti-infective Fortum (Ceftazidime). The company has unique products such as Ziagen and Agmerase (for AIDS), Lamivudine (Hepatitis B), Seretide (anti-asthmatic) and Relenza for influenza.

It has a wide product range that covers around14 therapeutic groups. However, the benefits of wide coverage are offset by about 70 percent of the company’s products falling under the drug price control order (DPC) shackling realizations.

6. MARKETING OPERATION:
Marketing means marketing of quality products of the company to doctors in particulars and to the public through chemists, in general. The company is marketing antibiotics, antioxidant & cardiovascular segments.

7. JURISDICTION OF MARKET:
The company is operating in Maharashtra with the help of over 55 medical representatives’ force backed by a product management team. It has spread a strong network of sales force, wholesalers, stockiest and retail outlets.

More than 250 doctors and nearly 150 chemists are on the company’s database from each headquarters with constant update on products through a trained field force. The company’s marketing is being controlled by a corporate office within the country, comprising of an energetic team of over 1,100 managers and medical representatives.
8. PERFORMANCE:
Sales and other income for the year 1998 increase to Rs. 82,861.60 lacks from Rs. 7,256.06 lacks in 1997, recording a growth of 14.05 percent. While the profit before tax increase by 16.04 percent, profit after tax increased by 21 percent over the previous year.

Sales and other income for the year 1999 increase to Rs. 95,258.07 lacks from Rs. 82,861.60 lacks in 1998, recording a growth of 14.96 percent. While the profit before tax decrease to Rs. 10,494.88 lacks from Rs. 12,003.18 lacks over the previous year and profit after tax also decreased to Rs.7,705.88 lacks from Rs. 8,663.18 lacks over the previous year.

During the year 2000, Sales and other income has increased to Rs. 98,969.05 lacks from Rs. 95,258.07 in 1999, registering a growth of 3.89 percent. While the profit before tax increase to Rs. 10,833.75 lacks from Rs. 10,494.88 lacks in the year 1999, registering an increase of 3.23 percent. Profit after tax decrease to Rs. 7,053.75 lacks from Rs. 7,705.88 lacks over the previous year.

During the year 2001, Sales and other income has registered a growth of 18.57 percent. Profit before tax increased by 36.24 percent over the previous year whereas profit after tax showed negative growth i.e.-37.64 percent.

Sales and other income for the year 2002 increase to Rs. 119,029.56 lacks from Rs. 113,401.68 lacks in 2001. Profit before tax increase to Rs. 19,632.79 lacks from Rs. 115,58.37 lacks, showing 69.85 percent increase over its previous year. Further, profit after tax increase to Rs. 9,805.86 lacks from Rs. 4,398.45 lacks.

The company registered a sales growth of 3.8 percent in 2003, while pharmaceutical industry’s sales grew by 5.7 percent. Export sales were lower than the last year by 43 percent. The company delivered yet another year of significant improvement in profits. Profit after tax increased by 42 percent during the year. The performance reflects the strategies implemented since 2001 which have resulted in a good growth of priority brands and enhanced operational efficiencies.
Year 2004, was another successful year for the company with total sales registering a growth of 7.7 percent led by a double digit growth of promoted products. As has been done since the merger with Smithkline Beecham Pharmaceutical (India) Limited, the company continues to focus aggressive sales and marketing efforts on around 30 major brands. These brands have continued to achieve strong double digit growth year after year.

The pharmaceuticals business was successful in driving the sales growth entirely through growth in volumes. As compared to sales growth of 7.7 percent, material costs grew by 6.4 percent. All other expenses were tightly controlled resulting in the overall expense base not increasing beyond the previous year’s figure. Cash generation from operations continued to be favourable during the year, driven by the strong business performance. Cash surpluses were deployed in safe instruments.

Year 2005, had yet another successful year for GSK Ltd., with total sales registering an overall growth of 8 percent. Export sales were lower than last year by 3.7 percent. Profit after tax before exceptional items improved to Rs. 306.3 crores, recording a growth of 15.1 percent, despite significant increase in cost of goods arising from change in the methodology of calculation of excise duty on bought in finished goods formulations. The impact was neutralized through continued improvement in product mix, sales and marketing effectiveness and procurement efficiencies all of which helped increase the overall gross margin by Rs. 74 crores. Higher income from treasury operations and clinical research activities coupled with sophisticated procurement and expense management systems also contributed to the profit improvement.

During the year 2006, company’s net sales registering a growth of 9.3 percent and exports sales grew by 10.4 percent. Exports recorded a sales turnover of Rs. 30 crores, comprising both bulk drugs and formulations. Exports of bulk drugs were to major markets like Japan, Mexico, France, Germany, Holland, UK, South Africa and Denmark. Formulations were exported to Sri Lanka, Myanmar and Vietnam.

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Profit before tax and exceptional items grew by 20.6 percent. A double digit growth in the priority products range, procurement and manufacturing efficiencies and tight expense control helped in improvement of profits. Business development continues to be the major driver of growth for the company since 2002. Products launched since 2002 have contributed to around 25 percent of the company’s incremental sales in 2006.

