

DIRECTORS' REPORT

Dear Shareholders,

Your Directors present their Thirty-ninth Annual Report and Audited Financial Statements for the Year ended 31st March 2018.

1. Financial Results

Year ended 31 st March	₹ in cr. except EPS)					
	Standalone			Consolidated		
	2018	2017	Growth	2018	2017	Growth
Total Revenue	1,830	1,823		2,131	2,002	6%
Earnings before Interest, Depreciation and Tax (EBIDTA)	547	643	(15%)	658	699	(6%)
Profit after Tax	428	500	(14%)	469	507	(8%)
Total comprehensive income	426	500	(15%)	472	504	(6%)
Earning Per Share (EPS) (₹) (Basic)	48.59	56.79	-	53.26	57.59	-

2. Performance Review

Company continues to operate only in one segment i.e. pharmaceuticals and there is no change in the nature of business of the Company.

Our branded generic business performance in emerging markets has posted healthy growth in line with our expectation, whereas the India business growth has come back after the GST impact in first quarter. Despite the challenging price erosion environment in US market, we have performed well during the year.

3. Dividend

Board deferred the proposal of declaration of dividend and desired to evaluate other options to utilise the funds/reward the shareholders.

The Dividend Distribution Policy is available on website of the Company and its weblink is <http://www.ajantapharma.com/AdminData/PolicyCodes/DividendPolicy.pdf>

4. Transfer to Reserves

The Company proposes to keep the entire retained earnings in Profit & Loss Account.

5. Scheme of Amalgamation and Arrangement

The Board of Directors at its meeting held on 18th March 2017 had approved the Scheme of Amalgamation and Arrangement between Ajanta Pharma Limited ("Transferee Company") and Gabs Investments Private Ltd., a promoter company ("Transferor Company") and their respective members and creditors ("Scheme of Arrangement").

The Scheme was approved by the shareholders on 10th October 2017. Further, all the Regulatory authorities viz. ROC, Regional Director, Official Liquidator and Income Tax have submitted their report to National Company Law Tribunal (NCLT). Matter is being heard at NCLT.

6. Material changes & commitment affecting the financial position of the Company

There are no material changes and commitments affecting the financial position of the Company, which have occurred between the end of the financial year and the date of this report.

7. Significant & material orders passed by the Regulators or Courts or Tribunals

No significant or material orders have been passed against the Company by the Regulators, Courts or Tribunals, which impacts the going concern status and company's operations in future.

8. Management Discussion and Analysis

Management Discussion and Analysis (MDA) forms part of this annual report, which is given elsewhere in the Report.

9. Report on Corporate Governance

Report on Corporate Governance is annexed and forms an integral part of this Annual Report. Certificate from the Auditors regarding compliance of conditions of Report on Corporate Governance as stipulated in the Listing Regulations is also appended to the Report on Corporate Governance.

10. Share Capital

During the year, 9,500 shares were issued under the ESOS, 2011. Consequent thereto, total paid up equity

share capital of the Company as on 31st March 2018 stood at ₹ 17.60 crores divided into 8,80,14,500 Equity shares of ₹ 2/- each. Particulars of Employee Stock Options granted/vested/exercised during the year are given in "Annexure A" to this report.

11. Credit Rating

The Company's bank facilities are rated by Credit Analysis and Research Ltd. (CARE). The Company continues to have rating Care A1+ for its working capital facilities and Care AA for long term borrowings, which indicates very strong/high degree of safety regarding timely payment of financial obligations. Such instruments carry lowest credit risk.

12. Subsidiaries and Associate

Your company continues to have six subsidiaries overseas, including one step down subsidiary and there were no changes in the same during the year. Financials of subsidiaries are disclosed in the consolidated financial statements which forms part of this Annual Report. The Company does not have any Associate company.

Company's UK subsidiary has not started any operations and management do not intend to start the operations. Hence initiated the process of closing this subsidiary.

Statement containing salient features of financial statements of subsidiaries pursuant to section 129 of the Companies Act, 2013 (Act) read with Rule 5 of the Companies (Accounts) Rules, 2014 is annexed to this Report in the prescribed Form AOC-1, as "Annexure B".

