

## **ANNUAL REPORT 2002**

### **INTRODUCTION**

In 2002 State Pharmaceuticals Manufacturing Corporation (SPMC) completed 15 Years of Commercial Production of essential Medicinal drugs for the healthcare of the Sri Lankan population. SPMC product range consisted of 52 items of tablets, capsules and oral suspension at the time.

### **OBJECTIVE**

SPMC was established in 1987 under the Industrial Corporation Act No.49 of 1957 for the following purpose.

- (1) Manufacturing, processing, stocking, packing and re packing of drugs.
- (2) Provision of technical assistance for the manufacture and processing of drugs.
- (3) Pharmacological and pharmaceutical research and the standardization of drugs, and
- (4) Marketing of drugs produced.

SPMC is the only state sector Corporation engaged in Manufacturing Pharmaceuticals in Srilanka.

**Staff**

The total number of personnel employed in the year 2002 was 151. The 151 personnel consisted of the following categories, which included 10 trainees employed during the year.

Executives	-	27
Clerical & allied grades	-	13
Technical Staff	-	84
Minor Staff	-	17
Trainees	-	10

**FINANCIAL PERFORMANCE**

<b>Item</b>	<b>2002</b>	<b>2001</b>
	<b>Rs. Million</b>	<b>Rs. Million</b>
Turnover	379.97	375.68
Gross Profit	5.28	(7.17)
Interest Income	41.41	56.2226.54
Other Income	0.5	0.45
Provision for Depreciation	24.95	23.53
Net Profit	7.69	21.06

In the year under review the financial performance indicated by sales amounting to Rs.379,972,229 shows an increase in sales by 1.2%

Net Profit for the year under review was Rs.7,688,009 after making provision for depreciation amounting to Rs. 24,952,056.

### **Short-term Investment**

Short-term Investment in Treasury Bills is amounted to Rs.330,597,021. Rs.318,143,399

### **Sales**

	<b>2002</b>	<b>2001</b>	<b>Growth %</b>
	<b>Rs. Million</b>	<b>Rs. Million</b>	
Sales To SPC	275.38	225.68	22.02%
Sales To DHS	100.04	143.49	-30.0%
Export Sales	4.55	6.40	(28.91)%
Total Sales	379.97	375.37	1.0%

### **PRODUCTION DEPARTMENT**

Production output for the year 2002 stood at 909.703 million units of tablets and capsules Compare to budgeted production 2001 (942.72 m) the achievement 98.37%

This is the highest output registered per year for the year for the period of 15 years.

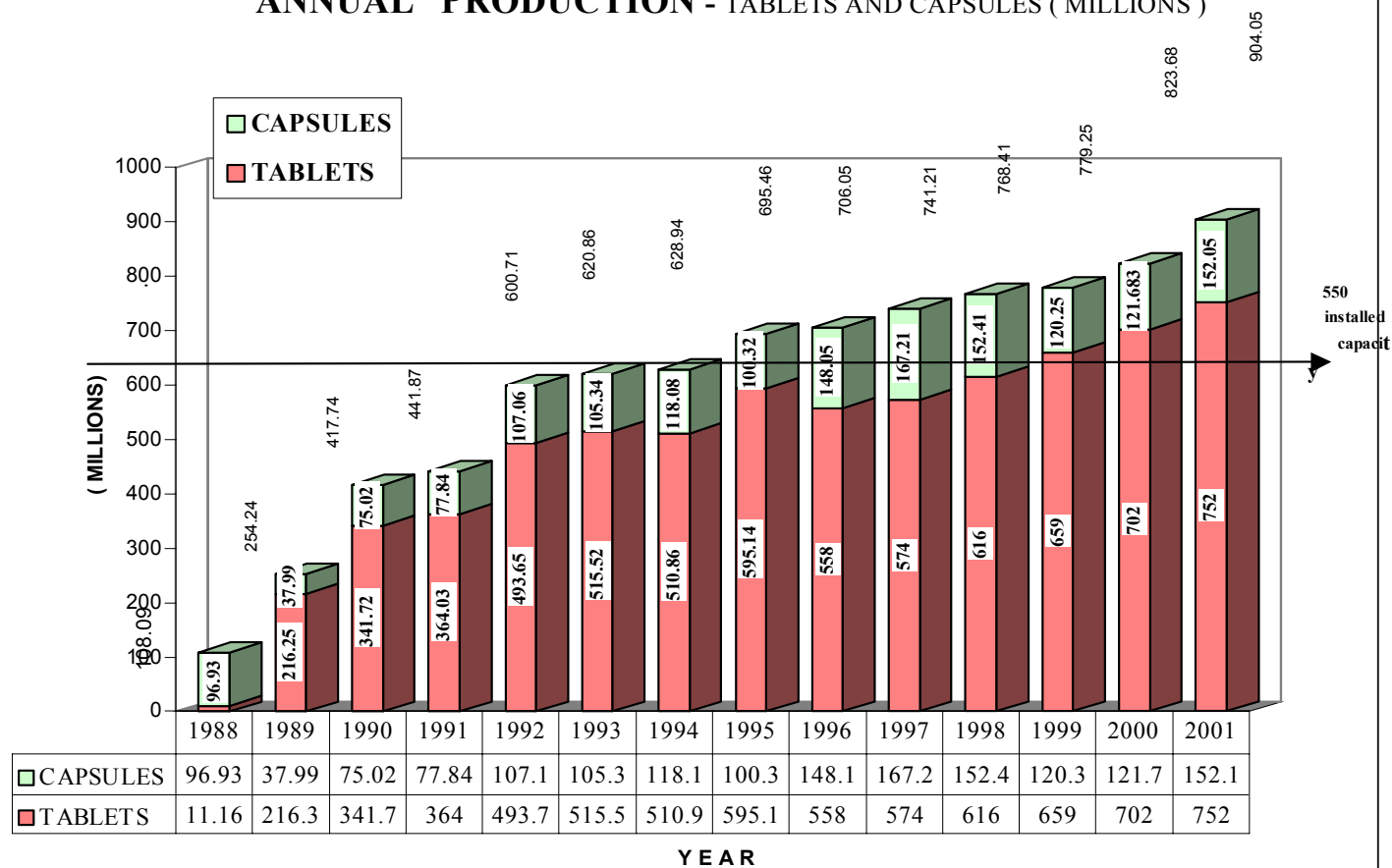
Compared to year 2001-production output it is 100.534 %.

The Output consisted of 751.903 million tablets and 157.80 million capsules.

In addition within this period SPMC manufactured 21,000 packs of Amoxicillin oral Suspension BP 125 mg / 5 ml and 12540 packs of Cloxacillin Oral Solution BP 125mg/5ml.

## STATE PHARMACEUTICALS MANUFACTURING CORPORATION

### ANNUAL PRODUCTION - TABLETS AND CAPSULES ( MILLIONS )



The major contribution to the total productions was as follows.

Item	Output
Paracetamol Tablets BP 500mg	108.0 million
Salbutamol Tablets BP 2mg	78.48 million
Amoxicillin Capsules BP 250mg	77.45 million

Prednisolone Tablets BP 5mg	75.60 million
Diethyl Carbamazine Tablets BP 50mg	64.80 million
Vitamin B Complex CHF	41.60 million
Ascorbic Acid Tablets BP 100mg	41.40 million

### **New Products**

SPMC introduced Cimetidine tablets BP 200 mg to the local market.

### **Export**

In year 2002 SPMC exported 32.51 million of DEC tablets 50mg through World Health Organization and Japan International Corporation Agency to the following Countries.

Philippines	Kiribathi
Fiji	Cooks Island
Vanavatu	Tuvalu
Samoa	Tonga
Niue	

### **Staff**

SPMC has recruited seven trainees into the permanent cadre. Mr. Yasas Kumarasiri resigned from the SPMC. Mr. B.T.Murage reported to work in August 2002 after three years of no pay leave.

## **MAINTENANCE DEPARTMENT**

### **Energy Utilization**

The comparison of energy utilization of the year 2002 with last 04 years is given below.

<b>Year</b>	<b>Total production (No. of Packs)</b>	<b>Total power consumption (Kwhr)</b>	<b>Unit power consumption (Kwhr/pack)</b>
1999	1,499,229.00	1,006,302.00	0.761
2000	1,653,180.00	1,125,287.50	0.68
2001	1,175,307.50	1,792,586.00	0.66
2002	1,168,169.20	1,765,822.00	0.66

3% reduction of power consumption observed in the year 2001 compare to previous year and has been maintained in the year 2002 also. The graph comparing the unit power consumption for last 04 years is attached.

