



# KERALA STATE DRUGS AND PHARMACEUTICALS LTD.

Kalavoor, Alappuzha - 688 522



## MASTER PLAN

2021 - 2026



# **MASTER PLAN (2021-2026)**

August 2021

**TABLE OF CONTENTS**

<b>No.</b>	<b>Title</b>	<b>Page No.</b>
1	Company Specific Details	2
2	Capital Outlay	3
3	Manufacturing Process	4-6
4	SHE (Safety, Health and Environment)	7
5	Factors affecting the industry	7
6	Challenges faced by KSDP	8
7	SWOT Analysis	8-9
8	HR Master Plan for next 5 years in KSDP	9
9	Short Term Goals	10
10	Oncology Park under KSDP	11
11	Financial Projections	11
12	What we seek from government	12
13	Long term vision	13

## **I. Company Specific details**

KSDP was established in 1974 to manufacture and supply essential drugs to the Government Hospitals in the State of Kerala. KSDP was supplying directly to the Department of Health in the initial years and started supply through KMSCL since 2010. The Company has following facilities for manufacturing of medicines as on date.

- A dedicated WHO certified Betalactam Plant.
- A cGMP certified Non Betalactam Plant.
- An NABL accredited laboratory.
- Non Betalactam Injection Plant

The Performance figures are as under:

<b>Last 5-year Profit details (in lakhs)</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>
Turnover	2796.00	2978.00	4899.00	6587.00	12275.00
PBDT	-339.57	-32.37	691.51	402.04	2,448.30
PBT	-523.39	517.47	297.76	678.94	1,548.30
PAT(excluding exceptional items)	-523.39	-214.48	382.32	691.88	1,548.30

### **Financial Status**

KSDP has a paid-up capital of Rs. 130.73 Crores. KSDP has an accumulated loss of Rs. 90.92 Crores though the company has been in profit for last 3 years. Accounts have been adopted by the board of directors upto 2019-20 and AGM has been held upto 2018-19.

The company is operating without any working capital/term loan from the bank. The loans taken and outstanding to Government of Kerala for the projects amount to Rs. 83.12 Crores.

### **Resources available**

On the resources front, KSDP has got 20.3 Acres of Land including 6.3 acres recently acquired for setting up Oncology Park.

**Capital Outlay of Various Projects under KSDP**

	Outlay (Rs in Lakhs)	Remarks
Non Betalactam	425.00	
LVP / SVP	2,500.00	
Oncology	300.00	Rs.150 Crores to be funded by KIIFB.
	<b>3,225.00</b>	

The Capacity utilization for last three years is as under:

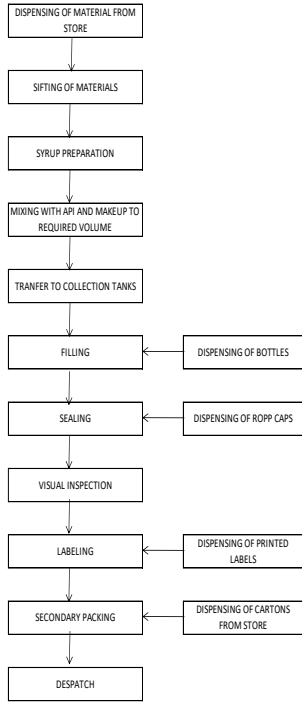
Products	Installed Capacity (in lakhs)	Annual Operating Capacity (in lakhs)	2018-19		2019-20		2020-21	
	On three shift basis	2 shift basis	Production in quantity (in lakhs)	% of utilisation against operating capacity	Production in quantity (in lakhs)	% of utilisation against operating capacity	Production in quantity (in lakhs)	% of utilisation against operating capacity
TABLETS	21,150	14400	5768	40.05	4708	32.7	6617	45.95
CAPSULES	6,300	3600	1756	48.78	1180	32.78	1244	34.57
ORS	423	192	22.24	11.59	34.76	18.1	13.36	6.96
LIQUIDS (IN LITERS)*	13.8	13.8	11.7	79.42	6.25	45.31	25.64	185.8
INJECTION	291	120	5.21	4.34	32.56	27.13	34.49	28.75

