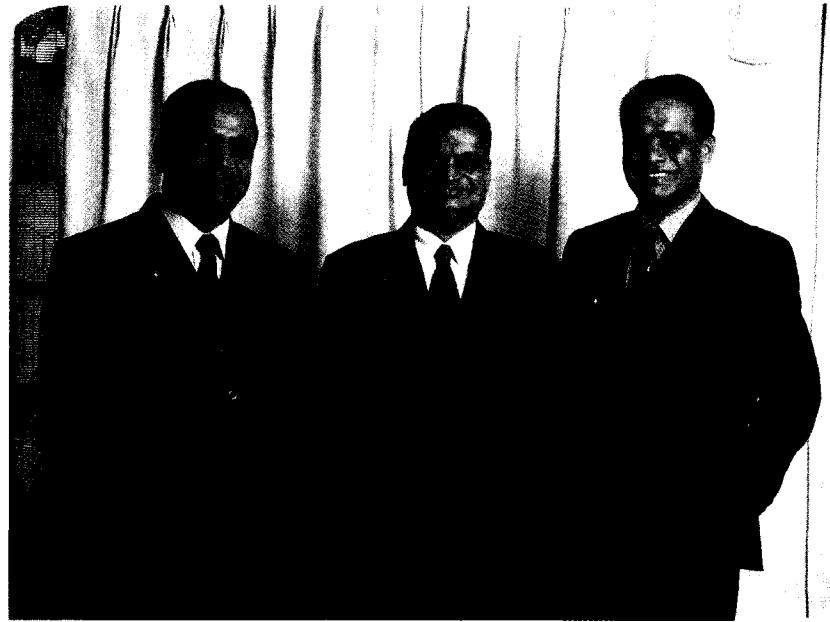


ap / *ajanta pharma limited*



Annual Report 2002-2003



Dear Shareholders,

A 40% growth in sales, much above the industry average has indeed made this an excellent year for us at Ajanta Pharma. This sterling performance is in line with our philosophy of "Enterprism - The art of creating opportunities and optimizing them". What's even more heartening is the fact that the share of exports in the total turnover for the year stands at 63%. Our unstinted commitment to our mission statement of serving global health care needs, with empathy, innovation and technology has enabled us to achieve this growth in the highly competitive global arena.

Our performance for this year validates the strategy adopted by us during the last two years in the international market. With approvals for our manufacturing facilities from Brazil, Libya, France etc. and by adding more products and markets to our basket, we are sure to maintain the pace of growth in the coming years. Our capabilities to meet the needs of our discerning international customers at short notice, is giving us an edge in the market place.

Product innovation and new marketing initiatives have enabled us to remain ahead of the rest in the market. In the domestic market, we have successfully launched our first speciality division for cardiovascular and diabetic segment called "Cardiac and Diabetic Care" or "CDC". To accelerate further growth in India we propose to launch more speciality divisions in the coming years.

Our Joint Ventures and subsidiaries overseas remain an area of concern as all our efforts to make them viable are drawing blank due to economic situations prevailing in those countries. We are exploring various options to reduce the adverse impact of them on the company.

We are confident of achieving better results in the coming years, with the combination of our strategies and focused approach. With the continued support and encouragement of you shareholders, we are sure to take Ajanta Pharma to greater heights in the years to come.

Purushottam B. Agrawal
Managing Director

Mannalal B. Agrawal
Chairman

Madhusudan B. Agrawal
Joint Managing Director

BOARD OF DIRECTORS

Mannalal B. Agrawal
Chairman

Purushottam B. Agrawal
Managing Director

Madhusudan B. Agrawal
Jt. Managing Director

Dr. Krishnan Ramamoorthy
Director

Chandrakant Khetan
Director

Yogesh M. Agrawal
Executive Director

Dr. Ramesh Jhawar
Director

Dr. Anil Kumar
Additional Director

P. K. Sethi
Nominee Director, IDBI

Sumit Chandwani
Nominee Director, ICICI Venture
Funds Management Co. Ltd.

