

## Corporate Information

### Board of Directors:

**Chandrakant V. Gogri**  
*Chairman*

**Prakash M. Patil**  
*Managing Director & CEO*

**Harshit M. Savla**  
*Jt. Managing Director & CFO*

**Harit P. Shah**  
*Whole-time Director*

**Rajendra V. Gogri**  
*Non-Executive Director*

**Uday M. Patil**  
*Whole-Time Director*

**Ramdas M. Gandhi**  
**Dr. Vilas G. Gaikar**

**Bhavesh R. Vora**

**Prof. Krishnacharya G. Akamanchi**

**Dr. Sudhirprakash B. Sawant**

**Sunil M. Dedhia**

*Independent Directors*

### Compliance Officer

Dilip Maharana, Company Secretary

### Auditors

M/s. Parikh Joshi & Kothare  
49/2341, M.H.B. Colony,  
Gandhi Nagar, Bandra (E),  
Mumbai- 400 051.

### Solicitors

M/s. M. P. Savla & Co.  
Bharat House, 2<sup>nd</sup> floor,  
104 Mumbai Samachar Marg,  
Mumbai- 400 001.

### Registrar & Transfer Agent

Sharepro Services (India) Pvt. Ltd.  
Samhita Complex, Gala No. 52 to 56  
Bldg., No. 13A-B, Near Sakinaka  
Telephone Exchange, Andheri-Kurla Road,  
Sakinaka, Mumbai-400072.

### Bankers

Union Bank of India  
Bank of Baroda  
State Bank of India  
Citibank N.A.  
Corporation Bank  
Standard Chartered Bank  
DBS Bank Limited  
The Hong Kong & Shanghai Banking Corporation Ltd.  
IDBI Bank Ltd.

### Registered Office

Plot No. N- 198, M.I.D.C.,  
Tarapur, Village- Pamtembhi, Taluka – Palghar,  
Dist. Thane- 401 506,  
Maharashtra.

### Corporate Office

Mahendra Industrial Estate,  
Ground Floor, Plot No. 109D  
Road No.29, Sion (E),  
Mumbai- 400 022.

### Plants

Plot Nos. N-198, G-60, E-120,  
K-40, K41, E-9/3-4 and E-21/22,  
MIDC Industrial Area,  
Tarapur, Tal- Palghar,  
Dist. Thane- 401 506, Maharashtra.

Plot Nos. 2902/2904,  
GIDC, Sarigam – 396 155  
Dist. Valsad, Gujarat.

### R & D Centres

Plot Nos. N- 198 & G- 60,  
MIDC Industrial Area,  
Tarapur, Village Pamtembhi,  
Tal- Palghar, Dist. Thane- 401 506,  
Maharashtra.

Plot Nos. D-277/278  
TTC Industrial Area,  
Turbhe, Navi Mumbai, Maharashtra.

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## Financial Highlights

(Rupees in Lakhs)

