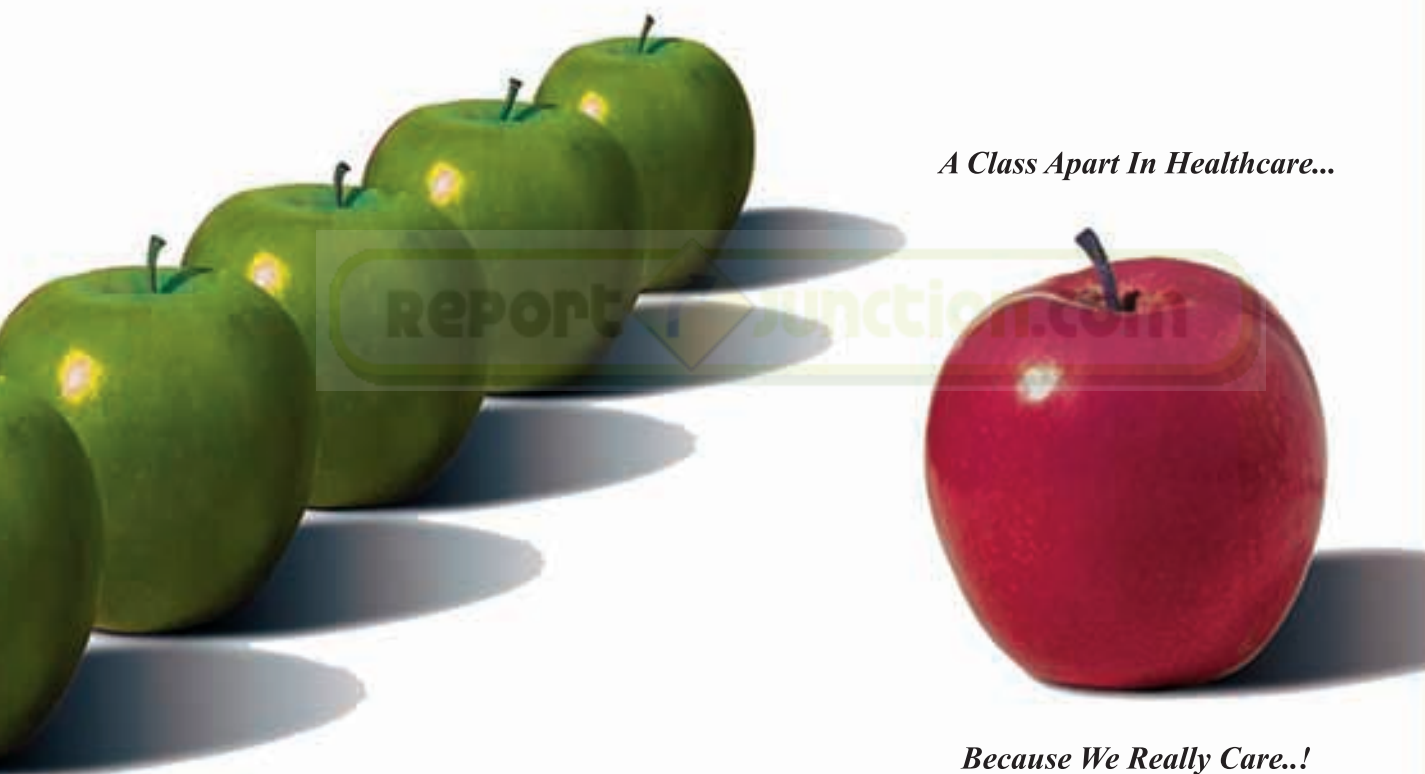


Annual Report 2006 - 2007



A Class Apart In Healthcare...

Because We Really Care..!

THE BOARD OF DIRECTORS

Board Of Directors

Mannalal B. Agrawal
Chairman

Purushottam B. Agrawal
Managing Director

Madhusudan B. Agrawal
Joint Managing Director

Yogesh M. Agrawal
Executive Director

Madhukar
Director

Dr. Anil Kumar
Director

Vikramaditya Ugra
Nominee Director, Exim Bank

J.G. Kinare
Nominee Director, IDBI Bank

Company Secretary
C.Napoleon

Auditors
Kapoor & Parekh Associates

Registered Office
Ajanta House
Charkop, Kandivli (West),
Mumbai - 400 067.
India.

