

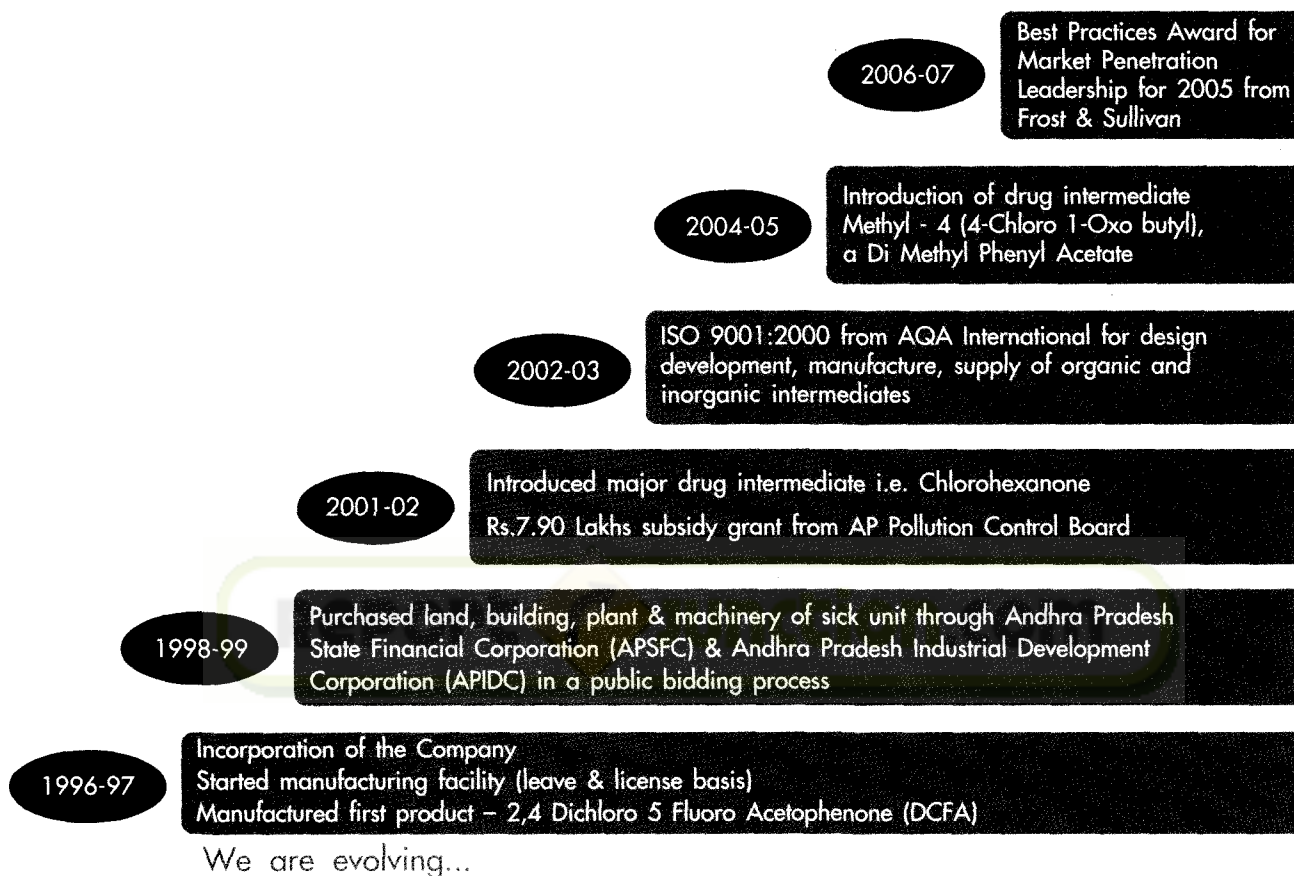
Annual Report
2007-2008

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ANU'S

ANU'S LABORATORIES LIMITED



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What do the customers **really** want?

How do we meet **their** needs?

How can we **add value** to their business?

Within the Anu Labs team, we drive ourselves to respond to the anticipated needs of the customers. We understand that our customers have to meet their own customer requirements, and we earnestly work with the end user needs in mind.