Particulars	31-Mar-04	31-Mar-05	31-Mar-06	31-Mar-07	31-Mar-08	31-Mar-09
<b>Sales</b>	<b>23,770.47</b>	<b>26,527.27</b>	<b>27,900.01</b>	<b>31,330.26</b>	<b>33,584.79</b>	<b>40,968.87</b>
Profit Before Interest and Depreciation	2,663.72	3,362.00	3,144.38	3,449.75	3,930.01	5,690.35
Interest	385.82	586.08	841.68	986.3	1183.81	2,271.69
Depreciation	572.23	714.7	791.8	861.72	962.93	1,103.92
<b>Profit Before Tax</b>	<b>1,705.67</b>	<b>2,061.22</b>	<b>1,510.90</b>	<b>1,601.73</b>	<b>1,783.27</b>	<b>2,314.75</b>
<b>Profit After Tax</b>	<b>1,207.67</b>	<b>1,406.22</b>	<b>1,272.86</b>	<b>1,276.98</b>	<b>1,307.32</b>	<b>1,504.75</b>
Dividend (%)	30	30	15	12	18	30
Payout	351.26	351.26	175.62	140.5	210.75	351.26
Equity Capital	1,170.86	1,170.86	1,170.86	1,170.86	1,170.86	1,170.86
Reserves & Surplus	5,477.57	6,486.07	7,556.89	8,673.66	9,734.41	10,827.49
Less : Miscellaneous Expenditure	451.97	339.32	226.92	114.93	3.72	-
<b>Net Worth</b>	<b>6,196.46</b>	<b>7,317.61</b>	<b>8,500.83</b>	<b>9,729.59</b>	<b>10,901.54</b>	<b>11,998.35</b>
<b>Borrowings</b>						
Long Term	3,081.23	4,680.16	3,094.12	4,263.63	4,795.06	7,204.25
Short-Term-Bank	5,368.61	4,524.31	6,701.47	7,493.42	7,070.5	8,070.95
Short-Term-Others	2,231.35	4,923.25	8,413.26	7,499.31	8,651.2	2,572.65
<b>Total Borrowings</b>	<b>10,681.19</b>	<b>14,127.72</b>	<b>18,208.85</b>	<b>19,256.36</b>	<b>20,516.76</b>	<b>17,847.85</b>
Gross Block	11,787.22	15,037.17	20,059.68	21,253.39	23,359.01	26,725.92
Less : Depreciation	3,581.36	4,262.30	5,095.16	6,236.45	7,446.69	8,788.25
<b>Net Block</b>	<b>8,205.86</b>	<b>10,774.87</b>	<b>14,964.52</b>	<b>15,016.94</b>	<b>15,912.33</b>	<b>17,937.66</b>
Capital Work In Progress	617.92	2,260.06	Nil	1,375.2	1,466.9	64.42
Investments	31.44	145.7	2,040.49	2,134.85	3,352.82	2,137.85
Current Assets, Loans and Advances	14,925.62	15,131.79	17,098.48	17,231.02	18,767.55	18,513.71
Current Liabilities	6,152.53	5,866.42	6,298.15	5,547.41	6,626.63	7,076.76
<b>Net Working Capital</b>	<b>8,773.09</b>	<b>9,265.37</b>	<b>10,800.32</b>	<b>11,683.60</b>	<b>12,140.92</b>	<b>11,436.96</b>
Book Value	52.92	62.5	72.6	83.1	93.11	102.47
Earning per share	10.32	12.01	10.85	10.9	11.17	12.85

### Notice

NOTICE is hereby given that the Twenty Fourth Annual General Meeting of the Members of AARTI DRUGS LIMITED will be held on Saturday, 1<sup>st</sup> August, 2009 at 11.00 a.m. at TIMA Hall, MIDC Tarapur, Taluka Palghar, Dist. Thane - 401 506 Maharashtra to transact the following business:

#### ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31<sup>st</sup> March, 2009 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors' and Auditors' thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. Harit P. Shah, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. Vilas G. Gaikar, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Bhavesh R. Vora, who retires by rotation and, being eligible, offers himself for re-appointment.
6. To appoint Auditors and to fix their remuneration.

#### SPECIAL BUSINESS

7. To consider and, if thought fit, to pass with or without modification, the following resolution as an **Ordinary Resolution**:  
"RESOLVED THAT Prof. Krishnacharya G. Akamanchi be and is hereby appointed as a Director of the Company, liable to retire by rotation."
8. To consider and, if thought fit, to pass with or without modification, the following resolution as an **Ordinary Resolution**:  
"RESOLVED THAT Dr. Sudhirprakash B. Sawant be and is hereby appointed as a Director of the Company, liable to retire by rotation."

#### Registered Office:

Plot No.N-198, MIDC,Tarapur, Village-Pamtembhi,  
Taluka-Palghar,  
Dist. Thane 401 506.

#### By Order of the Board

Sd/-  
**Dilip Maharana**  
Company Secretary

Place : Mumbai

Date : 20<sup>th</sup> May, 2009.

#### NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE (ON POLL) INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. A PROXY IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. The Explanatory statement pursuant to Section 173 of the Companies Act, 1956 in respect of the special business at Item Nos.7 and 8 above is annexed hereto and forms part of the notice.
3. Corporate members are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the AGM.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, 25<sup>th</sup> July, 2009 to Saturday, 1<sup>st</sup> August, 2009.(both days inclusive) for determining the names of members eligible for dividend, if declared, by the Company subject to the provisions of Section 206A of the Companies Act, 1956.



