



Abl Biotechnologies Limited

INSPIRATION

INNOVATION

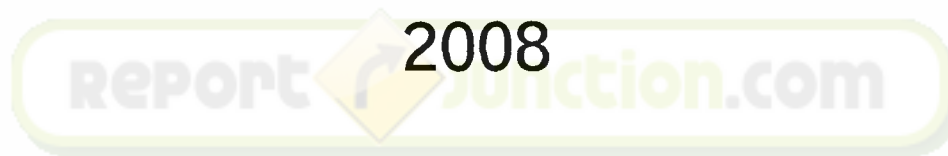
HEALTH CARE

2008  
ANNUAL  
REPORT

[www.ablbiotechnologies.com](http://www.ablbiotechnologies.com)

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# Sixteenth Annual Report



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## Chairman's Message

Dear Shareholders,

### The Global Scenario

The global pharma industry crossed the US\$ 80 bn threshold for the first time, indicating a strong continued interest in the sector with performances meeting stakeholder requirements. Companies in north and south America and Europe raised over US\$ 30 bn in financing, the highest so far, with over US\$ 7.5 bn in venture capital. A number of companies have started converting research into saleable products as indicated by the drop in the net losses and the number of acquisitions by pharmaceutical multinationals, the value of the latter crossing over US\$ 100 bn. While the industry's performance was strong on several fronts in 2007, emerging challenges in terms of delayed product approvals, safety concerns in related or new and approved products, pricing and resource constraints etc. make the road ahead to be "bumpier" than usual.

### The Asia Pacific

In the Asia Pacific, the industry has been showing growth in revenues by over 21%. China leads with US\$ 30 bn in revenues, with India following with US\$ 21 bn. Today the adoption of personalized medicine hastened by business drivers such as pricing pressures and safety concerns is considered to be the fulcrum of strategy for the biotechnology sector. It is felt that personalized medicine will fundamentally alter the competitive landscape by enhancing the power of both small and large pharmaceutical companies and force them to reassess traditional avenues of competitive advantage. In addition, globalization is also expected to influence the traditional competitive advantage of cost arbitrage. Targeted therapies, molecular diagnostics, drug and device combinations and delivery mechanisms seem to be the principal sectors in which the market has grown.

A major shift in research advantages, costs of production and target markets is now shifting the focus of the biotechnology and pharmaceutical industry to Asia. Asia's pharmaceutical market is valued at around US\$ 160 bn growing at the rate of 10.5%. With this forecasted demand, the Asian generic drug manufacturer is potentially set to become the principal player in the global pharmaceutical industry. India has one of the fastest growing domestic markets in the world for pharmaceuticals and its potential is expected to cross US\$ 30 bn by 2015. India is the 4th largest manufacturer in the world with over 85 USFDA approved facilities. Countries like China, India, Malaysia, Vietnam, Singapore, Taiwan and Australia have extremely robust programs in biotechnology and pharmaceuticals.

### India

However, in India, the pharmaceutical industry is still coming to terms with the various serious issues that it faced last year. Thus, the shift away from excise free zones to inhouse facilities, the drop in number of formulations due to the review on irrational products, the general slowdown in the economy, serious issues with raw material and cash flow insufficiencies have all contributed to a sluggish scenario. It is hoped that during the year ahead there will be greater stability and the corrective measures initiated will bear fruit.

Your Company has been growing steadily over the past few years weathering many storms in its attempt to straddle the biotechnology and pharmaceutical sectors. However, the principal focus continues to be on building competence in research and manufacturing. The year ahead will be a challenging one requiring your organization to restructure a number of its activities and focus on its core competence. It is expected that the infusion of fresh equity will facilitate your Company to successfully address these challenges and rise to a significant position in the international market place.

Thank you

K O Isaac

## Company Profile

### Overview

ABL Biotechnologies Limited (ABL), a pioneer in harnessing microbial bio diversity, has been focusing on developing technologies having applications in nutraceutical, cosmeceutical, and pharmaceutical areas. Working in the areas of drug discovery and microbial metabolites on one end and manufacturing finished formulations on the other, ABL seeks to merge the synergies of biotechnology and pharmaceuticals.