2.11.6. Lupin Ltd:

LOCATION: M.I.D.C., Chikalthana, Aurangabad

1. INTRODUCTION:
Deriving its name from the Lupin Roussel flower which is supposed to have healing value, the company commenced its pharma business in 1968. Incorporated in 1972, it set up a formulations unit and an in house R&D in 1980. Starting with a concentration on the anti-TB segment in 1982 now it is the world leader in the drug Ethambutol. It has set up a group company Lupin Chemicals, making one of its major anti-TB bulk drugs Rifampicin. Lupin has built up a strong in house process R&D set up. Exports have grown from bulk drug to formulations. Lupin gained recognition as an export house in 1995. It has agrochemicals division & plants at 3 locations, most of which are on the global scales.

2. HISTORICAL PERSPECTIVE:
In 1993, Lupin Chemicals Ltd a group company commenced commercial production of anti-TB drug Rifampicin from the basic stage. Its plant is located at Tarapur in Maharashtra. Rifampicin is mainly supplied to Lupin.

In 1980, Lupin Chemicals (Thailand) Ltd, a 60.48 percent subsidiary, was promoted as a joint venture between Lupin Laboratories and Geepee Group, Thailand. It manufactures and exports antibiotic bulk drugs such as Erythromycin and Sulphamethoxazole.
In 1968, Lupin Laboratories, the flagship of Rs 1,000 crores Lupin group that was bought as a defunct firm by Desh Bandhu Gupta, was initially engaged in the manufacture of medicines on contract basis. The company’s activities include pharmaceuticals, bulk drugs and formulations, fermentation, bio-technology, natural products and agro-chemicals. It is a government-recognized Export House. It is one of the largest producers of Ethambutol, an anti-TB drug, with a 70 percent market share. Its other main focus is on Rifampicin, a bulk drug which is manufactured by the company from the fermentation stage. It is the first Indian company to undertake commercial manufacturing of Vitamin B6.

Today Lupin continues to be the leader. Introduction of new generation products by the MNCs has led to rising competition. Eradication of TB from developed nations had limited export market for anti-TB products to these nations. But spread of AIDS is causing resurgence of TB.

Lupin’s bottom-line has been adversely affected mainly due to presence in low margin segment of anti-infective. The company has expanded its therapeutic segment to cardiac care, neurotopics, gynecology and diabetes. On the export front, the company has prepared itself to be one of the first players in the generic range of cephalosporin products.

3. MANUFACTURING:
The company has manufacturing facilities at Aurangabad, Ankleshwar and Mandideep. Lupin Chemicals and Lupin Agrochemicals are promoted by the company. Lupin manufactures cost-effective products at its different plant. It also has a joint venture in Thailand.

Lupin is the dominant leader for manufacturing the anti-TB segment. The company has diversified into cephalosporin, cardiovascular, NSAIDs, vitamins and phytomedicine in order to boost exports and to improve margins.

The quality of raw materials determines the quality of the finished products made by Lupin. As a result, Lupin sources raw materials of the highest quality from within and outside the country. In year 2001-02, Lupin entered into API vendor
agreements for the delivery of quality raw material at attractively competitive prices for the long-term. Lupin strategically outsourced select formulation products to reduce costs and reach products faster to consumers. Lupin’s world class manufacturing capabilities backed by strong research, backward integration, marketing and distribution strengths and experience in branded generic space is expected to enable the company to succeed in the Indian and global pharma markets.

4. RESEARCH AND DEVELOPMENT:
In 1980, it set up a formulations unit and an in-house R&D. Starting with a concentration on the anti-TB segment in 1982, now it is the world leader in the drug named Ethambutol. It has set up a group company, Lupin Chemicals, making one of its major anti-TB bulk drugs Rifampicin. Lupin has built up a strong in-house process and R&D set-up.

Lupin’s R&D is progressing on the objective set in company’s focus areas of Abbreviated New Drug Application (ANDA) filings, innovative process research for Drug Master File (DMF) filings, Research in New Chemical Entities (NCE) and Novel Drug Delivery Systems (NDDS). R&D is vital to company’s generic business in the US and Europe. The thrust on R&D reflects company’s long term commitment.

From the Research and Development perspective, year 2005 has been a significant year. The company has demonstrated its capabilities in the R&D area. The company increased its R&D spending by 82 percent to Rs. 836 million. It represents a landmark year for the company.

5. PRODUCTS:
The company has developed unique molecules in different segments with affordable prices over its competitors. The “CS 3” Cetrizine was launched in India by Glaxo (Cetzine), Uni UCB (Zyrtec), and Unichem (Zynecet) simultaneously in 1993. Because of the safety profile of this non sedating antihistamine, it rapidly gained market share and many more companies introduced their brands of Cetrizine.
In 1997, the therapeutic segment was crowded with 35 brand names which combined ‘CET ‘TRIZ’ ‘ZINE’ resembling an alphabetical. Fast growth of this segment made it an attractive market for Lupin to participate in the market. But, it was faced with the challenge of differentiating the product in the crowded market of branded generics. Lupin has differentiated in its product based on three variables of the marketing mix, viz. Product, Price and Promotion.

