

LOOKING BEYOND CHALLENGES
EMBRACING
TOMORROW

ANNUAL REPORT 2018-19



WHAT'S INSIDE

01-14

CORPORATE OVERVIEW

Letter to Shareholders	02
Business Overview	04
Looking Beyond Challenges, Embracing Tomorrow	06
Building Tomorrow's Infrastructure, Today	10
Financial Overview	12
Corporate Information	14

15-54

STATUTORY REPORTS

Management Discussion & Analysis	15
Directors' Report	20
Report on Corporate Governance	40

55-174

FINANCIAL STATEMENTS

Consolidated	55
Standalone	117

175-192

NOTICE	175
--------	-----



For more details, please visit:
www.ajantapharma.com



VISION

Be a niche player in
global pharma space and
to enhance value for all
stakeholders.



MISSION

To serve Global
Healthcare needs through
Empathy, Innovation and
Technology.

Challenges are inherent part of every business.
At Ajanta Pharma, success is demonstrated
by our ability to look for opportunities beyond
these challenges.

While your Company has consistently been upfront about the trials it faces, it has been equally proactive to rightly strategise and embrace tomorrow.

This annual report is a narration of the same.



▲ Expanded R&D Centre

LETTER TO SHAREHOLDERS



Despite the challenging year, we generated net cash flow from operating activities of ₹ 375 cr. which allowed us to fund our entire capex for the year from internal accruals. We have been proactive in terms of capacity building to meet our emerging needs for the next 5 years along with bringing efficiency.

Dear Shareholder,

Performance for the last financial year was in line with our expectation, where we could withstand the sharp decline in institution business by recouping it with growth in other segments. Our strategy to de-risk the business through diversification of portfolio across markets, segments and products proved to be very useful.

We used this opportunity to build efficiency across the organisation through productivity enhancement, cost rationalisation, capacity building and above all, remaining agile for our next phase of growth.

We continue to be passionate about finding unmet medical needs of our customers and use our R&D capabilities to fulfil the same, ahead of competition. Our concentrated strategy in terms of selected markets and therapies along with on-ground presence in each market, has been instrumental in ensuring sustainability of our business for long-term.

SEGMENT REVIEW

Our branded generic business in India grew 16% against industry growth of 11% as per IMS MAT March 2019. During the year, we launched 28 products in branded generic space in the country. We aspire to continue

beating industry growth with reasonable margin on the back of strong brands and new product launches.

In other emerging markets of Asia and Africa, our branded generic sales remained almost flat as a result of pipeline filling in the previous year that got normalised. Our brands in all our key markets continue to post satisfactory growth, reflecting strong inherent fundamentals built over the years. We continue to build more brands in these markets and are very positive about the same.

The anti-malarial institutional business of Africa, faced a sharp decline as guided in the beginning of FY 2019. It came down by 49% in FY 2019 compared to previous year. We have been always upfront about the nature of such institutional businesses being lumpy in nature, where there is always uncertainty about its continuation. We expect this business to remain uncertain in coming years.

US generics industry saw some stability after last year's sharp price erosion, but with increasing cost of servicing that market continues to pose challenges for Indian players. We registered strong growth of 46% at the back of 8 new product launches during the year. We remain optimistic about growth from this market, with 10-12 new filings every year.



Our branded generic business in India grew 16% against industry growth of 11% as per IMS MAT March 2019. With the focus on first-to-market products in niche therapeutic segments, we aspire to maintain this above industry growth in coming years.

FINANCIAL HIGHLIGHTS

Consolidated income from operations was lower at ₹ 2,055 cr. against ₹ 2,131 cr. in the previous year. The major impact was from Africa's anti-malarial institutional business. While this is the first annual decline of revenue for Ajanta over the last 15 years, we remain confident of future opportunities with our carefully selected product pipeline for the generics market in US and branded generics in India and other emerging markets.

Our EBITDA (Earnings before interest, tax, depreciation and amortisation) margin fell by over 250 basis points to 28% in FY 2019 as operational expenses from our two new facilities at Dahej and Guwahati are fully charged to P&L. The capacity utilisation at both these plants are low as we are in the process of gradually ramping up product approvals from these facilities. Our net profit for FY 2019 consequently declined by 17% to ₹ 387 cr.

Despite the challenging year, we generated net cash flow from operating activities of ₹ 375 cr. which allowed us to fund our entire capex for the year from internal accruals. We have been proactive in terms of capacity building to meet our emerging needs for the next 5 years along with bringing efficiency.

We would like to take this opportunity to thank our dedicated employees for their passion with which they continue to contribute to the culture of excellence.

We thank you all for your continued support in our growth. And we hope that you will continue to repose your faith in us.

