



Seventy-Fourth Annual General Meeting

Wednesday, 25th August, 2010

Address by **Dr. Y.K. Hamied**
Chairman and Managing Director

Ladies, Gentlemen, Friends and Colleagues,

2010 is a very eventful year for our Company. Cipla was founded as the Chemical, Industrial and Pharmaceutical Laboratories Ltd. 75 years ago in August, 1935. We celebrate our Diamond Jubilee this year. It is also a special occasion for me personally. I joined Cipla in November, 1960 and this year will be completing my Golden Jubilee, 50 years of service to your Company in various capacities over the years starting from being a Research and Development Officer to my present position. I will continue in service as long as I believe I am adding value to the Company.

There are many features in the life of Cipla that one can relate with a great deal of satisfaction and pride. I will elaborate on a few major milestones of significance. First and foremost was the historic visit of the Father of our Nation, Mahatma Gandhi to Cipla in 1939 urging us to produce medicines for India. This was because the import of medicines had virtually stopped from Europe due to the 2nd World War. He instilled in us the belief of self-reliance and self-sufficiency. This driving spirit is still with us and has always remained our goal. We continue in the belief that our contribution has improved life for everyone, both in India and globally.

In 1960, our turnover was Rs. 5 million. We were ranked well below 50th in the IMS data published at that time. The multi-national pharma companies were far ahead of the indigenous pharma companies controlling around 80% of the domestic market. There was negligible export of drugs from India and hardly any bulk drug (API) production. The patent laws of our country were totally in favour of the MNC's. There was little foreign exchange for import of raw materials. Taxation was high as were import duties. In general, we were in the midst of the "License Raj" era, the overall scenario for the industry and the pharma industry in particular was grim. In spite of this, the resilience shown by your Company led to us overcoming many pitfalls in our path to progress.

It took nearly a year for the Company Law Board to give their approval to allow me to work in Cipla. My salary was fixed at Rs. 1500 per month for 3 years. I decided to learn as much as possible about the industry and came to the conclusion that the foundation and backbone of the pharma industry was the manufacture and availability of active pharmaceutical ingredients known as API's. In 1961, Cipla started the large scale production of API's. We encouraged the indigenous pharma industry to do likewise. In that year, we became aware that the existing Indian Patent Laws based on the British Patent Act, 1911 were totally against the healthcare interests of the millions in our country. Cipla played an active role in the formation of the Indian Drug Manufacturers Association (IDMA). It took 12 years of dedicated Herculean effort to get the government to accept our suggestions that in two areas, food and health, there should be no compromise or monopoly and that end products should not be patented, but only the processes to make them for a limited period of 7 years. The September 1972 passing of the Indian Patent Act 1970, heralded a golden era of the indigenous pharma industry that lasted till March 2005 with the passing of a new Patent Bill virtually going back to the pre-1972 period of monopoly and multinational domination of the Indian pharma industry. The past 5 years has

already seen an increase in the exclusive marketing of newer drugs at high prices and an increased rapid growth in the market share of the pharma MNC's.

During the period 1972 to 2005, most of the pharma MNC's virtually abandoned India. They showed no concern or sympathy for India's healthcare needs and requirements. The Indian market was no longer attractive to them monetarily. Many leading foreign companies wound up their activities and abandoned India. From 80% market share, this came down to nearly 20% and allowed the indigenous pharma companies to grow and prosper. We rose to the occasion and provided the medical profession with the latest medications that they required for their patients. This contribution is of significance and Indian doctors should therefore continue their support for companies like ours. This progress over the years allowed companies like Cipla to compete in every possible way with the MNC's not only in India, but throughout the world. India is now regarded as the epicenter of the global generic industry – the pharmacy of the world.

In 1967, Cipla introduced the first semi-synthetic antibiotic, ampicillin (Ampisyn). This was followed in 1972 by propranolol (Ciplar), the first beta-blocker for heart disease. Soon after, came the important anti-asthma drug salbutamol (Asthalin) and we then embarked into the manufacture of metered dose inhalers in 1974. Today, Cipla is among the world leaders in the control and treatment of respiratory disease and produces a range of over 70 million inhalers annually.

