

ANNUAL REPORT 2013-14

MAKING

DEVELOPMENT

INNOVATION

RESEARCH

SUCCESS

VISION

LEADERSHIP

THE

RIGHT

MANAGEMENT

PLANNING

TEAM

MARKETING

ANALYSIS

STRATEGY

MOVE

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DR.DATSONS LABS LIMITED

[Formerly Known as Aanjaneya Lifecare Limited]

8th ANNUAL REPORT

➤ Board of Directors

Dr. Rajendra Kamat	-	Non Executive Chairman
Dr. Kannan Vishwanath	-	Vice Chairman & Managing Director
Mr. Shashikant Shinde	-	Executive - Whole-time Director
Mr. Prabhat Kumar Goyal	-	Non Executive Director
Mr. Giridhar Gopal Pulleti	-	Non Executive - Independent Director
Mr. Minhaj Khan	-	Non Executive - Independent Director

➤ Company Secretary & Compliance Officer

CS Yogesh Patel

➤ Registered Office

K-4/1 Additional MIDC , Mahad, Raigad
 Dist,- 403209. Maharashtra, India.

➤ Bankers

Bank of Baroda
 Oriental Bank of Commerce
 Canara Bank
 Punjab National Bank
 UCO Bank
 Corporation Bank
 Jammu& Kashmir Bank
 Bank of India
 State Bank of Hyderabad
 Allahabad Bank

➤ Corporate Office

Dr. Datsons House, Plot No W-91(D) MIDC
 Taloja -410208, Dist -Raigad,
 State- Maharashtra India
 Ph: (+91) 22-27402223/24
 Fax: (+91) 22-27411837 / 25223251
 WebSite :- www.drdatsons.com
 Email:- info@drdatsons.com

➤ Manufacturing Facility -1 (API & R & D Centre)

K-4/1 Additional MIDC, Mahad,
 Raigad Dist,- 403209. Maharashtra, India.

➤ Statutory Auditors

M/s. Agarwal, Desai & Shah, Chartered Accountants

➤ Manufacturing Facility -2 (Formulations)

Gat no 123, Pirungut , Mulshi Taluka,
 Pune Dist -412108 Maharashtra, India.

➤ Internal Auditors

M/s. Milind Mehta & Co , Chartered Accountants

➤ Wholly owned Subsidiaries

Eros Pharmachem Pte Limited- SINGAPORE
 Aanj Pharmalabs Limited FZE-DUBAI
 Dr. Datsons Labs Limited- UNITED KINGDOM
 Fair Success (Hk) Limited- HONG KONG

➤ Cost Auditors

M/s. Aatish Dhatrak & Associates

➤ Corporate Advisors

M/s Athos Capital Pvt. Ltd.

➤ Registrar & Transfer Agents

M/s Link Intime India Private Limited
 C-13, Pannanlal Silk Mills Compound,
 L.B.S. Marg, Bhandup (W), Mumbai-400078
 Tel: 022- 25963838 ; Fax: 022-25946969

➤ Solicitors

M/s Crawford Bayley & Co

Forward-looking statements

In this annual report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral –that we periodically make contain forward-looking statements that set out anticipated results based on the management’s plans and assumptions. We have tried wherever possible to identify such statements by using words such as ‘anticipates’, ‘estimates’, ‘expects’, ‘projects’, ‘intends’, ‘plans’, ‘believes’ and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

ABOUT THE COMPANY

Dr.Datsons Labs Ltd. An Integrated Pharmaceutical Company,With manufacturing and marketing capabilities in CRAMS and Active Pharmaceutical Ingredients.

With a focus on anti-malarial and finished dosage forms (FDFs).Catering to diverse therapeutic segments.

Vision

Dr.Datsons Labs Ltd. strives to be the premier provider to the pharmaceutical industry for the development and commercialization of new medical therapies in the anti-cancer and anti-malarial segments worldwide.

Mission

To combine the strength of our expertise, experience and innovation to advance in the worldwide success of the pharmaceutical industries in preventing and curing disease.

Values

We value doing what's right and demand honesty, maintenance of confidentiality and adherence to professional standards of excellence. We strive to understand our clients' requirements and meet or exceed their expectations with high-quality deliverables and service. We are flexible and always look for proactive, responsible solutions to ensure client satisfaction.