COMPANY SECRETARY
P. R. Sonawane

AUDITORS
Kapoor & Parekh Associates
Chartered Accountants

**REGISTERED OFFICE
& RESEARCH CENTRE**
"Ajanta House",
Charkop, Kandivli (West),
Mumbai - 400 067.
India.

ANNUAL REPORT 2002-2003

CONTENTS

Directors' Report	3
Report on Corporate Governance	7
Management Discussion & Analysis	14
Auditors' Report	17
Balance Sheet	20
Profit & Loss Account	21
Schedules forming part of Accounts	22
Notes to Accounts	30
Cashflow Statement	35
Section 212 Statement Relating to Subsidiary Companies	36
Auditors' Report on Consolidated Accounts	38
Consolidated Accounts	39
Subsidiary Accounts	48

DIRECTORS' REPORT

To the Members,

Your Directors take pleasure in presenting their 24th Annual Report for the year ended March 31, 2003.

FINANCIAL PERFORMANCE

	(Rs. lacs)	
	Year ended 31st March, 2003	Year ended 31st March, 2002
Net Sales	10275	7350
Profit before Depreciation & Taxation	1058	659
Less: Depreciation	707	408
Profit before taxation	351	251
Less : Provision for Taxation	124	47
Net Profit after Tax	227	204

Your Company's sales have crossed the benchmark of Rs.100 crs for the year, indicating an excellent growth of 40% over the previous year. It is more heartening to know that exports have contributed more than 63% of the total turnover for the year. This growth is mainly the result of our efforts in brand building globally during the last 2 years in terms of product registration and facility approval. It is also important that the growth was in spite of lower business with Joint Ventures, in view of continued restriction on their exposure, looking at large receivables from them.

The operating margin has also seen a healthy growth of 100 basis points over the previous year in spite of increased competition in the world market. High interest burden still remains an area of concern and your company is trying its best to reduce interest cost through restructuring of debt.

DIVIDEND

In view of the suggestion by the members in the last AGM and with the objective of conserving the resources for funding the growth, your directors do not recommend any dividend for the year.

RESEARCH AND DEVELOPMENT

The Company's R & D activities continued their progress during the year. Several new products were launched in the market with the help of R & D. One of the products for cardiovascular ailments "Dospin" has been well accepted by the medical profession. R & D will continue to play a big role in the future growth of the company.

JOINT VENTURE OPERATIONS

The operations of joint ventures/subsidiaries remained at low key due to various problems faced in individual countries. The problem on convertibility in Turkmenistan and Uzbekistan, lack of financial closures of projects in Kazakhstan and Kyrgyzstan and apathy of the JV partner in Tajikistan continued to hamper our efforts. Even the international financial institution approached by us had taken a wait and watch view on these countries, which compelled us to reconsider the strategy on these joint ventures. Your directors are considering various options including exit to contain the damage.

SUBSIDIARY COMPANIES

The reports and accounts of the subsidiaries alongwith the statement pursuant to section 212 of the Companies Act 1956 are annexed.

DIRECTORS

Dr. Krishnan Ramamoorthy and Dr. Ramesh Jhawar, the Directors of the Company, retire by rotation and being eligible, offer themselves for re-appointment.

Dr. Anil Kumar ceased to be the Alternate Director for Dr. Ramesh Jhawar and he was appointed as an Additional Director with effect from 28th June, 2003. He holds office upto the ensuing Annual General Meeting and being eligible offers himself for re-appointment. Your approval is sought for his appointment vide resolution set out as Item No. 5 of the accompanying Notice.

Mr. Kamalkishor Kagliwal has resigned as a Director with effect from 28th June, 2003, in view of his other pressing engagements, which prevented him from devoting adequate time to the Company. Mr. Kagliwal has been on the Board since July 2001. The Board places on record its appreciation of the valuable contributions made by Mr. Kagliwal during his tenure as Director.

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.

ANNUAL REPORT 2002-2003

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, 2003 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

In-house as well as external training programs continued during the year to emphasise on Management Development. Efforts were made to build additional skills in the people to take more challenges.

SOCIAL RESPONSIBILITY

The continued efforts towards medical facilities in the form of eye camps, blood donation camps, corrective plastic

surgery camps, educational assistance etc for the society in general, and community development in particular have been appreciated and well participated. Benefits of these activities have been targeted to the needy people of the society.