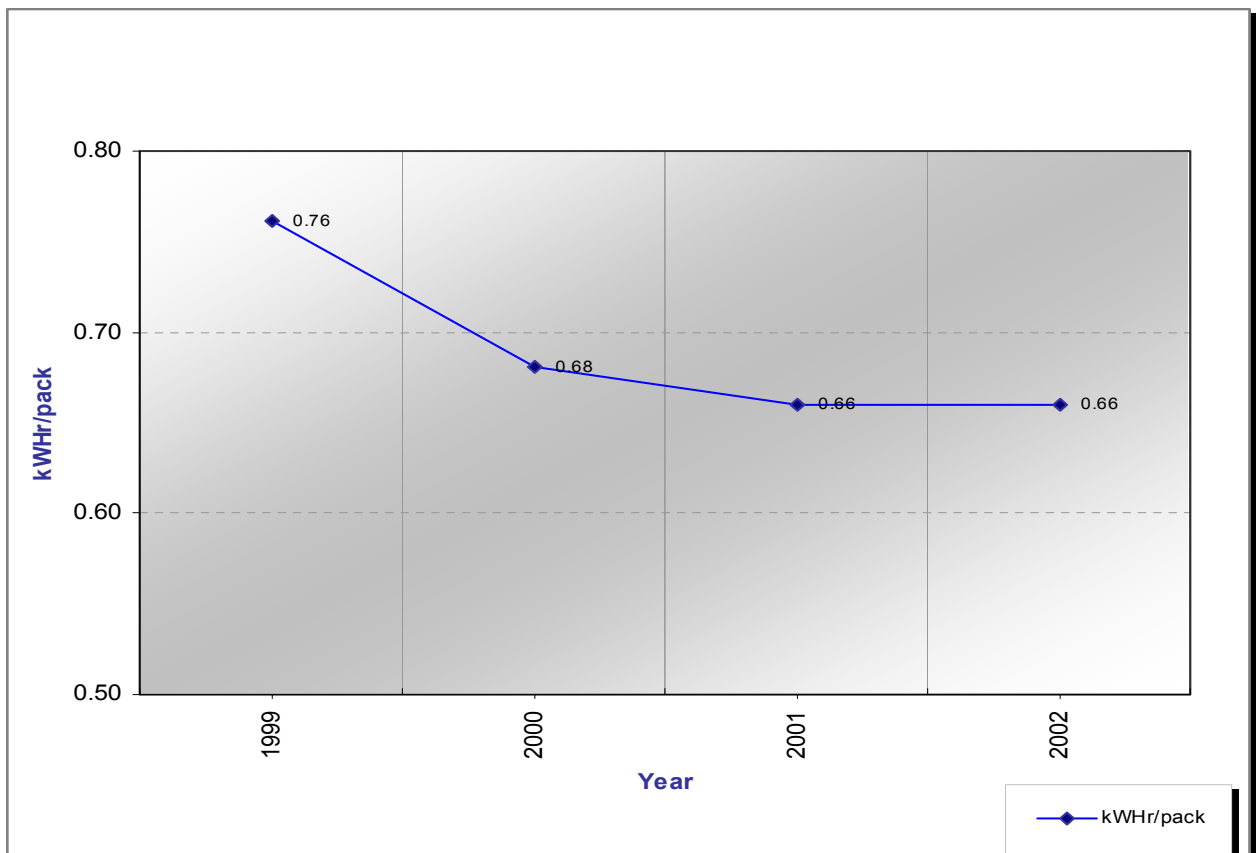
### **Progress of the construction work of new building for drug stores and packing division**

90% of the civil work and installation of A/C system have been completed and total project has been scheduled to be completed at the end of February 2003.

### Preventive Maintenance

According to the monthly preventive maintenance programme, maintenance of machines and building were carried out. This programme is prepared according to the running hours completed by the machines and the data collected at the daily inspection done by the Maintenance Department. In addition, running repairs were also attended according to job cards received from the various section for which the services were requested.

### State Pharmaceuticals Manufacturing Corporation Unit Power Consumption During Last 04 Years

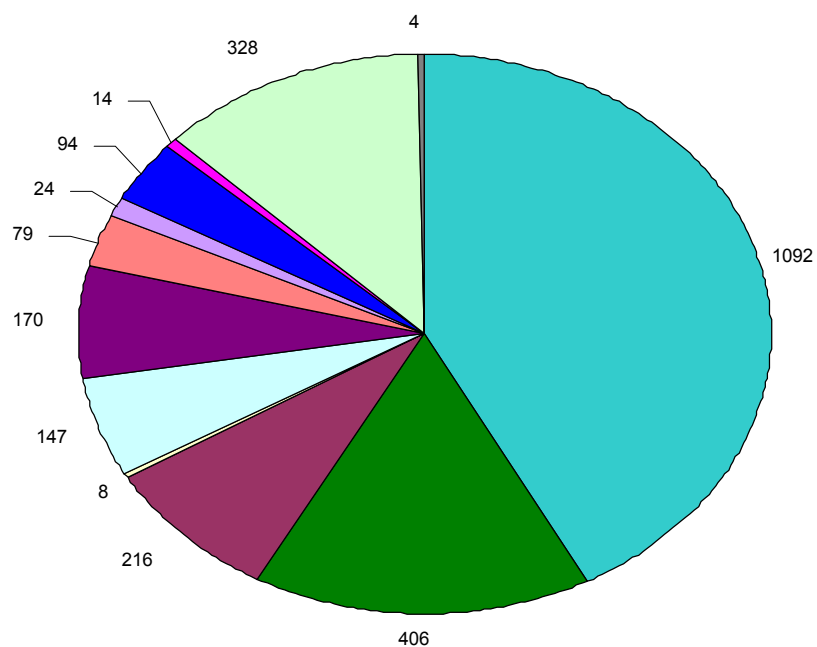


**QUALITY CONTROL DEPARTMENT**

- 1) 1092 million tablets and capsules manufactured during year 2002 were released to the market for the sale, after analyzing and evaluating the manufacturing records. The analytical test were performed using highly sophisticated scientific instrument at QC Department. All products released to the market met with our in – house specifications (SPMC Spec.) in addition to the BP/USP requirements.
- 2) All raw materials and packaging materials required for manufacturing were analysed as per our specifications.
- 3) 01 Quality Control Officer was provided training by participation to Diploma in Quality Management course at SLSI, one Q.C. Assistant was attended seminar for calibration of measuring instrument in year 2002.
- 4) QC Department has training 06 persons from production Dep., 03 persons from Diploma in Pharmacy, 09 persons from B.Sc. (Pharmacy) undergraduate in Colombo University, 03 persons from Engineering Faculty, 01 person from Planning dept. (SPMC), 01 person from MSc. Student from Sri Jayawardenapura University and two persons from SPC microbiology laboratory.
- 5) The totals of 2582 samples were analyzed during year 2002. The average analysis per analyst stood at 173.75 samples.

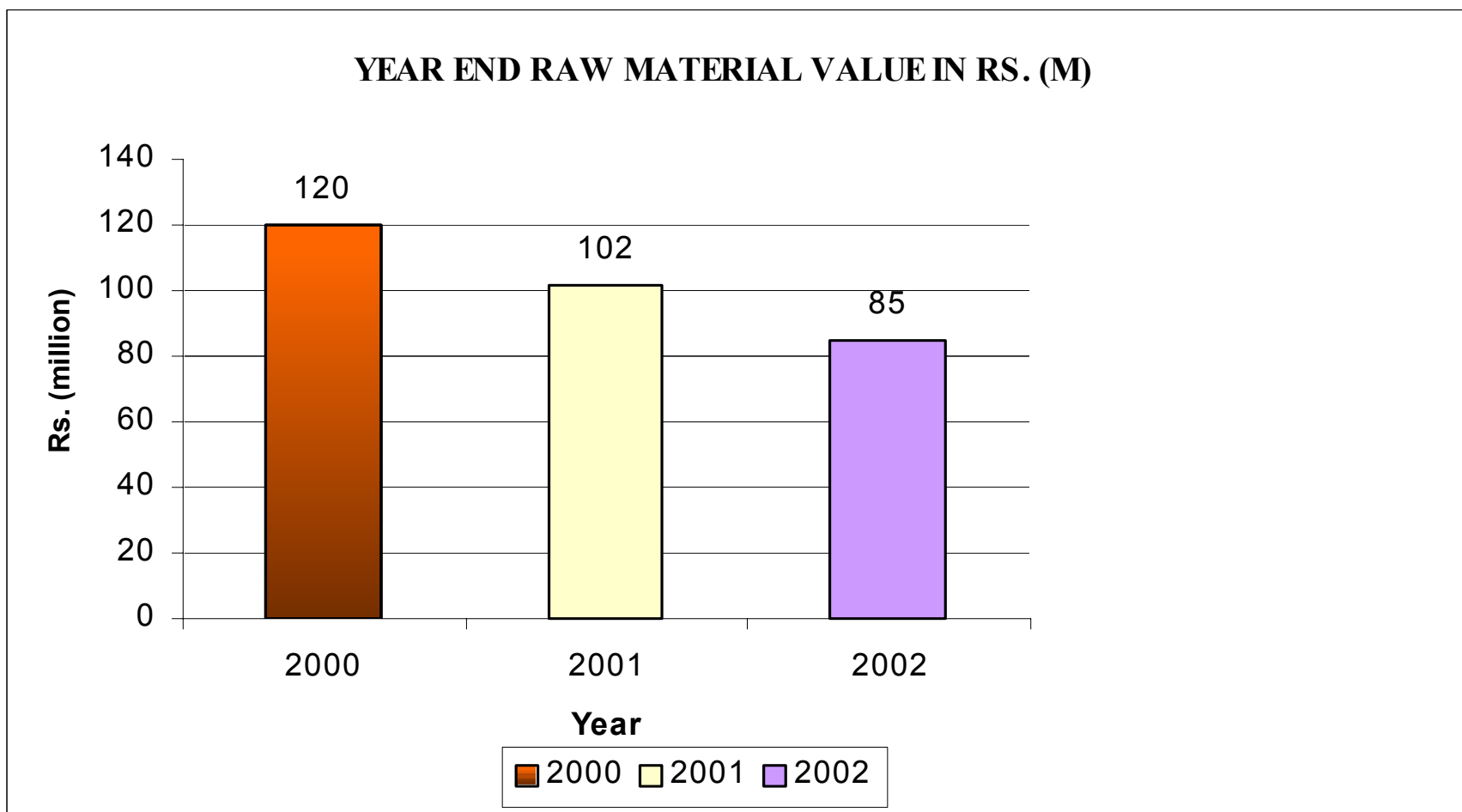
**Analysis Performance in 2002 (January - December)**

