

Laurus Labs is about three things.

Outperformance.
Outperformance.
Outperformance.



LAURUS LABS PRIVATE LIMITED

Annual Report 2013-14

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Disclaimer

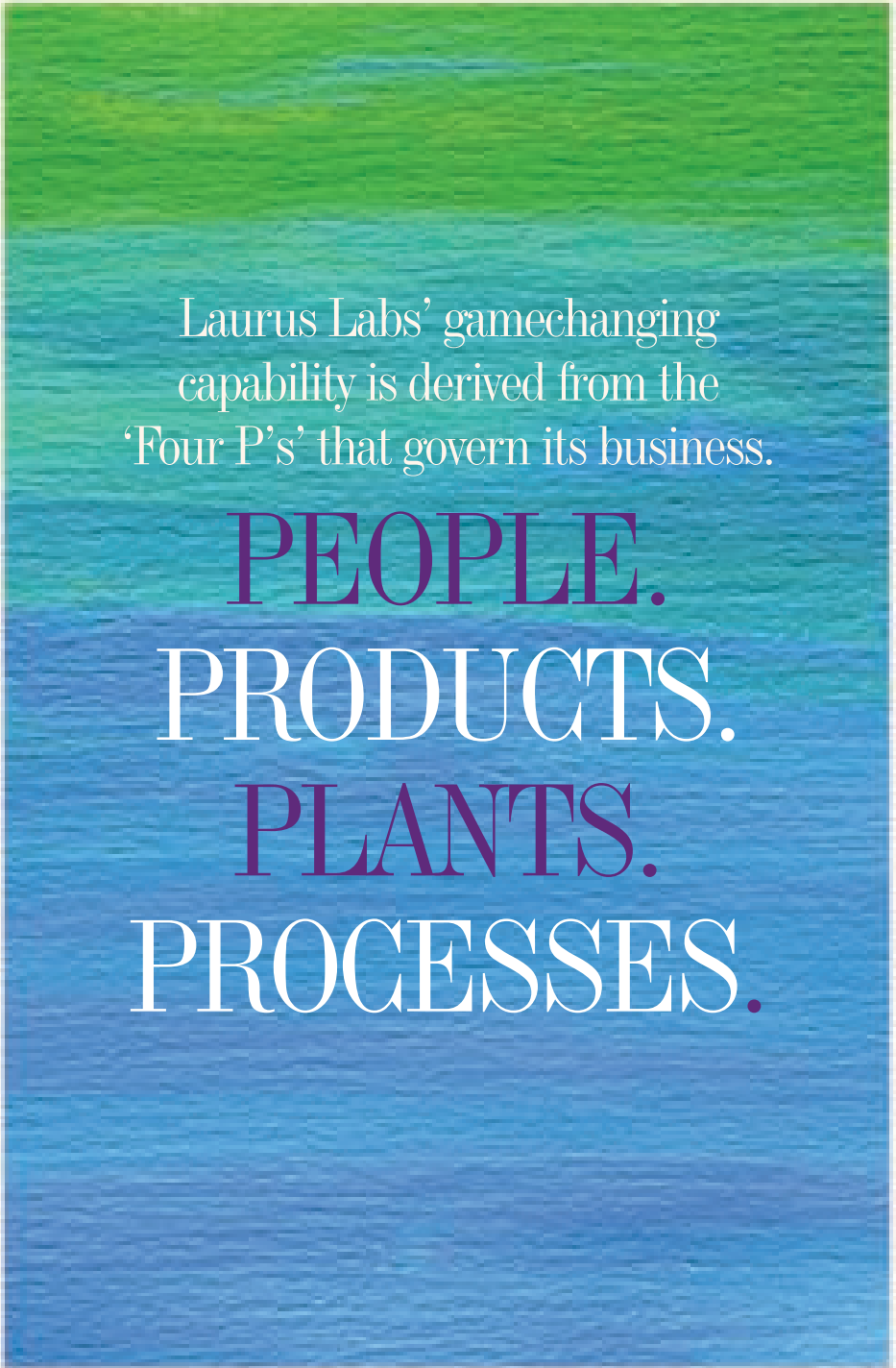
Statements in this report that describe the Company's objectives, projections, estimates, expectations or predictions of the future may be 'forward-looking statements' within the meaning of the applicable securities laws and regulations. The Company cautions that such statements involve risks and uncertainty and that actual results could differ materially from those expressed or implied. Important factors that could cause differences include raw materials' cost or availability, cyclical demand and pricing in the Company's principal markets, changes in government regulations, economic developments within the countries in which the Company conducts business, and other factors relating to the Company's operations, such as litigation, labour negotiations and fiscal regimes.