Because *We Really Care..!*

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"A Class Apart" in Healthcare
Because ***"We Really Care"..!***

We really care, go those extra mile to make the difference to act upon the ideas that can fill the gap and satisfy unmet needs. And this thoughtfulness, these new ideas, these extra efforts make us ***"A Class Apart"***, stand apart from others. This difference ultimately works to better many lives, bring more smiles and bring success, that also ***"A Class Apart"***...



MANAGEMENT DISCUSSION AND ANALYSIS



Highlights 2006-07

- Revenues for the year up to 16% at Rs. 247 crores, growth continues
- Leadership in Ophthalmology, Dermatology & Cardiology STA
- Among fast growing companies focused in Chronic segment (IMS ORG)
- Presence in more than 50 countries with brand marketing
- More than 1109 product registrations, 697 dossiers in pipeline worldwide
- Strong R&D capabilities enabling 1st to launch many products in market
- Entering developed market of USA with Contract R&D and Manufacturing
- Initiated major expansion for R&D and manufacturing for US market
- Social contribution in the form of free eye camps & plastic surgery camps

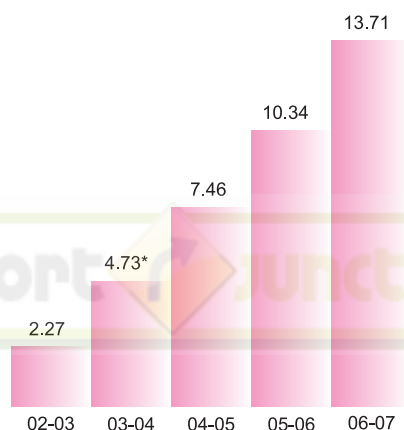


MANAGEMENT DISCUSSION AND ANALYSIS



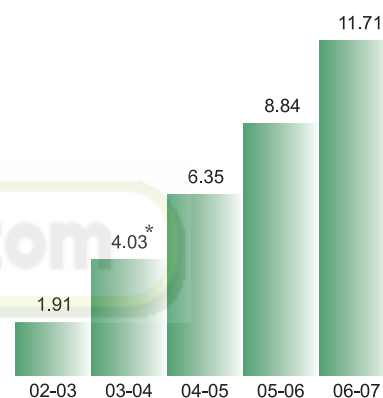
Performance

Net Profit (Rs.in crores)



* PAT before extra-ordinary items

EPS (Rs.)



* PAT before extra-ordinary items

Ajanta Pharma has emerged as one of the fastest growing companies in speciality segments. The consistent growth in total income during last 5 years at Compounded Annual Growth Rate (CAGR) of 24% was the result of speciality focus and brand promotions worldwide, which enabled higher margins. This was reflected in Net Profit moving faster with CAGR of 57% for last 5 years.

Innovative formulations & early to market facilitated better growth over the years. It will continue to be the driving force in future. The benefits of economies of scale are clearly reflecting in the performance and will help us to improve it further.

Total Sales (Rs. in crores)



MANAGEMENT DISCUSSION AND ANALYSIS

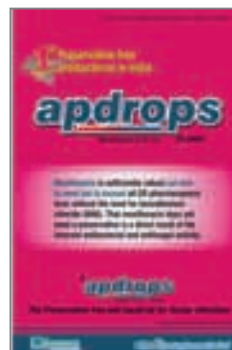
Anvaxx
Enhancing Vision

Illuma
Illuminating Lives

Ophthalmology

"Empathy", which means understanding the need of the customer, is an integral part of Ajanta Pharma's mission statement. In line with this objective of **"Really Caring"**, our products are more patient friendly using complex drug delivery and difficult technologies.

Out of the total 4 new products launched during the year, in 2 of them we were 1st to market. With this, the total number of products in the ophthalmology division has reached to 23. The company is already ranked 6th in this segment as per February IMS ORG 6 of our products are enjoying leadership position in their Sub Therapeutic Areas (STA).



MANAGEMENT DISCUSSION AND ANALYSIS



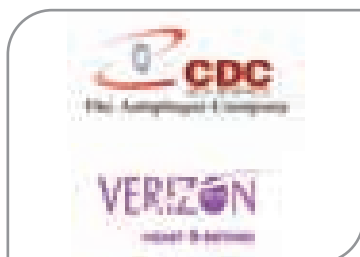
Dermatology

Because we "*Really Care*", we identify and satisfy. It is always the endeavour of Ajanta Pharma to look at unmet needs of the doctors and provide solutions through new products. Skin Care is an area where there is a big gap in terms of products for many new lifestyle diseases. It is here that we added value in the areas of desalinizing agents, corticosteroids & anti acne with 1st of its kind products.