Legacy

Dr. Datsons Labs Ltd. was originally incorporated as Aanjaneya Biotech Private Limited in 2006. The company changed its name to Dr. Datsons Labs Ltd in August, 2013.

Offerings

The Company has two manufacturing facilities for API in Mahad; formulations

are manufactured in Pune. The Company has a dedicated R&D block in Mahad to manufacture potent anti-cancer products (100 to 500 grams).

Therapeutic segments

APIs: The Company manufactures second generation anti-malarial APIs like quinine and salts as well as third-generation anti-malarial products like Artemisinin-based salts. The company also manufactures niche APIs as well as Ace Inhibitors, CNS, Anti Retro-virals and pain management products.

FDFs: The Company engages in contract manufacture for leading Indian pharmaceutical brands namely Wockhardt, Cipla, Zydus Cadila, Lupin and Glenmark, among others. The Company distributes branded generic products pan-India through a proprietary network; with 350 distributors & over 1200 stockiest the Company exports branded formulations to 60 countries.

CRAMS: The Company is engaged in the manufacture of advance intermediates and APIs for global clients.

Technology Transfer & Dossier Development Services: - The Company offers Technology Transfer for Key Intermediates & API's & Dossier Development Services from Its DSIR Approved R & D Centre at Mahad

SHE Policy.....

Dr.Datsons Labs Limited is an environmentally responsible organi-

zation with a respect for the health of the world's ecology, employees and community. The company's environmental soundness begins with a superior understanding of its environmental footprint. The Company's 'green journey' focuses on three areas: Helping mitigate climate change and impact, minimizing environmental impact by advancing stewardship across the supply chain and products life cycle, and managing water resources in a sustainable way.

The Company addresses these areas through the Environmental Sustainability Programme, setting priorities for its environmental activities. The Company relies on guidance from business partners, engages with employees and communicates with stakeholders.

Environment

The principles of the company's environmental agenda comprise the following:

- * For waste elimination: The Company minimizes waste through the use superior technology and the maximized utilization of byproducts.
- * Purchase of equipment: The Company purchases cutting-edge equipment (replacing legacy equipment wherever possible) with the lowest material consumption norms.

- * Complete utilization: The Company maximizes the effective use of equipment with the objective to reduce consumption.

The key initiatives of the company's environmental agenda comprise the following:

Energy and climate change: The Company continues to actively reduce greenhouse gas emissions by increasing the energy efficiency and implementing clean energy projects, which make good business and environmental sense. The Company is committed to procure and use energy in an efficient, cost-effective and environmentally responsible way.

The Company's aim is to improve energy efficiencies across each business by at least 10 percent, use renewable energy technology where it makes business and environmental sense and focus on reducing emissions by 'greening our fleet'.

Greener processes: The Company intends to minimize the impact of its products from discovery through to use and disposal. As part of this, the Company finds innovative ways to reduce the waste generated and capitalize on recycling opportunities. The Company explores innovative ways to minimize its impact on the environment during the manufacturing of pharmaceuticals. The company leverages the 'Green Chemistry' program to advance scientific innovation - our core strength - to develop processes more sustainable, environmentally sound and cost-effective. Through our 'Green Chemistry' initiative based around the tenets Paul Anastas and John Warner's '12 Principles of Green Chemistry', we promote the use of environmentally safe chemicals, eliminating waste and conserving energy. The Company's aim is to proactively integrate 'Green Chemistry' into research and development, retroactively integrate 'Green Chemistry' into products wherever feasible, reduce the use of undesirable solvents in research, development and manufacturing phases, develop new drugs with

improved parameters (kilo of waste per kilo of product) and educate scientists and engineers about 'Green Chemistry' so that it becomes intrinsic to the way they work.

Greener workplace: Dr Datsons commercial office, manufacturing site and R&D facility minimize impact on the environment. Through 'Greener Workplace' platform, the Company strives for continuous improvement to maximize efficiency of operations and improve environmental performance. The Company is committed to designing and constructing 'greener' buildings that conserve energy and natural resources and help occupants engage in 'greener' lifestyle. The Company's aim is to minimize any adverse environmental impact across all facilities, apply engineering and sustainability innovations towards building management and construction, promote the best alternatives to standard building materials and office interiors that support healthier, more eco-friendly business and conserve natural resources and reduce energy use. The Company continues to assess the global water footprint, decrease water use and reuse water following recycling, wherever possible.