5. All documents referred to in the accompanying notice and explanatory statement are open for inspection at the registered office of the Company on all working days except Saturdays, between 11.00 a.m. and 1.00 p.m., up to the date of AGM.

**6. The members are requested to note :**

- (i) **Change of Address /Bank details :** Members holding shares in physical form are requested to inform M/s Sharepro Services (India) Private Limited, immediately of any change in their address and bank details. Members holding shares in dematerialized form are requested to intimate all changes with respect to their address, bank details, mandate etc. to their respective Depository Participants. These changes will then be automatically reflected in the Company's records. This will help the Company to provide efficient and better service to the members.

Electronic Clearing Service (ECS) Facility: With respect to payment of dividend, the Company provides the facility of ECS to all shareholders, holding shares in electronic forms, residing in the following cities: Ahmedabad, Bangalore, Bhubaneshwar, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkata, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram.

Shareholders holding shares in the physical form who wish to avail ECS facility, may authorise the Company with their ECS mandate in the prescribed form, which is sent alongwith this Annual Report. Requests for payment of Dividend through ECS for the year 2008-2009 should be lodged with M/s Sharepro Services on or before 20<sup>th</sup> July, 2009.

- (ii) Section 109A of the Companies Act, 1956 provides for Nomination by the shareholders of the Company in the prescribed Form No. 2B for shares held in physical form. Blank forms will be supplied by the Company on request. Members holding shares in demat form may contact their respective Depository Participants for recording of nomination.
- (iii) Queries on accounts may please be sent to the Company 10 days in advance of the Annual general Meeting so that the answers may be made available at the meeting.
- (iv) The Company has transferred unclaimed amounts of dividends up to March 31, 2002 to the General Revenue Account /Investor Education and Protection Fund of the Central Government as required under Sections 205A and 205C of the Companies Act, 1956.

**7. Brief Resume of Directors seeking Re-election / Appointment:**

**Shri. Harit P. Shah** B.Com aged 45, is a Commerce Graduate. He has experience of over 17 years handling commercial functions encompassing Sales, Purchases and Exports. He looks after Local Sales and Export as well. As on 31.03.2009 he is on the Board on the following Companies:

Sr.No.	Name of the Company
1.	Suyash Laboratories Limited
2.	Aarti Healthcare Limited
3.	Rupal Drugs Limited

Member of committees: Share Holders Grievance Committee: Aarti Drugs Limited

Shri. Harit P. Shah holds 246707 shares in the Company.

**Dr. Vilas G. Gaikar**, aged 49 years is a Ph.D.(Tech). Presently he is professor of Chemical Engineering at Institute of Chemical Technology. He is a scholar of Chemical Engineering and over 17 years of experience in this field. He has delivered lectures on Chemical Engineering in India as well as UK. He has been honored with several awards by the state government as well as different institutions. He is member of Indian Institute of Chemical Engineers, Indian Society for Surface Science and Technology, Oil Technologists Association of India and Hon. Secretary of UDCT Alumni Association.

Directorship in other Companies: Nil

Member of Committees: Audit Committee: Aarti Drugs Limited

Share Holders Grievance Committee: Aarti Drugs Limited

Remuneration Committee : Aarti Drugs Limited

Dr. Vilas G. Gaikar does not hold any shares in the Company.

**Mr. Bhavesh R. Vora**, aged 42, is practicing Chartered Accountant with more than 20 years of experience in the field of Audit and Accounting. He is scholar of capital market operations. He has discourse speeches, lectures and seminars etc. on different subjects relating to capital market.

Directorship in other Companies: Nil

Member of Committees: Audit Committee: Aarti Drugs Limited

Aarti Industries Limited

Share Holders Grievance Committee: Aarti Drugs Limited

Remuneration Committee: Aarti Drugs Limited

Mr. Bhavesh R. Vora does not hold any shares in the Company.

**Prof. Krishnacharya G. Akamanchi**, B.Sc (Hons), B.Sc. (Tech), Ph.D.(Tech), aged 56, presently, is the Professor and Head of Department of Pharmaceutical Sciences and Technology, University Institute of Chemical Technology, Mumbai. He has vast experience in handling industrial projects for solving the process chemistry and process technology problems and also development of new technologies. Since 1984 he has been providing consultancy for Process Technology Development, Process Chemistry Development, Project Evaluation, and Diversification into emerging areas to many industries.