The Audited Financial Statements of Company's subsidiary for calendar year 2017 are available on the Company's website at www.ajantapharma.com and the same are also available for inspection at the Registered Office of the Company as per the details mentioned in notice of the 39th Annual General Meeting. Your Company will also make available these documents upon request by any Member of the Company interested in obtaining the same.

The Company has laid down policy on material subsidiaries and none of the subsidiaries are material subsidiary as per the Policy. The policy is placed on the website of the Company and its weblink is <http://www.ajantapharma.com/AdminData/PolicyCodes/c2ea3c56-332b-4e83-a771-f1a8934ec008PolicyonMaterialSubsidiaries.pdf>

13. Directors and Key Managerial Personnel

a. There were no changes in the directors or Key Managerial Personnel during the year. However, during the year Mr. Purushottam B. Agrawal had relinquished his position of Vice-Chairman w.e.f.

14th December 2017. He continues to be Non-Executive Director on the Board of the Company.

Board has re-appointed Mr. Yogesh Agrawal (DIN: 00073673) as Managing Director for a period of 5 years with effect from 1st April 2018 and Mr. Rajesh Agrawal (DIN: 00302467) as Joint Managing Director for a period of 5 years with effect from 1st May 2018. Their appointments are subject to approval of Members and other concerned authorities, if any.

All Independent Directors have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Act and Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulation, 2015 (Listing Regulations). Based on disclosures provided by Directors, none of them are disqualified from being appointed as Directors under section 164 of the Act.

Mr. Yogesh Agrawal, Managing Director (DIN: 00073673), Mr. Arvind Agrawal, Chief Financial Officer (DIN: 00648589) and Mr. Gaurang Shah, Company Secretary (FCS No.: 6696) are the Key Managerial Personnel of the Company as on the date of this Report.

b. Retirement by rotation

Mr. Mannalal B. Agrawal and Mr. Purushottam B. Agrawal, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

c. Board meetings

During the year, four Board meetings were held, details of which are given in the Report on Corporate Governance.

d. Independent Director's familiarization programme

The Company continued with its Independent directors' familiarization program for familiarizing them with company's operations, regulatory and critical aspects which would enable them to effectively discharge responsibilities and functions conferred on them. Programs undertaken during the year include:

- i. Corporate Strategy & plans of action
- ii. GST & SAP implementation and its impact
- iii. Workshop on Board Dynamics
- iv. Investment of surplus funds, capex & project status
- v. Risk analysis & mitigation framework of the Company

Details of familiarization programme imparted is placed on the Company's website and its weblink is <http://www.ajantapharma.com/AdminData/DirectorFamiliarizationProgram/Directorsfamiliarisationprogramme2018.pdf>

e. Evaluation of Board, Committees and Directors

Pursuant to the provisions of the Act and the Listing Regulations, the Board had carried out performance evaluation of its own, the Board Committees and of the Independent directors. Further, Independent Directors at a separate meeting evaluated performance of the Non-Independent Directors, Board as a whole and of the Chairman of the Board.

Manner in which the evaluation has been carried out and matters incidental thereto, have been detailed in the Report on Corporate Governance, which forms part of this report.

f. Policy on appointment and remuneration of Directors

Details of criteria laid down for appointment of Directors and policy on remuneration of Directors are given in the Report on Corporate Governance.

14. Audit Committee

The details pertaining to composition of Audit Committee are included in the Report on Corporate Governance.

15. New projects

Your company has commenced commercial production at its new manufacturing facility at Dahej, which is already approved by USFDA. Further, the Guwahati facility has commenced cream and ointment section, in addition to tablet section operationalized last year. Your company proactively assesses its requirement of infrastructure for future growth and continuously invests in the same.