The Indian pharmaceutical industry
grew by 15 per cent in 2013-14.

LAURUS
LABS
GREW ITS
REVENUES
BY 60 PER
CENT.

Laurus Labs. Gamechanger.

Leveraging deep capabilities in chemistry. Increasing production volumes. Reducing manufacturing costs. Pricing products attractively. Widening market spaces. Making it possible for dosage form manufacturers to make affordable products. Helping counter diseases like cancer, AIDS, asthma and ophthalmic disorders. Making the world a healthier place.



Laurus Labs' gamechanging
capability is derived from the
'Four P's' that govern its business.

PEOPLE.
PRODUCTS.
PLANTS.
PROCESSES.

The first P of success

People



In the pharmaceutical industry, it would be easy to assume that the most valuable investment one can make is an investment in hardware. At Laurus Labs, we have selected to take a different perspective.

Rather than be singularly driven by investments in depreciating material assets, Laurus Labs has selected to be driven by investments in appreciating intellect.

There are some valid reasons for this. The business of pharmaceuticals is marked by complex processes utilising a wide range of technologies. The Company needed to demonstrate the absorption of technologies across various chemistries in the shortest time because any knowledge accretion has corresponding implications on enhanced productivity and profitability.

Over the years, Laurus Labs made extensive investments in its people. One, the Company's team of 576 R&D professionals accounted for 36 percent of the Company's employee roster; the Company invested ₹47 crore in research-centric investments in 2013-14. Two, the Company invested 100 hours for the top 100 employees, per year in training. Three, it encouraged cross-functional teams working in tandem to resolve problems quicker. Four, the Company instituted incentives for senior members to enhance performance. Five, the

management developed programmes which helped evolve professionals into entrepreneurs. Six, some of the senior management team were assigned coaches to enhance personal effectiveness. Seven, the Company assigned ESOPs across 9% of the employees; when our major financial investor, Fidelity bought into the Company's equity at ₹243 a share, the employees continued to receive shares at ₹10 each.

The results were evident in the numbers: an employee engagement survey indicated that 97% of the Laurus employees prided themselves for being a part of the Laurus family; 95% of those interviewed felt that their work was more than just another 'job'; the Company retained 90% of its workforce during the year against an industry average of 85%; the annual revenue per employee was considerably higher than the industry average; the Company filed about 90 patents during its eight year existence and 25 patents in 2013-14.

Swimming against the tide, but still home and dry.

The second P of success

Products



In the pharmaceutical business, an increasing number of companies select to manufacture a large number of products to reduce product risks or work in relatively underpopulated spaces to escape competitive pressure. At Laurus Labs, we have selected to take a contrarian approach.

Rather than be driven by external opportunities, Laurus Labs has been inspired by captive capability. Rather than be singularly excited by high margin spaces (which could be fleeting), we have selected to leverage our deep competence in product chemistries that help alter niche market dynamics.

This is how the difference has been manifested. One, we are not positioned as a supermarket wherein we have something for every customer; we have strengthened our reputation as a pharmaceuticals boutique offering niche products addressing the needs of chosen customers. Two, we have leveraged our unique insight into processes, products and prospects to carve out sizeable shares even from populated segments.

These have been the results of this

differentiated approach: of our 40 commercialised products, each one contributed positively to the Company's bottomline during the year under review; more than 50 per cent of the Company's product mix generated revenues in excess of ₹10 crore, more than 50 per cent of the Company's product mix reported an annual revenue growth in excess of 20 per cent; the Company's five leading products accounted for substantial global market shares.

So at Laurus Labs, we didn't make as many products as we could in the hope that some would succeed; we rationalised the number of our products, leveraged research to create competitive products, focused deeper and grew these into winners.

Going against the herd helped.

The third P of success

Plants