Climate change: The Company has long recognized the risks posed by global climate change, such as catastrophic weather events and potential adverse impacts on human health. We believe the corporates, government and the public all have a responsibility to address this evolving challenge. As a precautionary step, the Company has taken voluntary actions to reduce its own greenhouse gas (GHG) emissions and is transparent regarding its efforts towards mitigating climate change and its impacts. The Company's aim is to fulfill the responsibilities under the UN Global Compact 'Caring for Climate: Business Leadership Platform' and reduce our GHG emissions by setting public goals and internal targets.

Consumption: The Company is dedicated to collaborating across the supply chain to reduce the environmental footprint of its

packaging throughout its lifecycle. For this, the Company leverages innovative and functional packaging materials, designs and systems that minimise the impact on the environment, provide benefits to the patients, and reduce costs. The Company's aim comprises the following:

- * Create cost-effective packaging that provides sufficient protection for the distribution, storage, sale and use for the product, while using the optimum packaging to mitigate our environmental footprint.
- * Seek innovative ways to minimise materials used, maximise the use of recycled or renewable materials, avoid dangerous levels of toxic and other harmful materials
- Source materials from certified responsibly managed forests
- Optimise the number of products per package

Preserving and restoring natural resources: At many of the Company's sites and in the communities where they work, the Company supports and undertakes environmental projects that restore land, preserve wildlife, and help conserve natural resources. With the Company's acquisitions, Dr.Datsons is subject to requirements under Central, State, or local laws to address contamination resulting from the operations. When soil and groundwater contamination is found, we mitigate any immediate risk, assess the potential impact, and begin remediation activities. The Company's aim is to reduce overall waste footprint, prevent soil and groundwater contamination, implement rigorous waste management practices and perform due diligence on sites undergoing transaction.

Safety

The Company's safety ethos comprises a responsibility to safeguard those in the workplace from potential hazards, protecting drivers and those who share

the roads with them while improving, maintaining and managing our colleagues' health and wellness. At Dr.Datsons, ergonomic injuries continue to be the leading cause of injury. To improve lost-time and total injury and illness rates, the Company focused on improving and prioritising education efforts. The Company's aim is to maintain the effective management of inherently high-risk operations ensure the health and wellness of colleagues by carefully managing workplace exposure and have rigorous procedures and controls to protect employees from chemicals exposure.

The Company has implemented programs to ensure employee safety and wellbeing, reducing the likelihood of any injury. The guiding principles comprise the following:

- Leaders actively engage and visibly demonstrate their commitment to an incident and injury-free culture at Dr. Datsons.
- The Company is accountable for the safety of the employees around us and has the right and duty to stop unsafe situations.

- The Company provides a safe workplace through effective risk management to identify and control all hazards to an acceptable level.
- The Company takes necessary steps to prevent the reoccurrence of injuries or incidents through thorough investigation, action plan completion and sharing information.
- There are lots of different routes which can be taken along the journey and our facilities implement various different local initiatives to reach our goal of 'injury-free'.

The result is that no injuries were reported in 2012-13 and situational awareness techniques were deployed at two of our manufacturing sites.