16. Auditors and Audit reports

a. Statutory Auditors

Auditor's Report for the year under review does not contain any qualifications, reservations or adverse remarks.

b. Secretarial Auditors

Pursuant to the provisions of Section 204 of the Act and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company had appointed M/s. Alwyn Dsouza & Co., Company Secretaries in Practice to undertake the Secretarial Audit of the Company. The Secretarial Audit Report is annexed to this report as "**Annexure C**". There are no qualifications, reservation or adverse remark in the report.

c. Cost Auditors

Pursuant to Section 148 of the Companies Act, 2013 read with The Companies (Cost Records and Audit) Rules 2014, as amended from time to time, the cost audit records maintained by the Company are required to be audited by cost accountant. Company has appointed M/s. Sevekari, Khare & Associates, Practicing Cost Accountants to audit the cost records of the Company for the financial year 2018-19. The remuneration payable to them is required to be ratified by the Shareholders at the ensuing Annual General Meeting and accordingly, a resolution seeking ratification has been included as Item No. 4 of the Notice convening the Annual General Meeting.

The Cost Audit Report for the FY 2017 has been filed with the Ministry of Corporate Affairs on 15th September 2017.

During the year under review, the statutory auditors, secretarial auditors and cost auditors have not reported any instances of fraud committed in the Company by its officers or employees to the Audit Committee under section 143(12) of the Companies Act, 2013, details of which needs to be mentioned in this Report.

17. Internal Control System, Risk Management and Compliance Framework

Company has in place well defined and adequate internal financial control framework. During the year, such controls were tested and no material weakness in their design of operations were observed. Risk Management system followed by the Company is detailed in the Management Discussion and Analysis.

18. Vigil Mechanism/Whistle Blower policy

The Company has set up vigil mechanism viz. Whistle Blower Policy to enable the employees and Directors to report to the Audit Committee Chairman, genuine concerns, unethical behaviour and irregularities, if any, noticed by them in the Company, which could adversely affect company's operations. It is posted on the intranet of the Company. The same is reviewed by the Audit Committee from time to time. No concerns or irregularities have been reported by employees/directors till date.

19. Related Party Transactions and Policy

Most of the Related Party transactions (RPTs) entered during the financial year were with the Company's wholly owned subsidiaries and donations to charitable trusts for CSR activities. These were on an arm's length basis and in the ordinary course of business. As such, no particulars of such contracts or arrangements are furnished with this report. All the RPTs affected during the year are disclosed in the notes to Financial Statements.

The Board has approved and adopted Policy on Related Party Transactions and the same is uploaded on the Company's website and its weblink is <http://www.ajantapharma.com/AdminData/PolicyCodes/2018PolicyonRelatedPartyTransactions.pdf>

20. Managerial Remuneration and particulars of employees

Information pursuant to Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is annexed to this report as "Annexure D".

Information pursuant to Rule 5(2) & 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 pertaining to the top ten names and other particulars of employees also form part of this report. However, this information is not sent along with this report pursuant to the proviso to Section 136(1) of the Act. Any shareholder interested in obtaining a copy of the same may write to the Company Secretary/Compliance Officer at the registered office address of the Company.

21. Loans, Guarantees or Investments

Details of Loans, Guarantees and Investments, covered under the provisions of Section 186 of the Act are given in the notes to the Financial Statements.

22. Corporate Social Responsibility (CSR)

The Company's CSR Policy primarily rests on three broad tenets viz., Healthcare, Education & Community welfare and the same is within the ambit of Schedule VII of the Act. During the year, Company continued several initiatives under the CSR program, directly as well as

through agencies permitted under the Act. Details of CSR policy and CSR activities undertaken during the year is annexed to this report as "Annexure E" and are also given elsewhere in this report.

23. Deposits

Your Company has not accepted any deposits from the public falling within the purview of Section 73 of the Act read with the Companies (Acceptance of Deposits) Rules, 2014.

24. Green initiative

The Ministry of Corporate Affairs had taken the Green Initiative in Report on Corporate Governance by allowing paperless compliances by Companies through electronic mode.

Your Company supports the Green Initiative and has accordingly decided to send necessary communications to its Shareholders to their respective registered E-mail addresses.

Your Company appeals to you, its Shareholders, who are yet to register the E-mail addresses that they take necessary steps for registering the same so that you can also become a part of the initiative and contribute towards a Greener environment.