For the success of the CZ-3 product some factors such as triangular shaped tablet have played a very important role. No other product is available in this shape. The shape is very unique. In fact, it attracted the attention of doctors and had a good appeal. Moreover, it gave a good talking point for the Medical Representatives. Secondly, Brand name “CZ-3” is an alphanumeric brand name. There is a saying that easier the brands name the better the recall. CZ-3 is a classical example.

“Anti-TB segment” Lupin, having traditionally concentrated on this segment, is the leading player with a share of 42 percent domestic market. In India, its main anti-TB bulk drug Rifampicin continues to be under price control. As MNCs like Glaxo, Novartis and Hoechst have entered this segment, margins have come under pressure.

“Vrphslodpotin” is the brand to diversify its portfolio; Lupin has been increasing its presence in this segment, in both bulk drugs and formulations. Lupin’s major products are mostly in anti-TB segment and their contribution to retail sales.

6. MARKETING OPERATION:
In India, Lupin has a portfolio of more than 200 formulations products in various segments. Lupin’s range of formulation products is marked by brand leadership across various several segments. Lupin believes that its branded business posses a significant potential Cardiovascular and diabetics are the two fastest growing segments in the Indian Pharma Sector. Lupin has indentified these two as growth drivers and fittingly focuses on them through separate business divisions.
With the current basket, Lupin provides the most comprehensive range to a Chest Physician with Anti TB and Anti Asthma offerings. Lupin is market leader in tuberculosis where it offers a one-stop shop for complete anti-tuberculosis therapy.

A clear indicator of the company’s strengths in branding is the fact that 10 of Lupin’s brands found place in the 300 launches in the pharma industry.

7. PERFORMANCE:
The company has achieved a year of sustained growth with turnover increasing from Rs. 6,852.67 lacks to Rs. 9,208.16 lacks in the year 1997. The production of Rifampicin has grown by 33 percent. Operating profits improved by 45 percent from Rs. 1,615.53 lacks to Rs. 2,345.81 lacks. Despite higher interest and depreciation, net profit grew by 81 percent from Rs. 379.19 lacks to Rs. 686.54 lacks. The company has maintained the progressive trend by increasing productivity and introducing cost reduction measures. The company has become the second largest Rifampicin manufacturer in the world. The company is implementing a technology improvement plan to face global competition. Opportunities are being evaluated for expanding the product portfolio, so as to ensure increased profitability on a sustainable basis.

During the year 1998, the company’s turnover or operational income has increased to Rs. 10921.05 lacks as against Rs. 9170.51 lacks in the previous year. Operating profit improved by 27 percent from Rs. 2345.81 lacks to Rs. 2975.56 lacks. The company achieved net profit of Rs. 1093.23 lacks, up from Rs. 686.54 lacks, thus registering growth of 59 percent. The company continued its growth trend and achieved increased productivity through the efforts of in-house R&D. The company’s product well accepted internationally. The company has expanded its customer base by catering to their specific requirements in terms of quality. Continuous efforts at technology improvement resulted in improved productivity, thereby leading to higher profits.

In the year 1999, the company’s turnover or operational income increase to Rs. 11,038.10 lacks as against Rs. 10,921.05 lacks in the previous year. Operating
profit improved by 11.62 percent from Rs. 2,975.56 lacks to Rs. 3,321.29 lacks. The company achieved a net profit of Rs. 1,249.22 lacks up from Rs. 1,093.23 lacks, thus registering a growth of 14.27 percent. The continuous efforts taken by the company with regard to technology improvement resulted in increased productivity, higher production and higher profits. The company is actively evaluating proposals for manufacturing new products based on fermentation technology. The company is constantly upgrading its skills to maintain its leadership and excellence in fermentation technology.

In the year 2000, the company’s turnover was Rs. 6,617.42 lacks during the eight month period under review, as compared to Rs. 11,038.10 lacks during the previous year. The operating profit of Rs. 1,819.06 lacks recorded during the period was lower by 18 percent on annualized basis as compared to Rs. 3,321.29 lacks achieved during the previous year. During the said period, the company earned a net profit of Rs. 208.38 lacks after providing tax of Rs. 155 lacks for the full twelve months ended 31st march, 2000.

The turnover of the company for the year ended 2001 was Rs. 90,284.97 lacks, higher by 10 percent during the previous periods on annualized basis. The operating profit of the company was at Rs. 14,324.54 lacks. After providing for interest Rs. 5,970.37 lacks, depreciation Rs. 1,851.98 lacks and taxation Rs. 500 lacks, the net profit stood at Rs. 6,002.19 lacks which is higher by 36 percent.

Lupin Limited recorded revenues of Rs. 965.32 crores in 2002 compared to Rs. 911.44 crores in 2001. The other income component in both the years was Rs. 8.45 crores and Rs. 8.59 crores respectively. Exports registered a significant rise from Rs. 231.95 crores in 2001 to Rs. 309.85 crores in 2002, a rise of 34 percent. The profit before tax rose from Rs. 65.02 crores in 2001 to Rs. 96.38 crores in 2002. The significant rise in revenues, lower costs and exports to higher value added markets accounted for this rise. Consequently, the operating margins of the company rose during the year.