**Quality Control Department**

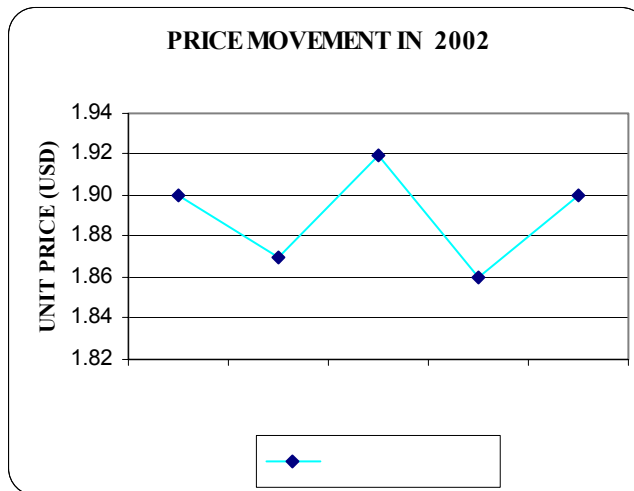
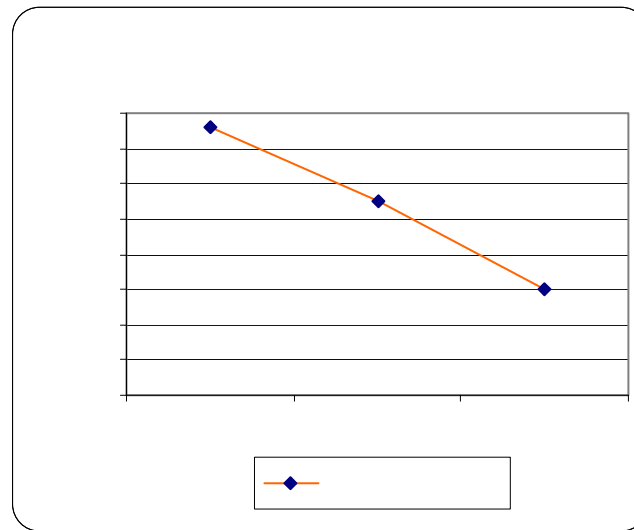
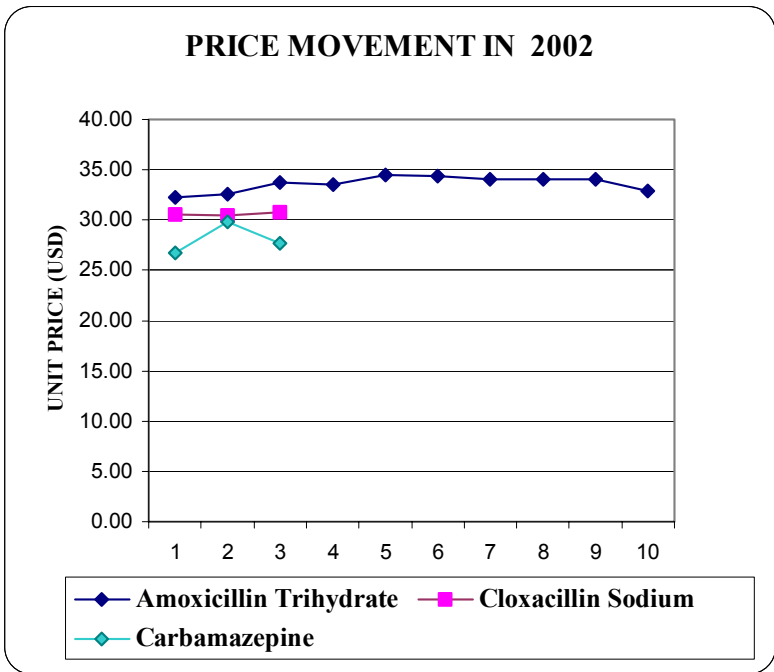


Finished product Analysed	- 1092
Tender Sample Analyzed	- 406
Stability Sample Analy	- 216
Market Sample Analyzed	- 8
Trials - From Production	- 147
Packaging Material	- 170
Trials - Formulation Analyzed (FD)	- 79
Water Sample Analyzed	- 24
Pre Shipment Raw Material	- 94
Environment Cleanliness Analysed	- 14
Raw Material Samples Analyzed	- 328
Revalidated Products	- 4

<b>Total</b>	<b>- 2582</b>
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### PRICE MOVEMENT OF VITAL RAW MATERIALS



## **I. PRODUCTS LAUNCHED DURING THE YEAR 2002**

### **1. Cimetidine Tablets BP 200mg**

This was manufactured successfully on a commercial scale and all the physical and chemical properties comply with BP (as well as Dissolution per USP). This product was launched under the “Government 100 days’ accelerated rogramme” with the patronage of the Honorable Minister of Health, Nutrition & Welfare Mr. P. Dayarathna.

## **II. PRODUCTS TO BE LAUNCHED**

### **2. Theophylline Sustained Release Tablet 125mg**

Theophylline Sustained Release Tablet 125mg was Formulated, Manufactured Registered and submitted approval for manufacturing from CDDA.  
Current cost of manufacturing is less than Rs. 0.90 cents.  
SPC-Osusala whole sale price for a similar product is around Rs. 10/=.  
Total Requirement of Theophylline tablets is above 22 million.  
Estimated turn over for the product can be very high depending on SPMC price.

### **3. Theophylline Sustained Release Tablet 250mg**

Theophylline Sustained Release Tablet 250mg was formulated, manufactured and the results are successful. File was submitted for registration.

**Making a difference in thinking of DHS product selection**

#### **4. Theophylline Sustained Release Tablet 300mg**

We provided information regarding advantages of using Theophylline Sustained Release in place of normal Theophylline tablets to the Secretary for Ministry of Health. DHS requirement for normal Theophylline tablets were changed to Sustained Release Theophylline tablets.

Therefore we formulated, and manufactured Theophylline Sustained Release tablets 300mg and we gave them to the Quality Control Division for analysis and we obtained successful results. As soon as the quality certificates are issued the above product dossier will be submitted for registration.

DHS requirement for the above product is 22.0 million.

#### **5. Enalapril Maleate Tablets USP 5mg**

##### Current Status:

We have developed the product, registered and obtained the manufacturing license from CDDA. "Scale up trials" were done and it is in the final stage of launching. This product is very sensitive and it is difficult to do 'accelerated stability' study and we are waiting for "real-time" stability data.

ESTIMATED TURN OVER FROM THIS ITEM considering annual demand	
Estimated Contribution	= Rs 26.19 per 100 Tab. Pack
SPC Annual Demand	= 10.0 million Tablets
Estimated Annual Turn Over (only SPC)	= Rs 2,619,000.00

### III **PRODUCTS UNDER DEVELOPMENT**

#### **6. Diclofenac Sodium Tablets 50mg**

Several formulation trials were performed and we developed a successful tablet formula as well as a formula for a new enteric coated tablet. One of the impurity standards was not available from the regular Suppliers (BP, WHO-Asia, and USP) and we were able to get the standard from a manufacturer. Samples were submitted to the Quality Control Division for analysis.

Total Market share: 20 million -SPC, 30 million -Private sector, No DHS  
2002/7/15

#### **7. Omeprazole Capsules 20mg IP**

##### Current Status:

Raw materials were obtained and quality control protocol was prepared. Initial formulation trials were performed and they are successful only in the laboratory scale.