DISCLOSURE OF PARTICULARS

As required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the relevant information and data is given in Annexure.

PARTICULARS OF EMPLOYEES

During the year under this Report, none of the employees of the Company received remuneration exceeding the limit prescribed under Section 217 (2A) of the Companies Act, 1956, as amended.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a Management Discussion and Analysis, Corporate Governance Report and Auditors' Certificate regarding compliance of conditions of Corporate Governance are made a part of the Annual Report.

GRATITUDE AND ACKNOWLEDGMENT

Your Directors express their appreciation for the contribution made by the employees to the significant growth of the Company. The board also places on record their appreciation for the cooperation extended by the medical professionals, bankers, financial institutions and investors.

For and on Behalf of the Board of Directors,

MANNALAL B. AGRAWAL
Chairman

Mumbai
June 28, 2003

ANNEXURE TO DIRECTORS' REPORT

Statement pursuant to Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure) of Particulars in the Report of the Board of Directors Rules, 1988.

A. CONSERVATION OF ENERGY :

a) Energy Conservation measures taken:

During the year 2002-03, various measures were taken for energy conservation as summarised below:

- Reduced electricity consumption of air handling unit motors by changing its motor connection from delta to star.
- Used electronic chokes in place of electromagnetic chokes.
- Used LDO in place of diesel and by using anti sealing electromagnet on fodder feed water.
- Maintained power factor above 0.98.

b) Additional investments and proposals, if any, being implemented for reduction in consumption of Energy : Nil

c) Impact of measures at a) and b) above for reduction of energy consumption and consequent impact on the cost of production of the goods :

Above all measures have resulted in overall reduction in the cost of energy and consequently reduction in the cost of Production.

d) Total energy consumption and energy consumption per unit of production :

Form - A

Particulars with respect to Conservation of Energy :

		Current Year	Previous Year
(i)	POWER AND FUEL CONSUMPTION		
	Electricity		
	(a) Purchase		
	Unit	1,145,701	914,303
	Total Amount (Rs.)	4,613,526	3,867,954
	Rate/Unit (Rs.)	4.03	4.23
	(b) Own generation		
	Unit	9,728	142,400
	Unit per Ltr. of Diesel Oil	4.45	4.45
	Cost/Unit (Rs.)	5.23	4.54
(ii)	CONSUMPTION PER UNIT OF PRODUCTION		
	The Company manufactures several formulations of different pack sizes. It is therefore, impracticable to apportion the consumption and the cost of utilities to each product.		

B. TECHNOLOGY ABSORPTION :

Form-B

Particulars with respect to Technology Absorption :

Research and Development (R&D)

1. Specific area in which R&D carried out :

Ajanta's Research Centre is one of those few Research Centres in the Pharmaceutical Industry which has its own R&D Centre approved by Department of Scientific and Industrial Research, Ministry of Health, Govt. of India, New Delhi.

The Research Centre received a grant of Rs. 60 lacs from DSIR under the PATSER scheme, for one of its indigenously developed, novel patented product Nimlodi. The product has been commercialized and is a unique product for the treatment of arthritis.

This year speciality products were developed for Cardiac and Diabetic Care Division. These include development of novel, anti-diabetic drugs and certain novel cardiovascular combinations. The areas in which the research was carried out are :

- i) Formulation development to meet marketing needs specially for the CDC division and International marketing team.
- ii) Clinical trials for new ophthalmic antibiotic formulation.
- iii) Cost reduction of existing products & product improvisation.
- iv) Launch of more products in the area of NDDS.
- v) Development of analytical methods for the new products and conducting stability studies for all the products under development.

2. Benefits derived as a result of R&D :

- i) The Ethi+Care Marketing Wing saw the launch of a new division called CDC for Cardiac and Diabetic disorders. Support was given by R & D by way of number of new products, some of them being first of its kind in the country.
- ii) The other products that were developed for the Ethical division were from the category of anti-bacterials, combination of anti-histaminic with mucolytic agent in a controlled release form.