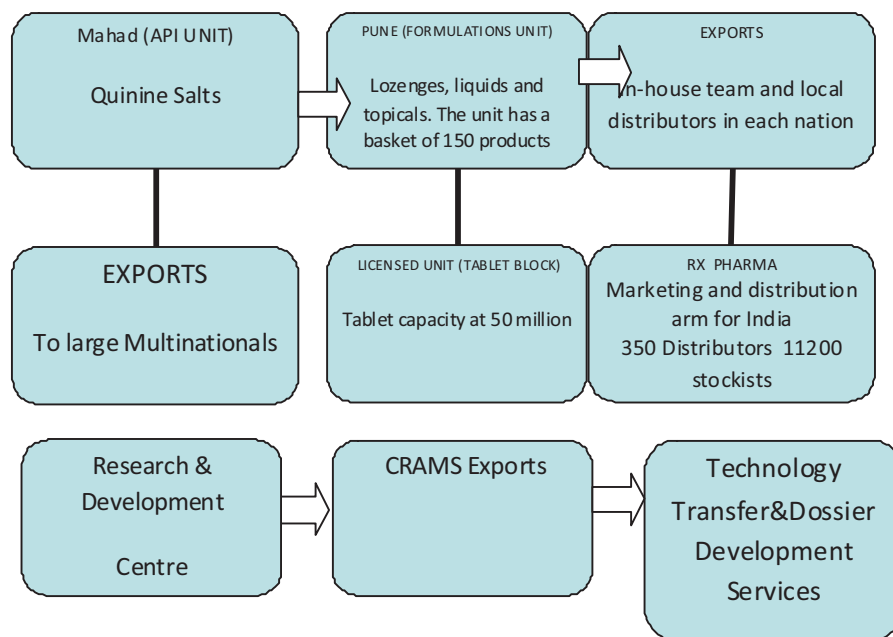
Health

The Company has always been committed to applying innovative scientific measures to improve health. As a part of the corporate wellness programme, the Company provides tools and resources for colleagues to

stay healthy or make measurable health improvements. The Company's aim covers the following:

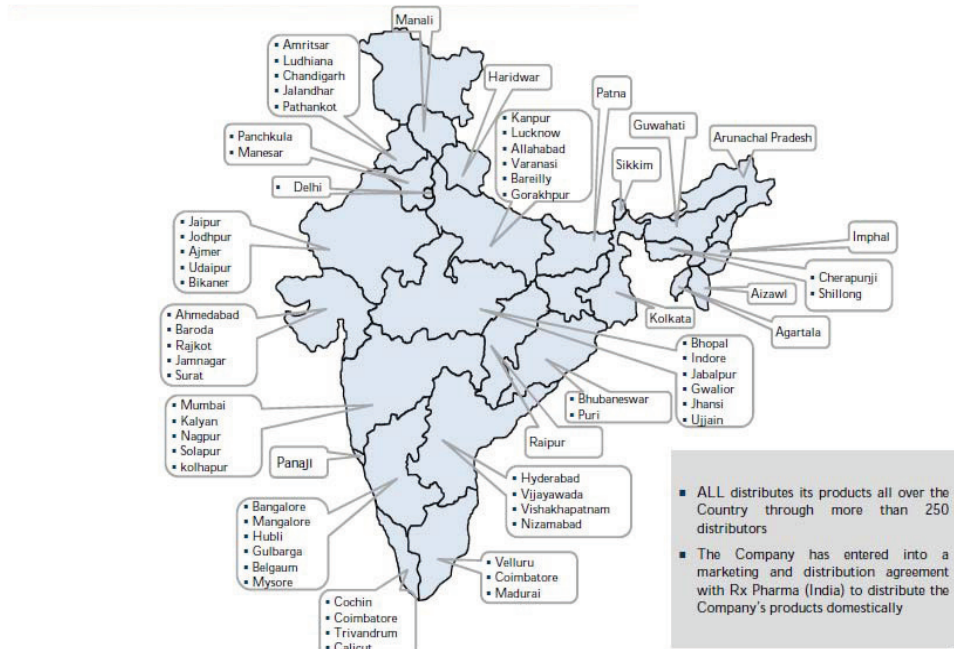
- * Live the principles which are promoted as a company, and to set a new standard of employer-sponsored health improvement in today's work environment.
- * Improve the health of our employees and their families - reducing health risks, identifying chronic conditions in early stages when treatment is more effective, and encouraging healthy behaviours (such as physical activity and good nutrition).
- * Make wellness and prevention a part of our overall culture at Dr Datson's - a 'culture of health' - that is adopted company-wide as a core value for our organization and affects our ability to attract and retain the employees who are so important to our success.
- * Support the business - directly, by reducing healthcare costs, and indirectly, by decreasing sick employees coming to work and improving productivity.