The ability to manage science and technology from the perspectives of business lies at the heart of Lupin’s performance for the year 2003. The company’s performance has been the result of commitment to quality, efficient utilization of
capacity and developing long term partnership with customers. Lupin’s overall performance in the year 2003 is reflected in a 19 percent increase in net sales. Lupin’s sales increase from Rs. 956.87 crore during the year 2002 to Rs. 1,120.05 crore during the year 2003. Exports in the year 2003 were Rs. 412.77 crore against Rs. 309.85 crore a year ago. Exports formed 37 percent of sales against 32 percent in the year 2002. While finished dosages contributed to 39 percent of total sales. While profit before tax was Rs. 96.38 crore for the year 2002, it rose to Rs. 97.06 crore in the year 2003. The profit after tax was Rs. 73.07 crore in the year 2003, while it was Rs. 72.18 crore in the year 2002.

The year 2004 was a momentous year for Lupin not only because of the significant growth in revenues and profits. Revenues increased by 22 percent to Rs. 12.3 billion. Revenues from the advanced market which represented 19 percent of the total sales, more than doubled to Rs. 2.289 million as against Rs. 1.088 million in the previous year. Profit before tax (before extraordinary expenses) was at Rs. 1.996 million as against Rs. 971 million in the previous year, up 106 percent. Company’s net profit (before extraordinary items) for the year 2004 was up to 100 percent at Rs. 1.46 billion. The improvement was a result of the various initiatives undertaken by the company over the years. The growth in the year 2004 was derived from a long-standing focus on the developed markets, despite the impact of a stronger rupee.

In 2005, the company recorded total sales of Rs. 12,123 million, up 4 percent over last year. Year 2005, has been the year of investment for Lupin. In line with the company’s vision, “to be an innovation led transactional pharmaceutical company’, a market feature of the investment was the expenditure on the R&D front, which was Rs. 836 million, up 82 percent from last year.

The year’s operations generated a profit of Rs. 844 million as against Rs. 987 million in the previous year. The profit after tax recorded was Rs. 843.6 million, with cash profits amounting to Rs. 1,168.4 million. The company registered strong exports sales worth Rs. 5,619.1 million, thereby constituting 48 percent of net sales. The year witnessed a dramatic increase in competition in company’s Penicillin-G based API business, where margins were reduced.
Year 2006 was a highly successful and much more favourable year for the company. There has been an excellent overall operating performance generating further growth in profits and cash flows. Company’s turnover increase by 37 percent to Rs. 16.6 billion and profit after tax grew by 117 percent to Rs. 1827.2 million. Further, export revenues grew by 40 percent and domestic revenues grew by 34 percent. Keeping in line with its vision to be an innovation led transactional pharmaceutical company, Lupin has created its presence in several markets through a combination of own supply, subsidiaries, partnership and alliances.

2.11.7. Novartis (India) Ltd:

**Location:** M.I.D.C. Industrial Area, Mahad, District-Raigad

1. INTRODUCTION:
In 1947, Ciba Pharma, a 100 percent subsidiary of Ciba Geigy, Switzerland, began trading in pharma formulations in India and later undertook manufacturing. In 1948, the company moved to manufacturing of the pharmaceutical formulations. Later it undertook manufacturing of a large number of bulk drugs, mainly involving both high technology and basic manufacture.

2. HISTORICAL PERSPECTIVES:
In 1983, Ciba Pharmacy’s name was changed to “Hindustan Ciba Geigy Ltd”. In 1988, a new formulation “Voveran SR” Sustained Release was successfully launched. New products, like “Ridomil M272 WP” for control of the diseases affecting grapes and tobacco and “Fasinex” for control of flukes in cattle and sheep were introduced.

In 1995, the company introduced three new products and two line extension. The “Combi-Pack’, 4D, which contain 4 essential drugs, Viz. Isoniazid, Rifampicin, Pyrazinamide and Ethamebutol and Ebutol, were launched. Besides these, Progesterone HRT and PZA suspension were also introduced.

In the year 1996, the following new products were added in the pharma division. (1) Lamisil for treatment of fungal skin and nail infections., (2) Leponex for

Switzerland based MNCs Ciba Geigy and Sandoz, involved in synergistic business lines, decided to merge their worldwide operations in 1996. The new entity “Novartis” is the world’s 3rd largest pharma player. In 2004, Charak Pharma linked in alliance with the multinational pharma major Novartis India for the promotion of three animal healthcare products from the Charak stable.

3. MANUFACTURING:
Manufacturing in one of the important parts of an organization activities. The company’s manufacturing facilities incorporate technology and sophisticated equipment to ensure high quality of products. Good manufacturing practices of the company have met with the approvals from the WHO as the company has regulatory authorities globally.