Directorship in other Companies: Nil

Member of Committees: Nil

Prof. Krishnacharya G. Akamanchi does not hold any shares in the Company.

**Dr. Sudhirprakash B. Sawant** aged 61, B.Chemical Engineering, PhD. (Tech), retired Professor was a Faculty member in Chemical Engineering. He has served as a consultant to various Chemical companies for more than 30 years. He has also served as an expert member on various committees of Central & State Governments.

Directorship in other Companies: Nil

Member of Committees: Nil

Dr. Sudhirprakash B. Sawant holds 125 shares in the Company.

### **Explanatory Statement pursuant to Section 173(2) of the Companies Act 1956**

#### **Item Nos. 7 & 8**

Prof. Krishnacharya G. Akamanchi and Dr.Sudhirprakash B. Sawant, both independent directors, were appointed as additional directors of the Company under Section 260 of the Companies Act, 1956 and Article 115 of the Articles of Association of the Company, to hold office as such up to the date of the Annual General Meeting. The Company has received notices along with a cash deposits under Section 257 of the Companies Act, 1956, from some members proposing their candidatures for appointment as Directors of the Company. Brief resume of the said Directors are given at the end of the Explanatory Statement. The Board recommends the draft resolutions at Item Nos. 7 and 8 of the Notice for your approval. Prof. Krishnacharya G. Akamanchi and Dr. Sudhirprakash B. Sawant are interested in the respective resolution pertaining to their individual appointment. None of the Directors is, in any way, concerned or interested in the said resolutions.

#### **Registered Office:**

Plot No.N-198, MIDC,Tarapur, Village-Pamtembhi,  
Taluka-Palghar,  
Dist. Thane 401 506.

#### **By Order of the Board**

Sd/-  
Dilip Maharana  
Company Secretary

Place : Mumbai

Date : 20<sup>th</sup> May, 2009.





## DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the 24<sup>th</sup> Annual Report on the business and operations of the Company together with the Audited Statements of Accounts along with the Report of the Auditors for the year ended 31st March, 2009.

### COMPANY'S STANDALONE FINANCIAL RESULTS

	(Rupees in Lacs)	
	2008-2009	2007-2008
<b>Gross Sales/ Income from Operations</b>	<b>40969</b>	33585
Less: Excise Duty & Sales Tax	<b>3319</b>	2512
Net Sales/Income from operations	<b>37650</b>	31073
Less: (Increase) / Decrease in Stock-in-Trade	<b>695</b>	(924)
Consumption of Raw Materials	<b>21077</b>	18259
Staff Cost	<b>1114</b>	980
Other Expenditure	<b>9091</b>	9011
<b>Total Expenditure</b>	<b>31977</b>	27326
Operating Profit Before Interest, Depreciation & Tax	<b>5674</b>	3747
Add: Non-operating Income	<b>17</b>	184
Profit before Interest, Depreciation & Tax	<b>5691</b>	3931
Less: Interest & finance charges	<b>2272</b>	1184*
Depreciation & Amortization	<b>1104</b>	964
<b>Profit Before Tax</b>	<b>2315</b>	1783
Less: Provision for taxation – Current	<b>555</b>	246
– Deferred	<b>255</b>	230
<b>Profit After Tax</b>	<b>1505</b>	1307
Add: Surplus brought forward	<b>8607</b>	7645
Profit available for appropriation	<b>10112</b>	8952
<b>Appropriations:</b>		
Transfer to General Reserve	<b>151</b>	98
Proposed Dividend	<b>351</b>	211
Tax on Dividend	<b>60</b>	36
<b>Balance carried to Balance Sheet</b>	<b>9549</b>	8607

\* includes premium on FCCBs redemption

### DIVIDEND:

Your Directors have recommended Dividend of Rs.3/- (30%) per share for the year ended 31<sup>st</sup> March, 2009 (Previous Year : 18%). Total cash outflow on account of dividend payment including dividend tax will be Rs.411 lakhs for the financial year 2008-09(Previous Year: Rs.247 lakhs).

### OPERATIONS REVIEW:

During the year under review, the Company has achieved Sales Turnover of Rs. 40969 lakhs (Previous Year: Rs. 33585 lakhs) registering a growth of 21.99 %.

