ajanta pharma limited

ANNUAL REPORT 2007-08

ANNUAL REPORT 2007-08

Blossoming Lives... with Research & Development

Board of Directors

Mannalal B. Agrawal
Chairman

Purushottam B. Agrawal
Vice Chairman

Madhusudan B. Agrawal
Vice Chairman

Yogesh M. Agrawal
Managing Director

Madhukar
Director

Vikramaditya Ugra
Nominee Director, Exim Bank

J. G. Kinare
Nominee Director, IDBI Bank

Dr. Anil Kumar
Director

Auditors

Kapoor & Parekh Associates

Company Secretary

C. Napoleon

Regd. Office

Ajanta House
Charkop, Kandivali (W),
Mumbai - 400 067.
India

Content

Management Discussion & Analysis 1
Stand Alone Financial Statements 9
Consolidated Financial Statements 33
Directors' Report 49
Corporate Governance 53
Subsidiary Accounts 60

Blossoming Lives – with Research & Development!

All our endeavours are towards Patient Convenience and Patient Compliance. Our thoughts, actions, innovations and inventions centre around the patient, who is our first and foremost concern. Research and Development, the fountainhead of our innovations, is essentially towards not just serving and preserving, but also bettering the lives of our consumers, with the help of our New Drug Delivery System. We dedicate ourselves to making life better and easier for our consumers. In other words, we work towards making life blossom–through our Research & Development.

Our approach is uniquely patient–oriented; almost Consumer Customized, and extremely rare –

Because We Really Care…!

R & D - Because We Really Care

R & D - Because We Really Care

Management discussion and analysis

We are pleased to announce the commissioning of your company's new State Of The Art Research & Development centre named "ADVENT" at Kandivli, Mumbai. It is an important land mark in the progress of your company, reflecting our commitment of ***"We Really Care"***. The Research & Development Centre facility is of global standard comparable to the best anywhere in the world. We have doubled the strength of our R&D team who is relentlessly working for ***"Blossoming Lives"***.

Research & Development is the fountain head for all our business initiatives. Be it, series of new launches in the domestic market, or the product for World Health Organisation (WHO), or the unique product portfolios for international markets, all are the result of our strong belief in Research & Development.

R & D - Because We Really Care

We have created brands worldwide through our innovative R&D products. We have perfected product technologies through our R&D, which we out licensed to other companies to enable them launch these products in the market, thereby, reaching to more consumers. We expect such more deals to be done in the coming years. We are also in-licensing products which are not available in the country and bringing smiles to those needy patients.

The new task at hand for the R&D team is development of Abbreviated New Drug Applications (ANDAs) for the US market, which will place the company in the elite club of few of them to do so from India.

And all this, to ensure we help in ***"Blossoming Lives"*** for our ***all stake holders***, as reflected in our performance.

Domestic Market

Management discussion and analysis

The domestic formulation market has seen an excellent growth of double digit in the past year on the back of speciality focus. Acute therapies and chronic therapies contributed the most to this growth. There are many drivers to this growth like, awareness, higher disposable income, penetration, prevention attitude, etc. This offers immense opportunities for the people who care.

All this has made us to focus on speciality segments in the domestic market by introducing innovative many first to market products exclusively for patient convenience and compliance. Our R&D has untiringly given a pipeline of products for ***"Blossoming Lives"*** in the areas of Ophthalmology, Dermatology, Cardiology, ENT, Pediatric, Gastro & Orthopedics. It is only because of this patient caring that in three years we could gallop to number 6 in Ophthalmology ranking in the country. Our increasing market share and faster growth compared to industry average are all the indicators of our efforts towards ***"Blossoming Lives"***.

We have been able to add value in the patient care by in-licensing some of the rare products for the domestic market. These products, otherwise not available to the patients, have been brought to show ***"We Really Care"***. It is through innovative products and solutions to the needy patients that we are ***"Blossoming Lives"***. There are large opportunities in the domestic market for such innovations and we are taking every step to remain committed to our motto of caring for the patient.

Global Market

Management discussion and analysis

Our focus on R&D enabled us to reach global markets across continents and acquire leadership in many of these markets. Our empathy towards the patient allowed us to innovate for their convenience and compliance, which in turn helped in "***Blossoming Lives***" across the world.

The global pharmaceutical industry is looking for reliable quality products at an affordable cost. This is essential for reaching to every needy patient, specially, with changing disease pattern in different parts of the world. The under developed and developing countries are struggling with traditional diseases, where an innovative solution from countries like India can be a big relief in terms of cost and quality. Our R&D team has developed a unique anti-malarial product, to be only second generic in the world to do so, which is considered as priority essential medicine by World Health Organisation and our manufacturing facility has been approved pre-qualified by WHO for the same. This we consider as our contribution towards ***"Blossoming Lives"*** of the people from these under developed and developing countries.

The developed markets, also called regulated markets, are looking for reducing the cost of health care for their patients at large. USA is the biggest pharmaceutical market in this category. There are many products going off-patent and the government is looking for generic quality product at reasonable cost. Here again, our R&D has taken the task of developing few such generics (ANDAs), which are difficult to make and which can provide big relief to the patients in the form of convenience. Hence we say, ***"We Really Care"*** to ***"Blossoming Lives"*** through R&D.

