

Annual Report
2008-2009



ANU'S

ANU'S LABORATORIES LIMITED

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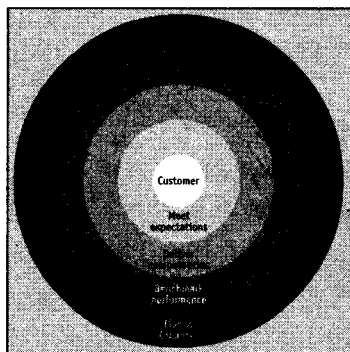
Everything you wanted to know about Anu Labs

Ask our customers: they would tell you. In the following pages, we will also tell you.

Anu Labs develops and manufactures intermediates for the pharmaceutical industry for the benefit of customers, to do so in partnership, to do so with profit.

Our objective is to maximize added value for our customers with their businesses, and our people with their careers.

Customers have always been central to our business. We plan, address their needs, tailor products and services for them, and ensure we are a dependable resource. We identify with them, align with them and stay focused on them. We benchmark and perform to deliver competencies. We know, they count on us. We shall continue to help our customers succeed.



Anu Labs - a preview

PARENTAGE

- Anu Laboratories was promoted in 1996 by a select group of highly committed professionals with industry experience of over three decades.
- The Board consists of pharmaceutical industry experts, 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.

PRESENCE

- The Company went into commercial production in 1998 and soon emerged as a key supplier of intermediates for the domestic and international API manufacturing customers.
- Products are manufactured to cater to the specific needs of the pharmaceutical industry, 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.
- Anu Labs has become the market leader in the country with over 75% share in its major product lines.

PHILOSOPHY



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.

PRODUCTS

- + Anu Labs has the skill and competence to identify potential products of drug manufacturers and be a market leader in its chosen segments.
- + The Company has a dedicated research and development center that works on new product launches, strives to improve the processes of the existing products as well as backward integration into fine chemicals.
- + 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 cholero quinolone class of antibiotics, hypertensives, intermittent claudication (blood circulation), antihistamines (treatment of allergies), antidepressants, etc.



PARTNERS IN PROGRESS

- + Customers first. Anu works with them. For them.
- + Some of the best names in the domestic pharmaceutical industry have preferred to transact with Anu Labs: they include Dr. Reddy's Laboratories, Hiran Orgochem, Sun Pharmaceuticals, Sreepathi Pharmaceuticals, Matrix Laboratories, Neuland Laboratories, Hetero Laboratories, Aurobindo Pharma, Divis Laboratories, Jubilant Organosys, Orchid Chemicals, Rallis India, Aarti Drugs, Hikal, and others.
- + The major international clients include Teva, Mitsui & Co., ABIC, Polpharma, Sanofi Aventis, Tradecom Services, Tanabe and Chemagis.

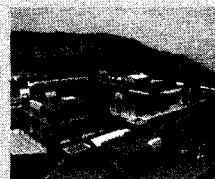
PIPELINE



- + Over the years, close working association with all the customers has created a partnership approach which prompts the Company to commercialise what the pharmaceutical industry needs.
- + The technology development capabilities for different product launches are tailored to the emerging needs of large customers.
- + Anu Labs takes care to launch products that have growing demand and have long-term sustainability.

PRODUCTION FACILITIES

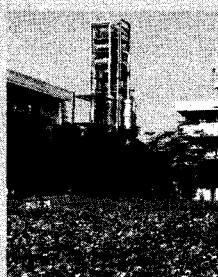
- The manufacturing facility at Shadnagar, about an hour's drive from Hyderabad International Airport, holds ISO 9001:2000 Certificate of Assessment with a scope of design development, manufacture and supply of organic and inorganic intermediates.
- Anu Labs has supplemented its own manufacturing capacity by a contract with another manufacturer for carrying out conversion jobs, on long term basis.
- 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.550.9 million, 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.



PROPOSED PROJECT

- 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.83.4 million at the Pharma City to further strengthen product research and development.

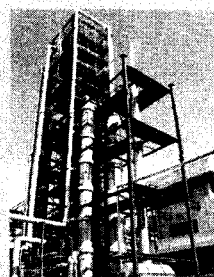
PERFORMANCE 2008-09



- The top three products of the Company constitute 75% of the annual revenues.
- The Company sold 17,383 MT of bulk drugs and intermediates.
- The Company has shown robust growth with revenues growing from Rs.281 million in FY04 to Rs.1761.16 million in FY09, a compounded annual growth rate of 44.3% in 5 years.
- Profit after Tax in the same period climbed to Rs.163.19 million from Rs.0.46 million, demonstrating a growth of 224 % per annum.