Cipla's milestone achievements go back a long way. Import substitution was of prime importance during the war years and immediately after. We produced liver extract with natural vitamin B₁₂, basic drugs like emetine, nikethamide and many others. Immediately after Independence and during the 1950's, we went through a period of transition and consolidation. In the 1960's, Cipla was the first company to initiate the large scale manufacture of steroids and hormones in India. During 1973–74, Cipla offered the Indian government an oral contraceptive at Rs.2 per month when the price in the USA was \$6 to \$8. Yet, regrettably our offer did not evoke any enthusiasm. Even at that time, we strongly believed that a pragmatic family planning policy was vital and essential for India's future. This is even true today, 40 years later. By 2050, India's population is expected to reach 1.65 billion which is alarming.

At regular intervals, newer factories were set up, Vikhroli in 1961, Bengaluru including an agriculture research farm in 1972. Cipla continued its march forward by producing for the first time in India a wide range of APIs and their formulations using innovative in-house developed technology. This included metoprolol (Metolar), lorazepam (Larpose), mebendazole (Mebex), ibuprofen (Ibugesic), trimethoprim (Ciplin) and a host of other APIs primarily for the domestic market. A major breakthrough came with the manufacture of norfloxacin (Norflox) and ciprofloxacin (Ciplox) in the early 1980's. Another state-of-the-art factory came up in 1983-84 at Patalganga to cater to the increasing demand.

In the year 1984, we took a major step and became the first Indian pharma company to get one of its API factories approved by the US FDA and a few of our products, clonidine, ibuprofen, methocarbamol and danazol had valid Drug Master Files in the USA. We assisted our colleagues in the industry to enter the American generic market. This was the forerunner of what we see today – India is now a major supplier of quality medicines, both APIs' and formulations to the USA.

During this period, as it is now, Cipla's approach to healthcare was not only business oriented but also humanitarian. In 1988, for the first time in the world, we introduced the oral iron chelator drug, Kelfer. In 1991, our Company was approached by the Indian government to produce AZT, the only known drug at that time to combat HIV/AIDS. We took up the challenge and marketed this in 1993 at a fraction of the prevailing International price. Some years later, a cocktail of 3 drugs was shown to be effective in controlling and managing HIV. Again, Cipla took up the initiative and was successful in producing Triomune and offered this 3 antiviral drug fixed dose combination in one tablet at below \$1 per patient

per day as against the then prevailing price of the individual drugs totalling around \$12,000 per patient per year in 2001. This was the first ever major and significant breakthrough in the fight against HIV/AIDS. It opened the door for treatment of HIV/AIDS, specifically in Sub-Saharan Africa. At that time, only a few thousands could afford treatment and the death rate from AIDS was 8,000 persons per day. Today, nearly 10 years later, about 5.2 million globally are being treated and AIDS is no longer considered a death sentence and can be regarded simply as a chronic ailment. This single humanitarian gesture by Cipla in 2001 has led to the saving of millions of lives, extending life-span and improving the quality of life. All of us in Cipla including you, our shareholders, can be justifiably proud of having played a part in this once in a life time major achievement.

In 1989, India reluctantly agreed to the incorporation of intellectual property in GATT. This led to the formation of WTO in 1995 and again India timidly agreed to implement TRIPS into its patent system after being offered a 10 year transition period. However, India succumbed to International pressure and in the Indian Patent Bill 2005, they backdated the cut-off date for product patenting to 1995. This retroactive step was against all International norms and has been harmful for our country. The government has as yet not put into place a permanent compulsory licensing system. This is imperative as it will then lead to no monopoly in healthcare. Free competition and multiple producers would assure total access to medicines at affordable prices and that no patients would be denied treatment.