In Maharashtra, the company has its plants in Mahad. The company’s basic manufacturing plant is in Switzerland. All plants of the company are being certified by the WHO-GMP standard. Novartis has strengths in areas of NSAIDs, Oncology, Anti-Epileptic, Neutraceuticals, Nasal Decongestant, anti epileptic, oxytocic anti smoking, anti caner anti-TB and Immune Suppressants.

4. RESEARCH AND DEVELOPMENT:
The company has its Research and Development (R&D) centre and the scientists across several disciplines. Latest Technology is recruited to look after R&D to developed Novel Drugs for various segments. In Multinational Company’s R&D expenses are very negligible. The reason behind this is that, most of the MNC’s are giving preference to contract manufacturing and marketing has been done by the company’s personnel.
5. PRODUCT:

Novartis has focused on the domestic formulations market. The company has developed unique molecules in different segments with lower prices of its leading brands over that of the competitors. As per the annual bulletin of the company the main products of the companies are from the erstwhile Sandoz portfolio, there are some relatively new products having specialty applications. These high margin products are sandimmum (kidney transplant), Leucomax & Sandostatin (anti-cancer), immune-deficiency Sandoglobulin, Neoral (immune-suppressant), Sirdalaud (neurological disorders), Pravidel (Parkinson’s disease) and Travigyl syrup (anti-allergic).

In the therapeutic segment some of these products are Simulect-immune Suppressant (Kidney Transplant), Lioresal intrathecal- Anti-Epilepsy, PZA-Dispied-Anti-TB and Tegretol CR- Anti-Epilepsy Company has shown very good growth.

In the year 1998, company has launched 5 products namely Aeradia and Lentaron (anti-cancer), Benace (cardiac), Rimactazid+E (anti-TB) and Estraderm MX (female healthcare). In 1999, Novartis launched 5 new formulations namely Femara (breast cancer), Exelon (Alzheimer), Epitril (anti-epileptic), PZA-1000 &3FD (anti-TB). In 2000, Novartis launched an anti-smoking programme named ‘Nicotinell 90 day Quittin’. Novartis bought Clearine (ophthalmic solution).

6. MARKETING OPERATIONS:

The company has wide marketing operational activities in India and out of India because the company has its base in Switzerland. Its niche segments are accepted worldwide. Since its inception in India, the company has captured the market and challenged all MNCs and well-established Indian Pharma Company.
7. JURIDICATION OF MARKET:
The company is operating in Maharashtra with the help of over 40 Medical representative force backed by a product management team. It has a spread of over a 250 strong network of sales force, wholesalers, stockiest and retail outlets.

More than 250 doctors and nearly 150 chemists are on the company’s database from each headquarters with constant update on products through a trained field force. The company’s marketing is being controlled by a corporate office within the country, comprising of energetic a team of 200 managers and 900 Medical Representatives. The company has wide distribution network spread across the country.

8. PERFORMANCE:
In the year 1997, overall company sales grew by 12 percent on a comparable basis. Domestic sales growth was 12 percent and exports grew by 10 percent over last year. Profits for the year were impacted by expenditure of Rs. 136 million on Voluntary Retirement Schemes. In addition, stamp duty and legal or advisory service costs of Rs. 63 million were incurred. Demerger/Merger related costs together with higher working capital levels resulted in higher borrowing levels and consequently higher interest cost.

In the year 1998, all formalities related to the restructuring of the company have been successfully completed. Business operations have been fully integrated allowing sectors to focus on their respective areas. Overall company sales reflect a growth of 9 percent during the year. Domestic sales grew at 10 percent while export sales showed a growth of 2 percent. Merger related costs charged to the profits amounted to Rs. 124 million as compared to Rs. 199 million in the previous year.

The improved profitability reflects the synergies realized from integration of the business operations. During the year, working capital levels were controlled and this together with optimal financing arrangements led to reduced borrowings. The impact of this is reflected in a lower interest charge of Rs. 96 million compared to Rs. 172 million in the previous year.
Overall company performance is quite satisfactory during the year 1999 with sales recording a growth of 13 percent and net profit growth of 95 percent. Domestic sales grew by a healthy 18 percent while sales declined by 32 percent mainly due to depressed demand in company’s traditional markets. High net profit growth is also partly attributable to the previous year showing merger or demerger charges of Rs. 124 million and prior year’s wealth tax provision of Rs. 45 million. Low debt levels during the current year led to lower interest costs.

The performance of the company in the year 2000 was satisfactory. Overall sales growth was 10 percent, while profit growth was significantly higher by 38 percent. Improved profitability is attributable to strong performance of both major business of pharma and crop protection. During the course of the year temporary surplus funds were deployed in financial assets which yielded higher financial income and interest costs were low due to low debt levels.

Post approval of last year’s annual accounts, the company has undertaken measures to restructure its business operations. Post restructuring, overall sales were Rs. 4384 million representing a marginal decline of 1.8 percent overall sales of the previous comparable period. Slow down in the pharma market and the decline in the Rifampicin business continues to negatively impact sales growth. During the year net profit stood at Rs. 418 million after providing depreciation of Rs. 100 million and tax of Rs. 194 million. Profits of the company have been impacted by the decline in sales, low sales growth, additional costs arising from higher customs levies, costs associated with setting up of the consumer health business, closure of Ciba Vision operations and amalgamation of Ciba CKD Biochem Limited. During the year 2001 also temporary surplus funds were invested in financial assets to generate income.