The Company has achieved Export Turnover of Rs.15883 lakhs as against Rs.12754 lakhs for the corresponding period last year, registering a growth of 24.53%.

Operating Profit before Interest, Depreciation & Tax has been Rs.5674 lakhs (Previous Year Rs.3747 lakhs) registering a growth of 51.43%.

Profit After Tax has been Rs.1505 lakhs (Previous Year: Rs.1307 lakhs) registering a growth of 15.15%.

### UTILISATION OF FUNDS

Your Company has raised Long Term Loans of Rs. 4000 Lakhs during the year under review. The funds were utilized to meet capital expenditure & for approved purposes. Amount of Rs.21.04 lakhs raised by issue of 4,00,000 Convertible Warrants on 19.09.2008 have been fully used to augment the long term funds to meet on going capital expenditure and long term working capital requirements. Each of the said warrants can be converted in to one equity share of the Company by the holders thereof at a price of Rs.52.60 per share within 18 months from the date of issue.

### DIRECTORS' RESPONSIBILITY STATEMENT:

As required u/s. 217 (2AA) of the Companies Act, 1956, your Directors hereby state that –

- (i) in the preparation of the Annual Accounts for the financial year ended 31<sup>st</sup> March, 2009, the applicable accounting standards have been followed. There are no material departures from the applicable accounting standards;
- (ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that year;
- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the Directors have prepared Annual Accounts on a going concern basis.

### SUBSIDIARY COMPANY:

Upon an application made by the Company under section 212(8) of the Companies Act, 1956, the Central Government has, vide its letter dated 6<sup>th</sup> February, 2009, exempted the Company from attaching the Balance sheet, Profit & Loss Account and other related documents to be attached under section 212(1) of the said Act to the Annual Report of the Company. Accordingly the said documents of the Company are not being attached with the Balance sheet of the Company. A gist of the financial performance of the Company is contained in the Report. The Annual Accounts of the subsidiary company are open for inspection by any member/investor and the Company will make available these documents/details upon request by any member of the Company or to any investor of its subsidiary company who may be interested in obtaining the same. Further, the Annual accounts of the subsidiary company will also be kept for inspection by any investor at the Registered Office of the Company as well as at the Head Office of the subsidiary Company.

### CONSOLIDATED STATEMENTS OF ACCOUNTS:

Audited consolidated Accounts and Cash Flow statement, comprising of the Company and its subsidiary, namely, Suyash Laboratories Limited, form part of this Report. The Consolidated accounts have been prepared in accordance with Accounting Standards (AS-21), on Consolidated Financial Statements issued by Institute of Chartered accountants of India.

### DIRECTORS:

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Harit P. Shah, Dr. Vilas G.Gaikar, Mr.Bhavesh R.Vora, retire by rotation and, being eligible, offer themselves for re-appointment.

Prof. Krishnacharya G. Akamanchi and Dr. Sudhirprakash B. Sawant were appointed as the Additional Director on 20<sup>th</sup> October, 2008, They hold office as such up to the date of ensuing Annual General Meeting. The Company has received notices from members proposing their candidatures for appointment as Directors under Section 257 of the said Act together with requisite cash deposits thereof.

### CORPORATE GOVERNANCE:

Report on Corporate Governance compliance along with Auditors Certificate thereon is included as a part of this Report.



## **MANAGEMENT DISCUSSION AND ANALYSIS:**

Management Discussion and Analysis Report as required under the Listing Agreement is annexed hereto forming part of this Report.

## **DISCLOSURE OF PARTICULARS:**

Pursuant to section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of employees) Rules 1975, as amended up to date, the names and other particulars are set out in the Annexure to the Directors' Report. However, as per the provisions of the section 219(1)(b)(iv) of the Companies Act, 1956, this Report is sent to the shareholders excluding the said information. Any shareholder interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

Particulars required u/s. 217(1)(e) of the Companies Act, 1956, read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, relating to conservation of energy, research & development, technology absorption, foreign exchange earnings and outgo are given in the annexure to this Report.