Indeed, we do possibly answer needs of all the customers in the value chain. As a routine, we find solutions for our customers. We give them:

- ✓ Cost competitive products that they want;
- ✓ Consistently high quality products that they expect;
- ✓ At the committed times that they may require;
- ✓ The service and documentation support to their business.

We consider ourselves as an extension of the commercial and production facilities of our customers. As an organization, we attempt to continue to stay ahead of the curve.

This is our overriding corporate philosophy - we must deliver what the customers want. We must add value to their products and deliverables. In every transaction, we shall strive to help them meet their customers' needs.

Often, the team at Anu Labs delivers more than you expect.

DNA of our Business

Anu Labs is a fast growing basic and advanced drug intermediate and fine chemicals company which develops, manufactures and meets requirements of the pharmaceutical industry. The manufacturers of active ingredients being our customers in turn sell to formulations producers who have exacting demands on pharmacodynamics and pharmacokinetics as well as timely deliveries. The Company is managed by industry specialists with the overall guidance and supervision of the Board.

Promoters

The Company is promoted by pharmaceutical industry professionals with experience of about three decades. The Board consists of industry specialists, Chartered Accountants, medical professional and an agriculturist. The combined experience of the Board Members in the pharmaceutical industry and medical profession exceeds more 100 man years. The Company was incorporated in 1996 and commenced manufacturing in 1998.

Customers

Anu Labs pays attention to every order of every customer as if it is the only order on hand. The customer list keeps increasing just as much as the repeat orders from existing customers.

The domestic customers include Dr. Reddy's Laboratories, Hiran Orgochem, Sun Pharmaceuticals, Sreepathi Pharmaceuticals, Matrix Laboratories, Arene Life Sciences, Neuland Laboratories, Hetero Laboratories, Aurobindo Pharma, Jubilant Organosys and Orchid Chemicals.

The major international clients include Teva, Mitsui & Co., ABIC, Polpharma, Sanofi Aventis, Tradecom Services and Tanabe.

Products

The Company's unique product selection ability sets it apart. The knack and critical ability of identifying potential products of basic drug manufacturers and becoming one of the market leaders in the product categories stands as a testimony to its prowess.

The large basket of products include wide range of intermediates, advanced intermediates and fine chemicals that cater to the manufacturers of active pharmaceutical ingredients.

The product range addresses therapeutic segments of fluoro choloro quinolone class of antibiotics, hypertensives, vasodilators, antihistamines (treatment of allergies), antidepressants, etc.

Manufacturing capabilities

The manufacturing facility at Shadnagar, about an hour's drive from Hyderabad International Airport, holds ISO 9001:2000 Certificate of Assessment with a scope of design development, manufacture and supply of organic and inorganic intermediates.

Anu Labs has supplemented its own manufacturing capacity by a contract with another manufacturer for carrying out conversion jobs, on long term basis.

Market presence

Products of Anu Labs are raw materials for its API manufacturer customers. It is essential for the team at Anu Labs to appreciate the usage of these raw materials by the customers and their manufacturing processes to ensure that the ultimate products perform as required. Over the years, close working association with all the customers has created a partnership approach which made Anu Labs the market leader in the country with over 75% market share in its major product lines.

Products are manufactured to cater to the specific needs of the pharmaceutical industry customers, their manufacturing needs and assist them to sell to their customers. The products are supported by service - customers get what they want, when they want.

The technology development capabilities for different product pipelines are also created with an understanding of the customers' need for such products.

Capacity expansion

Demand for the Company's products is growing and customers have shown considerable interest in the newer products being launched. At an estimated cost of Rs.55.09 crore, the Company is setting up a new facility at Jawaharlal Nehru Pharma City at Visakhapatnam to manufacture a wide range of intermediates - basic and advanced ones - and active ingredients.

The in-house knowledge, skills, experience and wealth of human talent is being leveraged to widen the scope of the business and foray into Contract Research and Manufacturing (CRAM) and partner with some of the best names in the pharmaceutical industry. A pilot plant is also being set up at a cost of Rs.8.34 crore at the Pharma City to strengthen further on product research and development.

