ANG LIFESCIENCES INDIA LIMITED
CIN: L24230PB2006PLC030341

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Structure and Development

India is the largest provider of generic drugs globally. Indian pharmaceutical sector industry supplies over 50 per cent of global demand for various vaccines, 40 percent of generic demand in the US and 25 percent of all medicine in UK. India enjoys an important position in the global pharmaceuticals sector. The country also has a large pool of scientists and engineers who have the potential to steer the industry ahead to an even higher level. Presently over 80 per cent of the antiretroviral drugs used globally to combat AIDS (Acquired Immuno Deficiency Syndrome) are supplied by Indian pharmaceutical firms.

The pharmaceutical sector was valued at US$ 33 billion in 2017. The country's pharmaceutical industry is expected to expand at a CAGR of 22.4 per cent over 2015–20 to reach US$ 55 billion. India's pharmaceutical exports stood at US$ 17.27 billion in 2017-18 and are expected to reach US$ 20 billion by 2020. Indian companies received 304 Abbreviated New Drug Application (ANDA) approvals from the US Food and Drug Administration (USFDA) in 2017. The country accounts for around 30 per cent (by volume) and about 10 per cent (value) in the US$ 70-80 billion US generics market.

India's biotechnology industry comprising bio-pharmaceuticals, bio-services, bio-agriculture, bio-industry and bioinformatics is expected grow at an average growth rate of around 30 per cent a year and reach US$ 100 billion by 2025. Biopharma, comprising vaccines, therapeutics and diagnostics, is the largest sub-sector contributing nearly 62 per cent of the total revenues at Rs 12,600 crore (US$ 1.89 billion).

Outlook

The pharmaceutical industry is developing at an unusually rapid pace. Manufacturing companies are confronted with enormous challenges due to high market growth, new medicines and therapy forms, changing regulations and progressing digitization. This article casts a glance at some important areas of growth and describes the changes drug producers as well as processing and packaging specialists are facing.

The market for pharmaceuticals is growing persistently. According to a current market report expenses for drugs will amount to 1.5 trillion U.S. dollars globally in 2021. This equals an average annual growth rate of between four and seven percent in medication expenses or three percent in doses. Despite political uncertainties regarding general healthcare, the U.S. will record the largest growth, while the so-called pharmerging markets will require about two-thirds of the entire drug volume.

The global population is increasing by 1.24 percent per year until 2030 and ageing at the same time. All in all, the proportion of people aged 65 to 80 will rise to 28 percent, compared to 22 percent in 2000. Increasing urbanization and a growing middle class are making drugs available and affordable for more people and also lead to a higher demand for medication.

Opportunities and Threats

We are looking forward to several opportunities in the future as more than 220 drugs are expected to be introduced in the pharma market by 2021 in which most of the drug manufacturing will be outsourced. Pharma companies have opportunities to develop new businesses and increase market share by outsourcing manufacturers. As Pharma companies lose sales due to increase in generic drugs, the companies can create portfolios of generic pharmaceutical ingredients (APIs) and present the generic APIs to customers. Outsourcing is expected to increase and provide pharma companies with $105.0 billion in 2021.

Pharma companies are facing challenges with developing new medicines and meeting the complex demands of clients. Unprecedented challenges in the pharmaceutical industry are raising concerns about innovations that increase R&D, administrative and sales cost. Some of the challenges include expiring patents, increase in competition by generic companies, slower sales growth rates, decrease in the number of innovative drugs under development, tighter regulatory reviews and standards. These factors are causing to change the strategies or growth and sales. Overregulation is an issue that pharma companies are constantly facing. It is perceived as a threat with pricing pressures and possible changes in the U.S pharmaceutical market.

Our results of operations could potentially be affected by the following factors amongst others:

Our Relationships with Customers: We believe in client retention and derive a significant proportion of our revenues from repeat business. We have long-term relationships with our key customers and our sales to these customers are conducted on the basis of purchase orders that they place with us from time to time. Most of our customers provide us with forecasts of order volumes that help us estimate our production volumes and our revenue for that particular product or business line. We believe that our ability to establish and strengthen client relationships will be an important factor in our future growth and our ability to continue increasing our profitability.

Sales volume of our Products, Launches of New Products and Pricing of our Products: The key growth driver for increase in our results of operations has been the volume growth of our existing products Actual volumes and specifications of customer orders are fixed only if and when customers place purchase orders with us. Our actual production volumes may differ significantly from our estimates due to variations in customer demand for our products.
Further, since the number of purchase orders that our customers place with us may differ from year to year, which may adversely affect our revenues margins and, as a result, our results of operations.

Production Costs and Quality of our Manufacturing Facilities: Our ability to maintain our position as a low-cost producer and increase our cost competitiveness is dependent on the efficient management of our production costs. The availability of key raw materials at competitive prices is critical and price fluctuations may adversely affect our margins and, as a result, our results of operations. Additionally, any significant changes in excise duties levied on raw materials and finished products and changes in salary costs of our employee could have an adverse effect on our financial condition and results of operations. In addition, in order to maximize our profits, we must maintain an appropriate standard of quality in our manufacturing facilities' equipment and processes. Attaining and maintaining this level of quality requires considerable expense and planning. If we are unable to achieve and preserve the necessary level of quality in our manufacturing processes and facilities in the future, our financial condition and results of operations may be adversely affected.

Competition from other industry players: Our products face intense competition from products commercialized or under development by competitors in all our therapeutic areas. Our business, prospects, results of operations and financial condition could be adversely affected if our competitors gain significant market share at our expense in areas in which we are focused. Many of our competitors may have greater financial, manufacturing, research and development, marketing and other resources, more experience in obtaining regulatory approvals, greater geographic reach, broader product ranges and stronger sales forces. Accordingly, our results of operations depend significantly on various factors such as the demand for our products in the markets we operate in, our ability to manage our growth strategy and expansion plans, including our ability to grow our exports and our ability to grow and manage our distribution network in India.

Macroeconomic Factors: Macroeconomic factors, both in the Indian and international contexts, such as economic instability, political uncertainty, social upheavals or acts of God could influence our business. In addition, fluctuations in interest rates, exchange rates and inflation would have an effect on certain key aspects of our operations, including on the costs of our raw materials, the prices at which we can sell our pharmaceutical products, our finance costs required to fund our operations and profit margins.

Internal control systems and their adequacy

The Company's has proper and adequate internal control system to ensure compliance with various policies, practices and statutes in keeping with the organisation's pace of growth and increasing complexity of operations. Management continuously reviews the internal control systems and procedures to ensure the efficient conduct of business. Regular internal audits and checks are carried out to ensure that the responsibilities are executed effectively.

Financial Performance

In Financial Year 2018-19, your company achieved a robust growth of around 59% in the revenue from operations that has been increased to Rs. 12193.25 lacs from Rs7673.20 lacs in the previous year, on account of increased Government/ Institutional supplies. Whereas the Net Profit stood at Rs 564.90 lacs as compared to Rs 372.41lacs in FY18 with jump of 51.88%. The company have had another strong year of growth in Revenue. The Company continues to strengthen its position as a trusted parenteral pharmaceutical company.

Development in Human Resources and Industrial Relationship

The Human Resources function contributes to ANG's growth story by working as a strategic partner to the business. The technical and quality demands of pharma combined with our own vision to grow significantly over the next few years are driving the need for us to build an alert, engaged, and energized work force.