



ANNUAL REPORT 2000-2001

 ***ajanta pharma limited***

Chairman's Vision



Dear Shareholders,

It has been yet another eventful year for your company with the prescription drug division, Ethi+Care, spreading its wings all over the country. In line with our mission of serving global health care needs, this has enabled your company's research and patented products to be available across the nation.

Beginning the year with just 5 states and a field force of 135, today the 450 strong Ajanta Ethi+Care team reaches doctors all over the country, which is testimony to our philosophy of "Enterprism - The art of creating opportunities and optimizing them". The strategic additions made to the basket of research based growth products continues. This category has been the growth driver and will continue so in the near future also. The full benefit of this expansion will be felt with additional 150 people joining the team shortly.

The exit from Bulk Drug business and reducing in dependence on tender exports has no doubt resulted in a fall in the total turnover of your company. But, more importantly, it signals a paradigm shift in our focus which has now shifted to the core competency of formulations which will generate faster and more wealth for long time to come."

Your company is continuously and consistently working on strengthening its three core fundamentals of R&D, Brands and Global presence. Introduction of new patentable "niche" products, investing on the marketing infrastructure to explore the full potential of the brands and adding more countries and products for the international market are some of the initiatives which will allow Ajanta Pharma a smooth transition in the patent era.

Mannalal B. Agrawal

Board Of Directors

Mr. Mannalal B. Agrawal
Chairman

Mr. Purushottam B. Agrawal
Managing Director

Mr. Madhusudan B. Agrawal
Jt. Managing Director

Dr. Ramesh Jhawar
Director

Dr. Krishnan Ramamoorthy
Director

Mr. Chandrakant M. Khetan
Director

Mr. K. H. Viswanathan
Nominee Director, IDBI

Mr. Nifin Deshmukh
Nominee Director, ICICI Venture
Funds Management Ltd.

Mr. Yogesh Agrawal
Director

Mr. P. R. Sonawane
Company Secretary

Auditors
Kapoor & Parekh Associates

**Registered Office
and R&D Centre :**

"Ajanta House", 98, Govt. Industrial Area,
Charkop, Kandivli (West),
Mumbai - 400067.

Director's Report

To The Members,

Your Directors are pleased to present their 22nd Annual Report on the business and operations of your Company for the year ended March 31, 2001.

FINANCIAL PERFORMANCE

	(Rs. in Lacs)	
	2000-2001	1999-2000
Income	8062	15981
Profit before		
Depreciation & Tax	958	2427
Less : Depreciation	276	495
Profit before Tax	682	1932
Less : Provision for Tax	40	210
Net Profit after Tax	642	1722
Add : Balance b/f	891	401
PROFIT AVAILABLE FOR APPROPRIATION	1533	2123
APPROPRIATION AS UNDER		
i) Interim/Proposed Dividend :-		
- on Preference shares	32	75
- on Equity Shares	176	132
ii) Tax on Dividend	21	25
iii) General Reserves	800	1000
iv) Balance c/f	504	891
TOTAL	1533	2123

It was a year of consolidation after exit of bulk drug business and decision to focus on the core competency of formulation. With all India expansion of prescription business, the domestic formulation has grown at 36% over the previous year. The exports have seen a growth in branded products but reduction in the uncertain tender business. As a prudent accounting policy, the entire expenditure of Ethi+Care expansion has been charged off to the profit for the year. Before charging of this expenditure on expansion, profit after tax for the year has improved to 16% of sales against 11% in the previous year. With further expansion of Ethi+Care team and launch of new products, your directors are confident of improved performance in the coming years.

DIVIDEND

The Directors recommend a dividend for the year @15% on Equity Shares and @ 13% on

Preference Shares of the Company.

MISSION AI 600

Your company entered the prescription drug segment in the domestic market 4 years back with the launch of the Ethi+Care division. The year 2000-01 was commenced with a field strength of 135 MRs spread across 5 states. With the objective of preparing for the impending patent era and the realization of the full potential of your company's patented products, a unique project of reaching out all India with a field force of 600 was taken up in June 2000. The overwhelming response to our patented products like Carofit, Ocugold, Rufage etc. has further confirmed the need for this expansion. Validated by eminent consulting firm CMARC and focussed on 5 fast growing therapeutic segments of Neutraceuticals, Cardiac/Anti-Diabetics, Ophthalmic, Premium Antibiotics & Pain therapy management, the "AI 600" project has enabled Ethi+Care to reach all over the country. Apart from addition of people, which are currently 450, the project also saw addition of 15 new formulations, all of which are in the niche categories, during the year.