### Divisions

#### R&D

ABL's Research and Development facility has continued to be financially supported by the Department of Science and Technology and the Department of Biotechnology. In order to pool expertise and escalate its efforts, ABL continues to forge alliances and partnerships with leading Institutions and multinational companies.

#### Spectrum

This contract research and manufacturing division continues to produce finished formulations in various formats including soft and hard gelatine capsules, tablets, liquid orals and topical ointments, for various disease states. Spectrum has been able to retain a majority of its customers despite the turbulent times that the markets saw due to changing policies on drug formulations.

#### Partnership opportunities

ABL strongly believes in building strategic partnerships that would assist in its drug discovery endeavours and has been constantly forging partnerships with leading Indian Institutions like the Indian Institute of Science, Bangalore, National Facility for Marine Cynobacteria, Bharatidasan University, Trichy, Dr. ALM PG Institute of Medical Sciences, Chennai, Indian Institute of Technology, Chennai, Christian Medical College, Vellore and Central University, Hyderabad and Vision Research Foundation (Sankara Nethralaya), Chennai for work on various aspects of drug discovery research.

### **Board of Directors**

Mr. K. O. Isaac	-	Chairman & Managing Director
Dr. G. Subramanian	-	Director
Dr. S. Raveendran	-	Director
Mrs. Rosemary Isaac	-	Director

### **Chief Financial Officer & Company Secretary**

Mr. S.Ramabadran

### **Registered Office**

55, Third East Street, Kamaraj Nagar  
Thiruvannamiyur, Chennai - 600 041

### **Research & Development Centres**

a) No. 110 - 112, First Floor,  
TICEL Biopark, Taramani Road,  
Taramani, Chennai - 600 113.

b) Thimmapuram, Kappuluppada Village,  
Bheemunipatnam Mandalam  
Visakhapatnam District  
Andhra Pradesh

### **Auditors**

M/s. Pratapkaran Paul & Co.,  
Chartered Accountants  
New No. 7, Old No.4,  
Karpagam Garden,  
II Main Road,  
Adyar, Chennai - 600 020

### **Bankers**

Axis Bank Limited  
Chennai Main Branch  
Chennai - 600004

## Directors' Report

To

All Members,

Your Directors take pleasure in presenting the 16<sup>th</sup> Annual Report, together with the Audited Accounts for the year ended March 31, 2008. Your Company's sales during the last financial year has grown to Rs. 20.05 Crores from Rs 12.54 Crores in the previous year. However, profits for the year has declined from Rs 2.14 Crores to Rs 1.75 Crores mainly due to pressure on margins on account of increase in raw material and other operating costs.

The pharmaceutical industry in India is seeing considerable erosion in business and profitability apart from being ill prepared in its strategy for countering the various obstacles that it faces. With the various changes in statutes leading to the cancellation of drug licenses for a number of products, now considered irrational, the drop in margins for generic exports, a doubling of prices of all basic raw materials, and general inflation, the Industry is at crossroads once again. With the Government reducing excise duties to create uniformity between excised and non-excised manufacturing zones and the increase in the input and logistics costs, various companies have found their businesses unviable. Competition in the market place has also risen dramatically due to the proliferation of companies. Alternate opportunities for marketing personnel, the main stay of the pharmaceutical industry's retail trade has created a shortage of suitable personnel who could take products to the market successfully. In addition, a shut down of a number of chemical companies producing APIs in China has made the situation more complex due to a sharp decline in APIs available on one side and the pricing restrictions of the National Pharmaceutical Pricing Authority on the other.

Your Company is therefore working hard to consolidate business as well as expand market space.

### Operations

#### a) Spectrum Division

The Spectrum division continues to be the mainstay revenue earner of your Company. Your Company has taken a decision to concentrate on those products and categories with better margins and do away with those with unviable costs and low profitability. The customer –product matrix is therefore undergoing a shift to perhaps a lower number of products but with better returns.

