



Abl Biotechnologies Limited

14th Annual Report 2005 - 2006

Abl Biotechnologies Limited

Inspired by the Sea

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Natural Products

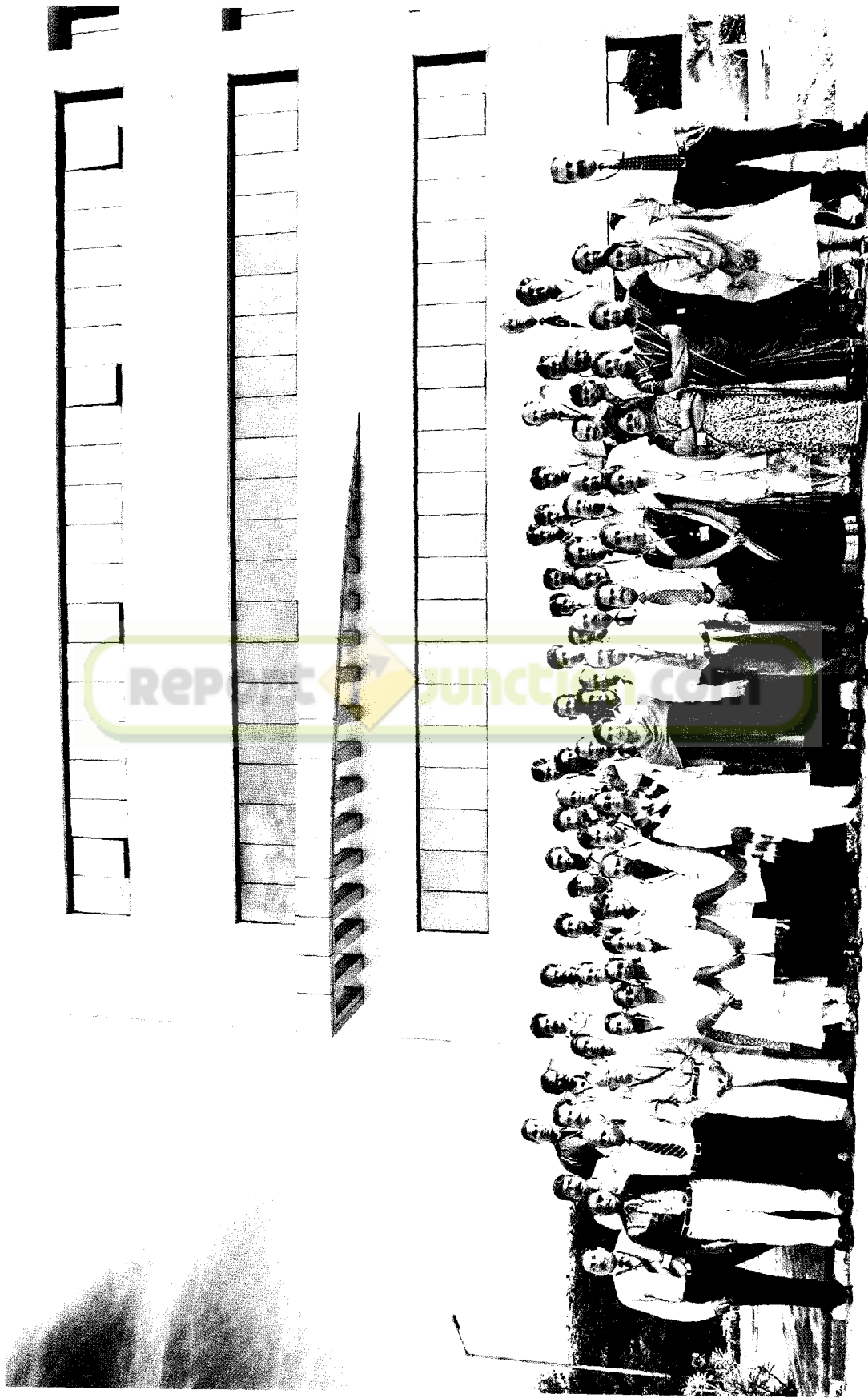
Nutraceuticals

Therapeutics

Microbial Research

Drug Discovery

www.ablbiotechnologies.com



THE TEAM AT ABL

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Inspired by the Sea

Chairman's Message



Dear Shareholders

From its inception in 1992, ABL has come a long way, right from the moment it decided to walk on paths lesser trodden, evolving into a pharmaceutical and biotechnology company having among the largest culture collection of targeted microbials from various habitats, a research team unparalleled in its domain and the step-by-step commercialization of a variety of products developed in-house. I am therefore pleased to offer you the Fourteenth Annual Report of ABL Biotechnologies Ltd which details the growth of your Company.