The entire focus of the project AI 600 is on therapy management as against product management and during the coming year, it will see 35 new formulations and addition of 150 more people in the Ethi+Care team. The project, unique of its type, will see the company's brands being available all over and build invaluable wealth for the shareholders at a

RESEARCH AND DEVELOPMENT

Your directors are glad to inform you that your company is among the top 10 pharma companies in the country in terms of number of patents filed. The product 'Carofit' has received the 2nd US patent for its anti-oxidant property. The work on first NDDS product is at an advanced stage and is expected to be launched in the coming year. The R&D centre of your company has carried out clinical trials and bio-equivalence studies for various products as per international standards. It has tied-up with G. S. Medical College, KEM Hospital & L.T. Sion Medical College & Hospital for Clinical trials. The R&D set up has also received prestigious ISO 9001 accreditation during the year.

JOINT VENTURE OPERATIONS

Your company's subsidiary at Mauritius has performed very well during calendar year 2000 with turnover crossing (Mauritian Rupees) MUR 100 million. The subsidiary has made major inroads in the African continent with more than 65 products registered in 20 countries and more registrations of products being done in these markets. Ajanta Pharma(Mauritius) Limited enjoys excellent brand equity in these markets and has built good infrastructure to further strengthen its presence there. A major breakthrough has been achieved with State Investment Corporation of Mauritius (SIC) reposing its confidence in the project by taking 33% stake in the equity of this subsidiary. SIC is a development institution in Mauritius owned by the Government. The performance of the Mauritius subsidiary is expected to improve further in the coming years with more registration and new markets being explored.

The Central Asian operations of the company are taking more time than expected for stabilisation. Operations of the joint ventures in Uzbekistan and Turkmenistan suffered a severe setback in Current year 2000 with an acute problem on convertibility front in both the countries and major devaluation of currency in Uzbekistan. Inspite of having good orders in hand, with advance payment, for their products, the JVs are not able to make supplies for want of foreign currency for imports. The outstandings from these JVs have also mounted beyond 6 months due to the same problem. Your company has already approached some of the international financial institutions active in the area for long-term tie-ups for funds to overcome the situation. The project of Kazakhstan and Kyrgyzstan are under implementation and are expected to be operational in next 18 to 24 months. However, the progress of the Tajikistan project needs to be watched and will be clear during the coming year.

GLOBAL OPERATIONS

Your company's focus on the export markets of South East Asia, West Asia, Latin America and part of Africa during the year has reaped good benefits with the main business coming from brand sales, which is relatively more stable and profitable. The company's strategy is to gain entry into a country with tenders, then build the market with generics and simultaneously establish brands for the long term.

A major development in the year was the marketing alliance with Ranbaxy Laboratories, which initially envisages for marketing Ajanta Pharma's six brands namely,

- Carofit (Natural anti-oxidant).
- Thirty Plus (Energy Rechargers)
- Beauty Plus (Skin toner)
- Livoplus (Liver protector)
- Figurin (Slimming Aid)
- Rheumarub (Tropical anti-inflammatory)

The targeted markets for the tie-up are Malaysia, Singapore and Myanmar. The market size for the above products in each of these countries is estimated at USD 20-25 million. It is believed that the tie-up will enable quality Indian products being available in the world market, whereby Ajanta Pharma would be able to establish its brands in these countries, without incurring marketing costs while Ranbaxy would be able to optimize its marketing and distribution infrastructure.

PUBLIC ISSUE FUND UTILISATION

Your company's maiden public issue in March 2000 received good response. The funds were raised for three major projects of R & D, Formulation Plant and Herbal Extraction Plant, apart from repayment of loans and cost of issue.

The expansion of facilities at the R & D centre at Mumbai has been mainly in the areas of formulation development, NDDS and analytical development. All major equipments have either been installed already or are in the process of being delivered as per orders placed. Fifteen new people have joined in different disciplines for carrying out research activities. The R&D project will be completed before July 2001.

Your company's existing formulation facilities are situated in Chikalthana and Paithan near Aurangabad in Maharashtra. Looking at the various benefits available at Paithan industrial area, the new facility is being put up at Paithan near the existing plant location, as against the earlier proposal to locate it at the Waluj industrial area. The land has already been acquired from MIDC and site development work is in progress. A major portion of the building has also been completed and machines are being installed. The work on the facilities for tablets and capsules is at an advanced

stage of implementation and is expected to be complete as per schedule in Oct 2001.

The work on upgradation of the herbal extraction plant at Paithan has also commenced. Part of the building has already been added with infrastructure facilities. Addition of machinery is being done in different stages to validate and absorb the technology. The project completion is expected by October 2001 as per schedule.