Problems:

Small-scale trial was done in the production zone and it was identified that the available capsule filling machine in SPMC need a special attachment to fill any type of pellets. Specifications are being prepared to check the possibility of purchasing the attachment from Bosh, Germany. Quotations were called for the attachment.

**8. Nifedipine Extended Release Tablets 20mg**Current Status:

Raw materials were obtained and quality control protocol was prepared. Initial Formulation trials were performed successfully. To prepare the quality control protocol samples were given to Quality Control Division with one of the products in the market.

**Due to the following problem** development work got delayed.

To test the product dissolution analysis requires a HPLC instrument and we have to share the QC HPLC facility which gives low priority for development work.

**Suggested Solution:** Purchase a HPLC to the Formulation Division for Research & Development work.

**9. Diltiazem Hydrochloride Tablets USP 60mg**

Raw materials were obtained and quality control protocol was prepared. Initial Formulation trials were performed and a formula was developed to comply with the USP quality control parameters. Currently product is been tested in the QC.

**10. Ciprofloxacin Tablets**

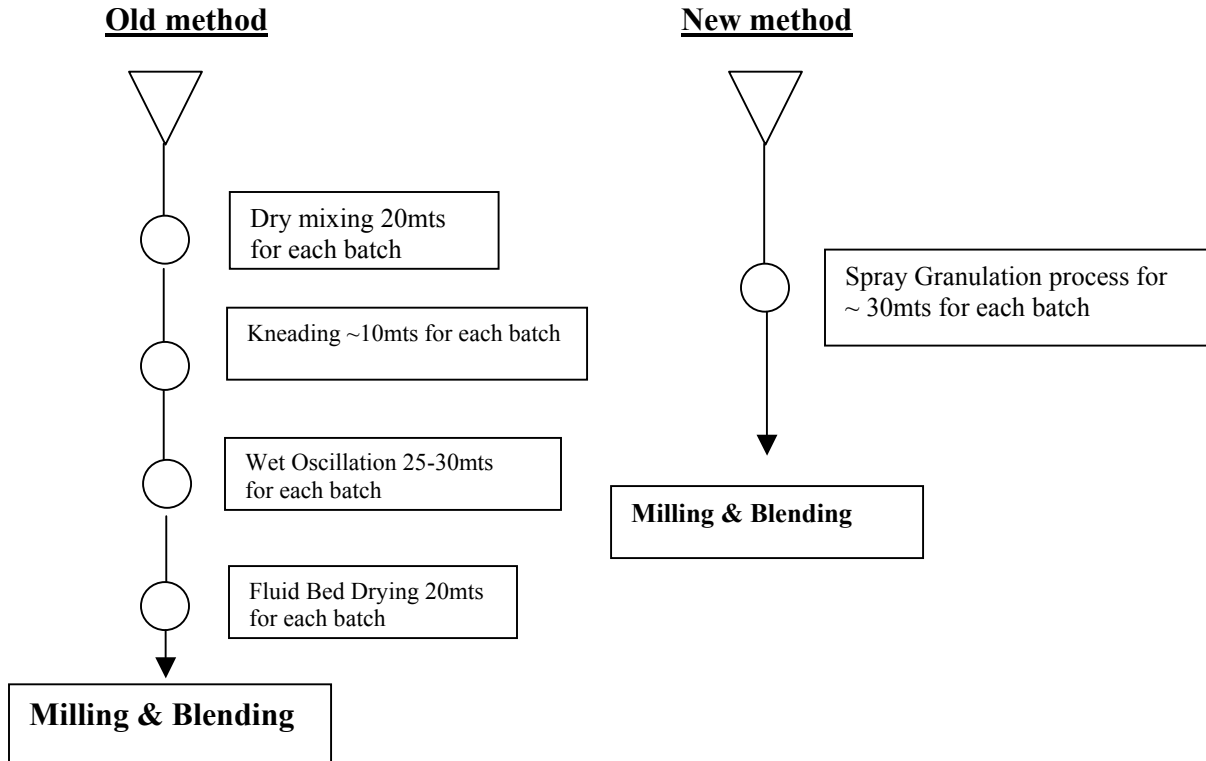
Norfloxacin has more advantages than the above.

Sri Lankan Market information for the product was requested and we are awaiting the data. Preliminary trials are been carried out successfully.

**IV. PROCESS DEVELOPMENT AS CONTINUOUS IMPROVEMENT****11. Metformin Tablet BP 500mg**

We developed a Spray Granulation method to overcome the manufacturing difficulties in wet granulation process which does not give a quality end product. At the same time the new development enhances the Productivity while giving a better finished tablet.

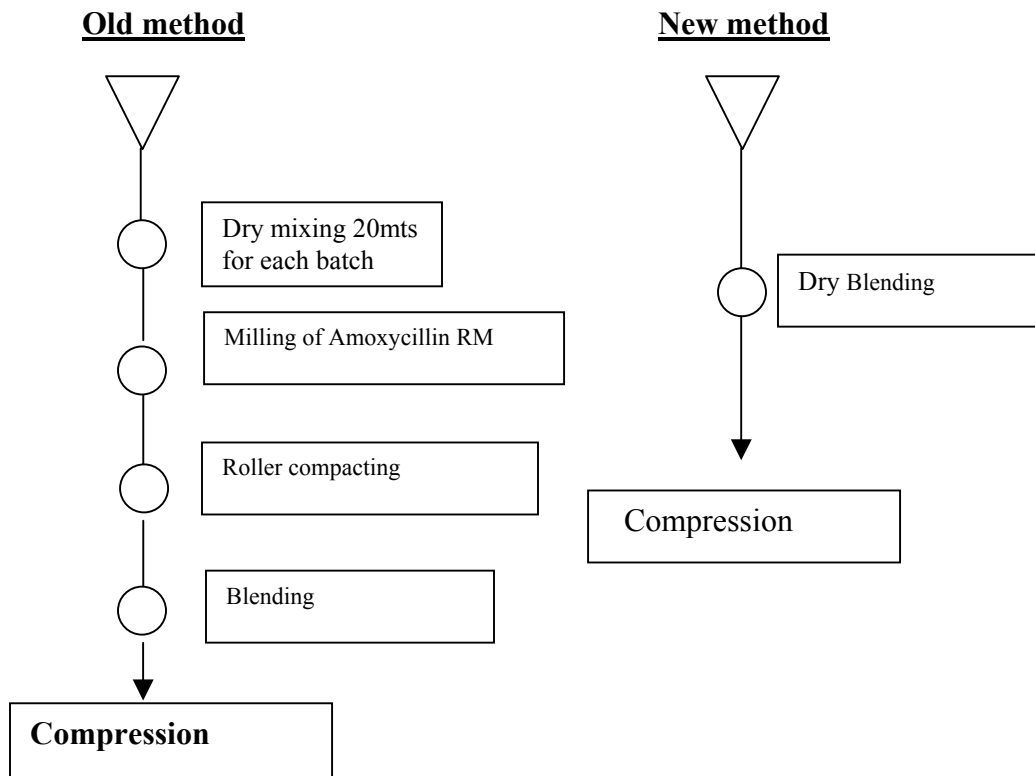
	<b>OLD method</b>	<b>NEW method</b>
Total Labour hours	240 hours	90 hours
Total Labour hours Saving		150 hours
Labour Saving in Rupees (30 per h)		4500 per batch
Rs. Saved per day in labour along		27000/=



**V. PRODUCT DEVELOPMENT TO CUT DOWN THE COST**

**12. Amoxicillin Tablet USP 125mg**

We have introduced a new system to cut down the cost of manufacturing Amoxicillin Tablet USP 125mg. Sugar free tablets were requested by DHS and we have manufactured the product in small scale.



	<b>OLD method</b>	<b>NEW method</b>
Total Labour hours	340 hours	90 hours
Total Labour hours Saving		- <b>250</b> hours
Labour Saving in Rupees (30 per h)		7500 per batch
Rs. Saved per batch		7500 + other overheads

### **III. PRODUCT DEVELOPMENTS AS PER MARKET REQUIREMENT**

#### **13. Atenolol Tablets BP 50mg**

SPC requested from SPMC to supply Atenolol Tablets BP 50mg in Yellow Colour film coat.

We have marketed this product in year 2000 in white colour, since people use this drug daily and the new trend is to avoid synthetic colours. The other reason is that there are white coloured Atenolol tablets available in the local market from other foreign manufacturers.

However, to satisfy the majority of the consumers, trials were being done to change the colour of the tablet to yellow as per the SPC request. New yellow product was manufactured and it is being tested for shelf life stability.

### **VI. DOCUMENTATION TO COMPLY WITH GMP REQUIREMENT**

Following documents were prepared.