*\*Because of Sanitizer manufacturing done manually as per GoK instructions.*

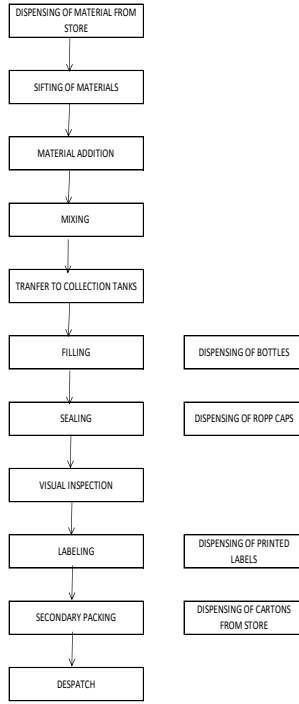
The manufacturing process is as under

### 1. Liquid Manufacturing

LIQUIDS MANUFACTURING PROCESS - PAEDIATRIC SYRUPS

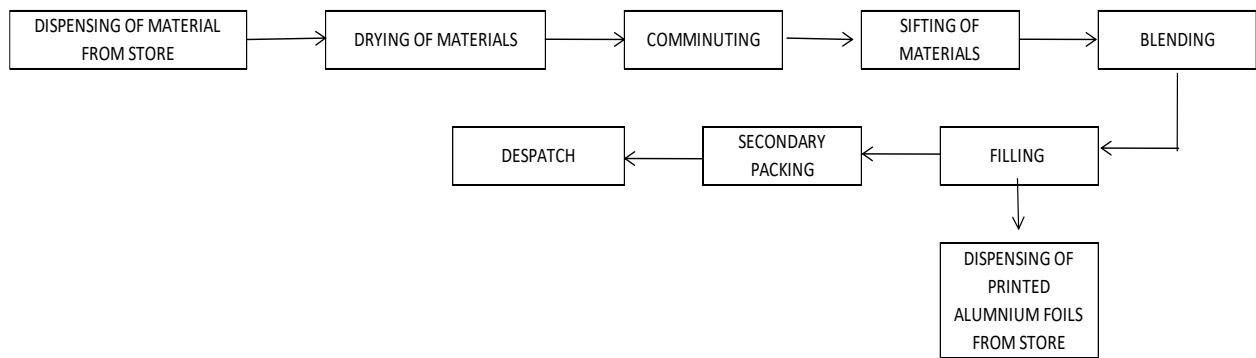


LIQUIDS MANUFACTURING PROCESS



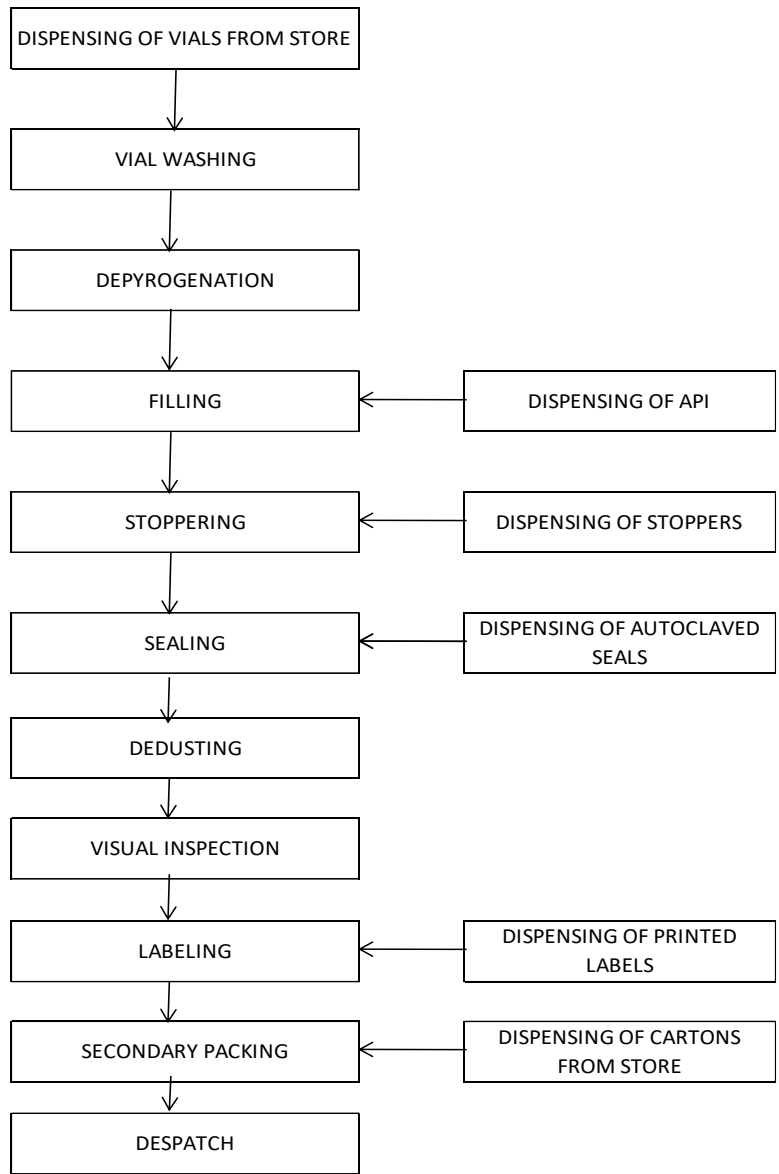
### 2. ORS Manufacturing

ORS MANUFACTURING PROCESS



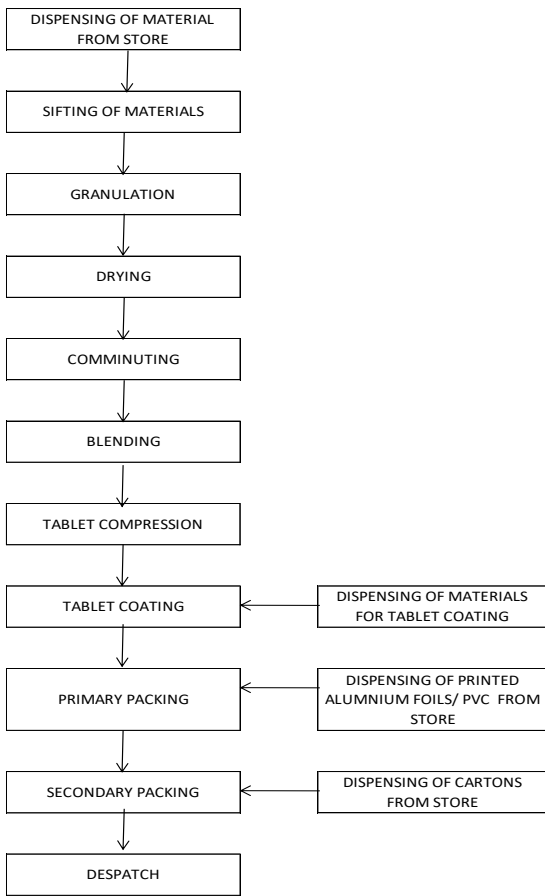
### 3. Injection Manufacturing

#### DRY POWDER FOR INJECTION MANUFACTURING PROCESS

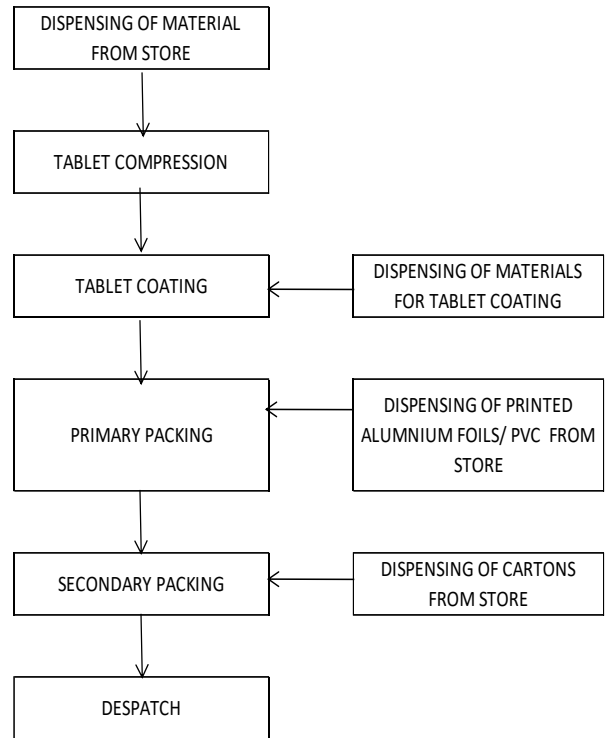


#### 4. Tablet Manufacturing

##### TABLET MANUFACTURING PROCESS

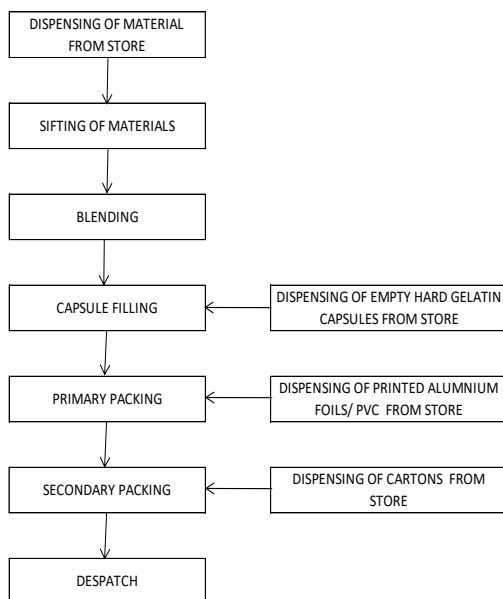


##### TABLET MANUFACTURING PROCESS - Directly compressible Products



#### 5. Capsule Manufacturing

##### CAPSULE MANUFACTURING PROCESS





**Manufacturing facilities**

As medicines belonging to Betalactam and Non Betalactam are to be manufactured separately, KSDP has facilities for manufacture Tablets, Capsules and Dry Powder injections in Betalactam plant. Tablets, Capsules, Liquids and ORS belonging to Non Betalactam category are manufactured in the Non Betalactam plant. The Non Betalactam Injection plant which is yet to be commercialized is for manufacturing Large Volume Parenteral, Small Volume Parenteral and ophthalmic products.