Business Model of The Company

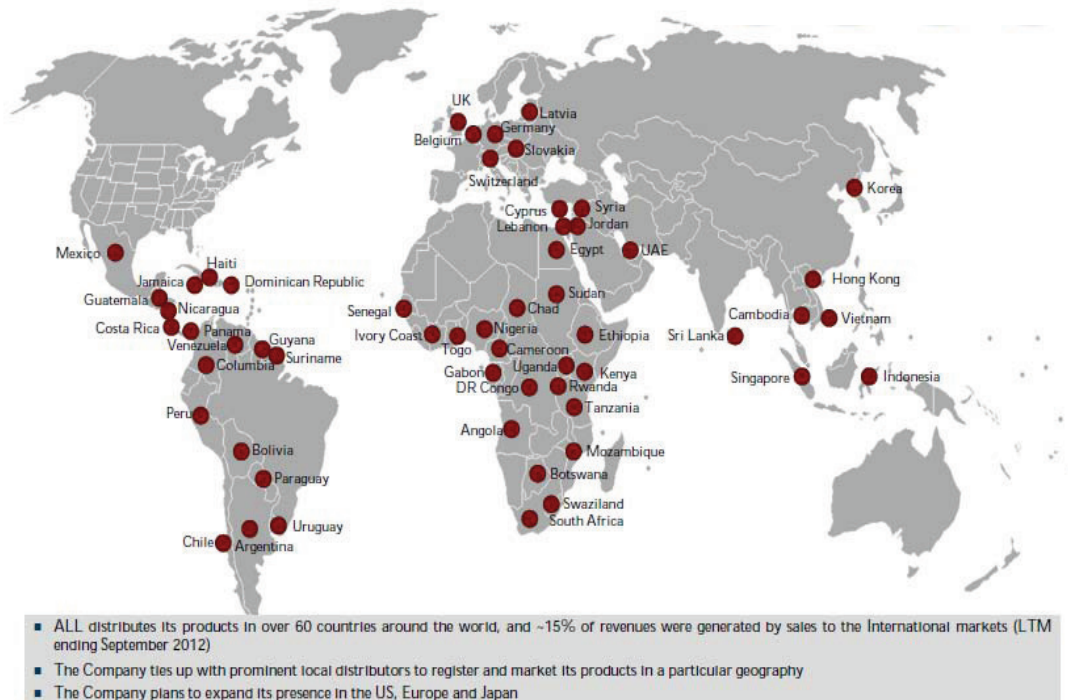


Our widespread distribution network

India:



Global:



MESSAGE FROM MANAGING DIRECTOR

At Dr. Datsons Labs Ltd, we believe that nothing toughens like the tough times. 2013-14 was a tough year as input cost continued to rise and key segments faced competitive pressures.

The rupee devaluation on account of fiscal challenges in the country resulted in further pushing up the costs. Delay in financial commitments led to deferred timelines and low capacity build-up.

The company has been Facing Liquidity Issues for Its working Capital Requirement, hence performance of manufacturing operations are greatly affected, to overcome the same we have undertaken steps to raise equity through sale of stake, bringing in strategic investors and even selling the assets so that the company gets in required funding for its Working Capital & Capex Program. We are looking for long term investors who can take forward the legacy of the company

We chose not to stop, but to carry on; not be withered but to persist. Rough seas make better sailors.

At Dr. Datsons we continued to wade through multiple challenges diligently, patiently and persistently. Our investments made over the years into an integrated business model also stemmed the decline.

In wake of growing competition and increased inflation, cost control emerged as the biggest challenge during 2013-14. We focused on critically analysing each process and product to clearly identify avoidable elements in the cost structures. This enabled us to improve efficiency, process time and capacity utilisation without any compromise on the end product/process quality. We continued to add new clients across all our divisions. We utilised the blend of our competitive cost structures with our global standards in R&D and synthetic chemistry skills to partner large pharma companies for long-term product development. Presently, we have forged four long-term

partnerships for our products and derive 37 per cent of our total revenues from these partnerships.

Long-term growth still intact

The Emerging Markets are expected to grow at four times the growth rate of Established Market, largely on account of lower base as well as highly underpenetrated healthcare and large population. India remains attractive on both counts - being a large market and also the largest pharma hub outside US. We at Dr. Datsons had realised this opportunity few years ago. Our strategy to improve capacities, strengthen cost structures, fortify product/process quality, expand customer base and ensure presence in diverse yet integrated verticals of the pharma value chain makes us attractively poised to capitalise upon the impending upturn. We believe that the input costs have also peaked and are only expected to go southwards in the coming months. We look forward with optimism on fructification of new developments during the current year.

Our product pipeline comprising of more than 15 APIs under development will also propel our growth in the coming years. At the same time, our recent foray in domestic market for animal health formulations holds a huge latent potential in one of the fastest growing markets in the world. Tough times are not controllable. However, one's reaction to the tough times is. At Dr. Datsons, we believe that strong and respected organisations are built with a long-term vision and each adversity, obstacle and hardship plays an important role in shaping them, nurturing them and preparing them for bigger challenges to come.

Dr. Datsons Labs Ltd is getting ready for tomorrow. Every segment of the business is being refashioned, with intent to dominate the generics market of the future. The Company would like to retain its leadership, even as it ventures into the competitive global markets.