25. Unclaimed shares & dividend

In pursuance of Regulation 39 read with Schedule VI of the Listing Regulations, the Company has in FY 2017, transferred 27,250 unclaimed shares belonging to 33 shareholders, to the 'Unclaimed Suspense Account' opened for the purpose, after following due process. Details of shares transferred to the suspense account, claimed during the year and balance as on 31st March 2018, are given below:

#	Particulars	Shareholders	No. of shares
1.	Outstanding shares at the beginning of the year	33	27,250
2.	Shareholders approached the Company for transfer	3	2,250
3.	Shareholders whose shares were transferred from suspense account	3	2,250
4.	Shares transferred to IEPF account	4*	2,500
5.	Outstanding shares at the end of the year	30	22,500

*Partially transferred to IEPF and partially remaining in suspense account.

Voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.

Further, during the year 26,260 shares on which dividend had remained unclaimed for last 7 years were transferred to Investor Education & Protection Fund in accordance with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, after complying due procedure. Members desirous of claiming their shares may refer to the refund procedure for claiming the aforementioned amounts/shares transferred to the IEPF Authority, as detailed on www.iepf.gov.in.

Underlying shares on which dividend has remained unclaimed from 2010-11 onwards, will be due for transfer to IEPF account during the year and individual notices to that effect will be sent to concerned shareholders. Shareholders who have not yet encashed their unclaimed/unpaid amounts are requested to correspond with the Company's Registrar and Transfer Agents, at the earliest to avoid transfer of dividend and underlying shares to IEPF.

26. Extract of the Annual Return

The extract of the Annual Return in form MGT 9 is annexed to this report as “Annexure F”.

27. Directors’ Responsibility Statement

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors confirm:

- a. that in the preparation of the annual accounts for the year ended 31st March 2018, the applicable Accounting Standards had been followed along with proper explanation relating to material departures, if any;
- b. that the directors had selected accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March 2018 and of the profit of the Company for the year;
- c. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. that the annual accounts/financial statements have been prepared on a going concern basis;
- e. that proper internal financial controls were in place and that the financial controls were adequate and were operating effectively;
- f. that the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively.

28. Conservation of energy, technology absorption, foreign exchange earnings and outgo

The information relating to Conservation of energy, technology absorption, foreign exchange earnings and outgo, pursuant to Section 134 of the Act read with Companies (Accounts) Rules, 2014 is annexed to this report as “Annexure G”.

29. Business Responsibility Report

In compliance with Regulation 34(2) of Listing Regulations, your Company has included Business Responsibility Report, as part of the Annual Report, describing initiatives taken by the Company from an environmental, social and governance perspective. However, as a Green Initiative, the BRR for FY 2018 has been hosted on the Company’s website, which

can be accessed at <http://www.ajantapharma.com/AnnualReports.aspx> Any Member interested in obtaining a copy of BRR may write to the Company Secretary.

30. Human Resource

The Company recognizes that the employees are the most valuable resource and endeavors to empower its employees to meet business excellence while meeting their career aspirations. It continues to focus on progressive employee relations, policies and building high performance culture with the growth mindset where employees are engaged, productive and efficient. Industrial relations were cordial throughout the year.

Programs like Lose to Win, Safety First, various sports tournaments, inbound & outbound training programs, recreational and team building activities, etc. are part of the total employee experience helping to promote individual wellness while balancing the needs of the work, family and society.

31. Policy on sexual harassment of women at work place

The Company has in place, policy on Prevention, Prohibition and Redressal of Sexual Harassment for women at workplace in accordance with the requirements of The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. An Internal Complaints Committee (ICC) has been set up as per the statutory requirements, to redress complaints regarding sexual harassment. The policy has set guidelines on the redressal and enquiry process that is to be followed by complainants and the ICC, whilst dealing with issues related to sexual harassment at the work place. All women employees (permanent, temporary, contractual and trainees) are covered under this policy. The company has not received any complaints during the year.

32. Gratitude & Acknowledgements

Your Directors place on record their sincere appreciation for the steadfast commitment and highly motivated performance by employees at all levels across the globe which was instrumental in sustained performance of the Company. Your Directors also sincerely thank all the stakeholders, medical professionals, business partners, government & other statutory bodies, banks, financial institutions, analysts and shareholders for their continued assistance, co-operation and support.

For and on Behalf of the Board of Directors,

Mannalal B. Agrawal
Chairman

Mumbai, 2nd May 2018