The last year has been a significant year for ABL with revenues growing by 84% and profitability by 175%. Our performance in the stock market has also seen considerable improvement, offering between 5-8 times returns to our original investors.

We have also seen the launching of Invia Health, our pharmaceutical marketing operations focused at creating our own brands. We hope to expand our markets to an all India level over the next twelve months.

During the coming year we hope to see the inauguration of our new research facility at the TICEL Biopark and the commercialization of two products, DHA, a omega fatty acid, and Phycocyanin, a fluorescent pigment, both of which have enormous use in therapeutics, nutrition and diagnostics. Both the DHA and Phycocyanin projects will be the first such manufacturing facilities in the country and among the few in the world, underlining the fact that ABL continues to work and explore in technology development at the frontiers of science. Consequently we look to bringing in more investments and resources to the Company so as to transform ABL from a boutique company to an internationally sized operation.

The Biotechnology and Pharmaceutical Industry

The biotechnology sector has shown rapid growth in the last few years with global revenues rising from USD 22.7 Billion in 2000 to over USD 50.0 Billion last year. Over USD 160 Billion has been invested in this sector between 2000 – 05, taking market cap to over USD 500 Billion in the beginning of 2006. Over the past few years, biotechnology has evolved as an important contributor to the pharmaceutical industry. This is because drug pipelines for the big pharmaceuticals are on the wane, principally due to the enormous overheads and costs of research. However, the biotechnology sector comprising mainly of leaner, smaller and more focused entities have contributed to new drug discovery at a fraction of the costs of large pharmaceutical companies. Many biotechnology companies like ABL, have expanded into pharmaceuticals in commercializing their projects. Many large pharmaceutical companies have also backwardly integrated by building biotechnology capability. In India, the biotechnology industry grew by over 37% with biopharma crossing Rs.4708 crores and comprising over 72% of the industry. Of the top twenty Indian bio-pharmaceutical companies only six are multi-nationals, with 14 being home grown. With an eye on capturing the global market Indian companies are strengthening their manufacturing capability and R&D focus.

The Indian Pharma industry, a producer of low cost high quality drugs and formulations, is ranked fourth globally, in terms of volume and 13th in terms of value.

The industry which has a turnover of USD 9 Billion is expected to grow at around 15-18% over the next four years with almost 40% of the total production of pharmaceuticals, as exports. Thus the Indian pharmaceutical industry with increased M&A activities, a large basket of products going off patent, tightened controls on costs and increased R&D, is looking to a good time ahead.

ABL's strategy of enhancing its research and manufacturing abilities as well as establishing its own brand equity meshes well into the opportunities that lie ahead.

The Future

For years, physicians have concentrated on diagnosing and treating an existing disease condition. Now we see a perceptible shift towards predicting disease susceptibility, preventing disease and a genomics based selection of more efficacious therapy. The impact of genomics, proteomics, pharmacogenomics and systems biology and the development of more targeted and personalized diagnostics and therapeutics is significant. Biotechnology is changing the prescription from a world that is struggling to address the health problems of an ageing population to one that treats the sick more personally and focuses on wellness by preventing or detecting the onset of disease. Frankly there has never been a more exciting time in the history of medicine than today.

I therefore foresee that at ABL our research efforts will focus on drug discovery, new diagnostic tools, drug delivery systems and personalized, predictable and preventive medicine aimed at earlier disease detection, more targeted treatments and adjunctive support through nutrition. We also see an environment where strategic alliances and partnerships across the globe will facilitate us taking more products to the market at a faster pace.

Thus we hope to focus on a few key areas to enhance our strengths and keep ahead of the competition:

1. Optimizing operating margins and widening our client base
2. Enhancement our research to put more products in the market
3. Enhancing our manufacturing capabilities to be globally competitive
4. Increasing quality of our differentiation in terms of innovation and execution

This kind of focus coupled with our proven capability of commercializing research gives us the impetus to work towards the objectives that we have set for ourselves in the coming year and to continue to fulfill your expectations.

Therefore I would like to particularly thank the employees of the Company, who have often gone beyond the call of duty in taking this organization forward. We are also grateful to our bankers, customers, vendors and all those who are associated with our business.