We at Dr. Datsons can take a wider view

of the future, largely because of the preparatory work done so far. A blue print was made mapping the future plans. This contained multi-tasking of activities, most of them being simultaneously implemented. Some of the major initiatives would need mention.

Our objective is to contain raw material costs and all the other costs including overheads. Improving margins on an increasing topline, would create excitement amongst our stakeholders.

These planned set of activities would effectively derisk the business. Along the way, during the year, low margin products have been shed, and the business model spruced up. All the changes are being put through simultaneously even as the existing strengths in products and markets are being consolidated.

Of course, there was a price attached to such massive change process. Dr. Datsons decided to charge off the costs to the revenue, with the result the year end showed a flat bottom line.

We will be controlling many levers of performance. We will have strategies that will improve the rate of growth. Product renewals, volume expansion and strong self-sustaining bottom line should result in predictable value creation.

One thing is certain. While the past has been solid on strong foundations, we cannot extrapolate the past into the future.

Dr. Datsons of tomorrow will be totally different and growing at a faster clip with strategic infusion of equity

Dr. Datsons is busy creating excitement in the interest of its stakeholders. The evolution now taking place is an essential part of this agenda.

With warm regards

Dr. Kannan Vishwanath

(Vice Chairman & Managing Director)

Risk Management

1. INVESTOR PERCEPTION RISK

What does it mean?

Since the Company has presence in diverse businesses; it may lead to a negative perception relating to core business focus in the minds of the investors.

Mitigation measures

Pharmaceuticals segment is the Company's core business, comprising of growth-ready verticals in Human and Veterinary segments. Each business vertical is headed by core sector specialists and dedicated professionals, bringing the requisite expertise and focus. Over the years, the Company has invested in each of its core verticals and has attained a critical mass in each of them. The specialty chemicals business remains to be non-core and generates liquidity for the Company on accounts of its novel products.

2. ATTRITION RISK

What does it mean?

For a company whose business model is entirely dependent on intellectual capital, any attrition at the key levels can result in an adverse impact for the business.

Mitigation measures

The Company follows a principle of 'merit above all'. Every employee sans level is appraised and rewarded in view of their ability to add value to the workplace. The Company ensures a progressive career path for each of its employees. High levels of interdepartmental and intra-departmental transparency allow speedy resolution of the employees' concerns. Performance linked

remuneration coupled with ESOPs help in retaining talent. The attrition rate in the Company is amongst the lowest in the industry.

3. COMPETITION RISK

What does it mean?

Competition from global as well as local players can hit the Company's margins.

Mitigation measures

Being a relatively new player in the segments ruled by global pharma companies, the Company has focused on offering niche products across all its business verticals. These products require dedicated expertise and specialisation that the global players are not willing to impart on account of their scale and cost-benefit parameters. The Company's ability to offer products has elevated it among the favoured producers of niche molecules and APIs in Human and Veterinary segments. As a result, the Company has emerged as a partner to the MNCs.

4. REGULATORY RISK

What does it mean?

Getting approval on facilities and products from various authorities is a time-taking exercise. The delay caused can lead to loss of potential revenues in wake of opportunity.

Mitigation measures

The Company's Mangalore unit has been awaiting inspection from the USFDA authorities. Of the Company's six manufacturing facilities, four plants are cGMP certified and one is ISO certified, reflecting the state-of-the-art processes and equipment. The risk

of delay in regulatory inspection is non-controllable; however, the Company has invested in highest standards of quality practices and control to be confident of clearing inspections.

5. QUALITY RISK

What does it mean?

Any quality defect in the Company's products can lead to huge losses at client's end as well as its own loss of reputation.

Mitigation measures

The Company has a 'zero tolerance' policy on quality. Each of its units is certified by credible authorities and has successfully passed key client audits. A dedicated department in each unit takes care of stringent quality control and quality assurance practices at every product/process level.

6. ENVIRONMENT AND SAFETY RISK

What does it mean?

Non-compliance with environment protection policies or safety related issues could dent operation and can also impair quality standards.

Mitigation measures

The Company lays a great emphasis on the proactive environment and health safety compliance. A dedicated EHS Policy is formulated and strictly adhered to protect its employees, the environment and the public at every stage of its business activity. Environment Management Systems are in place at each site to continuously monitor progress in this area.