**SHE (Safety, Health and Environment)**

KSDP is operating GMP compliant formulation facilities and are committed to meet safety, health and environment protocols. As KSDP don't manufacture APIs, the impact of manufacturing on safety health and Environment is limited. KSDP has standard operating procedures for formulation activities. Committed to safety and health protocols, KSDP has separate manufacturing facilities for Betalactam and Non Betalactam range and interchanging of products is not permitted. KSDP conducts periodic medical checkup for the employees and ensure that they wear protective gear when they enter the plant. The corridors are sanitized and all requirements as per "Good Manufacturing Practices" for pharma industry are complied. The ETP facility is being upgraded.

**Factors affecting the industry in general**

Factors affecting the industry include economic factors like Regulatory framework, pricing pressure, growth in health care spending, increase in disposable income which can bring in lifestyle diseases, Price control by NPPA etc. The Pharmaceutical factors like active ingredients, patent protection, evidence of product efficacy, patient characteristics, presence of side effects, introduction of new drugs can affect the selection of drugs.

All these are important as these decide which drug to choose as alternatives are generally available.

### **Challenges faced by KSDP**

1. Limited market access, operation at much lower capacity, lack of WHO GMP approval for plants other than Betalactam (certification is underway), limited product range, non-availability of skilled manpower, lack of R&D which limits development of new formulations etc. are the main challenges.
2. The constraint for increasing the Capacity utilization is mainly limited market access as the Company has limited its operation to government supplies and is not in brand sales. The company had a bitter experience of unsold stocks in the past when KSDP was active in open market sales. The frequent price changes in API's, limited shelf life of the product, absence of a marketing department, limited product range also affect Capacity utilization. Moreover, the limited volume of procurement, non-willingness of the market to follow governmental procedures in sourcing etc. also limit KSDP from increasing Capacity utilization. Limited product range and drug license limited to few products also contributes to sub optimal Capacity Utilization.
3. KSDP has no Working Capital facility from the bank due to historical reasons. The Company is working with own Capital. As the activity increases, the Company will seek Working Capital loan from the bank.