Once more we at ABL are grateful to you, our shareholders, for your continuing unstinted support and cooperation. I am sure that the year ahead will justify and reward your patience.

Thank you.

K. O. Isaac

Company Profile

Overview

ABL Biotechnologies Limited (ABL), a pioneer in harnessing the microbial diversity of the Indian marine environment, focuses on applications in nutraceutical, cosmeceutical, and pharmaceutical areas.

Commencing operations in 1992, ABL works in the areas of drug discovery and microbial metabolites from marine sources. Investing enormously in infrastructure and manpower, ABL is on the cutting edge of research in these areas and has setup the largest marine microbial culture collection and compound library in India.

ABL is managed by a dynamic group of professionals and fosters an entrepreneurial atmosphere with rewards that reflect employee contribution.

R&D

ABL's Research and Development facilities are located at Visakhapatnam and Chennai and are the only ones in the private sector in India, to be accorded accreditation and recognition by the Department of Scientific and Industrial Research, Ministry of Science and Technology, Government of India.

It's Drug and NCE discovery research is focused on anti-bacterials, anti-virals, chronic diseases, systemic disorders, enzymes and diagnostics.

Its microbial metabolite research is focused on developing products like Polysaccharides, Essential Fatty Acids, Natural Pigments, Tracers and Tags. Its first research on the production of Carotenoids has been extremely successful and has been commercialized under Samudra Biopharma Private Limited.

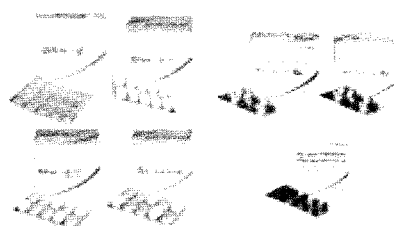


In addition to in-house competencies, ABL enjoys a symbiotic and collaborative relationship through joint development programmes with institutions of advanced research in India, like the National Facility for Marine Cyanobacteria, Bharathidasan University, Trichy, the National Institute of Oceanography, The Madras University, the Indian Institute of Technology, Madras, the Central University, Hyderabad and the Dr. A. L. M Post Graduate Institute of Basic Medical Sciences, Madras.

Products and Formulations

To address this growing market, ABL has set up three divisions;

1. **SPECTRUM**, for producing finished formulations for the P2P market consisting of existing pharma companies. ABL's competence in pharmaceutical innovation through the development of new formulations for applications in cardiology, diabetes, paediatrics, women's health, geriatrics, neuropathy, retinopathy, etc has resulted in the Company manufacturing over 100 products for around 60 pharmaceutical companies in India. These are in various formats including soft and hard gelatine capsules, tablets, liquid orals and topical ointments, outsourced through six plants spread over Kerala, Tamilnadu and Pondicherry.



2. **INVIA HEALTH**, for marketing its own therapeutics. Under INVIA, ABL has developed 20 therapeutic products for two chronic disease states, Diabetes and Cardiology. These include clinically proven combinations of pharmaceuticals as well as nutraceuticals.
3. **SANCTUM NUTRITION**, focused at therapeutic nutrition products.

Under the umbrella brands 'SANCTUM' & 'HEALTH FARM', ABL proposes to market a series of nutrition products and convenience foods with enhanced nutritional values for the following categories of consumers:

- Pediatric Nutrition
- Diabetic Nutrition
- Pregnancy and Lactation
- Geriatric Nutrition
- Sports Nutrition
- Convalescence Nutrition

Products include Protein-Carbohydrate mixes, Mineral-Vitamin Mixes, Amino Acid Formulations, Functional foods etc.

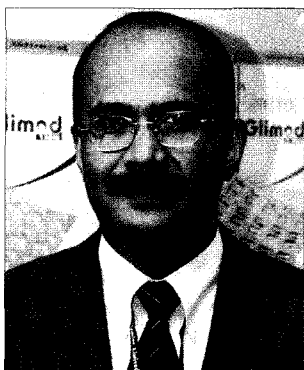
Partnership Opportunities

Strategic partnerships are a fundamental part of ABL's strategy to maximize the impact of technology and build long-term value.

ABL partners with pharmaceutical and biotechnology companies to enhance drug discovery by providing considerable inputs either through licensing of developed technologies or co-developing them with partners. ABL also partners with platform companies to leverage complementary technologies. In addition to pharmaceutical collaborations, ABL welcomes alliances with companies that have complementary intellectual property, technology or expertise. Such companies might include those with novel phytopharmaceuticals, intellectual property, informatics capabilities, compound libraries, synthetic chemistry capabilities, biological platform expertise or even marketing expertise.