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.
- The Equity Shares of the Company with a face value of Rs.10 were split into 10 shares of Re.1 each.
- The Company issued bonus shares in July 2009 in the ratio of one new share for every share held.
- If you subscribed to the IPO and were allotted 100 shares of Rs.10 each, you would now hold 2000 shares of Re.1 each.



PERSPECTIVE PLAN

- Leadership in chosen product lines and be recognized as the best in the business.
- Rising volume of business and cost competitive leadership in most products of the Company.
- 30% rise in revenues year-on-year with profitability.
- Earnings per Share to increase by 25% year-on-year.

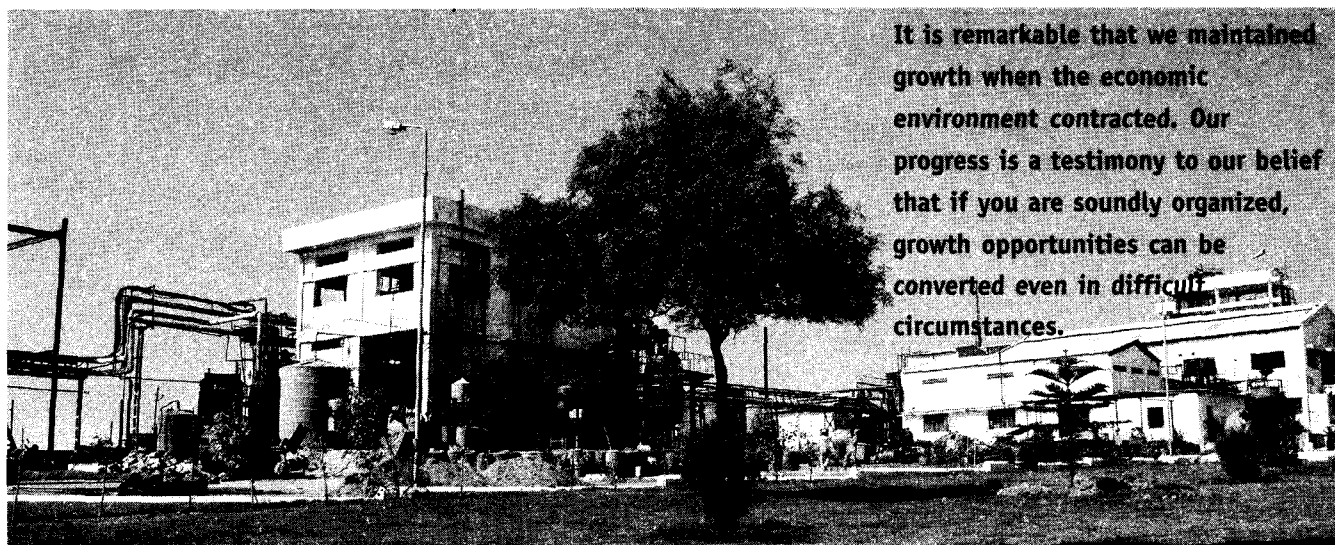
PEOPLE

- Anu Labs has talented professionals who are enthusiastic in delivering results.
- The Company is committed to recruiting high caliber employees and providing them with the work environment they need to perform to their potential.
- Employees at every level are encouraged to align the work practices to the needs of the business and our customers.



PROMISE

- The Company is structured to be a long-term player with sustainable business and deliver on the expectations of stakeholders and the demands of the market place.
- The team often strives to exceed expectations.
- Be recognized as a pharmaceutical company in the business of selling competencies.



It is remarkable that we maintained growth when the economic environment contracted. Our progress is a testimony to our belief that if you are soundly organized, growth opportunities can be converted even in difficult circumstances.

From the Desk of the Managing Director

Laid the foundation for a successful future

Dear friends,

We had a satisfactory year in 2008-09 with steady progress in our business with rising revenues. We managed to hold our margins, although the net profit was shaded due to the non-recurring deferred revenue expenditure incurred for the IPO. We also reached a significant milestone when we made a successful IPO and welcomed a large number of shareholders into the Anu Labs family.