#### **Manufacturing Documents of Formulation as per GMP :**

Aluminum Hydroxide Tablets BP 500mg  
 Amoxicillin Capsules BP 250mg  
 Aspirin Tablets USP 300mg  
 Bisacodyl Tablets BP 5mg  
 Erythromycine St. Tabs USP 250 mg  
 Folic Acid Tablets BP 5mg  
 Frusemide Tablets BP 40mg  
 Metformine HCl Tablets BP 500 mg  
 Paracetamol Tablets BP 500mg  
 Promethazine HCl Tablets BP 10mg  
 Promethazine HCl Tablets BP 25mg  
 Salbutamol Tablets BP 2mg  
 Salbutamol Tablets BP 4mg  
 Trifluoperazine HCl Tablets BP 5mg  
 Verapamil HCl Tablets BP 40mg

#### **Master Validation Documents**

Master Validation Documents for DEC 50 mg was done with the available data and submitted to WHO.

Validation was completed for all the products manufactured in 1996 and part of the products manufactured in 1997.

- \* Aluminum Hydro Tablets BP 500mg
- \* Ascorbic Acid Tablets BP 100mg & 500mg
- \* Aspirin Tablets USP 300mg
- \* Benzhexol Tablets BP 2mg
- \* Chloramphenicol Caps BP 250mg
- \* Chloroquine Phos Tabs USP 250mg

- \* DEC Tablets BP 50mg
- \* Folic Acid Tablets BP 5mg
- \* Indomethacin Capsules BP 25mg
- \* Mebendazole Tablets USP 500mg & 100mg
- \* Pae. Co-Trimoxazole Tablets BP
- \* Paracetamol Tablets BP 500mg
- \* Prednisolone Tablets BP 5mg
- \* Primaquine Tablets BP 7.5mg
- \* Promethazine HCl Tablets BP 10mg & 25mg
- \* Propranolol Tablets BP 10mg & 40mg
- \* Rifampicin Capsules BP 150mg & 300mg
- \* Salbutamol Tablets BP 2mg & 4mg
- \* Vit B Tablets Co Strong BPC
- \* Vitamin B. Complex Tablets CHF

## VIII. TROUBLESHOOTING

### A. **Coating Problems**

Invariably there are manufacturing problems such as low dissolution, poor appearance or not giving the correct solubility after the coating process.

#### **1. Trifluoperazine HCl Tablets 5mg**

Problem: After coating the tablets, the dissolution did not comply with BP.

Current Status: Film coating formula was developed to overcome the problem and we recovered about 50% of the rejected tablets during the year. Still the coating process is under development to achieve required specifications. So far we have saved Rs. 133,760.

#### **2. Metformine Tablets**

#### **3. Erythromycine Tablets**

**4. Bisacodyl Tablets** are some of the other products that we did various adjustments.

### B. **Dissolution Problems**

#### **5. Aspirin Tablets USP 300mg**

Problem: QC division found that the Dissolution of the Aspirin Tablet Lot was varying from the USP standards.

Solution: It was noticed that due to some raw material changes or due to changes in dissolution tests, the above dissolution problem was observed. By then SPMC had manufactured 50 million tablets with that particular formula.

Current Situation: Made some changes to the manufacturing procedure, obtained a USP complying product, and obtained provisional registration for the new product. Now SPMC can resume manufacturing Aspirin Tablets 300mg USP.

SPMC may be able to use Aspirin Raw material worth about rupees 500,000/= as well as more importantly supply the Tablets to the starving patients of Sri Lanka.

## **6. Erythromycine Stearate Tablets BP 250mg**

Problem: QC division found that the Dissolution or the potency of some Erythromycine Stearate Tablets were not consistent.

Solution: Assay testing methods were standardized and consistent results were obtained.

Current Status: Erythromycine Stearate Tablets BP 250mg. Manufacturing continues and 300kg raw material was recovered.  
Cost of material recovered was Rs. 27,000/=

### **C. Raw Material Problems**

## **7. Carbamezapine Tablets BP**

Problem: QC division found that Dissolution of the Carbamezapine Tablet lot was varying from the USP standards.

Solution: Developed a new methods to adapt the short coming of the raw material namely the particle size.

Current Status: About 1400Kg of Carbamezipine BP 200mg Tablets were salvaged with new material. This saves about Rs. 38,000/= for the Corporation as well as not creating a vacuum in the market. Carbamazepine manufacturing continues.

The same way following raw materials such as

### **8. Salbutamol,**

### **9. Prednisolone and**

**10. Amoxicilline** worth more than Millions of rupees have been recovered by various methods saving a lot of money for the corporation.

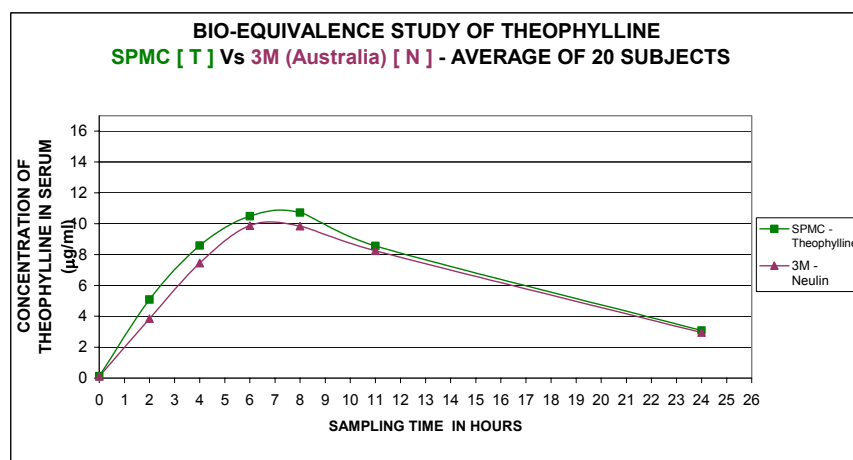
## **11. Paracetamol Tablets BP 500mg**

Problem: The cost of the production is not competitive as per SPC market info.

Solution: New formula was developed in a small scale to reduce the cost; it has to be tried on a large scale in the production zone. However, this method can reduce the efficiency of the product.

## **IX. BIO- EQUIVALENCE STUDY**

For the first time in SPMC history we have completed a Bio-Equivalence study in Sri Lanka. The study results show that SPMC Theophylline Sustained Release tablet is biologically equivalent with 3M, Australia Theophylline Sustained Release product named Nuclin (See graph).



## X. UPGRADING THE COATING SYSTEM TO DO FILM & ENTERIC COATING OF GRANULES & TABLETS

Currently coating room is used for film coating, sugar coating and enteric coating. Coating facility available in SPMC is mainly suitable for sugar coating though with modifications SPMC had developed a system to film coat and enteric coat tablets successfully. Of all the other local manufacturers SPMC is the only pharmaceutical manufacturer who manufactures film & enteric coated products and it gives strength to SPMC in the competitive market. Where SPMC has got almost 100% market share in the Sri Lankan private sector & the government sector for some film coated products such as Verapamil tablet BP 40 mg (100% of the DHS and SPC market). Most of the Bisacodyl tablet BP 5 mg market is also captured by SPMC. But SPMC had failed to supply the demand on time to capture more market share for some other products due to having a bottleneck in the coating facility (not enough capacity) as well as conventional coating facility producing rejects due to having lack of controls. Coating is an art in SPMC and not a straight forward process which creates rejects even with 10 years experienced Process Assistants. We are hoping to purchase 4 times more efficient film coating facility which will coat one lot in 2 hours where it takes 2 to 3 days in the current system. At the moment SPMC have to stop processing sugar coating products in the 4 other coating pans in the same coating room when one coating pan is used for film coating to comply with CGMP & recommendation of WHO audit team to avoid mix-ups and coating products have to wait to be processed until film coating is over while idling 4 coating pans.

With new CGMP coating machine SPMC can utilize the idling 4 coating pans since in the new machine coating operation happen inside a closed chamber.

The mandate of SPMC is to produce quality drugs at affordable prices. However, production is seriously handicapped with bottle necks. Hence the acquisition of film coating system is an urgent need in order to arrive at the following objectives,

1. Increase the film coating capacity by 6 items with more efficient machine in the same manufacturing facility.
2. Simplify current time consuming complex process of coating drugs which is more labour intensive art by adoption of advanced technology.

3. Introduced the additional parameters in the process to maintain the quality and quality assurance.
4. To comply with the Current Good Manufacturing Practices (CGMP) we must do coating using CGMP complying machine.
5. Increase productivity through efficiency.
6. Reducing trouble shooting time.
7. Eliminating the existing bottleneck of coating and maintaining a smooth production flow.
8. Eliminating delays in delivery consequent to effective control of trouble shooting in coating.
9. Customer intimacy through supply high quality drugs on time.
10. Introduce new products with advanced technology where most of the new drugs available in the market are film coated.
11. To adopt need based market strategy.

Current situation:

Bids are been evaluated.

**XI. Procurement of Raw Material**

- \* Preparation of standards for 46 products and 67 excipients were done with the help of QCM, PM & PT (Planning).

**XII. COMPUTR**

- \* Computer software for Raw material supplier evaluation system was developed and installed.
- \* Web site for SPMC was developed.
- \* Proposal is given to upgrade the Computer net work and maintained the system.

