



Seventy-Third Annual General Meeting

Wednesday, 26th August 2009

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

Ladies, Gentlemen, Friends and Colleagues,

On the eve of the 75th year of your Company's birth, our Diamond Jubilee, I join my fellow Directors to extend our cordial wishes to all of you, our shareholders and colleagues at the 73rd Annual General Meeting of your Company. With your permission, I take as read the Director's report and the Audited Statement of Accounts for the year ended 31st March, 2009. The coming year 2010 will mark my completion of 50 years of service in Cipla.

I would like to inform you briefly about your Company's performance, progress and future plans. It has been an eventful year for the world, our country and ourselves. A new government was formed in India this year and this means increased stability, much needed in the light of the worldwide recession. Until now, however, the expectations of the indigenous pharma industry have not been considered by this government.

This year your Company's turnover crossed the landmark figure of Rs. 5,000 crores, an increase of 22%. Our exports grew by 30%. This now exceeds our domestic turnover and the gap is likely to widen in the future. Domestically, however, according to the IMS-ORG statistics, Cipla continues to be the leader and we have maintained our leading position for the past four to five years. Our performance during the first 5 months of the year has shown a satisfactory trend and we are confident that barring unforeseen and unexpected setbacks and eventualities we should end the current year again on a strong note.

Global Healthcare is somewhat immune to recession, in particular for the latest drug therapies for major diseases. Life expectancy has increased worldwide. The annual world pharma market in 2008 was US\$ 900 billion in value. The USA alone was US\$ 420 billion, Europe US\$ 250 billion, Asia and Australia US\$ 145, Japan US\$ 68, Latin America US\$ 43, Russia and CIS US\$ 35. India achieved domestically US\$ 10 billion. We are approximately just over 1% of the world market in value, but approximately 12% in volume. The developing world needs more and more access to drugs at affordable prices. There has been an

explosion of chronic diseases in the 3rd world and of late Swine flu has reached pandemic proportions. Cipla saw this coming way back in 2005 and took the initiative to produce both the important antiviral drugs Oseltamivir and Zanamivir, and marketed these under Cipla's brand names Antiflu and Virenza. Today, we are the only producers in the world of both these drugs. Our Antiflu is approved and qualified by WHO and is the only branded generic drug of its kind available anywhere. The government here should take our assistance to jointly combat this catastrophe. The problem is being tackled by the government, but it is so widespread and complex that it needs the cooperation of one and all. Cipla volunteers to do its very best during this difficult period to assist the government. We have already helped many countries all over the world and will continue to do so.

In the area of healthcare, governments around the world preach and push for their own national needs and interest by promoting their own indigenous industry. It is therefore imperative and important that our government take the necessary initiative and support our industries, in particular the indigenous pharma industry that looks after the healthcare of the nation. We are partners with the government marching forward to improve our country and we should therefore be taken into confidence to devise policies for the improvement of healthcare in India. India has to decide its own future and not depend upon outside agencies and advice. India should be free to formulate its own strategy and enact its own laws in its own national interest. We cannot let down the needs and aspirations of millions of people throughout the country. Tragically, the Indian population is likely to reach 1.65 billion by 2050.

I would like to highlight a few pressing issues for the benefit of those who can influence the government and take necessary and remedial action. The issue of the definition of the term "counterfeit drug", the issue of data exclusivity, the issue of discrediting Indian manufactured drugs in the emerging markets including branding of our drugs as fake and spurious. Our Patent Act of 2005 needs no change except that the cut-off date for product patenting should not have been backdated to 1995. Backdating is against all principles of WTO. Section 3(D) of the Patent Act is essential and vital to protect India against frivolous patenting. It should be correctly implemented to avoid unnecessarily extending patent life and the patenting of minor incremental improvements which are obvious and where there is no novelty or innovation. Under no circumstances should this be modified as it is against national interest. Under the present Indian laws and similar to the "Bolar" provisions in the USA, we are allowed to manufacture, use and export patented products for non-commercial purposes. It is extremely dangerous to link regulatory matters with intellectual property rights and the government stand on this has to be positive for Indian

companies. This major issue has recently been clarified in a landmark Delhi High Court judgement in our favour. We are also finding that multi-national companies are resorting to multiple patenting of the same product hoping thereby to confuse the patent office and get some of their frivolous patents granted. Another major issue is the rising number of patent litigations, pre-grant and post-grant, within the country. This is a matter of concern for a company such as ours. Apart from this, international regulatory approvals are becoming increasingly difficult, thereby causing inordinate delays for generic approvals, both for biotech products and others drugs.