In the year 2002, overall company sales at Rs. 4,677 million represent a sales growth of 6.7 percent over the previous period. During the year net profit stood at Rs. 653 million after providing depreciation of Rs. 86 million and tax of Rs. 268 million. Higher profit is attributable to improved margins due to better price realizations and lower input costs; lower interest cost as a result of liquidation of
Debt, positive impact resulting from closure of the loss making Ciba Vision operations in December 2000.

Company’s pharma business sector comprises a portfolio of prescription medicines which company provides to patients through healthcare professionals. These innovative, effective and safe products are mainly products of original research of the Novartis Group. In a sluggish market, sales for the period closed at Rs. 2,678 million registering a growth of 7.4 percent over the previous period. Growth was impacted by lower sales of company’s transplant and oncology range of products. In most of the other therapeutic areas the company’s market share ranking is amongst the top three.

In the year 2003, overall company sales at Rs. 4,717 million represent a sales growth of 2.3 percent over previous period. Sales across all business segments, were adversely impacted by a decline in sales during the last quarter of the year as distributors were reluctant to take delivery of stocks due to their concerns about the impact of the planned VAT implementation on their operations. During the year net profit stood at Rs. 839 million after providing depreciation of Rs. 168 million and tax of Rs. 219 million. Lower sales growth, adverse exchange rate movements and higher depreciation charges impacted profits.

The core pharmaceuticals business registered sales of Rs. 2,923 million representing growth of 9.5 percent, which was higher than market growth, products introduced in the last few years have contributed to growth. The margins and profitability of the business segment were under pressure due to adverse exchange rate movements.

Total company sales for the year ended 2004 were Rs. 5,049.4 million representing a growth of 7 percent over last year. During the period, the company reported profit before tax of Rs. 1,179.5 million with the pharmaceuticals business being a key contributor. Reversals of provisions of 139.2 million made for wealth tax in prior years resulted in increased profits. The Pharmaceutical business registered sales of Rs. 3,103.5 million representing growth of 6.2
percent. Significantly higher segment revenue was attributable to higher sales and improved margins.

Total company sales for the year ended 2005 were Rs. 4,715 million representing a decline of 6.6 percent over last year. Uncertainty about VAT implementation by the various states coupled with lack of clarity led to heavy destocking by distributors. This resulted in all business segments being impacted heavily during the last quarter with sales registering a decline of 22.7 percent against last year’s sales during the same quarter.

During the year, the company reported profit before tax of Rs. 1,040 million with the pharmaceuticals business being a key contributor. Non operational income was lower mainly due to exceptional non-recurring income recorded last year. Profit after tax for the year was Rs. 651 million after providing for tax of Rs. 389 million. This tax provision includes a net deferred tax charge of Rs. 77 million arising consequent to discontinuation of the Rifampicin bulk drug business. The pharmaceuticals business registered sales of Rs. 2,890 million representing a decline of 6.9 percent. Sales and segment performance were lower primarily due to uncertainty with respect to the introduction of VAT consequent destocking by trade. The business continues to hold leadership position in major therapeutic areas.

In the year 2005, sales at Rs. 5,259 million grew by 11.5 percent over last year. Last year’s sales had included sales of the bulk drug Rifampicin. Sales for the current year therefore do not include Rifampicin sales. On a comparable basis after adjusting the impact of the sale of the Rifampicin business, sales for the year grew by 21.3 percent. This demonstrates a healthy recovery in sales from the impact of heavy destocking by distributors last year due to the VAT implementation uncertainty.

Profit before tax at Rs. 1,489 million is 43.1 percent higher than last year. Higher profits are attributable to the increased contribution from business operations combined with significantly higher non-operational income. Profit after tax for
the year was higher at Rs. 1,079 million after providing for tax of Rs. 410 million.

The pharmaceuticals business registered growth of 26 percent over the previous year with sales of Rs. 3643 million. This was mainly due to recovery of sales lost in February/March 2005 due to VAT, through sustained and successful marketing and sales initiatives.

2.11.8. Wockhardt. Ltd:

LOCATION: M.I.D.C., Waluj, Aurangabad

1. INTRODUCTION:
The company was established as Wockhardt Pvt. Ltd. in 1973. Starting with marketing of formulations, it later took up manufacturing. In 1984, it merged with two synergistic companies, one making bulk drugs and the other making dietetic foods. In 1985, it became a deemed public company under the banner of Wockhardt limited. In 1989, Wockhardt entered the healthcare segment with Wockhardt Medical center in Calcutta. In 1990, it set up a Super Specialty hospital at Bangalore Wockhardt Hospital and Heart Institute.

In February 1998, Wockhardt acquired a UK based Wallis Laboratories for a sum of $5 million. Once again, in February 1998, it bought over Merind limited from Tatas at a price of Rs. 260 share.

