



Board of Directors

Mr. Chirayu R. Amin
Chairman & Managing Director

Mrs. Malika C. Amin
Whole-time Director

Mr. Rajkumar Baheti
Director, President - Finance & Secretary

Dr. Babubhai R. Patel

Mr. Pranav N. Parikh

Mr. K. G. Ramanathan

Mr. Paresh Saraiya (*W.e.f. 31.01.2007*)

Mr. Pranav Amin (*W.e.f. 31.01.2007*)
Director & Chief Business Development Officer

Mr. Ranjitbhai R. Patel (*Upto 31.01.2007*)

Mr. Ramanlal M. Kapadia (*Upto 31.01.2007*)

Statutory Auditors

K. S. Aiyar & Co.
Chartered Accountants
Laxmi Estate No. F - 07/08
Shakti Mills Lane
Off Dr. E. Moses Road
Mahalaxmi, Mumbai - 400 011

Bankers

ABN-AMRO Bank N.V.
Bank of Baroda
ICICI Bank Limited
IDBI Bank Limited
State Bank of India
UTI Bank Limited

Regd. Office

Alembic Road, Vadodara - 390 003

Manufacturing Facilities

Alembic Road, Vadodara - 390 003

Panelav, Tal. Halol,
Dist. Panchmahal - 389 350. Gujarat

Plot No. 21, 22, EPIP - Phase I
Jharmajri, Baddi, Tehsil - Nalagarh
Dist. Solan, Himachal Pradesh

Registrar & Transfer Agents

M/s. Intime Spectrum Registry Ltd.
1st Floor, 308, Jaldhara Complex,
Opp. Manisha Society,
Off Old Padra Road, Vasna Road,
Vadodara - 390015
Tel : (0265) 2250241 & 3249857
Email : vadodara@intimespectrum.com

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Incisive Insights

Progressive Foresight

Dear Shareholders

Alembic this year joins a small, distinguished group of companies that have been in business, successfully, for over 100 years. It's no accident when a company celebrates its centenary. To reach such an illustrious milestone, a business must demonstrate an unrelenting work ethic, an unparalleled quality of product and service, a tenacity to embrace and propel change, a consistently dedicated team, and a bit of good fortune; all of these have combined to etch out Alembic's success story.

As we look back and we count, 100 years of growth and achievement, we have a lot to celebrate. Accomplishments too numerous to count. Numerous individuals to thank and reams of knowledge to bank. While it's a unique opportunity to reflect and stroll down the annals of history, a centenary challenges us to look ahead and create a vision for continuing success.

VISION

To become a knowledge driven global pharmaceutical company with the highest levels of operational excellence in all spheres

Today Alembic has much to look forward to as an established pharmaceutical major in a world transforming at an accelerated pace. With exponential progress in science and technology, we are moving into an era of genomics, proteomics, and metabolomics. Molecular biology is throwing up opportunities to eliminate death threats like cancer. Medical devices are being bioengineered and miniaturized. The very concepts of health, ailment and medicine are changing.

Locally the Indian pharmaceutical market is growing at a blistering pace of 10%* each year beating the global average of seven# percent. Due to availability of hi-caliber human resources, firms from across the world are looking to partner with India for research and development and manufacturing. Geographical power centers in pharmaceuticals are witnessing seismic shifts.

This year at Alembic we sharpened our focus on international markets. Our API & Generics divisions which merged in June 2006 was reconstituted as our 'International Division'. It has been given a mandate to explore hi-growth business opportunities across geographies for the entire range of Alembic products and services.

(* Source: ORG-IMS #Source: KPMG)



Alembic will also be focusing on tapping the rapidly expanding generics markets in US and Europe through a strategy of 'local marketing alliances'. Agreements have been inked with over a dozen players in these markets.

Alembic also entered into a licensing agreement with the Brussels-based UCB for its Novel Drug Delivery Platform for Keppra® XR (Levetiracetam Extended Release Tablets). Under the terms of the agreement, Alembic will receive milestone payments of \$11 million and royalty on future worldwide net sales of Keppra® XR

On the Domestic front, Alembic consolidated its leadership in the acute therapies. Rekool, Roxid, Azithral and Cepime all 4 brands retained or gained the No.1 brand rank amongst their category.

Alembic made a foray into the hi-growth lifestyle therapeutic segments of Cardiovascular, Diabetic, Gastrointestinal and Gynaecology by acquiring Dabur Pharma's non-oncology domestic formulations business comprising of 24 brands which are active in the market. The strategic acquisition will serve a two pronged objective. Firstly, it will give Alembic an entry in this segment and reduce our dependency on anti-infectives. Secondly, it will provide us with a ready relationship in the marketplace, which we can leverage to accelerate the acceptance of our existing products and new introductions.

Marketing efficiency improved this year. Operations were optimized and customer coverage increased by 20% and call average recorded an increase of 10%. The Baddi plant crossed 100% utilization and its turnover crossed the Rs. 300 Crores mark.

Alembic has considerable strengths and a powerful foundation and legacy to build the future. But the Alembic of the future will not be the Alembic of the past. The world we serve is changing and so must we. We must be a new Alembic, designed and built by science and technology, we must be a strong and unified Alembic, with all the divisions and interfaces bonded together by the integrity and trust that has made Alembic so proud. We must be a robust organization capable of delivering not only the products of the new era, but also delivering on the hopes and aspirations of the people of this new era.