## **PERFORMANCE REPORT OF THE SALES PROMOTION DEPARTMENT FOR THE YEAR 2002.**

### **Objectives**

1. Increased sales through the education and the awareness of the public on the importance of using generic products and promoting such usage. As a result patients get Quality, safe and effective products at affordable prices.
2. Promoted the “ Essential Drug Concept” & “Rational Use of Medicine”
3. Gained the confidence of the prescribers and the patients.

Scientific and educational based promotional strategies

### **Programmes implemented in the year 2002**

(1). SPMC Contribution through “JANASUWAYA” Health and Social Development Programme to the Public

Ministry of Health, Nutrition & Welfare implemented a health services programme named “JANASUWAYA” a concept that is based on mobilizing the community to participate in a mass movement in prevention of diseases & promotion of health and also to inculcate healthy life styles and practices among the people. Active involvement of the community, the political leadership, government Departments, Corporations and Institutions help to achieve this goal. This noble venture lead to reduction of health expenditure of the nation, as a result.

SPMC was able to promote SPMC and its products to the public through this Programme by participating in the following electorates.

	<b><u>Area</u></b>	<b>Name of the school where the exhibition was held</b>	<b><u>Date</u></b>
1.	Ampara	D.S. Senanayaka Madya Maha Vidyalaya	From 03 <sup>rd</sup> to 04 <sup>th</sup> August 2002
2.	Hasalaka	Ranasinghe Premadasa Madya Maha Vidyalaya	From 26 <sup>th</sup> to 27 <sup>th</sup> October 2002
3.	Kaudana	Sastrananda Madya Maha Vidyalaya	From 09 <sup>th</sup> to 10 <sup>th</sup> November 2002

- (2). Participated at the Industrial Exhibition “Yuga Dekma” organized and implemented by the Ministry of Industries under the theme of “Peace and Prosperity” during the period 16<sup>th</sup> to 20<sup>th</sup> August 2002 in Trincomalee.
- (3). Participated at the “Mahaweli Mahima – 2002” Exhibition & Trade Fair organized and implemented by the Ministry of Irrigation and Water Management together with the Mahaweli Authority of Sri Lanka during the period 30<sup>th</sup> September to 6<sup>th</sup> October 2002 in Galnewa.
- (4). Participated at the “Hatton Trade & Industrial Exhibition” organized by the Lanka Labour Foundation during the period 30<sup>th</sup> October to 03<sup>rd</sup> November 2002 at the Dunbar Grounds Hatton .

### **Promotional Activities**

1. Display of SPMC products and services
2. Display of benefits that accrue to the public by using SPMC Generics
3. Meet the public at the programme and respond to their inquiries
4. Create an Industrial exposure with the new technology to the people
5. Distribution of promotional material to the public
6. Explain the public about the SPMC production process and the quality control systems to impress and convince that the modern state of the art technology and high standards of quality control are being used to manufacture by displaying the SPMC video documentary cassette.

### **SPMC Contribution to Medical Profession**

1. Under the “100 DAY REVOLUTION PROGRAMME” of the Government, seminar on “Rational Use of Medicine” organized and successfully implemented by the SPMC for all the Government Hospitals Doctors and General Practitioners at Ampara District on 17<sup>th</sup> March 2002 at Ampara. Purpose of this educational programme was sharing of experience and knowledge and developing strategies to promote and improve the health of all Sri Lankans. It was held under the patronage of Hon. P Dayaratne, Minister of Health, Nutrition and Welfare.

Guest Lecture I – “Rational use of Medicine - A Universal Concept”

By Dr. K. Balasubramaniam – Pharmaceutical Adviser/ Co-ordinator –  
Asia Pacific Health Action International.

Guest Lecture II - “ Rational use of Medicine – in Government sector”

By Dr. H. A. P. Kahandaliyanage – S. A. S. (Medical Services) Ministry of Health  
Nutrition and Welfare

Guest Lecture III - “ Rational prescribing – GP ’ s Perspective.”

By Dr. Sarath Paranavithana - Director of SPMC

2. Sponsored Sri Lanka Medical Association Academic Sessions held from 22<sup>nd</sup> to 23<sup>rd</sup> of March 2002 at the Hotel Lanka Oberoi.

No. of Doctors participated –More than 300 at a time.

The highlight of this session was joint participation of the colleges of

- (a) Physicians
- (b) Surgeons
- (c) Paediatricians
- (d) Gynecologists & Obstetricians
- (e) Microbiologists
- (f) Oncologists
- (g) General Practitioners
- (h) Family Physicians and
- (i) Foreign Specialist participation.

SPMC exhibition stall was set up at the venue.

3. Sponsored the College of Physicians Annual Academic Sessions held from 26<sup>th</sup> to 27<sup>th</sup> of September 2002 at the Hotel Lanka Oberoi. 250 participants.

4. Sponsored “WONCA” conference combined programme with the College of General Practitioners Annual Academic Sessions held from 07<sup>th</sup> & 10<sup>th</sup> of November 2002 at Hotel Galadari Meridian. 350 participants at a time.

SPMC exhibition stall was set up at the venue.

“WONCA” is the world organization of National Colleges and Academics of family medicine. In the year 2002 the College of General Practitioners of Sri Lanka hosted the conference and it covered important areas in family medicine such as rural health care, complementary medicine, women health, patient improvement etc. under the theme challenges and opportunities in family medicine. This is the first occasion Sri Lanka hosted a regional conference

SPMC Brochure, price list of SPMC products and physician samples were distributed to foreign and local Doctors who participated.

## **CONTINUING MEDICAL EDUCATION**

As an instrument of continuing medical education, SPMC sponsored the subscription of the SRI LANKA PRESCRIBER, annually. This exercise promote the use of SPMC products among the General practitioners. A regular issue of a publication like The Prescriber to the members of College of General Practitioners would facilitate the provision of quality care to their patients.

## **INTRODUCTION OF SPMC NEW PRODUCT**

Under the patronage of Hon. P. Dayaratna, Minister of Health, Nutrition & Welfare the Launching ceremony of SPMC 52<sup>nd</sup> Pharmaceutical dosage form Cimetidine Tablets BP 200mg took place on 13<sup>th</sup> March 2002 at SPMC, Ratmalana under the “100 day” Accelerated Development Programme of the Government of Sri Lanka. Paper supplements appeared in view of the above on “Ceylon Daily News” and “Lakbima” dated 13<sup>th</sup> March 2002.

## **SALES VOLUME & VALUE FOR THE YEAR 2002**

Total sales statement for the year 2002 is enclosed herewith.

**STATE PHARMACEUTICALS MANUFACTURING CORPORATION**

**(1) FUNDAMENTAL ACCOUNTING ASSUMPTIONS AND ACCOUNTING POLICIES**

Generally accepted accounting principles and policies have been followed in the preparation of the Balance sheet and Manufacturing Trading & Profit & Loss Account of the SPMC. Where appropriate the policies are explained in the succeeding notes.

SPMC is a going concern and accounting policies have been applied consistently, revenue and cost been accrued and recorded in the financial statements of the period to which it relates.

Previous year's figures and phrases have been re-arranged where ever necessary to confirm to the current presentation.

**(2.) GRATUITIES PAYABLE AT TERMINATION OF EMPLOYMENT**

In accordance with the Sri Lanka Accounting Standard No. 16 provision is made for the gratuity accrued prior to completion of the minimum period of service for eligibility for the gratuity payable under the act.

**(3.) FIXED ASSETS**

Attached is a list of Fixed Assets of the SPMC.

**(4.) DEPRECIATION**

Full years depreciation is provided in the year of purchase and no provision is made in the year of disposal. Rate of depreciation are as follows.

Buildings	2.5%
Leasehold Land	Over the period of Lease
Motor Vehicles	25%
Equipment	20%
Furniture & Fittings	10%
Plant & Machinery	4.17%
Library Books	25%
Bicycle	15%

**(5.) TAXATION**

No provision for taxation is required as there is an accumulated tax loss from year 1987 to 2002

**(6.) DEEMED DIVIDEND TAX**

No provision is made due to accumulated tax losses.

**(7.) CONTINGENT LIABILITY**

There is no Contingent Liability for the year of 2002.

**(8.) AUTHORISED CAPITAL**

There is no change in the Authorised Capital during the year of 2002.

**(9.) STOCKS**

Stocks are valued at the lower cost of net realizable value.

**(10.) WORK IN PROGRESS**

The work in progress is valued at cost.

**(11.) CONTRIBUTED CAPITAL**

Contributed Capital is made up Grant Aid amounting to J.Y.2.564 million converted at the average rate of Rs. 0.186 amounting to Rs. 476,904,000/-d the funds contributed by the General Treasury amounting to Rs. 208,375,000/- and the value of Land amounting to Rs. 4,800,000/- transferred from the SPC.