2. HISTORICAL PERSPECTIVE:
Wockhardt Limited (WL), incorporated on July 8, 1999, is primarily engaged in the business of manufacture and trading of the pharmaceutical products. As per the scheme of arrangement between WL and Wockhardt Life Sciences (WLS) (formerly known as Wockhardt Ltd.), the pharmaceutical division of WLS was transferred to WL with effect from the year 2000-01. After this, WLS was left with only the business of manufacturing hospital products and biologically derived agro products. Later, effective from 2000-01 the Wockhardt Veterinary Limited (WVL) amalgamated with WL. Wockhardt is a research oriented, multi-
technology company, growing and expanding rapidly into a global pharmaceutical player. It has a very active R&D programme. It is also engaged in new drug discovery, with a research pipeline of several new chemical entities, especially in the field of anti-infective.

3. MANUFACTURING:
The company’s manufacturing facilities incorporates the latest technology and sophisticated equipment to ensure high level of productivity and consistent quality products. The company’s Good Manufacturing Practices (GMP) documentation and validation protocols have met with approvals from the World Health Organization (WHO) as the company has several regulatory authorities globally. In Maharashtra, the company has its formulation plant at Aurangabad. The plants are approved by United State Food and Drugs Authority (USFDA), WHO-GMP certification.

The company has its presence in inflammation and pain, anti-infective, cough syrups, corticosteroids and medical nutrition segments. As per the company’s information bulletin, the top 3 products account for over 50 percent of the sales. Proxyvon, Spasmo Proxyvon, Zedex, Decdan and Wokadine are its five brands in the list of ORG Top-250 Brands.

BIOVAC-B has become India’s first WHO GMP (World Health Organization-Good Manufacturing Practices) approved Hepatitis-B vaccine in the country for both its bulk and formulation facilities. The company is a relatively new player in the pharmaceutical business but has been amongst the fastest growing. It has grown at over 20 percent annually for the past 5 years. In the previous year, it acquired Merind from the Tata’s and Wallis Laboratories, a company in the UK.

Wockhardt is concentrating on pain & inflammation, anti-infectives, corticosteroids, anti-depressants, vitamins and cough & cold segments. In the domestic market, Wockhardt acquired Merind and will continue acquisition in future as well. Apart from organic growth of 20 percent annually, Wockhardt is looking out for marketing rights from the MNCs. Wockhardt has already acquired marketing rights for a couple of Japanese drugs.
The product patent regime has made gradual change after 2005 because the products in the pipeline are not protected under the product patent act. Only the products filed after January 1, 1995 are protected under the TRIPs agreement.

4. RESEARCH AND DEVELOPMENT:
At Wockhardt, R&D activity is categorized into three divisions. The first division concentrates on developing new bulk drugs (Novel drug delivery system (NDDS)) and generics. The second division concentrates on recombinant biotechnology. At present, the second division is focusing on technology absorption with the assistance of the scientists from abroad. The third division is dedicated for discovery of new molecules.

The company has invested in R&D around Rs. 460.00 million which is about 6 percent of total sales of the company. In addition to 181 patents, the company has filed for 29 new patents. The company is recognized by its launching of Methycobal which is a top product in India. During the last five years, company’s R&D showed a phenomenal 71 percent increase over previous year and represents 9 percent of turnover, highest in the pharmaceutical industry of India. During the last five years, R&D investment increase tremendously.

Wockhardt’s multi-disciplinary and multi-technology R&D programmes are specially designed to provide new products in India and technology based generic pharmaceutical bulk drugs and formulations for the US, Europe and other markets. At the Wockhardt Research centre, 300 scientists are involved in the pursuit of discovering new drugs, constructing genes, innovating drug delivery systems and novel chiral chemistry for developing active pharmaceutical ingredients.

5. PRODUCTS:
“Product is anything that can offer to a market for attention, acquisition use or consumption that might satisfy a want or need”. The company has developed unique molecules in different segments with fewer prices. As per the survey of
the ORG. “Proxyvon” an anti-spasmodic, “2ctx” cough mixture and “Decdan” Dexamethasone contribute 50 percent of the sales.

The company has over 100 products. Out of all the total products some like “Proxyvon” are more popular in anti-spasmodic segment. Wockhardt has its “Spasmoproxyvon” “Wockhadine” a typical anti-ineffective segment. Company has made significant progress with product registrations in several countries.

6. MARKETING OPERATIONS:
The promotion mix consists use of different channels or sources for introduction, brand building and quality services. Promotion is an important exercise, which can help the company for its growth and success. For effective marketing strategy, company has spent on marketing and selling which includes Advertising, Selling, Doctors meet seminars etc. Company’s range of pharmaceuticals are therefore, marketed through five customer focused divisions, each targeted towards a few specific or broad specialties of medical practice. In order to maximize customer coverage, Wockhardt’s major brands, starting with Spasmo-Proxyvon, are now co-promoted by more than one marketing division. Company’s all major products either improved or maintained their market shares.