## **AUDITORS & AUDITORS' REPORT**

As regards comments of the Auditors at Clause (xv) of the Annexure to their Report, it is clarified that the Company had to use short term funds inter alia to finance part of its ongoing capital expenditure. The Company had used internal accruals to repay long term liability on account of FCCBs which were repaid in time on maturity in April 2008. The Company had resorted to short term borrowings (i) in view of abnormally high interest rates at that time due to unprecedented liquidity crisis prevalent in money markets in India and globally due to global recessionary pressures and (ii) in expectation of softening of interest rates in due course and to swap such costlier borrowings at appropriate times with long term borrowings at relatively cheaper interest rates.

M/s. Parikh Joshi & Kothare, Auditors of the Company retire at the ensuing Annual General Meeting and are eligible for reappointment. Members are requested to appoint Auditors and to fix their remuneration.

## **COST AUDIT:**

The Cost Audit Report relating to Bulk Drugs manufactured by the Company will be submitted with the Central government in due course. The board of Directors have appointed Mr. Girish S. Maniar, Cost Accountant, for conduct of the cost audit for the year ended 31st March, 2010, subject to the approval of the Central Government.

## **HUMAN RESOURCES:**

Your Company recognizes its human resources as one of its prime and critical resources. The relations between the Management and the Staff members remained very cordial and satisfactory throughout the year under review.

## **ACKNOWLEDGEMENT:**

We place on record our sincere appreciation to the employees of the Company at all levels for their co-operation and dedicated services. We also thank all our customers and suppliers who are always co-operative.

We also express our sincere thanks to Bankers, Financial Institutions and the Shareholders for their continued support.

By Order of the Board

Sd/-

**Chandrakant V. Gogri**  
Chairman

Place : Mumbai  
Date : 20<sup>th</sup> May, 2009



## Management discussions and Analysis

### Pharmaceutical Industry – Global & Indian

The global pharma market was estimated at over USD 773.1 billion for the calendar year as per IMS health. Global pharma market set to grow at a average rate of 3-6% over next 5 years. Rising healthcare costs have placed tremendous budgetary pressure on the Governments in the developed countries leading to an increasing support in the favor of generics. The generic markets therefore continue to provide abundant opportunities for generic manufacturers in general and Indian pharmaceutical companies in particular due to their cost competitiveness and ability to deliver quality products on time.

Indian pharma market currently represents USD 17 billion of the US Dollar 773.1 billion global market. However, it is growing at a faster rate viz 14.2% CAGR compared to global average of 3-6%. However despite growth, the economy was reeling under inflationary pressure; under this circumstances, Indian pharma Industries, boosted by increased GDP, reduced unemployment and increased government spending particularly on the improvement of health in rural areas. The major segments are anti-inflammatory, gastro intestinal and anti-biotic. The pharmaceutical industry with its rich scientific talents and research capabilities, supported by the intellectual property protection regime is well set to take on the international market. In the current scenario of economic downturn, pharma sector is considered to be one of the most insulated sectors to downturn. This can also be justified by ADL's FY2008-09 performance amidst the global economic turmoil.

### Business Strategy

#### ● Domestic Market and Trends:

ADL expects to increase its market share in the antibiotic segment, which is growing fast due to penetration of health services in rural areas of the country. There is also a shift in demand from drugs treating hygiene related diseases to lifestyle drugs for the urban sector. We are gearing to cater to this demand with a diversified product basket with drugs in the anti-diabetic, anti-infective and cardio vascular therapeutic groups. We also foresee a trend similar to regulated markets due to increased formulation exporters to regulated markets.

#### ● Export Market and Trends:

Semi-regulated markets are becoming more and more like regulated markets demanding better and approved facilities. Keeping that in mind, we are constantly upgrading our plants to cater the trend. ADL plans to harness the tremendous growth potential of the global pharmaceutical industry by targeting the regulated markets in the near future. ADL's USFDA approved plant is all set to cater US pharma market. ADL is in the process of additional COS approval and supplier registrations for several of its existing products.

ADL will cater global pharmaceutical markets through following channels:

- Contract Manufacturing -
- Direct Exports -

Increasing its share of direct exports to regulated and non-regulated markets. R&D focus on the molecules which will go off patent soon.

- Indirect Exports -  
Supplying APIs to domestic formulations for regulated markets.

