



GAINING GROUNDS

A N N U A L
R E P O R T

2011-12



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Purushottam B. Agrawal

Vice Chairman

Madhusudan B. Agrawal

Vice Chairman

Yogesh M. Agrawal

Managing Director

Dr. Anil Kumar

Director

Chandrakant M. Khetan

Director

Subal Chandra Saha

Nominee Director (IDBI Bank)

Madhu G. Verma

Nominee Director (Exim Bank)

Auditors

Kapoor & Parekh Associates

Cost Auditors

Sevekari Khare & Associates

Company Secretary

Deodatta Pandit

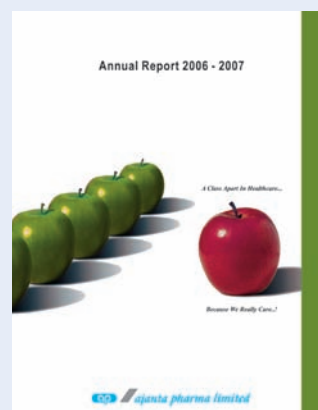
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Charkop, Kandivli (W), Mumbai - 400 067



**BECAUSE
WE REALLY
CARE**



**we have been
BLOSSOMING
LIVES WITH
R&D**

Management Discussion and Analysis

We are moving ahead, making progress, steadily, with a strong determination, to have stronger & wider foundation leading to continued growth for the organization. And it is in every direction, improving ranking in domestic market, enhancing depth in export markets, increasing thrust on R&D, investment in new manufacturing facilities, empowering the team to excel and bringing financial efficiencies, to make our growth sure, scalable and sustainable.



which gave us
**CONSISTENT
GROWTH**



which permitted us
**MAPPING
COMPLETE
PHARMA
VALUE CHAIN**



which led to
**SCALING NEW
HEIGHTS**



and now, we are
**GAINING
GROUNDS**

GAINING GROUNDS

Domestic Market



We serve the domestic market with specialty segments of Ophthalmology, Dermatology, Cardiology, Orthopedics, ENT and Gastroenterology. And in each of these segments, we enjoy leadership in sub-therapeutic segments through product innovations. This has enabled us to continue better performance year after year, with growth above segment average and improved ranking. Today, we have been placed amongst the Top 50 pharma companies in the Indian market (IMS ORG MAT March 2012). Our 2000+ strong field force continuously strive to reach every specialist, enabling him to provide better care to his patients. Our participation in different forums, focused on medical professionals of our specialties, permits us to reach a larger group at a time. We continue to launch new products in the market in different therapeutic segments and during the year the new product launches were 25 out of which 13 were first time in the country.

Export Market



Export contributes more than 60% of the company's revenue from emerging markets of Asia, Middle East, Africa and Latin America. The customized product basket for each country catering to its unique requirements helps us in taking leadership position in different sub-therapeutic segments in these markets. With a view to increasing depth in geographies, we were preparing ourselves during past few years to enter regulated markets, by getting one of our manufacturing facilities approved by USFDA and simultaneously filing ANDAs. We have 2 ANDA approvals from USFDA with another 7 awaiting approval. Our first product will be launched in the US market in first quarter of next financial year. With this we will have presence in world's largest pharma market, which will place us among the few elite pharma companies in the country having presence in the regulated markets.

Research & Development



Innovation has been the guiding factor all along in the growth journey of Ajanta Pharma. We have been able to consistently offer quality products through these innovations, thereby providing convenience to patients in complying with their treatment process. Our focus has been on sustained release, controlled release, extended release, oral dosage to ointments & eye drops, combinations etc. We have also been able to build on our excellent regulatory filing capabilities and accelerate our work on ANDA filings with USFDA, completing 7 new filings during the financial year. We propose to continue this pace of ANDA filing and accelerate further in the coming years. Our R&D continues to prepare and file further product registration dossiers in emerging markets, which has taken the number of product registrations to 1400+ with another 1200+ under the registration process. We are committed to continue the thrust on innovation through our R&D to gain further grounds in our focused markets.





Manufacturing Facilities

Currently we have 4 manufacturing facilities in India, 3 for formulations and 1 for APIs (for captive consumption). Another formulation manufacturing facility is located in Mauritius through our 100% subsidiary. One of the manufacturing facilities in India is approved by USFDA, UKMHRA, WHO Geneva (pre qualification) and many more health authorities of countries from emerging markets. We continuously upgrade our facilities as also carry out balancing / debottlenecking in different sections to optimize existing capacities. With consistent growth in coming years and our own manufacturing capacities peaking in next 2 years, we have to prepare for growth requirements 2 years down the line. Hence, we need to build our own capacities immediately and we have started taking steps in that direction. We have planned two separate manufacturing facilities – one for regulated markets & another for domestic & emerging export markets. These projects will have latest state of art equipments providing highest quality pharma products and will be completed in 24 months. An investment of around Rs.400crores is envisaged for this purpose and we will raise new debt for funding this capex, apart from using our own internal accruals.

