



21ST ANNUAL REPORT 1999-2000

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Wealth in

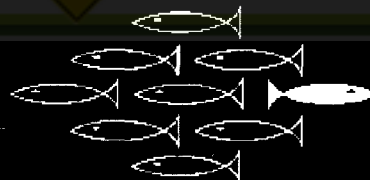
Health



OUR MISSION

Serving global
healthcare needs with
empathy, innovation and
technology

OUR PHILOSOPHY



ENTERPRISM

THE ART OF CREATING
OPPORTUNITIES AND
OPTIMISING THEM

Board of Directors

Mr. Mannalal B. Agrawal	:	Chairman
Mr. Purushottam B. Agrawal	:	Managing Director
Mr. Madhusudan B. Agrawal	:	Jt. Managing Director
Dr. Ramesh C. Jhavar	:	Director
Dr. Krishnan Ramamoorthy	:	Director
Mr. Chandrakant M. Khetan	:	Director
Mr. K. H. Viswanathan	:	Nominee Director-IDBI
Mr. Nitin Deshmukh	:	Nominee Director-ICICI Venture Funds Manufacturing Co. Ltd.

Mr. Yogesh Agrawal	:	Director
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Company Secretary	:	Mr. P. R. Sonawane
Auditors	:	Kapoor & Parekh Associates Chartered Accountants
Bankers	:	Industrial Development Bank of India State Bank of Hyderabad State Bank of Mauritius State Bank of India Export Import Bank of India
Regd. & Corporate Office	:	"Ajanta House" 98, Govt. Industrial Area, Charkop, Kandivli (West), Mumbai - 400 067.
Factories	:	<ul style="list-style-type: none"> • M.I.D.C. Chikalthana, Aurangabad • M.I.D.C. Paithan, Aurangabad
R and D Centre	:	Kandivli (W), Mumbai-400 067.

Chairman's Vision



Dear Shareholders,

Thank you for the confidence reposed in your company during the first Public Offer. I take immense pleasure in welcoming you all the members of our shareholder family, which has grown over 11000 from just about 500. I am sure, Ajanta Pharma, with your continued support, will enhance The Wealth for its shareholders through "Satisfying global healthcare needs with empathy, innovation and technology."

The year gone by was a landmark in the history of Ajanta Pharma. The pursuit of "Enterprism" has resulted in recognition of its Innovation by way of USA & South African Patent for its product Carofit and filing of 10 more patent applications for natural & NDDs products. The Empathy continued in the form of registration of more brands in several countries which has resulted in big growth in formulation exports. This will get a further boost in the coming years after exit from the Bulk Drug business and obtaining ISO 9002 certification for the manufacturing facility in India.

All these initiatives have started bearing fruits and indicate the WEALTH IN HEALTH. With more funds coming from your contribution through Initial Public Offer, I assure you that the growth will be accelerated in the years to come.

Director's Report

To the Members,

Your Directors are pleased to present their 21st Annual Report on the business and operations of your Company for the year ended March 31, 2000.

Financial Performance

(Rs. in Lacs)

	1999-2000	1998-99
Income	15981	13987
Profit before Depreciation & Taxation	2427	2587
Less: Depreciation	495	568
Profit before taxation	1932	2019
Less: Provision for Taxation	210	-
Net Profit after Tax	1722	2019
Income Tax Adjustment for previous years	-	(62)
Add: Balance Brought forward	401	11
Profit available for appropriation	<u>2123</u>	<u>1968</u>

Appropriated as under

i) Proposed Dividend :

- on Preference shares	75	65
- on Equity Shares	132	132
ii) Income Tax on Dividend	25	20
iii) General Reserves	1000	1000
iv) Preference Capital Redemption Reserve	-	350
v) Balance carried forward	891	401
	<u>2123</u>	<u>1968</u>

It was a year of satisfactory performance with total income growing to Rs. 160 crs (Previous year Rs. 140 Crs) showing a growth of 14% over the previous year. The growth in exports was higher at 20% over the previous year particularly on account of branded formulations. The profit for the year would have been higher, but for the loss incurred due to the sale of bulk drug plant. However, the exit from the bulk drug business will allow your company to concentrate on its core activity of formulations. The process of restructuring and optimization of investments into research, fixed assets and overseas Joint Ventures is showing positive results. The licensing tie-ups worldwide for the patented products will facilitate to establish your company's brands in major parts of the world. Your Directors hope the performance to improve in the coming years with the existing investments yielding results and the funds raised through IPO.

