

Ahlcon Parenterals (India) Limited

17th Annual Report 2008-09



**Geared
for the future**

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BOARD OF DIRECTORS

Mr. Bikramjit Ahluwalia
Chairman

Dr. Rohini Ahluwalia
Executive Vice Chairperson, CEO

DIRECTORS

Ms. Sudarshan Walia
Mr. Arun Kumar Gupta
Prof. G.P. Talwar
Dr. S.S. Arora
Dr. S.C.L. Gupta
Mr. S.K. Sachdeva

COMPANY SECRETARY

Mr. Ranjan Kumar Sahu

BANKERS

Syndicate Bank
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VISION STATEMENT

In an era of rapid and dramatic changes, national economies are fast changing into global economies.

The world has become a small global village having no national boundaries for commerce. Taking lead from this, well ahead of others, Ahlcon has been putting untiring efforts into continuously upgrading its technical and business skills, by employing a task force of motivated and committed professionals.

We, at Ahlcon, see the Company rated as one amongst the best manufacturers of large and small volume parenterals and eye drops in the world.

At Ahlcon, the customer is the boss and customer satisfaction is the measure of achievement.

“SHALL PREVAIL”

THE INDIAN PHARMACEUTICAL INDUSTRY IS ONE OF THE LARGEST IN THE WORLD GROWING AT A CAGR OF 13 PERCENT FROM 2002-2007 AND EXPECTED TO GROW AT A CAGR OF 16 PERCENT OVER 2007-2011 AND IS:

- Ranking 4th in the world, as per the volume of sales
- Estimated to be worth US\$ 6 billion
- Catering to almost 70% of the domestic demand for bulk drugs
- Producing around 20% to 24% of the global generic drugs
- One of the biggest producers of the active pharmaceutical ingredients (API) in the international arena
- Exporting around 40% of the total pharmaceutical produce
- Constituting 55% of the total exports of formulations, with the remaining 45% comprising bulk drugs
- Having an IV market worth Rs. 4000 million, growing at over 8% p.a.

The opportunity matrix in this arena for the future is huge. Ahlcon Parenterals(India) Limited is fully equipped to encash a large component of it and geared into the future:

- On the back of its core of diverse and robust strengths.
- On the merit of its commitment to quality at all levels.
- On the strength of its huge capacities & wide export presence.

The following awards & certifications validate the Company's commitment to quality:

ISO 9001:2008

WHO GMP

GMP Certificate from 15 different Countries.



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AHLCON PARENTERALS (INDIA) LTD IS ENGAGED IN THE BUSINESS OF MANUFACTURING LIFE-SAVING INTRAVENOUS FLUIDS, OPHTHALMIC EYE, AND EAR DROPS AND NASAL CARE PRODUCTS BY EMPLOYING A HIGHLY SOPHISTICATED PRODUCTION PROCESS, THE ASEPTIC FORM-FILL-SEAL TECHNOLOGY IMPORTED FROM SWITZERLAND.

With an installed capacity of 32 million bottles per annum for LVP in pack size upto 100ml and 500ml, the Company is now geared to launch 200 ml and 300ml packs in the near future.

The Company also has capacity of 144 million vials/ampoules of Eye Drops and nasal care products and Injections in the fill size of 2ml, 3ml, 5ml & 10ml both in transparent and white opaque packs as SVP.

Wide export presence

The Company's diverse geographical presence in exports has consistently enabled it to enhance its leadership position in the global pharmaceutical industry. As of date, the Company is exporting its products to:

- CIS Countries (Russia, Ukraine , Kazakhstan)
- African Countries
- GCC Countries.
- Eastern European Countries
- South East Asia

Robust strengths

Its strong core of diverse strengths is one of the biggest determining factors in the Company's growth strategy. The Company's strengths

encompass:

- Skilled Manpower
- Quality products
- State-of-the-art manufacturing facilities
- Excellent systems
- High-end operational capacities

Quality assurance

Quality assurance has always been, and shall continue to be, a key growth driver for the Company. This quality consciousness is manifested in its highly sophisticated fully-integrated production process, where in one continuous operation the container is blow formed, filled with the solution and sealed. The entire process takes place in a fully sterile environment within the machine, untouched by human hands, which eliminates any risk of contamination. The quality control laboratory at the plant ensures intensive quality control checks at the post production stage.

In a clear endorsement of its quality levels, which are at par with the international standards, the Company, within a short span of time of its inception, was awarded the WHO GMP (Good Manufacturing Practice) certification. The GMP Standards upgradation was implemented and achieved under the supervision of Pharma Plan, Germany.

Armed with the motto 'Life flows from technological excellence, Ahlcon is today proud of its international quality acceptance and is an ISO 9001:2008 Co, a landmark achievement which ensures international quality standards and is expected to propel the Company to international levels

The Company in perspective

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UNDERLINED BY CONTINUOUS GROWTH ACROSS VALUE & VOLUME.
MARKED BY EXCITING OPPORTUNITIES FOR THE FUTURE.

The operational performance of the Company is aptly summed up by the abovementioned two parameters.

Driven by multi-pronged growth spanning volume growth of existing products, price-led growth and growth from value of new introductions, the Indian Pharmaceutical Market (IPM) has remained one of the faster growing sectors in India. The IPM grew by 9.8% to touch a market size of Rs. 34,118 crores during the year 2008-2009 and, going ahead, is all set to grow at a double-digit figure of 11-12 %.