Sincerely

A handwritten signature in black ink, appearing to read "Chirayu R. Amin", with a long horizontal flourish extending to the right.

Chirayu R. Amin
Mumbai, 26th April, 2007

Milestones

Indelible Footprints

Consistent Footsteps



1907

Alembic Chemical Works Co. Ltd. starts manufacturing tinctures and alcohol at Vadodara.

1940

Starts manufacturing Alembic's famous cough syrup, vitamins, tonics and sulphur drugs.

1961

Lal Bahadur Shastri, then Prime Minister of India, inaugurates the Penicillin plant.

1967

Bulk manufacturing of Vitamin B12 by fermentation starts utilizing expertise of Pirelli, Italy.

1968

Starts manufacturing Streptomycin.

1971

Erythromycin manufactured for the first time in the country using expertise from Eli Lilly, USA.

1972

"Althrocin"- a brand of Erythromycin launched. Starts manufacturing of Kanamycin by fermentation under the guidance of Meiji Seika, Japan

1992

Received First Chemexcil Award for Exports.

1997

"Althrocin" becomes top selling brand in India.



1999

Alembic starts production of synthetic organic APIs.
Received award for - "Excellence in Environment Preservation and Pollution Control"
by the Federation of Gujarat Industries.
Gets ISO 9002 Certification for its facilities at Vadodara.

2000

Gets ISO 14000 Certification for its facilities at Vadodara.

2001

Certificate of Suitability, issued by EDQM for Roxithromycin.
Starts manufacturing of Cephalosporin C.

2004

BioArc Research Solutions launched to mark Alembic's foray into contract research business.
Commissioning of Baddi Plant.

2005

Launched ZERO Brand

2006

Acquisition of API Plant at Karakhadi, Vadodara

2007

Acquisition of Non-Oncology Business of M/s Dabur Pharma Ltd.
Entered into licensing agreement for its Novel Drug Delivery Platform for
Keppra® XR (Levetiracetam Extended Release Tablets) with UCB



Traditional Wisdom

Innovative Outlook

New Products, New Focus and New Territories saw formulations retain its position as the largest revenue contributor to your company. Domestic Formulations registered an 8% growth and its contribution to the Company's revenue was 55% in 2006-07.

Alembic maintained its leadership in the macrolides segment with a market share of 39.7% and its industry rankings across categories was as follows:

Industry Ranking

Macrolides	Rank 1	MS 39.7%
Anti Infectives	Rank 6	MS 5.3%
Respiratory	Rank 5	MS 3.8%
Pain	Rank 18	MS 1.7%
Gastro	Rank 21	MS 1.5%

(Source : ORG-IMS Mar-07)

Brand Leaders

Rekool chalked a 44% growth and established Alembic as a leader in the Rabeprazole market. Roxid grew by 12% and retained the honour of being India's largest prescribed antibiotic. Azithral demonstrated true grit and character in face of fierce competition. It posted a 25% growth in value and 17% growth in prescription and emerged as the No. 1 brand in its category. Cepime too established itself as the the No.1 cefepime brand by enhancing its value market share from 10 to 19 %. The unit market share of Cepime is 29% which is nearly double the market share of its nearest competitor.

(Source : CMarc Rx Audit and ORG-IMS)

Alembic's brand portfolio now comprises of 7 brands with sales above Rs. 10 Crores.

The Ten Crore Plus Brands

Brands	Val (Crs)
Althrocin	66.70
Roxid	60.13
Azithral	47.21
Zeet	19.73
Wikoryl	19.51
Rekool	18.65
Xceft	10.87

High-Growth Brands

Brands	Growth (%)
Alpenam	85
Normitone	56
Azithral	27
Folinal	18
Actigut	91
Rekool	39
Etrik	20

(Source : ORG-IMS Mar-07)

New Products. New Growth Paths.

Xceft underscored Alembic's brand building prowess by notching up sales of over Rs. 10 Crores in the year of its launch. It was ranked as the 4th most successful new product of 2006 and rose to the distinction of being the second most prescribed Cephalosporin brand amongst ENT surgeons.

Alembic has introduced 55 new products in the last two years. These products contributed over 10% to the domestic formulations business. 25 of these 55 products were introduced in 2006-2007 and their contribution was 3.26%.



Prescription Monitor

As per the C MARC Rx Audit, prescriptions from ENT specialists grew by 33%, Chest Specialists by 26%, Surgeons by 19% and Consulting Physicians by 19%.

New Initiatives Yielding Fruit

Results from the two new initiatives - geriatric focus and rural market penetration, which were flagged off last year are very encouraging.

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New Rural Territories Register High Growth

HQ Name	Growth (%)	HQ Name	Growth (%)
Kanchipuram	15.46	Kashipur	156.25
Karur	178.26	Chatrapur	29.82
Tuticorin	9.17	Barmer	18.83
Almora	48.42	Bhilwara	22.48
Dhampur	53.82	Barabanki	22.55
Hapur	112.10	Amalapuram	3.60

Specia

The Specia division, which is dedicated to geriatric healthcare, posted a 65% growth in sales, an 84% growth in prescriptions and a 75% growth in market penetration.