Dividend

The Directors recommend a dividend of 15% for the year on Equity Shares of the Company. However, this dividend is not payable on equity shares allotted pursuant to company's initial public offer of March 2000. An interim dividend was paid @ 14% on 25,00,000 Preference Shares and @ 13% on 10,00,000 Preference Shares, which were redeemed during the year and a final dividend @ 13% p.a. on 25,00,000 Preference Shares is recommended by the Directors.

Sale of Bulk Drug Plant

As approved by you at the last EGM, your company has sold its bulk drug plant to M/s. Orchid Chemicals & Pharmaceutical Ltd. for a total consideration of Rs. 21 crores. The plant was handed over to them on 11th February, 2000 and your company ceases to be in the manufacturing of bulk drug since then. This will enable your company to concentrate on its core activity of formulations.

Healthcare environment

The transformation of the Indian Health Care Industry has commenced with lot of activities happening on patenting of new molecules and tie-ups for these molecules worldwide. Past few months has seen a whole new dimensions being added to the Indian Pharmaceutical Industry. Having the advantage of being a Knowledge Industry in the manufacturing sector, it has attracted lots of attention both from experts worldwide and the Government. This will definitely place the country in a very respectable position in the world map.

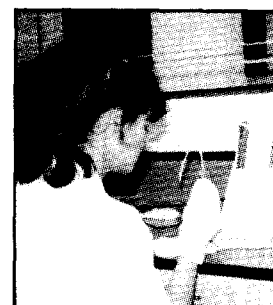
With the Patent laws well in place and protection deadline coming soon to an end, the industry has started putting its act together to face the new challenges thrown open. The increased attention with higher allocation of resources for R & D activities and recent tie-ups for the successes amply prove this. The Government is also doing its bit by considering the industry suggestion of making India a Tax Heaven for pharmaceutical research. These R&D efforts will help the industry to globalize faster and further consolidate its position in the world market through product quality enhancement.

Ajanta Pharma in Global Healthcare

Your company is well placed to take the advantage of the above changes happening in the industry. It has proved its strength in the area of R&D by obtaining patent for carofit and filing 10 more patents so far. Innovation is guiding us to excel further to file more patents in the coming years and commercialize them with the help of own marketing efforts and worldwide licensing tie-ups. The process of brand registration worldwide has been accelerated to cover more countries and more products, specially the patented products.

Research and Development

Your directors are glad to inform you that your company's efforts towards serving Global Health Care needs got a major boost when the



Patent authorities in USA and South Africa granted the Patent for the first research product Carofit, the natural carotenoids and micronutrients from Carrot. The research work in the critical area of cancer, apart from their normal property as anti oxidant, is in progress. The Indian Patent office has also published the same in gazette. Your company had further succeeded in filing ten more patents from natural products and New Drug Delivery System (NDDS). The focus of R&D in the coming days is on the fast growing therapeutic segments like **Cancer, Antioxidants, Cardiology, Dermatology, Diabetic, Aids and Arthritis** which is in line with our Enterprism approach. For this purpose, your company is taking up major expansion in its R&D facilities at Mumbai.



Public Issue

Your company made its first foray in the capital market with its initial public offer of equity shares on March 23rd, 2000. The issue closed on March 28th, 2000 and was over subscribed. The support given by all of you to this issue has shown your confidence in the company. We are in the process of completing all the formalities relating to listing and other related areas. The trading in your company's shares will begin on the stock exchange of Mumbai and National Stock Exchange shortly and will be in electronic form only.

Joint Venture Operations

Operations of the joint ventures in Uzbekistan, Turkmenistan and Mauritius are running smoothly. The growth in all these joint ventures is satisfactory and will get a further boost with the economies of these countries showing positive trend. The arrangement of working capital at Uzbekistan through the EBRD line of credit will be a major landmark for our operations in Central Asian Republics. The implementation of Kazakhstan project is at an advanced stage and will be completed in the first quarter of 2001. A review is being taken for the Joint Ventures in Kyrgyzstan and Tajikistan to see that the investments in these countries also yield results. Your directors will keep you informed of the developments in these two joint ventures.

Subsidiary Companies

Pursuant to Section 212 of the Companies Act, 1956, Directors' Report and the Audited Accounts of the Company's Subsidiaries namely Surkhan Ajanta Pharma Limited, Ajanta Pharma (Mauritius) Limited, Ajanta Pharma (Tashkent) Limited, Ajanta Pharma (USA) Inc., Kazakh Ajanta Pharma Limited and Kyrgyz Ajanta Pharma Limited for the year ended 31st December, 1999 along with the report of the Auditors required under clause (e) of subsection (1) of the said section are annexed hereto forming part of this report.