Financials

The Company has shown robust growth with revenues growing from Rs.30.11 crore in FY04 to Rs.167.35 crore in FY08, a compound annual growth rate of 53.6% in 4 years. Profit after tax in the same period climbed to Rs.18.07 crore from Rs.46.4 lakhs demonstrating a growth of 140.5% per annum.

The Earning per Share in FY08 was Rs.21.89 as against Rs.17.04 earned in FY07.

Critical Success Factors

Manufacturing process and product quality - **Top Class**

Process solutions - **Innovative and customized product development capabilities**

Bonding Relationship with customers and all stakeholders - **Long term and based on trust**

Our goals

Business plan - Rising volume of business and cost competitive leadership in business lines

Growth - 30% rise in revenues year on year with profitability

Earnings - Per share earnings to increase by 25% year on year

Publicly held

The Initial Public Offering in May 2008 has widened the family of shareholders. Public share holding is 49% of the equity and the scrip is traded in large volume on the Bombay Stock Exchange.

Vision

Be a high quality producer and service provider in the pharmaceutical industry for developing and manufacturing new molecules, intermediates and active pharmaceutical ingredients combining the power of intellect and understanding of science to meet the needs of customers and other stakeholders.

Mission

Anticipate the needs of customers and develop and manufacture quality drug intermediates and pharmaceutical ingredients and be the first choice supplier to international customers.



From the Desk of the Managing Director

We attempt to give more than you expect

Dear friends,

We had a successful IPO in May 2008 and the issue received strong support from the investors despite a challenging the capital market environment. After the initial listing on June 4, investors have continued to extend faith in the scrip and I take this opportunity to welcome our large family of shareholders. I am confident that we would see an encouraging growth in the Company and together we will see enhanced shareholder value.

We at Anu Labs had another milestone year in 2007-08 with Income from Operations rising by 38.68% to Rs.167.35 crore. We continue to considerably improve our operating efficiencies, enhanced productivity, rationalizing the operating

costs and stepped up our margins. This helped to achieve 52.7% increase in Profit before Tax to Rs.27.89 crore. Despite higher provision for tax, the EPS climbed to Rs.21.89 as compared to Rs.17.04 in the previous year.

These developments are proof positive that our business strategies are effective. Our leadership position, innovative approach to meet the customer requirements and expertise has translated to build a robust platform for future growth.

For over a decade we have built a performing organization and are today known as a dependable resource by the pharmaceutical industry. We have an enviable customer portfolio and all of them are being serviced with products

and services matching up to their expectations. Often, we have offered our customers better quality products than what they want, and they in turn, have trusted us with their repeat orders.

Members will be happy to know that in a particular product, we meet the needs of over 75% of the addressable domestic market. This is a growing therapeutic segment and we would strive to improve similar relationships with our customers.

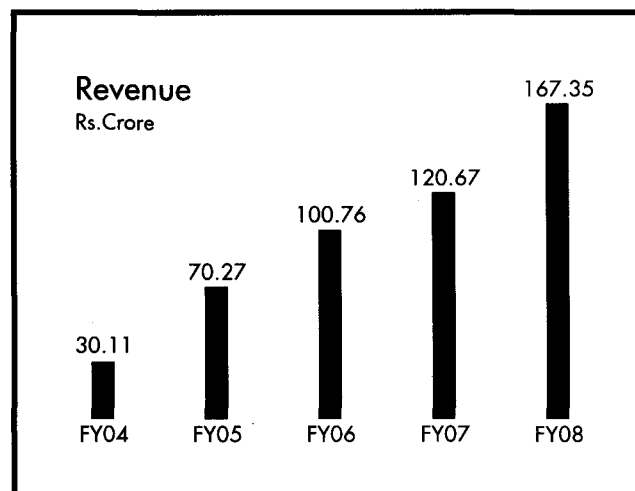
Over the years, we have ensured that we have broad based our range of drug intermediates, advanced intermediates and a good spread of fine chemicals. Our customer list is expanding and so is our geographical coverage.

As we look ahead, we are commercializing six more products in 2008-09. Primarily, our R&D team has been working in anticipation of the present and future needs of our existing customers. We are thus positioning ourselves to deliver their future needs. In a few instances, our customers have inspired us to develop newer products.

For our existing products, we are exploring newer territories and customers. We believe there will be significant growth in the generic industry and requirements for quality active pharmaceutical ingredients are likely to see upward momentum in the foreseeable future.