The details indicating the purpose for which money was raised and utilisation of funds thereof is given below :

(Rs. In Lacs)			
Purpose	As per Prospectus	Incurred till 31-Mar-01	Balance
Formulation Expansion	2,479	1,866	613
R & D Expansion	1,044	992	52
Herbal Extraction	645	612	33
Loan Repayments	2,071	2,071	0
Issue Expenses	542	564	0
Total	6,781	6,105	698

The unutilised monies out of the public issue have been used for reducing the working capital borrowing of the company which were raised as per the requirements for the project.

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, 2000 alongwith the reports of the Auditors required under Clause (e) of sub section (1) of the said section are annexed hereto forming part of this report.

DIRECTORS

Dr. Ramesh C. Jhawar and Mr. Mannalal B. Agrawal, Directors of the Company, retire by rotation and being eligible, offer themselves for re-appointment.

Pursuant to provisions of Section 260 of the Companies Act, 1956 and Article 118, Mr. Kamalkishor R. Kagliwal was appointed as an Additional Director with effect from 30th July, 2001 and holds office upto the ensuing Annual General Meeting and being eligible offers

himself for re-appointment.

Your Board has appointed Dr. Anil Kumar as Alternate Director to Dr. Ramesh C. Jhawar w.e.f. 16th July, 2001.

The requisite details in respect of these directors have been set out in the Report on Corporate Governance forming part of the Annual Report.

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 re-appointment. 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.

DIRECTOR'S RESPONSIBILITY STATEMENT

Your Directors confirm :-

1. That in the preparation of the annual accounts, the applicable accounting standards have been followed.
2. That the directors 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 at the financial year ended on 31st March, 2001 and of the profit or loss account of the company for that year.
3. That the directors have taken proper and sufficient care 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.
4. That the Annual Accounts have been prepared on going concern basis.

MANAGEMENT DEVELOPMENT

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

SOCIAL RESPONSIBILITY

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

GENERAL

Report on Corporate Governance, Statement on Management Discussion & Analysis, together with information on conservation of energy, technology absorption and foreign exchange earnings and outgo given in Annexure "A" and information as required under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended, given in Annexure "B" form a part of this Report.

GRATITUDE & ACKNOWLEDGMENT

The Directors wish to place on record their grateful appreciation for the co-operation extended by the Bankers, Financial Institutions, Investment Institutions, Government Departments, Overseas Joint Venture Partners, the Governments of these countries, the public and the investors 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

Mumbai,
May 12, 2001

Report on Corporate Governance

The Securities and Exchange Board of India (SEBI) has introduced a comprehensive code on Corporate Governance. The Code is required to be implemented by all entities seeking listing for the first time. Ajanta Pharma Limited (APL) has been complying with substantial requirements of the Corporate Governance even before it was obligatory to do so.

I. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

APL's philosophy on Corporate Governance envisages the attainment of transparency, accountability and equity, in all facets of operations and inter-actions with its Stakeholders, including Shareholders, Creditors, Bankers, Lenders, Employees and the Government.

The Company's philosophy of ENTERPRISM i.e. "the art of creating opportunities and optimising them" has been the guiding force behind the Company and is driven by the mission of 'serving global healthcare needs with empathy, innovation and technology'.

This Philosophy and Mission are facilitating the Company to fulfill its commitment of achieving the highest standards of Corporate Governance and treat the Code as a way of life.

- 2 promoter, executive Directors.
- 2 promoter, non-executive Directors.
- 2 non-promoter, non-executive, independent, nominee Directors, one each representing IDBI as lender & equity investors and ICICI as equity investors.
- 3 non-promoter, non-executive, independent Directors.

The Chairman of the Board is the non-executive Director. The promoter executive directors apart from receiving Director's remuneration do not have any other material/pecuniary relationship or transactions with the Company, its promoters, its management or its subsidiaries. More than 50% of the total number of directors of the Company consists of non-executive and independent Directors. The members of the Board of Directors of the Company are the men of great eminence in their field with great acumen and honour. Two Nominee Directors of IDBI and ICICI, who are considered as independent directors as per SEBI guidelines, are from the ranks of Senior Management of the said institutions.

Attendance of each Director at the Board of Directors meetings and the last AGM, is as follows :-

II. BOARD OF DIRECTORS

The Board of Directors of the Company is comprised of :

Name of the Director	Category of Directorship	No. of Board of Directors Meetings held	No. of Board of Directors Meetings attended	Last AGM Attended
Mr. Mannalal B. Agrawal	Chairman & Non-executive Director	9	8	Yes
Mr. Purushottam B. Agrawal	Managing Director	9	7	Yes
Mr. Madhusudan B. Agrawal	Joint Managing Director	9	6	No
Dr. Ramesh Jhavar	Non-executive Director	9	1	No

Dr. K. Ramamoorthy	Non-executive Director	9	3	Yes
Mr. Nitin Deshmukh	Nominee of ICICI & Non-executive Director	9	5	Yes
Mr. K. H. Viswanathan	Nominee of IDBI & Non-executive Director	9	7	Yes
Mr. Chandrakant Khetan	Non-executive Director	9	7	Yes
Mr. Yogesh Agrawal	Non-executive Director	9	5	Yes

Details of the Directors seeking appointment/re-appointment at the Annual General Meeting on 27th September, 2001.