### **SWOT Analysis**

#### **Strength**

- a. Price preference for government tender in Kerala.
- b. State of the art, GMP certified plants.
- c. NABL accredited laboratory.
- d. 40 years of experience in formulation.
- e. Adjacent location to NHAI and only 55 Km from Cochin Port.

#### **Weakness**

- a. Absence of senior level staff in key departments like Marketing, Purchase, Projects etc.
- b. Inadequate R&D facility to make new compositions.
- c. Over dependance on KMSCL.
- d. No presence in Open Market.
- e. High Raw Material cost due to limited volume and stringent purchase procedure.
- f. High manpower cost.
- g. Less skilled manpower.
- h. Dependence on low value products.

### **Opportunities**

- a. Kerala's thrust for health care.
- b. Ageing population in Kerala.
- c. Increase in lifestyle diseases in Kerala will open a window for medicines for high cholesterol, diabetics etc.
- d. Oncology Park will make available oncology range of products.
- e. Can venture into branding and selling in open market at less than market price through separate marketing channels.

### **Threats**

- a. Reduction of government orders
- b. Increase in patented drugs.
- c. Competition from spurious players.

### **Challenges**

- a. Procurement of raw material at competitive price.
- b. Ever fluctuating raw material price which restricts competition among suppliers.
- c. Implementation of proper ERP's.
- d. Proper manning of every department.
- e. Increasing Capacity utilization.

Introduction of ERP will enable to streamline inventory cost.

Automation can bring down manpower cost, take up many products for manufacturing, proper production scheduling. Ensuring continuous stream of orders will streamline production and reduce cost.

### **HR Master Plan for next 5 years in KSDP:**

To achieve the master plan projections, availability of qualified manpower is a must. KSDP is now working with no proper heads of departments in key areas like Marketing, Projects, Human Resource, Purchase etc. Centre for Management and Development (CMD) has conducted a detailed work study in the year 2019-20 and identified manpower requirements across the departments. The proposal is with the Government for consideration. The Government has, as an interim measure, approved filling up of some posts on contract basis. Action is being taken for recruitments on contract.

A phased recruitment plan will be drawn up once the approval from government is received.

The company also has plan to revisit the educational qualification for positions so that skill sets are defined at the recruitment stage itself

*Training: -*

KSDP also will relook at the skill sets required for each position and propose to provide skill development after assessing training needs.

### **Short Term Goals**

*Improve topline growth: -*

In the short term, the Company has plans to leverage its strengths and optimally use the idle capacity so that fixed costs can be brought down. Following has been planned.

1. Widen the product range so that company can offer maximum range of products to its existing customers like KMSCL, APMSIDC, TSMSIDC etc.
2. Search new markets in Tamil Nadu and Jan Aushadhi etc. for the existing manufacturing range.
3. Venture into range of products for Animal husbandry department.

The company has already initiated following steps to widen the product range

- a) Initiated a tie up with CSIR to develop 15 new formulations. Linezolid is already under stability study.
- b) Developed various concentrations of 4 medicines for Organ transplantation
- c) Buy pre formulated bulk formulations so that maximum products can be offered in the shortest possible time.
- d) Sought R&D fund from RIAB to develop maximum formulations in house.
- e) Appointment of a consultant to develop new formulations and products to LVP/SVP plant.
- f) Drive export growth. KSDP has Certificate of Pharmaceutical Products (CoPP) from the drugs controller. As products require registration in each importing country, KSDP has initiated dialogue for product registration and export with service providers.

*Cost reduction: -*

- a. Change over to LPG as fuel will bring down the cost of boiler and make it more environment friendly. Though we have also examined LNG as an alternative fuel source, the non-availability of burners which can use LNG as a fuel, high initial capital investment and less fuel requirement, the company will instantly be switching over to LPG.
- b. Resort to contract employment to begin with so that manpower cost is minimum.