Given the significant value created for our partners, we expect to share in both the financial and intellectual property value generated through these alliances.

Board of Directors



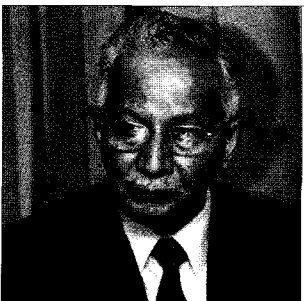
K. O. ISAAC
CHAIRMAN AND MANAGING DIRECTOR

K.O.ISAAC, with degrees in Life Sciences and Business Administration, has over twenty one years of experience in the biotechnology industry, fourteen of which are as an entrepreneur. He is the principal promoter of ABL Biotechnologies Ltd. and has overseen the development of a number of technologies from genesis. He is a member of the Committee for National Biotech Policy and the Task Force on Aquaculture and Marine Biotechnology, Government of India as well as on various Boards of Studies of Madras University.



ROSEMARY ISAAC
DIRECTOR

MRS.ROSEMARY ISAAC, with a Masters degree in Economics and a Post Graduate Diploma in Foreign Trade, co-founded ABL Biotechnologies Ltd in 1991. She has been on ABL's Board for 14 years, very closely associated with its strategic planning and operations. She serves on the Board's Audit and Remuneration Committees and Chairs the Company's Share Transfer Committee.



DR. G. SUBRAMANIAN
DIRECTOR

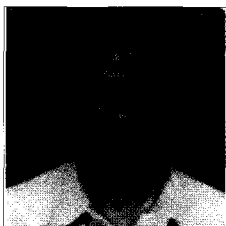
Dr. G SUBRAMANIAN, M. Phil in Plant Biology and Ph.D in Microbiology, has many decades of experience in microbial biotechnology. He is the Founder Director - National Facility for Marine Cyanobacteria. Dr.Subramanian chairs the Company's Research Review Committee.



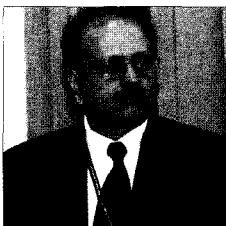
DR. S. RAVINDRAN
DIRECTOR

An M.S. in Orthopaedic Medicine, Dr.RAVINDRAN heads the orthopaedic unit in the Voluntary Health Services Hospital, Adyar, a four-hundred and fifty bedded multi speciality hospital which mainly serves poor patients. Dr.Ravindran has a keen interest in drug discovery and development.

Key Management Team



T.R.VENKATRAMAN, BSc, LLB, CAIIB, has over thirty two years of experience in the finance, accounting and treasury functions. He heads the finance and treasury functions at ABL.



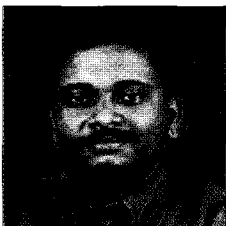
Mr.P.S.GANESHAN, M.Sc (Medical Biochemistry) with an MBA, has over 22 years of experience in development and marketing of pharmaceutical formulations, worldwide. Mr. Ganeshan is the President of Invia Health, a new division of the company to market pharmaceutical products under its own brands.



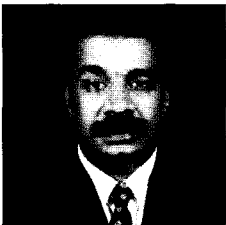
DR. DEBASHIS MUKHERJEE, Ph.D, with over fifteen years of experience, heads the Spectrum Division and oversees production planning, scheduling, purchase and process control for the formulation and manufacturing operations of the company.



MR. MATHEW JOHN, B.tech (Mech. Eng) and MBA, has more than thirty years of experience in administration and corporate affairs. He has served in various states including Assam, Meghalaya, Kerala, Karnataka and Andhra Pradesh and retired as DGP, Tripura. He is the Vice President – Corporate Affairs and Administration.



DR. T. AJITHKUMAR, Ph.D. in Botany has been working at ABL since 1998. Dr.Ajithkumar is designated as General Manager – Incubation Projects and New Business Development and oversees the R&D of the Company.



Mr. K.O. PHILIP, B.E., with more than twelve years of experience in developing processes and commercializing technologies, oversees Bioprocess Development. He is seconded as the Managing Director of Samudra Biopharma Pvt Ltd.