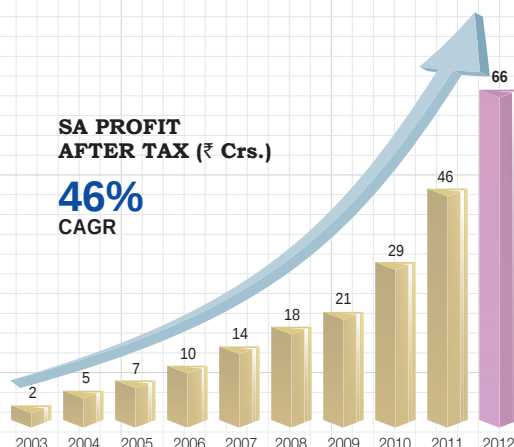
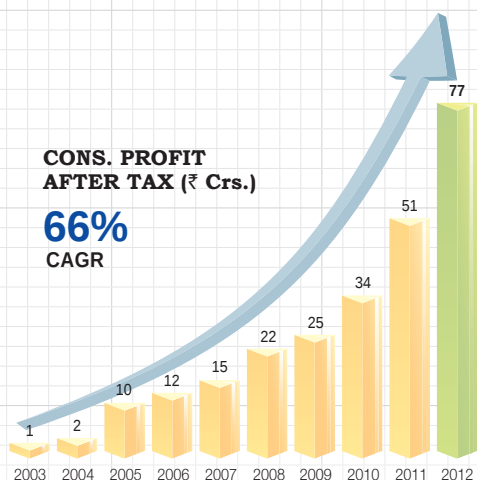
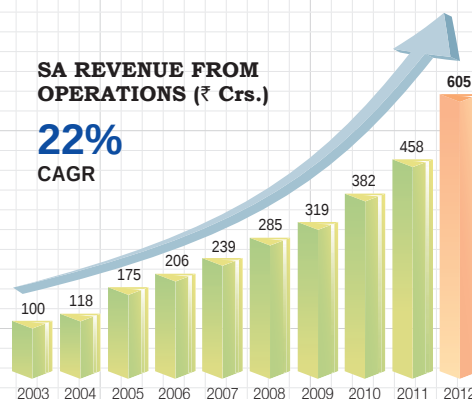
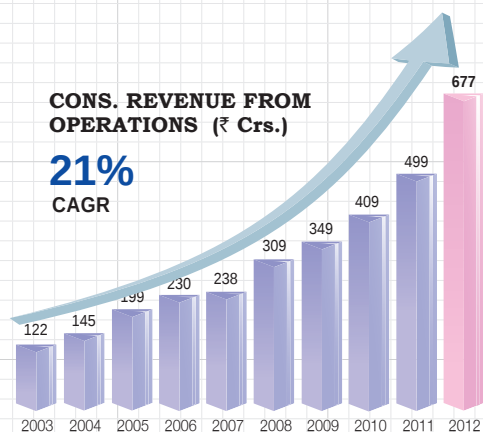


We have largely been successful in attracting and retaining talent. The 3500+ Ajantaites worldwide, consisting of different nationalities, drive the growth of Ajanta Pharma. We have been taking many steps to assist the team to excel at its best. Offering congenial environment, creating personal growth opportunities, providing technical and soft skills training to enhance their capabilities, etc. are some of the initiatives which have resulted in higher efficiencies and excellent employee satisfaction. During the year, all senior team members have been exposed to one of the leading business schools in the country, providing them with opportunity to



understand the best practices prevailing across the world. Our Continuous Learning Program "CLP @ APL" has received a great response as everyone in the organization took benefit of enhancing their skills at these programs.

Ajanta Pharma has always been very conscious of its Corporate Social Responsibility and to this effect we have identified a focus area of conducting Eye Camps for the poor and needy, in many rural parts of the country. During this financial year, about 25000 people took the benefit of these camps and more than 8000 people were operated successfully in these camps.



Financial Efficiencies

In a growing organization like ours, it is essential that, we enhance our efficiencies at every stage to retain the benefit of economies of scale. During this phase of growth, there is always dilemma in terms of priority to be given to “need of higher investment for future growth” and “need for higher retained earnings for future growth”. Both look contradictory to each other, but are essential for any growing organization. We

have been able to achieve a good balance between both these factors by inculcating the atmosphere of efficiency building in every aspect of business. This is clearly reflected in our improved EBITDA margin in spite of higher spending on R&D. All the financial ratios are pointing towards the financial efficiency we are able to bring in across the organization.



Overview

India's pharmaceutical market grew at 15.7% during December 2011, an excellent performance by all standards. Chronic care therapies like, Cardiology, GI, Derma, Diabetes, etc. continue to outgrow the market. This performance is the result of many factors influencing growth like better health awareness, increasing population, lifestyle diseases, insurance and many more. Ajanta Pharma has displayed unprecedented growth amongst its close competitors in all segments where it has a presence. Expansion of doctor base, coupled with increased prescription rate has provided higher productivity. We have been able to gain market share and improve ranking during the year on the back of this enhanced productivity.

Emerging markets of Asia and Africa have also seen good growth with exports from India keeping pace with it. World's largest pharma market USA continues to provide tremendous opportunity for Pharma companies in launching generics, as several leading brands are losing patent. We have been the beneficiary of growth in various export markets and now we are expanding our geography to USA, thereby

expecting an excellent growth momentum in coming years. We have been preparing for some time now for this opportunity and have been gaining grounds at various levels to retain growth momentum.

The continued uncertainty on policy and regulatory front from Government, ever increasing time taken for product approvals, wild movement in currency rates, uncertainties and disturbances prevailing across the world, undue interference by some of the European countries in movement of goods, counterfeiting and many more threats are facing the industry. We have been proactive in terms of such threats and have been fairly successful in containing adverse impact of such threats on operations.

Our internal control systems are well in place and now with the initiative of ISO certification process undertaken, entire processes have been revalidated to ensure highest efficiency and prevention of leakages at every level of the organization. Our objective of bringing in efficiency from lowest level to the highest level has been paying good results.

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.