#### b) Invia Health Division

In spite of expansion to Kerala and Andhra Pradesh from the original market place of Tamil Nadu, the Division has been consistently underperforming due to a variety of issues including personnel and productivity issues, lack of viability due to increasing API costs and unorthodox marketing strategies employed by competitors. The Management of the Company has therefore decided to suspend the operations of Invia Health so as to concentrate all its resources into profit making areas.



### c) R&D Division

Your Company's three pronged strategy on research focused at microbial bioactives, drug discovery and drug delivery, continues. However, on the basis of a detailed review by the Company's Research Review Committee, your Company's research strategy has been modified so as to reduce a majority of the in-house R&D cost and shift a major part of the drug discovery activity into a collaborative mode, where research would be conducted on a partnership basis.

### d) Projects Division

Due to the severe oscillations of the capital markets in India, your Company could not proceed with its proposed Rights Issue. The Board therefore decided to go through the alternate route of a Global Depository Receipts Issue. It is hoped that during the current year all formalities with regard to the issue would be completed and the proceeds used for the execution of the DHA project.

### Trading of Shares in the Stock Exchanges

The shares of the Company are listed in the Mumbai, Chennai and Luxemburg exchanges. The shares of the Company are traded in the demat form.

### GDR Issue

With a view to augment resources for implementation of the project for manufacture of Omega 3 Fatty Acids, for acquisitions and for capital investment in Research and Development and working capital, your Company raised equity amounting to US\$6683000 in June 2008 through an issue of Global Depository Receipts (GDRs), comprising of 4100000 equity shares of Rs10 each at a premium of Rs. 60 per equity share.

The GDRs and the underlying equity shares have been listed on Luxemburg and Bombay Stock Exchanges respectively, in August 2008.

This step will go a long way in undertaking various activities which will generate value and wealth for shareholders.

### Corporate Governance

The Company continues to follow the code of Corporate Governance during the year under review.

### Deposits

Your Company has not accepted any deposits from public during the year under review.

### Directors

Mr. K O Isaac, Managing Director is seeking reappointment for a period of three years. Dr. S Raveendran and Dr. G Subramanian, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.



## Auditors

M/s. Pratapkaran Paul & Co., Chartered Accountants, Chennai, Auditors of the Company retire at the ensuing annual general meeting and a notice has been received under section 224(1B) of the Companies Act, 1956 from them confirming their eligibility for reappointment.

## Employees

Your Directors place on record their appreciation of the sincere and dedicated services rendered by all the employees during the year under review. The Report containing the particulars of employees who were in receipt of remuneration in excess of the prescribed limits is not attached herewith. However the same will be available at the registered office of the Company for inspection by any member of the Company during working hours for a period of twenty one days before the date of the meeting, as per Sec 219 (1) (iv) of the Companies Act, 1956.

## Directors' Responsibility Statement

The Directors confirm that:

- in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed.
- they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31st March, 2008 and of the Profit and Loss of the Company for that period.
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- the annual accounts are prepared on a going concern basis

## Energy, Technology Absorption & Foreign Exchange

Information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 regarding conservation of energy, Technology absorption and Foreign Exchange earnings and outgo are given below:

### Conservation of Energy

Energy conservation is not applicable to the biotechnology industry.

### Technology Absorption

The technology for microbial metabolites is developed indigenously and hence absorption of foreign technology does not arise.

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## Research and Development

Your Company has, during the year, been continuing its Research and Development activities of extracting bioactive compounds from microbes as well as development of formulations for nutrition and phramaceuticals. Your Company has spent Rs.164 Lakhs towards Research and Development..

## Foreign Exchange Earnings

There was no foreign exchange earning during the year. (Previous Year: Nil)

## Foreign Exchange Outgo

On account of import of goods - Rs. 462684 (Previous Year: Nil).

Foreign Travel – Rs.780588. (Previous Year: Rs. 1170596).

## Acknowledgement

The Board of Directors wishes to place on record its gratitude to Axis Bank Limited and the Department of Science and Technology, Department of Bio-Technology and the other Institutions / Organizations / Agencies who have supported the company during the year.

**For and on behalf of the Board of Directors**

Date : 18.08.2008

K. O. Isaac

Place : Chennai

Chairman and Managing Director