Considering the quality standards, regulatory compliances, analytical protocols etc that our customers and the authorities demand, the market is likely to be buoyant only for those manufacturers that adhere to these best-in-class standards. Surge in demand for high quality intermediates and active pharmaceutical ingredients is expected from both domestic and international players for suppliers such as Anu Labs that work closely as trust-worthy partners to the customers.

Our growth will be a function of larger product basket, rising volume sales to existing customers, enlarging the product portfolio and reaching out to newer customers. We do hope that the global pharmaceutical industry scenario continues to be positive as is being forecasted now. We believe our revenues can double in two years and cross Rs.300 crore in FY10.



Rising volumes and economies of scale would rationalize operating costs and improve the bottom line. Cost effective manufacturing process is good for both Anu Labs and its customers. Our objective is to earn more for our stakeholders and we are targeting to double the bottom line from the present levels by FY10.

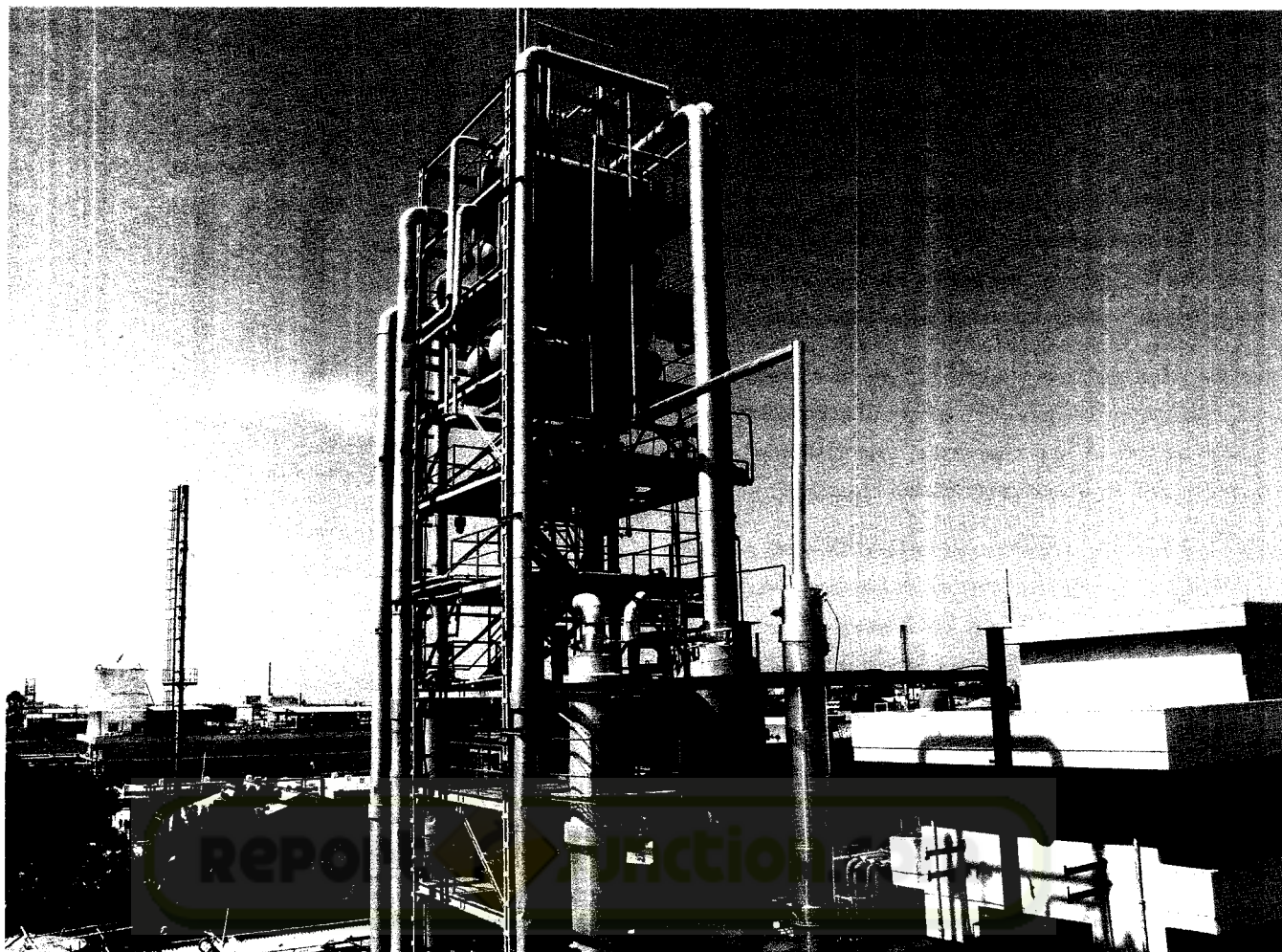
I am aware, our targets have a stretch. We are determined to plan well and work closely with our customers to consistently give them what they want. We have at Anu Labs a strong product and process development team with expertise and experience to develop innovative ideas and technical solutions. We will continue to associate with our customers to substantially add value and build sustained business successes.