Our story continues. We set up a major factory in 1983-84 at Patalganga and then one in Kurkumbh in the early 1990's. Goa in the early 2000's, then became our focal point for export internationally of drug formulations and dedicated units were set up covering a wide range of novel dosage systems, aerosols, single dose injections, lyophilized drugs, etc. The Goa complex was visited by President Clinton in February, 2006 and is recognized as one of the best pharmaceutical facilities anywhere in the world.

Subsequently, with increased domestic demand, we set up another manufacturing unit in Baddi, Himachal Pradesh and later one in Sikkim. Our latest venture is a major SEZ unit for drug formulations in Indore which has started production this year. Plans are afoot to expand API manufacture at all 3 current locations, Patalganga, Kurkumbh and Bengaluru.

A new R&D centre is being set up in Patalganga and the Vikhroli R&D unit is being expanded. Cipla has taken a major step forward in an investment into biotechnology both in China and India with our Chinese partners. This has been done as the guidelines for intellectual property in biotech based drugs are very much in our favour. A factory to produce both the biosimilar Actives and their Formulations is in the process of completion in Goa. Hopefully, our first products will be launched in early 2012. We believe that this activity is also humanitarian and like our crusade on the HIV/AIDS front, we will attempt to make a similar contribution in the sophisticated cancer/oncology market, reaching one and all cancer patients with valuable drugs at affordable prices. Cipla has also taken a lead in the new area of Stem Cell therapy by an investment in a Bengaluru based company, Stempeutics. We will be investing in excess of Rs.1000 crores in the immediate and near future in factories, expansion of existing units and infrastructure to keep abreast of developments and to maintain our leading position in the pharma industry.

During the past 50 years, your Company's sales have grown dramatically from Rs. 5 million to Rs. 55,000 million last year. Hopefully, this year we will cross another sales milestone of Rs. 60,000 million. For the first time, our net profit after tax has exceeded Rs. 10,000 million. We are the current leader in the domestic pharma industry. Our exports which were negligible a few decades ago, are now in excess of 50% of our turnover. We are among the largest standalone generic pharma companies in the world, our growth being totally organic. We are ranked among the leading 15 generic companies of the world and overall among the leading 70 in terms of sales. In our dosage form volume, we would rank among the top dozen pharma companies worldwide.

We export to over 180 countries and have the largest portfolio of approved drugs worldwide, both API's and drug formulations. Cipla provides a range of services – giving technical know-how and transfer of technology, updating the medical profession and providing patient education. I would particularly like to repeat a recent proposal we have made. Cipla is willing to give to the Indian government, totally free, sophisticated drug technology that we have to enable the public sector pharma industry to prosper and provide affordable drugs essentially those covered under the new Indian Patent Bill, again at affordable prices. This the government can do legally or by introducing at an early date a pragmatic, compulsory licensing system.

The past 75 years have been very eventful. Cipla has faced innumerable hurdles along the way. Yet we have been able to overcome every eventuality and have kept ahead. This fighting spirit and strength will hopefully guide us in the years ahead. The future has to be carefully planned in keeping with the resources at our disposal and the infrastructure and cooperation provided by the government. We face the future with enthusiasm even though the tasks ahead are formidable. Our experience and expertise developed over the years, together with the commitment, sincerity and dedication of our people has given us a commanding lead in the Indian pharma industry. We are today better equipped to serve not only India, but many countries, in fulfilling the healthcare needs of people everywhere.

Cipla is embarking on another chapter of distinguished service. We have always valued your support, faith and trust in your Company and its management. Do continue and maintain your vision and pride in being a partner and an integral part of one of the most successful pharma companies of its kind in the developing world.

As always, I wish to acknowledge with a sense of gratitude the help and cooperation of all our Directors, staff and workers throughout the country. Thanks are due to the medical profession and trade for their support. Finally, my best wishes to all our shareholders for their ongoing faith in Cipla. We all pray to the Almighty to continue to lead and guide us in our march forward.

Thank you.