One of the key issues facing the 3rd world and the developing world today is that of Monopoly and Compulsory Licensing. The Doha Declaration of 2001 endorsed at that time still awaits ratification. A system of patent pooling has been suggested by UNITAID for major diseases of the developing world. If this can be expedited quickly and initially involve all the newer third and fourth generation anti-HIV drugs, it would be commendable. The generic industry is more than willing to pay an in-license royalty on valid patents. This patent pool can compliment what we believe is necessary for the third world and developing world, namely adopting the Canadian system under their Bill S-91 which was law from 1969 to 1992. The present pending Canadian Bill S-232, if adopted would allow the Canadians to export any drug on payment of a suitable royalty. This approach is most pragmatic and easy to adopt. It will provide a wide range of newer important drugs at affordable prices to the millions in the developing countries. Please believe me that if this is not done, in a few years from now, none of us would be able to afford life saving drugs.

In direct contrast to this is the present drug price control mechanism of our government. A simple solution has been suggested by us many times in the past and which I would like to repeat – all products where there are multiple producers should be out of price control and only all monopoly and imported products should be under price control. Prices of drugs marketed within India by wholly Indian companies are all reasonable and affordable and among the lowest in the world. In spite of this, the government continues to consider it necessary to regulate, monitor and control drug prices. The motive for this remains obscure and needs clarification by the government.

I would like to highlight certain features of the positive aspects of your Company's progress. We have grown organically over the years and today are the largest standalone generic pharma company in the world. Among all international generic companies, we rank 14th in sales turnover and are among the leading fifteen pharma manufacturers worldwide in volume. We have a wide, diversified range of products and are represented in nearly 180 countries. The

company is not dependent on any single product or individual market for its growth and progress. Over the past 5 years, we have had an average growth of 20% each year and doubled our turnover. Apart from this, we have built long standing key alliances with many organizations all over the world. Cipla now has over 7000 valid product registrations in nearly 180 countries. We are among the leaders in many disease segments where we provide a wide range of medications. Prominent among these are HIV/AIDS, Malaria, Asthma and Respiratory Disease.

Cipla has invested significantly in newer, state of the art facilities which are among the best equipped and modern. During the past 3 years alone we have incurred a total capital expenditure of nearly Rs. 2000 crores. In 2008, we invested over Rs. 300 crores in a new pharma project in Sikkim, which has already supplied large quantities of drug formulations to the domestic market. A dedicated formulation unit is in the final stages of being set up in a special economic zone in Indore at an estimated cost of over Rs. 750 crores. This factory complex will commence production in 2010. Newer facilities and upgrading of our existing facilities has to keep pace with the growing demand for our high quality medicines. In Bangalore, a new API facility is being set up as also expansion of API production in both Kurkumbh and Patalganga. R&D activities are being expanded in Vikhroli and Patalganga. During the coming 2 years, additional capital expenditure of Rs. 500 to Rs. 600 crores is required. Naturally, along with this, working capital requirements will increase annually by about Rs. 300 crores. In order to be better prepared for the future, your Company has proposed a resolution to raise funds from the capital markets at an appropriate time in the near future.

Your Company has faced many formidable challenges, crisis and obstacles in the past which we have overcome successfully. This fighting spirit, based on fairness and justice, will guide us to greater heights in the future. As a shareholder and an integral part of this Company, you should be proud of your Company's achievements on both the business and humanitarian fronts. Our goal has always been to supply medicines at affordable and reasonable prices, so that none should be denied access to proper healthcare.

Thanks are due to our Directors and all Employees throughout India for their help and contribution to the Company's progress. A note of gratitude to the Trade and Medical profession for their cooperation and finally, my warm personal regards to all our shareholders for their continuing encouragement.

Thank you.

Cipla Ltd., Mumbai Central, Mumbai 400 008.