I would like to thank everyone who played a part in our continued success. Thank you for your confidence in our performance and capabilities, the strategies of the management and commitment of the employees.

To all our stakeholders, I would extend the same philosophy that drives our business. We are attempting to deliver more than you expect.

Warm regards,

K. Hari Babu



Beyond products & processes

Creating Intellectual Property

The strength of a pharmaceutical company is in its ability to provide intellectual property. In a competitive and crowded environment, the ability to improve on quality, customize it and facilitate the customers to compete better in their market is a unique strength.

Anu Labs makes intermediate products for active ingredients manufacturers. What the customers buy from them are product plus. The ability to understand and offer solutions and services, differentiated by their better systems, and improved processes, has enhanced product quality, reduced cost and added to productivity at customer level.

The Company provides development from grams-to-kilo-to-commercial scale as well as impurity profile studies, better-than-industry standard quality products, complete documentation and after-sales service. The Company's high level of commitment with uncompromising product deliverables with transparent communication strategies translates into repeat orders and long term association as a preferred supplier.

The Company has entered into a long-term alliance with a reputed pharmaceutical major for supply of a leading product. Over the past financial year, Anu Labs has been able to bring down cost of production with improved quality and passed on most of the gains to the customer. More importantly this has facilitated the customer to improve their yields and reduce their cost of production as also enhancing their market share for the product.

This business approach implies several structured initiatives at Anu Labs:

- ✓ Highly reliable research capabilities and processes consistently adhered to as evidenced by documentation;
- ✓ On-time deliveries;
- ✓ Complying with stringent product quality;
- ✓ Products that consistently perform in customers' manufacturing facilities;
- ✓ Sensitive to meet customers' deliverables.

Close attention is paid to the regulatory and analytical protocols that our customers and the regulatory bodies demand. Our well-organised production facilities are operated according to the basic principles of good manufacturing practice. We adhere to well laid out and time tested Standard Operating Procedures (SOPs) for all activities. Quality audits are done periodically in-house and by the customers to fully validate equipments, methods and processes supported by continuous training of all the personnel.

The Company has a well-knit workforce including highly skilled personnel and professionals. Entire production system and process is handled by trained personnel who understand the importance of the concepts of quality assurance: that materials are not only produced to a high quality with consistent specifications, but also can be proved to have been so produced, by keeping the appropriate process records.

Presently the major products that constitute the portfolio include:

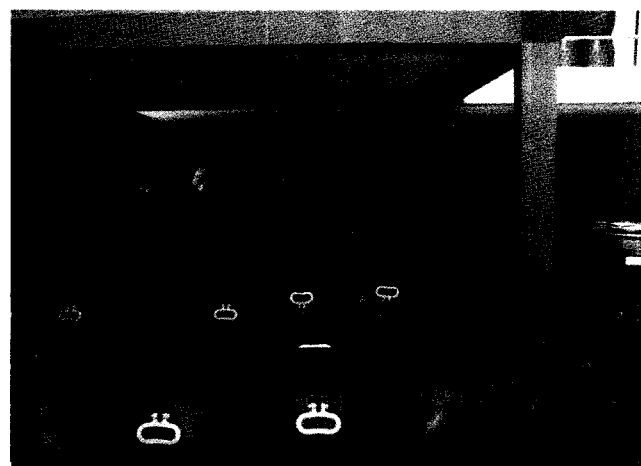
2,4 Dichloro 5 Fluoro Acetophenone (DCFA) which is a starting intermediate for Ciprofloxacin, a broad spectrum antibiotic used normally for first & second line therapy. This product is growing by 15% annually and several of the intermediate DCFB manufacturers have been cutting down production due to environmental issues. Anu Labs has been a responsible corporate citizen and has met the norms and has been growing its business. Presently this product constitutes 29% of the revenues for the Company and supplies are made predominantly to the market leader.