Infrastructure

Management discussion and analysis

We are well aware that to continue our care for the patients, we need to build new infrastructure and upgrade the existing ones. It is in this direction that we are regularly investing in facilities for research & development, manufacturing, distribution and people empowerment. Our first phase of new R&D facility in Mumbai is already completed and the second phase will be taken up shortly.

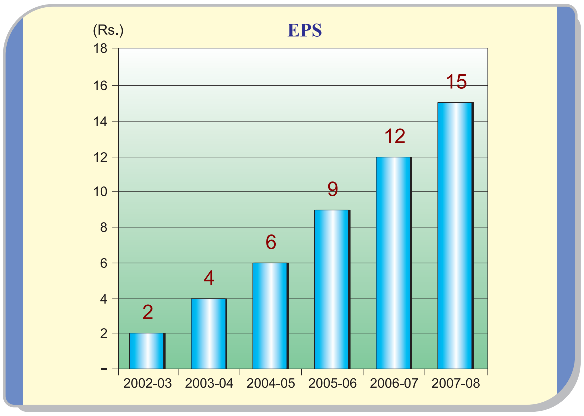
The manufacturing facility at Paithan is ready for USFDA approval, which is already approved by WHO Geneva. We are expanding capacities at this facility as well as have taken over a manufacturing facility near Aurangabad. This enables us to service different markets with ease and continue to ***"Blossom Lives"***. Our commitment to quality and our quality consciousness has been recognised by our industry body IDMA by conferring a ***"Silver Award"*** for ***"Quality Excellence"*** for our Paithan manufacturing facility.

We have strengthened our distribution capabilities by setting up a large central warehouse which will enable us to improve our supply chain management substantially and bring in savings in terms of inventory levels.

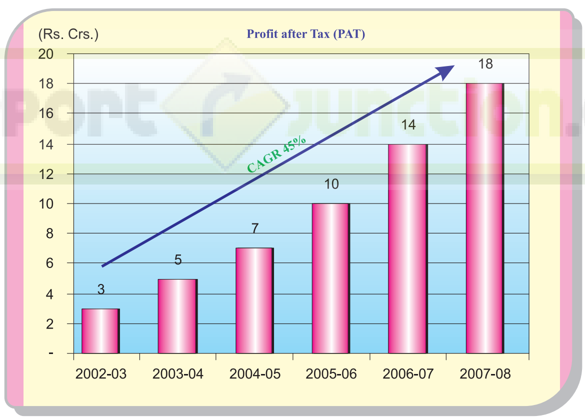
Our biggest strength is our fully dedicated, highly motivated and experienced team of more than 1,800 people spread worldwide with different nationalities. We are heavily investing on this valuable resource to enhance their skill sets and making them enable to perform better and better, or ***"Blossoming Lives"***.

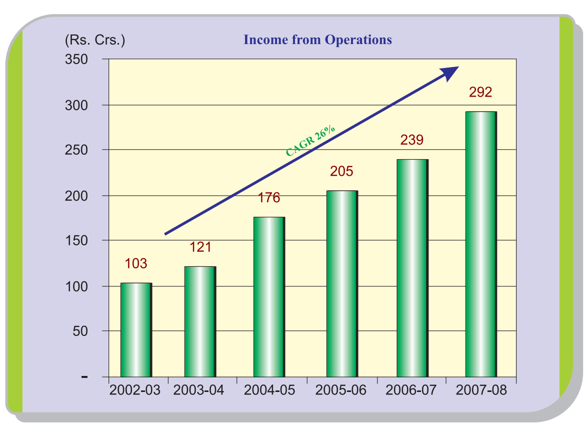
Performance Speaks

Management discussion and analysis



It is an established fact that caring brings growth, brings progress, blossom lives. Our investment in R&D for last many years has yielded excellent results. Our consistent growth performance year after year was the result of our dedicated belief in ***"Really Caring"*** through R&D. Today that caring is ***"Blossoming Lives"*** for everyone, for every stakeholder of the company, the patient, the medical professionals, the supplier, the lenders, the shareholders, the employees and all of them. Our Compounded Annual Growth Rate (CAGR) far exceeds the average of the industry. We are confident that our performance will continue to blossom in the coming years.





Overview

Management discussion and analysis

The Indian pharmaceutical industry has many opportunities for growth like, the growing domestic market, ever increasing global market share, US Generics, R&D, contract research & manufacturing, etc. and it is making every efforts to encash these opportunities. However, frequent changes in the policies governing the industry, delays in decision making, appreciating rupee, increasing costs and price pressures remains the threats for the industry. We are making all efforts to overcome the threats while exploring all the opportunities with a difference. Our unique approach enables us to continue ***"Blossoming Lives"*** inspite of the threats.

We have established excellent internal control systems through a process of internal audit, which is based on ranking the efficiency levels of each of the function of the organisation. This enables us to bring more efficiency in everything we do; thereby cutting the extra costs, resulting in ***"Blossoming Lives"*** for our investors.

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.