### SWOT Analysis

#### Strengths & Opportunities

ADL has already established itself as a strong player in the global as well a domestic market and is a market leader in anti – diarrhea, anti-inflammatory & anti-biotic therapeutic segments. In other therapeutic segments too, it is confident of increasing its share in the near future. In addition to the existing exports to 86 countries worldwide, it is developing business in new geographies as well.

With the desire to build world – class capabilities, ADL has been successful in developing two State – of – the Art R&D Centers at Tarapur, which are recognized by Department of Science and Industry Research, Government of India, and the other R&D Centers at Turbhe, Navi Mumbai. A group of Scientists is responsible for developing technology, no infringing synthesis routes, scale up and its transfer to manufacturing location



for commercialization. They are active not only in bulk drugs in therapeutic areas like Glucocorticosteroid, Anti-histamine, Antibiotics, Nootropic, Antianginal, Antitussive, Anticonvulsant, Anti-diabetics, Anti-depressant, Anti-fungal, Anti-hypertensive and Anti-allergic but also in specialty chemicals.

ADL has custom synthesis facilities for reactions like Nobel Metal Hydrogenation (Catalytic Reduction), Oxidation, Fischer Idolization Balz Schiemann (halex) (Flourination of Amines) Esterification (including Asymmetric Esterification) Sulphonation, Alkylation, Methoxylation, Halogenation, (Cl, BR, I) Acetylation, Diazotization & Related Chemistry, Grignard Reaction, Friedel Craft, Aldol Condensation, Cynation, ChloroSulfonation etc.

Regulatory approvals and the USFDA compliant facility

ADL has ISO 9001 & 2000 approved plant for manufacturing speciality chemicals. The European Directorate and Quality Management (EDQM) has approved 3 plants for EUGMP which will give better realization and increased sales.

The USFDA has successfully inspected plant without clause 483 and received the final approval of the same. These will help to increase ADL's share of exports to regulated markets of molecules, which have recently gone – off patent or are scheduled to be off-patent soon and will help to get better realization of sales. We have already assigned 12 USDMFs and six COS approvals to open opportunities in European market.

### **Weakness, Risk and Concerns**

Increase in crude oil prices and Chinese Olympics led to increase in raw material and intermediate prices and in turn increased material cost of APIs. However, ADL was able to cope up with these pressures due to strong operational efficiency and increased market demand of its products, which is also reflected in its high operating profits in the previous year.

Even though current crude prices are rock bottom as of now, we expect a hike in crude prices. Foreign exchange risk for all the export-import driven Indian companies is at its peak due to high volatility of US dollar against rupee. Part of ADL's foreign exchange risk is automatically hedged because of its imports, which partially balances its exports.

### **Internal Control System and their Adequacy**

The Company has sound and adequate internal control systems commensurate with its size and nature of business.

The Audit Committee of the Board periodically reviews the said systems. The systems ensure protection of assets and proper recording of transactions and timely reporting.

Internal audit is being carried out by an independent firm of chartered accountants.

The Audit Committee also reviews the periodic report of the internal auditors. Any issues rose by Internal Auditors and Statutory Auditors are discussed and addressed by the Audit committee.

### **Discussion on Financial & Operational Performance**

During the year under review the Company crossed Rs. 400 Crores bench mark in its topline and stood at Rs. 409.6 Crores, achieving a y-o-y growth of 22 %, correspondingly EBITDA worked out to Rs. 56.74 Crores, increasing 51.43% over last year. However, Net profit after tax registered a growth of only 15.15% due to increased interest rates in the year under review and higher effective tax rate. Going forward basis, the interest rates have already shown a downward trend easing off the pressure on margins.

### **Human Resources**

The Company has been continuously focusing on people and processes to encourage and nurture winning organizational culture to realize their full potentials through continuous learning on the job and through other HRD initiatives. Human Resource is the most critical factor responsible for achieving the organizational goals and maintaining high quality standards. Prime focus of Human Resource Management has been overall development of our workforce. A full-fledged HR Department is being run by professionally qualified team in co-ordination with the top management. HRD center had conducted number of training programs during the year 2007-08 on various topics related to Technological Development, Quality System Management, Behavioral Change Modules, Individual and Operational Safety, Personality Development, Computerization of Systems etc. Apart from these internal training programs, employees are also sent for training / seminars participation at prominent training institutes on regular basis for upgrading their knowledge and skill level.