Directors

Mr. Chandrakant M. Khetan and Dr. Krishnan Ramamoorthy, Directors of the Company, retire by rotation and being eligible, offer themselves for reappointment.

Auditors

The Auditors, M/s. Kapoor & Parekh Associates, Chartered Accountants, Mumbai, retire at the conclusion of the ensuing Annual General Meeting and are eligible for reappointment. Members are requested to appoint them as Auditors and fix their remuneration.

Auditors' Report

The remarks as contained in the Auditor's Report, read with Notes forming part of the Accounts are self-explanatory.

Fixed Deposits

The Company has not accepted any fixed deposits from the public under Section 58A of the Companies Act, 1956.

Management Development

Emphasis on Management Development continued during the year through in-house as well as external training program. The process of ISO certification through audits and training has also helped the management developments.

Social Responsibility

In recognition of its responsibility towards the society in general, your Company organises from time to time medical camps for adults and children in various parts of the country. Renowned surgeons from India and abroad specially come to take part in these camps. Your Company has also been awarding scholarships to deserving students for their excellence in academic field.

General

Information on conservation of Energy, Technology Absorption and Foreign Exchange Earnings and outgo is given in **Annexure 'A'**. Information as required under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended, is given in **Annexure 'B'** forming part of this report.

Gratitude and acknowledgment

The Directors wish to place on record their grateful appreciation for the cooperation extended by the Bankers, Financial Institutions, Investment Institutions, Government Departments, overseas joint venture partners, the Governments of these countries and the public at large.

The Directors express their appreciation for the consistent support, hard work and dedication of all the employees in India and worldwide who have contributed towards the success of the Company.

For and on behalf of the Board of Directors

Mannalal B. Agrawal

Chairman

ANNEXURE A

Statement Pursuant To Section 217(1) (3) of The Companies Act, 1956
read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988

A) POWER AND FUEL CONSUMPTION**1) ELECTRICITY**

A) Purchase Units (KWH)

Total Amount (Rs.)

Average rate/unit (Rs.)

B) Own Generator

Through Diesel Generator

Units (KWH)

Cost/Unit

2) Coal

3) Fuel furnace oil + Light Diesel Oil

4) Others/internal Generator

YEAR ENDED 31ST MARCH, 2000	
	15,19,348
	70,01,602
	4.61
	12,97,047
	2,63,301
	4.91
	Nil
	Nil
	Nil

B) CONSUMPTION PER UNIT OF PRODUCTION

Products (with details)

Unit

Electricity

Furnace Oil, Coal & other (specify)

Since the company manufactures several pharmaceutical products and having regard to the records and other books maintained by the company, it is impracticable to apportion the utilities.

C) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**(1) Specific areas in which R & D carried out -**

Research was conducted to develop various new products for marketing divisions. Focus was on development of New Drug Delivery Systems, (NDDS) patentable products and improvement of existing products. Work was also conducted to standardize the crude herbs and extracts. Emphasis was given for cost reduction of existing products and yield improvement.

(2) Benefits derived as a result of R & D-

4 new products were given for launching in domestic market and 12 for exports.

Diet Modulating Fiber (RUFAGE) was given for test marketing. US & South Africa Patent was granted for CAROFIT. OCUGOLD, the only product of its kind for treatment of Age Related Macular Degeneration was launched by Ethical Division. 6 Product patents for NDDS and 3 product patent from natural sources were filed through WTO route.

(3) Future plan of action-

To develop disease specific products,

To work on novel combinations and develop new patentable allopathic / herbal products.

To continue working on NDDS and on cost reduction of existing formulations.

To undertake activity of R & D expansion.

To develop inhouse standardised extracts with authenticated crudes.

(4) Expenditure -

Revenue Expenditure on R & D is charged to respective account heads of the Profit & Loss A/c. Capital Expenditure on R & D is included in Fixed Assets under the respective heads.

2. Technology imported during the last 5 years : Rs. 7.89 Lakhs (US\$ 21,000)

3. Year of Import : 1995-96

4. Has Technology been fully absorbed : Yes

D) FOREIGN EXCHANGE EARNINGS AND OUTGO

	Year ended 31-03-2000 (Rs. in Lacs)	Year ended 31-03-1999 (Rs. in Lacs)
(i) Earnings	5712.18	4934.77
(ii) Outgo on import of raw materials Travelling etc.	1129.12	769.96

For and on behalf of the Board of Directors

MANNALAL B. AGRAWAL
CHAIRMANMumbai
29th April, 2000 Report Junction.com