Growing opportunity

It is expected that by 2020, the IPM will touch US \$30 billion. India is a branded generic market and multinationals are targeting to enter the Indian market. The organized retail pharmaceutical segments will continue to augment their presence in the semi-urban and rural markets. The increasing per capital income, growing health awareness, easy availability of modern medicinal amenities and affordable medical insurance will increase the demand for the domestic and western medicines.

Further, increasing population in the ageing group will boost the demand for the typical age-related diseases, such as diabetics and anti hypertensives. The current slowdown will boost availability of generic products at much lower costs.

Making the most of opportunity through JVs

Given the current scenario, Joint Ventures and Acquisitions will continue to be in focus in India, mainly due to availability of expert technical staff, excellent infrastructure in terms of clinical trial laboratories and Contract Manufacturing, readily available world-class accredited state-of-the-art manufacturing facilities, all of which have

combined to make the country an attractive R&D hub in the pharmaceutical industry.

Contract Manufacturing (CM) opportunity matrix

CM involves supplying large quantities on successful commercialization of the NCE or the generic. It could involve supply of intermediates, APIs or formulations to MNCs.

As the molecule has already hit the markets, the MNC requires large quantities (in tons) of the product. Supplies could be for either on-patent or off-patent molecules. Generally, on-patent molecules yield higher margins to the contract manufacturer as compared to products that have already gone off patent.

Contract manufacturing is an important new opportunity for the Indian pharmaceutical industry. CRAMS estimates that the contract manufacturing market for global companies in India would touch US\$ 900 million by 2010.

For a long-term sustainable advantage of this increasing trend in CRAMS, Indian companies are increasingly resorting to technological upgradation of their manufacturing and R & D facilities to grab the opportunities triggered by the spurt in global demand

Expanding CRAMs business

Making the most of the burgeoning opportunity in this arena, the Company is focusing in a big way on the CRAMs business. Currently, the Company is making regular supplies to more than 20 domestic pharma companies, which includes almost of the giant pharma companies who have a strong presence in the domestic as well as the international market.

Enhancing formulation capacities

The IV market in India is a Rs. 4000 million market, growing at over

Operational Performance

8% p.a. Therefore, even as it continues to enhance its thrust in the CRAMs business, the Company is concurrently engaged in the process of updating the organization, existing formulations, manufacturing processes, packing materials, besides developing new formulations.

The production capacity/ utilization of the Company are being scaled up, with plans to stretch operations in both the domestic as well as in international markets. Currently, the Company has an installed capacity of 32 million units for LVP and 144 million units for SVP.

In the domestic market, the Company's sales encompass both direct sales as well as sales to government institutions and distributors.

Increasing exports presence

Despite a decline in exports triggered by the global economic recession/ slowdown, the Company continues to strive to increase its export sales component on the total turnover to mitigate the risks posed by various domestic markets and factors, resulting from price discrimination, cut-throat competition, entry of new entities in the market, government price regulatory mechanism, as well as manufacturing units at SEZ.

Taking advantage of the increased demand of Indian pharmaceutical products in the international market, the Company has undertaken registration and arrangements with several international agencies for increasing the base of its export markets. Further, plans are under way to increase the direct and indirect exports to many countries.

Future plans

In an effort to further boost its presence in the market, the Company is in the process of registration of its product dossiers, in both the regulated as well as unregulated markets, and registration formalities with a number of countries are well in progress. The Company has obtained orders from some parties, while more are in the pipeline.



Chairman's Letter



Dear Shareholders,

The year 2008-09 saw a cascading effect of the global economic meltdown on the Indian pharmaceutical sector. Decreasing exports, increasing unemployment, appreciation of rupee against dollar, compulsory licensing, patent oppositions and litigations, increasing regulations and compliances, products liability were some of the other major hurdles faced by the industry during this challenging year.

What further impacted growth across the industry, with your Company being no exception, were the various concerns facing the Intravenous Fluids sector, the most prominent of them being the delay in the introduction of the new Pharmaceutical Pricing policy.

Performing reasonably in difficult times

This negative scenario notwithstanding, your Company continued to consolidate itself operationally in order to successfully tackle the various challenges as it moves towards the future. With constant efforts being put into internal initiatives aimed at productivity enhancement, modernization of FFS Technology, negotiation for technology transfer, cost optimization and a congenial work environment, the Company

has achieved a Net Profit after Tax of Rs. 226.16 lacs.

Though less than the figure for the previous fiscal, this indicated an inherent resilience in the Company's business model and its growth strategy, which is totally geared into the future.

Operational growth well on track

Adopting a highly innovative approach seeking to enhance its technical excellence, the Company did not allow the prevailing economic environment to adversely impact its operational growth plans during the year.

In fact, it gives me pride to inform you that the year under review saw your Company utilizing the installed capacities on LVP (Large Volume Parenterals), thereby achieving an operating efficiency of 64.58%, while for SVP (Small Volume Parenterals) the capacity utilization stood at 45.85%.

In an effort to further ensure sustained operational growth, your Company took a series of prudent initiatives, which included ensuring quality products at a lower price (without compromising standards), responding to customers' needs,