Warm regards,

Yogesh M. Agrawal
Managing Director

Rajesh M. Agrawal
Joint Managing Director

BUSINESS OVERVIEW



₹ 2,055 cr.
Global Revenue



30+
Markets Globally



9%
R&D Spent of
revenue

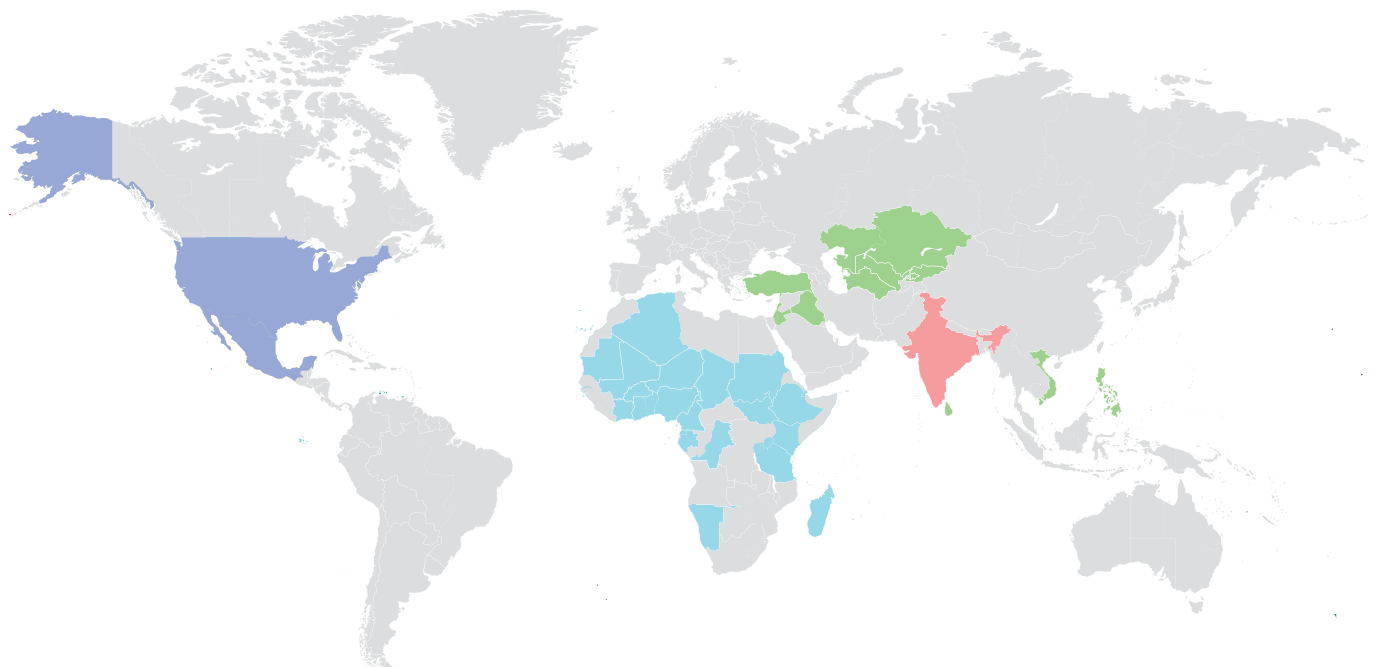


7
Manufacturing Facilities,
2 USFDA approved



6,500+
Ajantaites across
the world

SALES % BY GEOGRAPHY (FY 2019)



(Map not to scale. For illustrative purposes only.)

GROWTH DRIVERS



Customised
market specific
product portfolio



Many first-to-
market products



Specialty segments
in India



MetXL is
among top 200
pharmaceutical
brands in India



27 approved
ANDAs in USA,
25 on shelf



13 ANDAs filed
in FY 2019 with
USFDA



LOOKING BEYOND CHALLENGES, EMBRACING TOMORROW

We have been very conscious of the changing dynamics of the markets. Be it realignment of inventory levels in the emerging markets or anti-malaria institutional business getting contracted – all these were measured in our proactive strategy to be ready for the future. We have been consistently taking steps to sharpen focus on our markets of presence to ensure sustainability in the long-term, which is demonstrated in the following paragraphs.



INDIA



Indian pharmaceutical market has been growing at 11%, whereas your Company has achieved a growth of 16%, indicating our consistent outperformance. We have also outperformed the industry growth in each of the therapeutic segments we operate in. This has been possible on the back of our strategy of meeting unmet medical needs, with many first-to-market products.

In total, we launched 28 new products in India last year across four specialty therapies, 9 being first-to-market, including the launch of Fimasartan, latest 9th generation Angiotensin Receptor Blocker (ARB). These launches

ensure our continued growth in coming years apart from the growth from our existing products like MetXL (Metoprolol) and others.

EMERGING MARKETS

About 2 years back, many of the emerging markets in Asia and Africa were facing currency and repatriation issues due to oil prices moving down. At that time, we took a conscious call of restricting our exposure to these markets.

Once the currency situation started improving in FY 2018, we packed the empty and hungry market with pipeline filling to ensure availability of all our products across our markets. This had given extraordinary growth in FY 2018 but we were aware that to sustain in long-term, we have to streamline the higher inventory levels created by this pipeline filling of FY 2018. Hence, in FY 2019, we brought down inventories to a reasonable level, by taking lower growth / de-growth in these markets.

The most satisfactory part of this exercise was that our brand sales in all our key markets continued to post satisfactory growth in secondary markets. We launched 35 new products in Rest of Asia & Africa markets during FY 2019.

As you know, we were the first generic company in anti-malaria institutional business for Artemether-Lumefantrine combination in Africa. We maintained our dominance in this business segment for last decade, with full consciousness of its lumpy nature. As expected, in FY 2019 overall allocation saw significant contraction from funding bodies towards this segment. Though this was anticipated, it was not expected so sharply. This resulted in a major decline to contribution from this business in our overall revenue at 9.7% in FY 2019 from 18.6% in FY 2018. This was a major challenge for FY 2019 and we are happy that we could handle it well by recouping part of the impact from other segments.