During the last financial year, we added 7 new products to the basket taking its total to 15, many of them being leaders in their category. All these are premium products and that has enabled us to be among the few companies with urban focus as per last IMS ORG survey. We propose to continue our efforts in this segment with more patient friendly products.



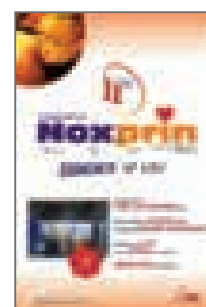
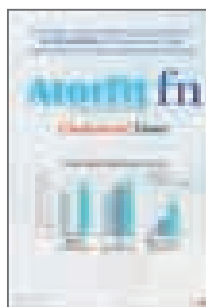
MANAGEMENT DISCUSSION AND ANALYSIS



Cardiology

Chronic therapies are one where the treatment period of the patients extends beyond 3 months. It is here that the patient needs real extra care in the form of ensuring convenience and compliance. Our new product formulations with unique combinations or drug delivery systems enable the patient to achieve both these objectives. Our focus on anti-plaque segment enabled us take leadership position in few 1st to market products in the category.

The multiple dosages and combinations meets the requirement of different class of patients thereby enabling the servicing of entire spectrum. In few cases, our products have taken path-breaking initiatives and created a niche segment in the cardiology speciality.



MANAGEMENT DISCUSSION AND ANALYSIS



Global Care

We are already providing healthcare in the regions of Asia, Africa, Latin America, Middle East and CIS. Our presence spans across 50 countries in these regions. With product basket varying according to the needs of the individual country, we create speciality brands in each of these markets to show **"We Really Care"**. We continue to register more products and added more countries during the last financial year to expand our global reach.

Our initiative to enter the US market is taking shape with the expansion of both R&D and manufacturing facilities specifically designed as per USFDA requirements. We are in the process of tying up for Contract Research and Manufacturing Services (CRAMS) with US companies. Our 1st ANDA filing is expected before March 2008. The ANDA filing will be accelerated in the coming years with the new R&D shaping up during this financial year.



MANAGEMENT DISCUSSION AND ANALYSIS



Research & Development

Patient care through convenience and better compliance, using "Innovation and Technology" in R&D makes us *"A Class Apart"* in Healthcare. Our dedicated team of 130 scientists, supported by well-equipped laboratories, use their excellent development skills to formulate and develop new technological innovations to say *"We Really Care"*.

The gap identification for patient needs in the speciality segments by marketing was just a beginning but became a reality only through our R&D efforts. There were challenges and hurdles, which were crossed by the R&D in delivering new product launches during the year, many of them being 1st of its kind.

Our new state-of-the-art R&D facility called "ADVENT" is getting ready in Kandivli, the western suburb of Mumbai with about 30,000 sq.ft of built up area. The first phase of 10,000 sq.ft. will be operational by July 2007 and the second phase will be completed by March 2008. This facility will be having 200 scientists when fully operational and will be concentrating on CRAMS activity for ANDA besides meeting needs of our other marketing operations.



MANAGEMENT DISCUSSION AND ANALYSIS



Overview & Outlook

Indian pharma market is ranked globally 4th by volume, 13th in value terms and among the top 20 global exporters. With robust growth of around 18% (February 07 MAT), the Indian pharma industry is going to increase its share in the world market. The Specialist-driven products contributed 62% of the growth in 2006. Our speciality focus therefore, makes us a *"Class Apart in Healthcare"*, and we will continue to work on more speciality segments in the coming years. We are also looking for in-licensing and acquisition opportunities for accelerated growth.

Increasing incidence of lifestyle diseases, large number of products going off patent and India's competitive edge in CRAMS offer immense growth opportunities for Indian pharma industry. However, increasing pricing pressures, intense competition and recurring litigations pose major threats while going forward.

Risk of delays in product filings, project implementations, product obsolescence and concerns on frequent policy changes and Government interventions remains. We regularly review cost, projects, timelines and our rich past experience will enable us to overcome the threats and concerns. We have taken adequate insurance for all the assets of the company. Proper control mechanism through well laid out systems and procedures with regular audits ensures internal control in the company.

A strong team of 1300 Ajantaites from different nationalities drives growth of the company. Our sound HR policies ensure high motivation level and better performance of the team.

Cautionary Note:

Certain statements in the reports of the Board of Directors and Management's discussions and analysis may be forward looking statements within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied since company's operations are influenced by many external and internal factors beyond the control of the company. The company assumes no responsibility to publicly amend, modify or revise any of these statements on the basis of any subsequent developments, information or events.