Methyl-4 (4-Chloro 1 oxo butyl), a Di Methyl Phenyl Acetate, is an advanced intermediate used in the manufacture of Fexofenadine, an anti-allergic drug. Presently, this product accounts for revenues of approximately 24%.

Cis(+) Hydroxy Lactum, is an advanced intermediate used in the manufacture of Diltiazem Hydrochloride, an anti-hypertension drug used in the treatment of angina and high blood pressure. Entire requirements for Cis(+) Hydroxy Lactum are met by Indian companies and there are no manufacturers of Cis Lactam outside the country. This product also holds 24% weight in Anu Labs' revenues.

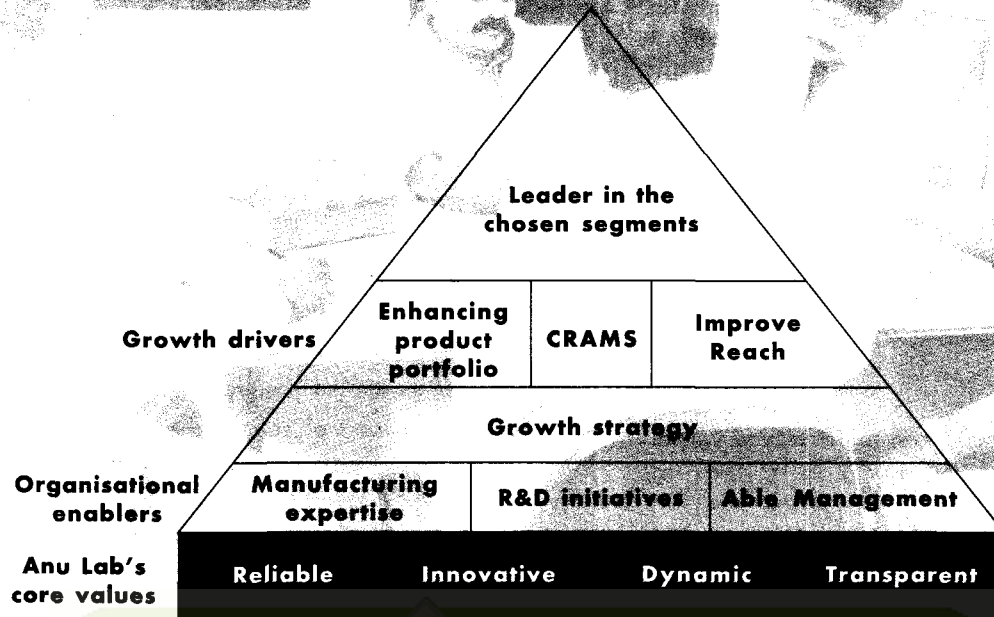
Each of the products in the portfolio has been showing growth in absolute terms, and with all of them showing momentum, the dependency on any single product has been reducing.

Repeat orders constitute the bulk of the business at Anu Labs. The customers know they buy intellectual capital with the products that they buy. These are enviable testimonials.



Growth drivers

Preparing for tomorrow



There is an unprecedented growth opportunity in the industry for manufacturers who have an intellectually driven business, who are participative and proactive in problem solving and who can meet the needs of global standards.

For the past few years, Anu Labs has created and maintained a business architecture that has a strong product basket, enviable customer base, an effective R&D Center that adds to the product pipeline and improved manufacturing processes, an ISO certified production facility and a team of professionals that aligned themselves with the corporate objectives.

The Company draws its strength from a few growth engines most of which are recognized by the customers. As a young organization, the Company continually strives to maintain its enviable reputation, ensure its compliance standards, and enhance its IP capital.