Name of the Director	Mr. Mannalal B. Agrawal	Dr. Ramesh C. Jhawar	Mr. Kamalkishor R. Kagliwal	Dr. Anil Kumar
Date of Birth	23.08.1947	27.10.1950	15.07.1945	02.03.1951
Date of Joining the Board	31.12.1979	18.01.1993	30.07.2001	16.07.2001
Expertise in specific functional areas	Industrialist with rich experience in Pharmaceutical business with exposure to Accounts, Taxation and other commercial areas.	Research Scientist having vast experience of business in the effluent market of advanced countries like USA.	Several years rich experience in the Banking Field.	Several years rich experience in the Medical Profession as Consultant (Cardiology)
List of outside Directorship held	Ajanta Pharma (USA) Inc.	Ajanta Pharma (USA) Inc.	1) Managing Director of The Akola Janata Comm. Co-op. Bank Ltd. & 2) Director of Apex Co-op. Bank of Urban Banks of M.S. & Goa Ltd.	None
Chairman/Member of the Committees of the Board of Companies on which he is a Director	Chairman of the Board and Member of Audit Committee of Ajanta Pharma Limited	None	None	None

Dates of Board Meetings held during the year

9 Board Meetings were held during the year, as

against the minimum requirement of 4 Board Meetings. The dates on which the meetings were held are as follows : -

10th April, 20th April, 29th April, 16th May, 30th May, 15th July and 21st October in the year 2000 and 12th January and 20th January in 2001.

Information placed before the Board of Directors

Apart from matters which statutorily require Board's approval, all major decisions involving new investments, setting of joint ventures, capital expenditure, acquisitions, sale of assets, etc are considered by the Board.

The following information is already regularly placed before the Board, as will also be required in the future by SEBI's code for Corporate Governance:-

- Annual operating plans and budgets.
- Capital Budgets.
- Quarterly results for the Company and its business segments.
- Minutes of meetings of Audit Committee, Investor Grievance Committee, Share Transfer Committee, Remuneration Committee and Executive Committee.
- Information on recruitment and remuneration of senior officers just below the Board Level, including appointments of Chief Financial Officer and the Company Secretary
- Material communications from government bodies and notices of material importance
- Fatal or serious accident, dangerous occurrences any material effluent or pollution problems.
- Details of any joint venture or collaboration agreement
- Human Resource Development Management and Labour relations
- Material financial obligations
- Material transactions which are not in the ordinary course of business including those involving substantial payment towards brand equity or intellectual property and Sale of investments and assets.
- Compliance with all regulatory and statutory requirements.

III. AUDIT COMMITTEE

APL has already constituted an Audit Committee comprising of 3 non-executive Directors in

September, 1997.

Mr. Chandrakant Khetan	-	Chairman
Mr. Mannalal B. Agrawal	-	Member
Mr. K. H. Viswanathan	-	Member

The broad terms of reference of the Audit committee are as follows :-

- Review of the Company's financial reporting process and ensure its correctness and credibility and compliance with accounting standards.
- Review of accounting and financial policies and practices.
- Review of the adequacy of internal control and internal audit systems.
- Review of company's financial and risk management policies and practices.

The Committee has met 3 times for the financial year ended 31st March, 2001. All the committee members were present for all the three meetings.

IV. REMUNERATION COMMITTEE

APL has constituted a Remuneration Committee, comprising of 3 independent, non-executive Directors :

Mr. Nitin Deshmukh	-	Chairman
Mr. K. H. Viswanathan	-	Member
Mr. Chandrakant Khetan	-	Member

The Remuneration Committee is responsible for determining the remuneration packages for executive directors including their pension rights and compensation payment, based on performance, defined criteria and review of achievements.

The Committee was not required to meet anytime during the financial year ended 31st March, 2001.

Details of remuneration to all the directors for fiscal 2000-01 :

The aggregate value of salary, perquisites and commission paid to the Managing Director and Joint Managing Director for the financial year ended 31st March, 2001 is as under :

Mr. Purushottam B. Agrawal, Managing Director	Rs.13.60 Lacs
--	---------------