**STATE PHARMACEUTICALS MANUFACTURING CORPORATION**

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**BALANCE SHEET AS AT 31.12.2002**

Note	31.12.2002		31.12.2001	
<b><u>CAPITAL EMPLOYEED</u></b>				
AUTHORIZED CAPITAL		850,000,000		850,000,000
CONTRIBUTED CAPITAL	690,079,000		690,079,000	
REVALUATION RESERVE	120,845		120,845	
TREASURY GRANTS	30,147,345		30,147,345	
GRANT FROM UNICEF	342,309		342,309	
GRANT FROM JAPAN	10,375,519		10,375,519	
PROFIT & LOSS ACCOUNT	255,572,680		257,756,458	
CAPITAL EMPLOYED		986,637,698		988,821,476
<b><u>EMPLOYMENT OF CAPITAL</u></b>				
FIXED ASSETS <i>Page-5</i>		372,942,044		373,503,082
CAPITAL WORKING PROGRESS				10,772,131
SHORT TERM INVESTMENT		330,594,021		378,660,873
<b><u>CURRENT ASSETS</u></b>				
STOCKS & WORK IN PROGRESS <i>Page-6</i>	140,317,436		158,707,068	
DEBTORS	143,518,366		99,332,088	
DEPOSITS & PREPAYMENTS <i>Page-7</i>	1,616,478		773,158	
CASH IN HAND & AT BANK <i>Page - 7</i>	7,093,663		8,613,564	
SHORT TERM ADVANCES TO SPC	-		(33,677,559)	
	292,545,944		233,748,319	
<b><u>LESS</u></b>				
CURRENT LIABILITIES <i>Page- 6</i>	9,444,312		7,862,929	
	9,444,312		7,862,929	
WORKING CAPITAL	283,101,632	283,101,632	225,885,390	225,885,390
		986,637,698		988,821,476

STATE PHARMACEUTICALS MANUFACTURING CORPORATION

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TRADING PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2002.

	31.12.2002	31.12.2001
SALES	375,421,446	375,685,340
EXPORT SALES	4,550,783	
<b><u>LESS COST OF SALES</u></b>		
FINISHED GOODS OPENING STOCK	3,784,242	3,352,847
FACTORY COST OF PRODUCTION TRANSFERRED	362,645,213	371,383,905
FINISHED GOODS CLOSING STOCK	366,429,455	374,736,752
	(3,826,539)	(3,784,242)
	362,602,916	370,952,510
PACKING MATERIAL OPENING STOCK	6,658,300	5,743,940
PACKING MATERIAL PURCHASES	11,526,973	12,825,338
	380,788,189	389,521,788
PACKING MATERIAL CLOSING STOCK	(6,093,660)	(6,658,300)
COST OF SALES	374,694,529	382,863,488
GROSS PROFIT / LOSS	5,277,700	(7,178,148)
SUNDRY INCOME	499,147	453,907
INTEREST ON GRATUITY SAVINGS ACCOUNT & DISTRESS LOAN	370,225	-
INTEREST ON TREASURY BONDS	40,410,304	56,224,503
	46,557,376	49,500,262
ADMINISTRATION EXPENSES	(30,059,350)	(21,742,883)
FINANCE CHARGES	(115,642)	(35,815)
DEBIT TAX	(1,383,081)	-
QUALITY CONTROL & FORMULAATION DEVELOPMENT EXPENSES	(1,982,124)	(2,038,399)
DEPRECIATION	(2,750,866)	(2,380,992)
SALES PROMOTION EXPENSES	(2,578,303)	(2,236,414)
NET PROFIT FOR THE YEAR	7,688,009	21,065,759
LEVY TO TREASURY	(10,000,000)	
NET PROFIT FOR THE YEAR BEFORE TAXATION	(2,311,991)	21,065,759
TAXATION FOR THE PERIOD	-	-
NET PROFIT AFTER TAXATION	(2,311,991)	21,065,759
PREVIOUS YEAR ADJUSTMENT	128,213	(22,377,947)
PROFIT BROUGHT FORWARD	257,756,458	259,068,646
TOTAL PROFIT CARRIED FORWARD	255,572,680	257,756,458

**STATE PHARMACEUTICALS MANUFACTURING CORPORATION****MANUFACTURING ACCOUNT FOR THE YEAR ENDED 31 ST DECEMBER 2002.**

			31.12.2002	31.12.2001
<b><u>COST OF PRODUCTION</u></b>				
RAW MATERIAL OPENING STOCK			102,301,392	120,954,368
<b><u>RAW MATERIAL PURCHASES:</u></b>				
IMPORTED			277,668,848	289,554,576
LOCAL PURCHASES			2,793,871	2,821,709
			382,764,110	413,330,653
CLOSING STOCK – RAW MATERIAL			(85,757,480)	(102,301,392)
			297,006,630	311,029,261
MATERIALS FOR RESEARCH AND DEVELOPMENT			(463,960)	(153,613)
			296,542,671	310,875,648
RAW MATERIAL CONSUMED				
<b><u>PRODUCTION COSTS:</u></b>				
RATES AND TAXES	Page - 08	Note - (11)	1,429,591	1,527,508
ELECTRICITY	Page - 08	Note - (11)	9,751,044	7,736,849
REPAIR AND MAINTENANCE	Page - 08	Note - (11)	3,351,900	5,541,496
INSURANCE	Page - 08	Note - (11)	1,135,766	1,151,915
DEPRECIATION	Page - 08	Note - (11)	22,201,190	21,157,592
WAGES	Page - 08	Note - (11)	9,917,889	9,064,127
OVERTIME	Page - 08	Note - (11)	2,914,440	2,503,925
E.P.F. AND E.T.F.	Page - 08	Note - (11)	1,640,678	1,349,005
FUEL AND LUBRICANTS	Page - 09	Note - (9)	1,970,325	2,307,065
ANNUAL BONUS	Page - 08	Note - (11)	859,287	832,261
PERFORMANCE INCENTIVE	Page - 08	Note - (11)	3,037,580	2,758,373
STAFF INCENTIVE	Page - 08	Note - (11)	2,401,847	1,985,718
WATER CHARGES	Page - 08	Note - (11)	549,909	477,590
			357,704,115	369,269,072
WORK IN PROGRESS – OPENING			29,485,767	31,600,600
WORK IN PROGRESS – CLOSING			(24,544,669)	(29,485,767)
			362,645,213	371,383,905
FACTORY COST OF PRODUCTION				
			362,645,213	371,383,905
FACTORY COST OF PRODUCTION				

**STATE PHARMACEUTICALS MANUFACTURING CORPORATION****NOTES TO THE ACCOUNTS-THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2002**

Note 4

		2002	2001
<b><u>ADMINISTRATION OVERHEAD</u></b>			
RATES & TAXES	Note - (11)	158,843	169,723
ELECTRICITY	Note - (11)	1,083,449	859,650
REPAIRS & MAINTENANCE	Note - (11)	2,604,462	1,018,184
INSURANCE	Note - (11)	126,196	127,991
SALARIES & WAGES	Note - (11)	1,492,267	1,274,215
E.P.F. & E.T.F.	Note - (11)	193,713	110,579
GRATUITY		1,049,579	449,378
STAFF UNIFORM		329,903	159,749
STAFF TRAINING		141,578	103,233
TRAVELLING – OVERSEAS		364,293	206,641
TRANSPORT ALLOWANCE		4,651,760	3,478,566
SECURITY SERVICES		544,962	427,455
TRANSPORT CHARGES		1,444,655	1,202,692
LICENCE FEE – VEHICLE		11,900	11,900
LICENCE FEE – DRUGS		156,250	116,490
OVER TIME	Note - (11)	67,951	136,781
STAFF MEDICAL EXPENSES		2,115,856	1,937,937
PRINTING & STATIONERY		1,006,592	531,408
AUDIT FEE		160,000	150,000
POSTAGE , TELEPHONE ,TELEX & FAX		1,320,285	815,614
WATER	Note - (11)	61,101	53,066
STAFF INCENTIVE	Note - (11)	266,872	220,635
STAFF WELFARE		3,781,847	3,406,216
ANNUAL BONUS		105,626	92,473
DIRECTORS FEES		48,500	43,500
PRODUCTION INCENTIVE	Note - (11)	337,509	306,486
PERIODICALS		118,344	115,859
PROFFESIONAL CHARGES		288,240	102,830
ALLOWANCES		176,450	46,300
P.A.Y.E. TAX		225,374	356,354
ENTERTAINMENT		82,882	68,044
W & OP		-	3,254
OFFICE EXPENSES		78,219	36,065
RENT		210,000	251,000
ADVERTISEMENT		366,864	248,739
HOUSING LOAN INTEREST REIMBURSEMENT		661,474	480,945
DONATIONS		59,000	111,767
LEGAL & INQUIRY		106,175	73,750
DEISAL TAX		-	10,000
EXPENSES ON FEASIBILITY STUDY		77,000	-
EXPORT EXPENSES		263,515	47,575
MINISTRY EXPENSES		16,388	280,316
GOVERNMENT ALLOWANCE		3,375,053	2,058,526
HEALTH INSURANCE SCHEME		276,447	-
ALLOWANCE TO CONSULTANT		-	-
VALUATION FEE		-	41,000
SRAMADANA CAMPAIGN		40,000	-
ANNUAL CONFERENCE MEETING		2,329	-
WITHHOLDING TAX		9,646	-
<b>TOTAL</b>		<b>30,059,350</b>	<b>21,742,886</b>