ANNUAL REPORT 2002-2003

- iii) New form of Sildenafil citrate was developed for export market.
 - iv) Major work was done on controlled release formulations of a cardiac drug and combination of anti-diabetic drug.
 - v) Cost reduction was achieved in few products.
3. **Future plan of action :**
- i) To develop new products in the cardiovascular and anti-diabetic range.
 - ii) To work on novel combinations and develop new patentable allopathic products.
 - iii) To continue working on NDDS and on cost reduction of existing formulations.
 - iv) To carry out clinical trials for new products.

4. **Expenditure on R&D :**

i) Capital	:	8.16 Lacs
ii) Recurring	:	84.31 Lacs
iii) Total	:	92.47 Lacs
iv) Total R&D expenditure	:	0.90%
as a percentage of total turnover		

5. **Efforts, in brief, made towards Technology absorption, adaptation and innovation : Nil**

- i) Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc. : Cost reduction was achieved for one product marketed by the ISD division and two products marketed by the Company's Ethi+Care Services.

- ii) In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) :

Your Company has not imported any technology on payment of consideration in the last 5 years.

C. **FOREIGN EXCHANGE EARNINGS AND OUTGO :**

- i. Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plants

The Company has continued its efforts on global market development and got good results in this year in the form of exports attaining a share of 63% in the total sales of the Company. More products and more countries are being added to expand the marketing network globally. During the year, Company received approvals from health authorities of Brazil, France and Libya for its manufacturing facility, which will open these markets for the Company's products.

ii. **Total foreign exchange used and earned**

(Rs. in Lacs)

	Year ended 31.03.2003	Year ended 31.03.2002
(i) Earnings	5,781.97	3,609.53
(ii) Outgo on import of Raw Materials, Travelling	532.92	506.35

REPORT ON CORPORATE GOVERNANCE

Ajanta Pharma Limited (APL) has always followed the policy of creation of wealth on sustainable basis in the long term. To achieve this objective, the Company has taken effective steps for institutionalising the Corporate Governance framework.

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 interactions 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 fulfil its commitment of achieving the highest standards of corporate governance and treat the Code as a way of life.

II. BOARD OF DIRECTORS

During the year the Board of Directors of the Company was comprised of 4 Promoters being 2 Executive and 2 Non-Executive Directors and 6 Independent Non-Executive Directors including 2 Institutional Nominees.

During the year, there have been no changes in the composition of Board. However upto the date of approval of this Annual Report by the Directors there have been some changes in the composition of the Board as mentioned hereinafter.

● Dates of Board Meetings held during the year

4 Board Meetings were held during the year on 30th May, 29th July and 30th October in the year 2002 and 30th January, 2003. In addition to above,

15 Executive Committee Meetings were held during the year under report.

● Information placed before the Board of Directors

Apart from matters which statutorily require Board's approval, all major decisions involving new investments, capital expenditure, acquisitions, sale of assets, new loans availed and security therefor, issuing letters of authority in favour of various persons, opening new bank accounts and closing non-operating bank accounts etc. are considered by the Board.

The following information is regularly placed before the Board :

- Annual Operating Plans and Budgets.
- Capital Budgets.
- Quarterly Results of the Company.
- Minutes of the meetings of Audit Committee, Investors' Grievance Committee, Share Transfer Committee and Executive Committee.
- Information on recruitment and remuneration of senior officers just below the Board Level.
- Material communications from Government Bodies and notices of material importance.
- Fatal or serious accident, dangerous occurrences and any material effluent 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.
- Compliance with all regulatory and statutory requirements.

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

Name of the Director	Category of Directorship	No. of Board of Directors Meetings Attended	Last AGM Attended	No. of other Directorship	Committee Membership	
					Member	Chairman
Mr. Mannalal B. Agrawal	P&NED	4	Yes	1	1	–
Mr. Purushottam B. Agrawal	P&MD	4	Yes	6	1	–
Mr. Madhusudan B. Agrawal	P&JMD	2	Yes	9	–	–
Dr. Ramesh Jhawar	I&NED	-	No	1	–	–