It is remarkable that we maintained growth when the economic environment contracted. Our progress is a testimony to our belief that if you are soundly organized, growth opportunities can be converted even in difficult circumstances. Anu Labs has built a business that is capable of weathering economic cycles. Our disciplined approach to operations and our customer focus, make it possible to continue delivering steady earnings growth.

We have a simple approach to our business. We deliver what our customers want. Our mission is to have customers in the competitive pharmaceutical industry choose us first and always for our product lines. And, they have been. We shall retain this advantage.

We recognize that our customers have a highly complex and challenging market. Our job is to make it simple for them. We analyse their requirements, supply the products and support them with necessary service interface and help them find solutions. At Anu, we utilize our competence cost efficiently in enhancing their competitiveness.

Whatever be the environment, past success will create higher expectations and despite the many challenges ahead of us, we shall strive to achieve a marked increase in revenues, operating profit, net income and improved cash flow. Seen on a broad canvas, we will continue

Anu Lab's Business Strategy

➡ Profitability

- Revenue Growth of 30% year-on-year
- Ensure cost competitiveness
- Earnings to rise by 25% year-on-year

➡ Growth

- Introduce new products and services
- Cater to newer markets
- Rise in volume on existing products

➡ Stability

- Leadership in product lines
- Be a partner to all customers

Improve cashflow

Enhance
shareholder
value

to exceed customer expectations, while meeting our own demanding goals.

To achieve our corporate goals, we shall rely on key value drivers such as focusing on effective management, developing potential winners, aligning with the customers, strengthening future competitiveness, maximizing value, benchmarking the internal and external processes, accelerating profitability and managing risk. We have worked on all of them and have strived to be systematic and prudent in our approach. We have in fact laid the foundation for a successful future of the Company by investing in growth segments and by optimizing on our internal processes and systems. All these would serve to create sustainable value for the benefit of our customers, employees and investors.

Yet, we believe we would satisfy expectations with the increasing product offers, by retrofitting with our backward integration program, commissioning of the large manufacturing capacity at Vizag and our foray into active ingredients. Anu Labs would not only leverage on the relationships built with the customers, but shall explore new

markets to launch the value added products and services.

We have powerful headlights which are providing clearer visibility in business and earnings. Indeed, we at Anu Labs have a 360 view of our industry and our business, and we know what we want to do, and where we want to go. We are a conservative team with aggressive plans and will take calibrated strides in the short and medium term to achieve greater advances. We have entered the financial year 2009-10 confident in our team, our plans, our targets, our customers, our vendors and our combined ability to deliver another year of earnings growth. The progress is reassuring.

Anu Labs is fortunate to have a combination of supportive customers and vendors and energetic staff and employees. I am grateful to all of them and deem it a privilege to be part of this large Anu Labs family and together, we look forward to another year of sustained growth.

Warm regards

K. Hari Babu

K. Hari Babu



Our focus on operational excellence during the year under review enabled the Company to remain financially strong. We at Anu Labs built a foundation for continued success with a disciplined approach and are on-course to emerge as a recognized leader in intermediates and be known for our customer-centric solutions.

Review of operations

Managed growth despite market pressures

Global economic slowdown affected the pharmaceutical industry though less than other sectors, both in India and overseas. The growth across the industry was lower than other years, with impact on order book, volumes, revenues, margins, cash flow, receivables and inventory. Anu Labs managed to contain the impact with better coordination with customers, cost control and better management of working capital.

In terms of revenue, Anu Labs continued to maintain growth despite the economic slowdown in 2008-09 and the revenues rose to Rs.1761.16 million, an increase of 5.24% compared to the previous year. However, the net profit fell by 9.2% to 163.19 million primarily due to amortisation of miscellaneous expenditure incurred for IPO. The profit margins were maintained, with pressures

of the first half being neutralized by the savings made in the latter part of the year. As said, earlier, the non-recurring expenditure shaded the bottom line.

While these figures displayed resilience in the face of difficult economic conditions, there were two other indicators that showed deceleration. Exports during the year were lower by 30.09% at Rs.178.99 million and volume sold at 17,383 MT was 8.4% lower when compared to the previous year. The lower off-take by several of our customers is a reflection of their liquidating their inventories in a bid to manage the difficult market conditions.

The impact of high crude prices affected costs of several of our key raw materials including solvents in the early part of the year, while the gains from crash in