**Oncology Park under KSDP**

KSDP received administrative sanction in principle for setting up of Oncology Park, with the objective to encourage the generic brands and reduce the financial burden on cancer treatment. The project envisages manufacture of Tablets, Capsules and Injectables required for the cancer patients across Kerala based on the requirement assessed from KMSCL, RCC, other Government institutions, other states etc.

In addition, this park envisages separate unit for the manufacturing of pharmaceutical packaging glass containers, cap, closures for ampule – vial, Films and foils for pharma packaging, Pharmaceutical Cartons and package and Unit for Empty hard gelatin Capsules. KSDP has submitted detailed project report to KIIFB for setting up of plant for oncology formulation.

KIIFB board in principle has approved 62.16 cr for this project. KSDP has appointed a project consultant M/S Doshi consultants Pvt Ltd Indore and the implementation period for the new facility is approx. 27 months. Technical appraisal is being prepared by the consultant.

The scheduled production capacity of this plant is

- Tablets: 60 million units per annum of average 300mg.
- Capsules: 45 million units per annum of average 350 mg.
- Liquid Injectable in Vials: 0.9 million vials of 5 ml
- Lyophilised Injectable in Vials: 0.9 million vials of 5 ml assuming average lyophilisation cycle of 48 hours.

**Financial Projections**

1. Budgeted turnover and profit for next five years.

(as per budget in Board)

(Rs. in crores)

Year	Year-I	Year-II	Year-III	Year-IV	Year-V
Turnover	150.00	175	210	256	320
Profit	4	5	6	7	9

The targets are ambitious and is as presented to the Board of Directors and to aim these targets KSDP seeks as under.

**What we seek from government.**

The company seeks financial as well as hand holding support from the government.

1. Financial Support: -

- a. Rs. 25Cr financial support to KSDP to complete the projects in hand. This is including the cost escalation. As KSDP has huge accumulated losses, generating funds from other sources will be difficult. This fund support will enable us to fast track the projects.

If this is not received the projects in hand for which 90% investment has done also may remain incomplete.

- b. Conversion of all loans to equity.
- c. Release of Rs. 2Cr as R&D support for developing new formulation from RIAB, so that R&D will get a kick start.

2. Hand Holding support

- a. Order exclusivity for KSDP for our product range from government of Kerala through KMSCL at NPPA rates. A continuous stream for orders without tender will enable KSDP to keep raw material, inventory, and schedule production so that continuous supply to KMSCL can be ensured. This will also improve the capacity utilization. A meeting to this effect may kindly be called by the Hon'ble Minister.
- b. KSDP is also getting geared up to manufacture products for Animal Husbandry. Exclusivity for the range of products will enable KSDP to leverage the manufacturing capacity.
- c. Sanction of posts as per CMD study report.
- d. A General Manager (Technical) post has been recommended by the Board so that project implementation can be speeded up. Though this also finds a place in CMD report, this may be picked up separately and processed on a fast track mode.
- e. The sectoral experts have also suggested to expedite Oncology pharma Park, filling up of key positions etc. which is key to drive growth of KSDP.

Apart from this, the company also need to develop a strong marketing network to achieve brand sales, as suggested by the Hon'ble Minister for Industries during Master Plan discussions. When the master plan is approved, the company will move in that direction.

**Long term vision**

The Company visualizes to be a major player in health care in Kerala. The plans are as under.

- a. Develop a line of franchisee stores for supply of generic medicines at reasonable prices so that people below poverty line have easy access to quality medicines at affordable prices. This will also give a business opportunity to D.Pharm holders to become self-employed. The same store can also do lab tests also at reasonable rates.
- b. The company can also leverage its strength of being a preferred supplier to Government of Kerala by getting into strategic tie ups with SMEs in Kerala operating in medical equipment sector.
- c. As Kerala has a high percentage of people suffering from lifestyle diseases like cholesterol, diabetics etc. Govt. of Kerala can identify KSDP as sole manufacturer and ensure free or subsidized supplies through designated outlets.

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