ANNUAL REPORT 2002-2003

Name of the Director	Category of Directorship	No. of Board of Directors Meetings Attended	Last AGM Attended	No. of other Directorship	Committee Membership	
					Member	Chairman
Dr. Anil Kumar (Alternate to Dr. Ramesh Jhawar) @	I&NED	4	No	-	-	1
Dr. K. Ramamoorthy	I&NED	-	No	-	1	-
Mr. Chandrakant M. Khetan	I&NED	1	Yes	16	1	1
Mr. Yogesh Agrawal #	P&NED	4	Yes	1	-	-
Mr. Kamalkishor R. Kagliwal*	I&NED	1	Yes	2	1	-
Mr. P. K. Sethi	I&NED	4	No	1	1	-
Mr. Sumit Chandwani	I&NED	2	No	5	-	1

@ Dr. Anil Kumar ceased to be Alternate Director for Dr. Ramesh Jhawar and was appointed as additional Director w.e.f. 28/06/2003.

Mr. Yogesh M. Agrawal has been appointed as an Executive Director w.e.f. 01/04/2003 subject to approval of AGM.

* Mr. Kamalkishor Kagliwal resigned as Director w.e.f. 28/06/2003.

Includes Private Limited Companies & Foreign Companies

MD	-	Managing Director	I	-	Independent
JMD	-	Joint Managing Director	P	-	Promoter
			NED	-	Non-Executive Director

Details of the Directors seeking appointment/re-appointment at the Annual General Meeting to be held on 30th September, 2003.

Name of the Director	Dr. Anil Kumar	Dr. Krishnan Ramamoorthy	Dr. Ramesh Jhawar	Mr. Madhusudan Agrawal	Mr. Yogesh Agrawal
Date of Birth	02.03.1951	25.09.1933	27.10.1950	29.03.1955	14.01.1972
Date of Joining the Board	16.07.2001	14.03.1995	20.01.1993	31.12.1979	29.04.2000
Expertise in specific functional areas	Dr. Anil Kumar has several years rich experience in Medical Profession. He is D.M. (Cardiology) of October 1982. He is a Consultant Interventional Cardiologist at Bombay Hospital & Medical Research, Mumbai and an Hon. Asstt. Professor of Cardiology at Grand Medical College & JJ Group of Hospital. He is the proud recipient of various prestigious awards including Rustom Jal Vakil Oration (1994) & Dr. Dhiren Datta Oration conferred by Cardiological Society of India and Indian Medical Association.	M.D. and renowned Medical Practitioner. Founder Fellow of Indian College of Physicians and Professor of Medicines at Bombay Hospital Institute of Medical Science. Conferred with the prestigious "Karmayogi" award by Bombay Medical Aid in recognition of his Yeomen Service as a Physician to the ailing public.	US citizen (of Indian origin) holding US passport. Pharma Graduate and M.S. (Pharmaceutical Sciences) from the University of New Jersey. Doctorate in Pharmaceutical Sciences conferred by the New Jersey University. Experience in various fields including R&D of Pharma Products and teaching. Presently, working as Group Manager (Product Development) with Danbury Pharmaceutical Inc., New York. Has issued several publications jointly with other authors of repute in the field of Non ISO Thermal Softening Test Apparatus and other allied topics. Co-inventor of Application Patent for the processing of particular Controlled Release Formulations.	B.Sc. Graduate, Industrialist. Travelled worldwide and has made effective contribution in the Company's international business.	Business Management Graduate from U.S.A. Has handled various aspects of pharmaceutical business in last six years. Has been involved in financing, implementing and commercialising a Business Unit at Mauritius. Presently handling global business operations of the Company.
List of outside Directorship held	Nil	Nil	Ajanta Pharma (USA) Inc.	Surkhan Ajanta Pharma Ltd. Ajanta Pharma (Tashkent) Ltd. Tajik Ajanta Pharma Ltd. Turkmenistan Ajanta Pharma Ltd. Ajanta Pharma (Mauritius) Ltd. Kazakh Ajanta Pharma Ltd. Kyrgyz Ajanta Pharma Ltd. Ajanta Pharma (USA) Inc.	Ajanta Pharma (Mauritius) Ltd.
Chairman/ Member of the Committees of the Board of Companies on which he is a Director	Chairman - Investors' Grievance Committee- APL	Member - Investors' Grievance Committee - APL	Nil	Member - Executive Committee - APL	Member - Executive Committee - APL