7. JURISDICTION OF MARKET:
In Maharashtra, the company is operating its marketing business through more than 60 Medical Representatives backed by a “product management team”. It has a strong network of sales depots, wholesalers, stockiest and pharmacy retail outlets. More than 250 doctors and nearly 150 chemists are on the company’s database from each district headquarters with constant updates on products through a trained 60 Medical Representatives in Maharashtra.

The Wockhardt’s sales operations are being controlled from its zonal offices within the country, comprising an energetic team of 238 divisional, zonal & area managers whereas 1120 Medical Representatives call on doctors at regular intervals and keep the company abreast of the changing market dynamics thus enabling it to factor the same in its future plans.
The company is recognized by its Launching of Methycobal which is a top product in India. With a customer focused approach to concept of selling, company’s specialized range of medical nutrition products began to show impact, while pediatric nutrition products grew by 55 percent. Wockhardt has taken several steps to identify customers and core stockiest for its brands.

8. PERFORMANCE:
Wockhardt’s performance during the year 1997 has been impressive on all fronts with the turnover of the company increasing to Rs. 3,125 million from Rs. 2,346 million, a growth of 33 percent. Other income earned during the year is Rs. 154 million against Rs. 202 million for the previous year. The operating profit increased to Rs. 527 million during the previous year, recording a growth of 31 percent.

Over the last five years, Wockhardt recorded remarkable and consistent performance in key areas. Sales grew from Rs. 906 million in 1992 to Rs. 3,125 million in 1997 a compounded annual growth of 28 percent. Company’s profitability in an index of the sterling performance in nation’s pharmaceutical industry. For the current year operating profit is Rs. 527 million, compared to Rs. 114 million five years ago. Likewise, Net profit after tax grew from Rs. 124 million to Rs. 621 million, a compound annual growth rate of 38 percent.

Wockhardt’s financial performance during the year 1998 has been impressive on all fronts with the turnover of the company increasing to Rs. 4,022 million from Rs. 2,951 million, a growth of 36 percent. Other income earned during the year is Rs. 97 million against Rs. 154 million for the previous year. The operating profit increased to Rs. 639 million as compared to Rs. 527 million during the previous year, recording a growth of 21 percent.

In 1999, Wockhardt’s retail pharmaceuticals sales increase 11.4 percent while the industry grew at 8.4 percent. Consequently, Wockhardt increased its share of the total branded pharmaceutical market to 2.37 percent from 2.29 percent. Over the years, Wockhardt has always endeavored to create big brands by providing better customer service.
Financial year 2000 saw all round growth and improvement in operating efficiency resulting in a sales growth of 34 percent and a growth of 41 percent in operating profit (before R&D expenses). ROCE and RONW were at 21.3 and 29.7 percent during the year. Wockhardt is constantly striving to increase shareholder’s value. Company has introduced innovation in terms of benchmarking Wockhardt with other major pharmaceutical companies in India.

Financial year 2001 also saw all round growth and improvement in the operating efficiency resulting in a sales growth of 16 percent with consolidated sales of Rs. 7.4 billion. The company crossed the billion rupee profit milestone i.e. Rs. 1.02 billion and net profit growth of 43 percent and an operating profit growth of 39 percent. The operating margin jumped from 16.8 percent to 20 percent of sales in 2001. Wockhardt’s continuing focus on productivity of capital and enhanced shareholder returns has resulted in a sharp expansion of both ROCE to 32.3 percent from 21.3 percent last year and RONW to 32.3 percent from 29.7 percent.

During the year 2001, Wockhardt’s international business grew by 29 percent to Rs. 2.6 billion, with exports from India growing by 41 percent to Rs. 1.7 billion. This export growth was driven by a growth of over 85 percent in value-added medicines. Wockhardt has been increasing its presence through strategic alliances in the Europe Union and North America. These alliances are mainly in the area of Super-Generics. Most of these products are based on Novel Drug Delivery Systems.

Wockhardt is well on its way to global recognition with exports growing by 41 percent. International business today accounts for 38 percent of company’s total sales. Company’s formulations exports led by generic pharmaceuticals in US and UK, show a growth of 90 percent and now constitute 43 percent of total exports. Sales of Pharmaceuticals segment during the year 2002 amounted to Rs. 7,336 million representing 98.9 percent of the total turnover while during the year 2003 sales of pharmaceuticals segment amounted to Rs. 7,560 million representing 98.72 percent of the total turnover. The profit after tax recorded an increase of 22 percent at Rs. 1,334 million as compared to Rs. 1,088 million for the year 2002.
The company’s total sales grew by 32 percent for the year 2004 at Rs. 12,389 million compared to Rs. 9,420 million for the year 2003. The profit after tax recorded an increase of 50 percent at Rs. 2,135 million as compared to Rs. 1,426 million for the year 2003.

The company recorded 12.82 percent growth in total revenue at Rs. 14,121 million and 20.42 percent grown in total profit after tax at Rs. 2,571 million. In the year 2006, company has recorded 22.4 percent growth in the total revenue at Rs. 17,290 million and the total profit after tax is Rs. 2,413 million.

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