



ANNUAL REPORT 2013-14

LATERAL BY DESIGN



Thematic overview

This Annual Report has been themed around 'Lateral by design'. The theme explains how an unconventional approach in a largely conventional space has helped Ajanta Pharma Limited outperform sectoral growth on the one hand and significantly enhance shareholder value on the other.



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A SNAPSHOT

- A specialty formulations company.
- Ranked 39th in the Indian formulations market.
(IMS MAT March 2014)
- Grew market capitalisation from ₹ 235 crore in March 2011 to ₹ 3,497 crore in March 2014.

There are number of routes for growing one's presence in the competitive Indian pharmaceutical sector.

At Ajanta Pharma Limited, we have selected to pursue a differentiated strategy. This is marked by the manufacture of value-added products in niche therapeutic spaces addressing unmet patient needs.

Our differentiated strategy is captured tellingly in just three words.

Lateral by design.

WHAT DO WE MEAN BY THE TERM
'LATERAL BY DESIGN?'

- Study a supposedly saturated space and find under-addressed niches
- Appraise the needs of the moment and target sustainable growth
- See a market opportunity not on the basis of its existing size but what it can be
- Adapt an existing paradigm and modify it to suit our needs
- Enter a challenging market not on the basis of what it will do for us but how we can evolve that space

HOW HAS 'LATERAL BY DESIGN' ENHANCED VALUE FOR OUR COMPANY?

- Grown revenues and profits every single year over the last five years
- Increased net profit margin from 8% in 2009-10 to 19% in 2013-14
- Helped us outperform the sectoral growth average consistently
- Increased our return on capital employed from 14% in 2009-10 to 47% in 2013-14
- Reduced our gearing from 0.77 in 2009-10 to 0.12 in 2013-14

LATERAL BY DESIGN



FORMULATIONS, FORMULATIONS, FORMULATIONS

FOR YEARS, CONVENTIONAL WISDOM DICTATED THAT COMPANIES MANUFACTURE FRONT-END PRODUCTS AND THEIR CORRESPONDING RAW MATERIALS AS WELL, LEADING TO ENHANCED VALUE-ADDITION.

AJANTA PHARMA SELECTED TO THINK Laterally INSTEAD.

We focused singularly on manufacturing and marketing branded generic formulations for the following reasons:

- It enabled us to offer a customised product portfolio in each of our markets, in line with our emphasis on empathy, which is a part of our mission statement
- We recognised that being patient-focused reinforced our insight into unmet needs, leading to corresponding product development
- We recognised that a formulations focus would translate into enhanced margins, ensuring sustainable growth

The result

Our topline growth of 30% CAGR over the last five years, with a bottomline growth of 62% CAGR during the period, vindicated our lateral approach.

Lateral strategy

SINGULAR FOCUS ON THE DEVELOPMENT, MANUFACTURE AND MARKETING OF NICHE FORMULATIONS

Effect

700 bps

Growth in 2013-14 EBIDTA margin over the previous year

LATERAL BY DESIGN



DRIVEN BY EMPATHY

FOR YEARS, CONVENTIONAL WISDOM DICTATED THAT A COMPANY EXTEND ITS COMPLETE THERAPEUTIC PRESENCE ACROSS ALL THE COUNTRIES OF ITS PRESENCE.

AJANTA PHARMA SELECTED TO THINK Laterally INSTEAD.

Driven by empathy, we focused on providing customised responses to therapeutic segments:

- Segments which were critically under-addressed with unmet needs offered a first-mover's advantage
- Under-penetration in therapeutic segments presented an opportunity to ensure sustainable growth, and allowed us to become the leader in many categories
- Focussed therapeutic presence specific to each market enabled us to gain market share quickly.

The result

The Company's India ranking scaled from 45 in 2012-13 to 39 in 2013-14, amongst the biggest jumps by any Indian pharmaceutical company during the year under review (Source: IMS MAT March 2014).

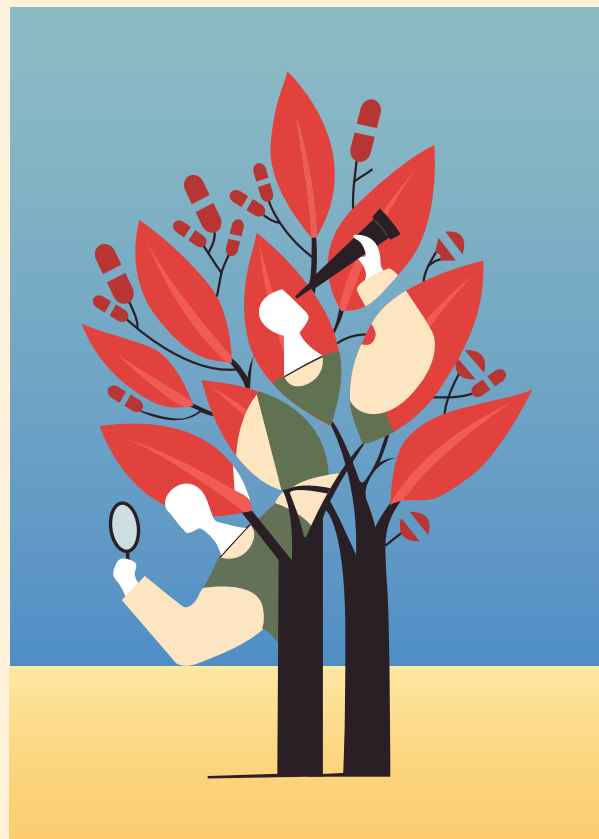
Lateral strategy

AJANTA CUSTOMISED ITS PRODUCT BASKET TO CATER SPECIFICALLY TO EACH MARKET OF ITS PRESENCE

Effect

The Company stood 5th, 13th and 24th in the ophthalmological, dermatological and cardiological segments respectively in India in 2013-14 (Source: IMS MAT March 2014).

LATERAL BY DESIGN



BRANDED GENERICS