

# Resilience

Defying  
Challenges

Achieving  
**Growth**

# What's Inside

## Corporate Overview

- 02** Letter to Shareholder
- 04** Business Overview
- 06** Resilience: Defying Challenges / Achieving Growth
- 10** Resilient Infrastructure
- 12** Financial Overview
- 14** Corporate Information

## Statutory Reports

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

## Financial Statements

- 56** Consolidated
- 124** Standalone
- 190** Notice



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# Resilience

literally means 'capacity to recover quickly from difficulties'. We at Ajanta Pharma, have shown this ability time and again: Defying Challenges faced on the way and Achieving Growth. Each challenge brings associated risks with it, but our proactive approach allows us to defy it so that we continue the growth even during that time.

New manufacturing facility  
for oral solid inaugurated  
at Pithampur

*The following pages detail such efforts, which allow us to de-risk the business in a way that insulates it from macro concerns to the extent possible. It is these efforts that make us resilient.*

# Letter to Shareholder



**DESPITE THE CAPEX OF ₹ 240 CR. IN FY 2020 WE GENERATED OPERATING FREE CASH FLOW OF ₹ 235 CR. IN THE YEAR.**

**Yogesh M. Agrawal**  
Managing Director

## Dear Shareholder,

We hope and wish that all of you have been safe and healthy during this unprecedented challenge faced by the humanity. The uncertainty around the course of the COVID-19 pandemic started in March leading to governments across the world initiating lockdowns. This partly affected our business and operations in the last month of FY2020. As the disruption got into FY 2021, its major impact on global economics will be seen in the quarters ahead. We need to accept the new normal for working – be it in the corporate office, factories, R&D laboratories, or on the field for doctors' meetings.

Though, demand disruption is least for pharmaceuticals in comparison to other industries, operational challenges are still huge. We also require strong response on costs to preserve cash to manage volatility in the external environment. But our strong balance sheet provides us the confidence that we will once again emerge resilient.

Last financial year was truly the demonstration of our resilient business model. While defying challenges, we also continued to achieve the growth in almost all our geographies.

This resilience in our business model was built over last 2 decades where we invested in different markets and geographies in a sustained manner to de-risk the business. FY 2020 saw the US generic business contributing meaningfully to your Company's performance.

We continued our focus on building strong brands across the markets. Our consistent efforts to provide

differentiated products along with seamless execution allow us to delight our customers, which in turn generates superior quality business for us. This year was no exception as it reconfirmed our capability to take the challenges in the stride and achieve growth on consistent basis - displaying the inherent resilience of the organisation.

The year also saw conclusion of major capex-cycle spread over the last 6 years which saw your Company investing about ₹ 1,600 cr., including investments in three greenfield manufacturing facilities (Dahej, Guwahati and Pithampur) and expansion of R&D centre. This capital was allocated to ensure we continue to be ready for satisfying upcoming opportunities, while maintaining highest quality standards. Most importantly, it was funded entirely from internal accruals. With all these facilities commencing operations, we expect easing of pressure on our operating free cash flow in coming years.

## Segment Review

Branded Generic business, which constitute almost 70% of our revenue, is strongly built on providing solutions to the patients for their unmet medical needs through R&D and achieve consistent growth. For the year, it performed well with a growth of 17% and going forward, should achieve a growth in the range of low teens.

Indian Pharmaceutical Market (IPM) saw a volatile movement month over month during FY2020. However, our branded generic business in India grew 13% against industry growth of 11% as per IQVIA MAT March 2020.





**DURING THE YEAR, WE  
LAUNCHED 18 NEW BRANDED  
GENERIC PRODUCTS IN INDIA,  
OUT OF THIS 7 WERE FIRST-TO-  
MARKET**

**Rajesh M. Agrawal**  
Joint Managing Director

During the year, we launched 18 new branded generic products in India, out of this 7 were first-to-market.

Branded generic business in Emerging markets of Asia and Africa also performed in line, achieving a growth of 22%. This growth is attributable to our ground presence and customised portfolio of products in each of these markets, providing us an edge over the competition.

The anti-malarial institutional business of Africa grew 25% in FY 2020, on the back of lower base of previous year. Being a business with little uncertainty, in near term we expect the business to remain volatile.

Our efforts in US generics business started paying off, with 7 launches during the year, resulting in a robust growth of 82% in the market. Our resilience was very clearly displayed in this market, where we defied challenges and still achieved growth. We are very positive on this business segment and expect a reasonable growth of high teens in the next couple of years, at the back of 10 to 12 new filings every year.

### Financial Highlights

Consolidated revenue from operations grew by 26% to ₹ 2,588 cr., where all the markets performed well across generic business in US and branded generic business in emerging markets of Asia and Africa.

Our EBITDA (Earnings before interest, tax, depreciation and amortisation) margin was 26% as the operating cost of new plants continue to be charged to P&L, whereas

the utilisation levels of these new plants were still low. Once these plants achieve reasonable level of capacity utilisation, we will get the benefit of operating leverage and we expect EBITDA margins to improve in coming years. Our net profit for the year grew by 21% to ₹ 468 cr.