**STATE PHARMACEUTICALS MANUFACTURING  
CORPORATION**

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**NOTES TO THE ACCOUNTS -  
2002**

<b><u>STOCKS - WIP</u></b>	<b>2002</b>	<b>2001</b>
RAW MATERIALS	85,757,480	102,301,392
PACKING MATERIALS	6,093,660	6,658,300
FINISHED GOODS	3,826,539	3,784,242
WORK IN PROGRESS	24,544,669	29,485,767
FUEL & LUBRICANTS	247,935	856,660
SPARE PARTS P - M/C	19,847,153	15,620,708
	<b>140,317,436</b>	<b>158,707,069</b>
<b>NOTE - 3</b>		
<b><u>DEBTORS</u></b>		
(A) TRADE DEBTORS		
DHS	58,543,430	25,775,375
SPC	75,532,642	65,044,871
(B) STAFF DEBTORS		-
DISTRESS LOANS	5,201,986	4,120,875
FESTIVAL ADVANCE	62,000	55,500
CYCLE LOAN	48,169	58,347
STAFF LOAN	108,183	28,125
INTEREST RECEIVABLE	4,021,957	4,248,994
	<b>143,518,366</b>	<b>99,332,087</b>

**STATE PHARMACEUTICALS MANUFACTURING CORPORATION**

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**NOTES TO THE ACCOUNTS - 2002**

	2002	2001
<b>NOTE - 4 <u>DEPOSITS AND PREPAYMENTS</u></b>		
INSUARANCE	1,398,428	740,708
TELEPHONE DEPOSIT	150	150
DEPOSIT IDD FACILITY	35,000	35,000
BAIL BOND DEPOSIT & REIMBURSEMENT	2,550	(7,450)
ADVANCE PAYMENT	175,600	-
RECEIVABLES	4,750	4,750
	1,616,478	773,158
<b>NOTE - 5 <u>CASH IN HAND &amp; BANK</u></b>		
BANK OF CEYLON - RATHMALANA BRANCH	1,931,150	1,631,236
BANK OF CEYLON - CORPORATE BRANCH	2,865,939	4,823,262
GRATUITY SAVINGS ACCOUNT	2,237,273	2,099,546
PETTY CASH	8,859	9,079
CASH BLALNCE	50,442	50,442
	7,093,663	8,613,565
<b>NOTE - 6 <u>CURRENT LIABILITIES</u></b>		
CREDITORS	-	474
PROVISION FOR GRATUITY	4,306,216	3,275,029
ACCRUALS	5,062,615	4,554,727
TENDER DEPOSITS	35,910	-
SALARIES PAYABLE	39,572	32,700
	9,444,313	7,862,930

STATE PHARMACEUTICALS MANUFACTURING CORPORATION

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NOTE - 11

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2002.

	TOTAL	PRODUCTION 90 %	ADMIN 10 %	
1 RATES & TAXES	1,588,434	1,429,591	158,843	
2 ELECTRICITY	10,834,493	9,751,044	1,083,449	
3 REPAIRS & MAINTENANCE				
- MOTOR VEHICLES	2,419,423	-	2,419,423	DIRECT
- PLANT & MACHINERY	1,686,545	1,686,545	-	DIRECT
- BUILDINGS	-	-	-	
- GENERALS	1,341,805	1,207,624	134,180	
- EQUIPMENT	508,589	457,730	50,859	
	5,956,362	3,351,900	2,604,462	
4 INSURANCE	1,261,963	1,135,766	126,196	
5 DEPRECIATION				
- PLANT & MACHINERY	10,176,468	10,176,468	-	DIRECT
- OTHERS	13,360,802	12,024,722	1,336,080	
- VEHICLES	1,240,382	-	1,240,382	DIRECT
- LIBRARY BOOKS	174,404	-	174,404	DIRECT
	24,952,056	22,201,190	2,750,866	
6 SALARIES & WAGES	11,008,468	9,717,045	1,291,423	
PERFORMANCE INCENTIVE	3,375,089	3,037,580	337,509	
BONUS	964,913	859,287	105,626	
STAFF INCENTIVE	2,668,718	2,401,847	266,872	
CASUAL WAGES	401,688	200,844	200,844	
	18,418,876	16,216,602	2,202,274	
7 OVERTIME	2,982,391	2,914,440	67,951	
8 E.P.F. & E.T.F.	1,834,392	1,640,678	193,713	
9 WATER CHARGES	611,010	549,909	61,101	

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## STATE PHARMACEUTICALS MANUFACTURING CORPORATION

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31.12.2002REPAIRS & MAINTENANCE - PLANT & MACHINERY

NOTE - 8

STOCK AS AT 01.01.2002	15,620,708.00
<b>SPARES PURCHASED</b>	<b><u>002.03</u></b>
	<b>21020.03</b>
<b>CONSUMPTION - JAN 2002 TO DEC 2002</b>	<b><u>11100.03</u></b>
<b>STOCKS AS AT 31.12.2002</b>	<b><u><u>103.03</u></u></b>

FUEL & LUBRICANTS

NOTE - 9

STOCK AS AT 01.01.2002	856,660.15
FUEL & LUBRICANTS PURCHASED	<u>1,361,599.85</u>
	2,218,260.00
CONSUMPTION - JAN 2002 TO DEC 2002	<u>(1,970,325.00)</u>
	<u><u>247,935.00</u></u>

**STATE PHARMACEUTICALS MANUFACTURING CORPORATION**  
**ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2002**

**CASH FLOW STATEMENT**

	<u>Year ended 31 December</u>			
	<u>2002</u>		<u>2001</u>	
	Rs.	Rs.	Rs.	Rs.
<b><u>Cash flow from Operating Activities</u></b>				
Net operating loss (Note I)		(33,092,520)		(35,158,746)
<b><u>Adjustments for items not involving Movement of cash</u></b>				
Depreciation on fixed assets	24,952,056		23,538,585	
Provision for Gratuity	1,049,579	26,001,635	449,378	23,987,963
Prior period items		(7,090,885)		(11,170,783)
		128,213		(22,377,947)
<b>Operating loss before working capital charges</b>		<b>(6,962,672)</b>		<b>(33,548,730)</b>
<b><u>Changes in items of working capital</u></b>				
Decrease in inventories	18,389,632		22,091,302	
(Increase) in debtors	(44,186,279)		(3,615,889)	
(Increase)/Decrease in deposits & prepayments	(843,320)		704,635	
Increase (Decrease) in advances payable	(33,677,559)		33,748,682	
Increase (Decrease) in liabilities	531,804	(59,785,722)	(953,059)	51,975,671
<b>Cash generated from operating activities</b>		<b>(66,748,394)</b>		<b>18,426,941</b>
Levy to Treasury		(10,000,000)		-
		<b>(76,748,394)</b>		<b>18,426,941</b>
<b><u>Cash flows from investing activities</u></b>				
Short term investments	48,066,852		(60,517,474)	
Acquisition of Fixed Assets	(24,391,018)		(5,964,215)	
Capital work-in-progress transferred to fixed assets	10,772,131		(1,692,595)	
Interest received	40,780,529		56,224,503	
<b>Cash generated from investing activities</b>		<b>75,228,494</b>		<b>(11,949,781)</b>
<b>Net increase / (Decrease) in cash &amp; cash equivalents</b>		<b>(1,519,900)</b>		<b>6,477,160</b>
<b>Cash &amp; cash equivalents at beginning of the year</b>		<b>8,613,564</b>		<b>2,136,404</b>
<b>Cash &amp; cash equivalents at end of the year (Note II)</b>		<b>7,093,664</b>		<b>8,613,564</b>

<b><u>Note I</u></b>	<b><u>2002</u></b>	<b><u>2001</u></b>
	<b>Rs.</b>	<b>Rs.</b>
Net Profit for the year	7,688,009.00	21,065,757.00
Interest Received	(40,780,529.00)	(56,224,503.00)
	<b><u>(33,092,520.00)</u></b>	<b><u>(35,158,746.00)</u></b>

**Note II****Cash & Cash Equivalents**

	<b>As at 31</b>	
	<b>December</b>	
	<b><u>2002</u></b>	<b><u>2001</u></b>
	<b>Rs.</b>	<b>Rs.</b>
Bank Balances	7,034,363.00	8,554,043.00
Petty Cash	8,859.00	9,079.00
Cash Balance	50,442.00	50,442.00
	<b><u>7,093,664.00</u></b>	<b><u>8,613,564.00</u></b>