Despite the capex of ₹ 240 cr. in FY 2020 we generated operating free cash flow of ₹ 235 cr. in the year. We expect our new capacities to meet the emerging demands for next 5 years and hence, our operating free cash flow is expected to grow further from here.

Ajantaitees world over have been instrumental in all our achievements with their dedication and passion to excel in their field of work. Especially during the tough times faced recently, all of them have shown the resilience, overcoming challenges and continued supply of life saving medicines to patients across the world. We place on record our sincere gratitude to all Ajantaitees for the same.

Your continued support inspires us to perform better and we acknowledge the same. We do 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

₹2,588 cr. 8



Consolidated Revenue  
from Operations



Manufacturing Facilities

7,000+



Ajantaites across  
the world

6%



R&D Spent of Revenue from  
Operations

### Vision



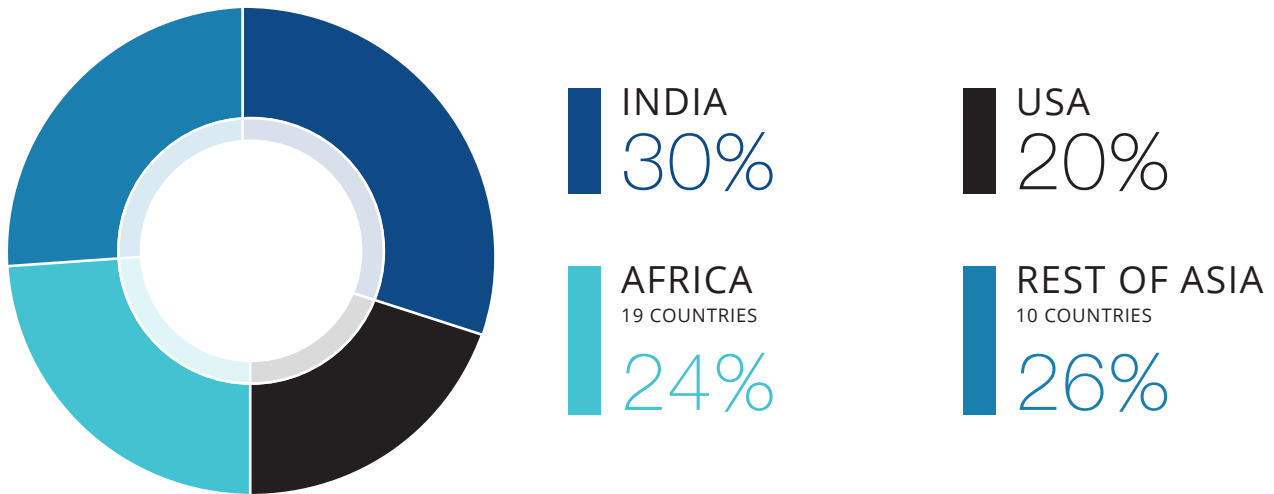
Be a niche player in global pharma space and to enhance value for all stakeholders.

### Mission



To serve global healthcare needs through empathy, innovation and technology.

## Sales % by Geography (FY 2020)



## Growth Drivers



### Customised

Market specific product portfolio



Leveraging **brand power**  
of our key products



Many **first-to-market**  
products



**10 to 12 ANDAs**  
filing in **USA** every year



**Specialty** segments in India



**22 ANDAs** waiting approval  
from US FDA

# Resilience

## Defying **Challenges** / Achieving **Growth**

When we started building business in the US, five years ago – we were fully aware of the challenges. The need for building US FDA approved facility was just the beginning. The dynamics of the business does not even allow quick ramp up of production at a facility as product filings and approvals take their own time.

This, naturally, put pressure on our return ratios as we continued to incur fixed cost. Though we were fully aware of it, we needed to do it as we knew it will eventually start paying – and this year saw the beginning of it.



Dahej has our second US FDA approved world-class facility





## INDIA



Derma Conference

The branded generics business in India constitute 30% of total business. While the market in India has grown at 11% in FY 2020, your Company has grown at 13%. This has been possible with leveraging our world class R&D capabilities to bring many first-to-market products.

We launched total 18 new products in India across 4 specialty therapies. Out of this, 7 were first-to-market. This includes eye drop Ripatec (Ripasudil), anti-hypertensive drug Azusa (Azilnidepine) and moisturiser Aqurea HF. These launches ensure our continued growth in coming years apart from our existing products like MetXL, Softdrops and others which keep climbing new highs.



## EMERGING MARKETS

Our branded generics business in Rest of Asia and Africa grew respectively by 27% and 14% to ₹ 673 cr. and ₹ 349 cr. in the year as we launched 27 new products and our existing brands grew stronger. We also sharpened the focus of our sales force on the ground in these markets by creating separate divisions to focus on various therapies. We also introduced new therapies to some of these markets to find new growth opportunities.

Our anti-malaria institution business for Artimether-Lumefantrine in Africa grew 25% in the year. We reiterate our stance on the business being lumpy in nature as it depends on funding bodies. However, we expect to protect our market share in the business.



Africa - Apdrops Event