

Sixty-Ninth Annual General Meeting – Tuesday, 6th September 2005

Address by **Dr. Y. K. Hamied**

Chairman and Managing Director

Ladies and Gentlemen,

Welcome to the 69th Annual General Meeting of your Company. I join my fellow Directors on the Board to extend our warm greetings to all of you. For the year ended 31st March 2005, I take as read the Audited Statement of Accounts and Directors' report.

At the onset, I would like to offer on behalf of all of us present here, our heartfelt condolences to all who have suffered bereavements in their families and loss to property during the recent July floods in Mumbai and other parts of the country.

The performance of your Company during the year under review was once again exceptional. The turnover crossed Rs.2300 crore of which exports contributed Rs.1050 crore. The overall growth was 19 percent, whereas exports grew by 30 percent. For the first time, our gross profit crossed the figure of Rs.500 crore, while our net profit exceeded Rs.400 crore. Exactly two years ago, while addressing you, I had said that, God willing, in a few years time we would achieve sales exceeding Rs.2000 crore. This we have achieved this year and perhaps, with the continued blessings of the Almighty, we will reach Rs.3000 crore in a couple of years.

For the five-month period ended 31st August 2005, your Company has achieved an overall sales growth of 17 percent. Unfortunately, finished goods in excess of Rs.100 crore in value, lying at our Bhiwandi warehouse just outside Mumbai were damaged in the recent floods, which has significantly affected our sales, particularly for the months of July and August 2005. The Company is adequately covered by insurance. We are in the process of taking appropriate steps to meet the present increased demand.

This year is of particular significance to us. We have passed an important milestone, having completed 70 years of our existence as a Company. Thanks to the consolidated efforts of our Founder, the late Dr. K. A. Hamied and all members of the Cipla team, your Company today stands for quality, reliability, trust and respectability not only in India but all over the world. Let us for a moment pay a silent tribute to all, past and present, who have contributed to this achievement. Globally, we export to over 150 countries and this year achieved a unique milestone, that of exceeding Rs.1000 crore in exports. In 2003-2004, the culmination of the efforts put in by the Cipla team over the past 30 years, saw Cipla reach the enviable number one position in the overall rankings of ORG-IMS for domestic sales.

I would like to review very briefly some of the salient features of Cipla's history. We had a very humble and modest beginning in 1935. The Father of our nation, Mahatma Gandhi visited Cipla in July 1939 and urged us to produce vital and life saving medicines for the Indo-British war effort. At that time, import of medicines had virtually stopped from Europe and he instilled in us our ongoing belief in self-reliance and self-sufficiency. We started to produce selected raw materials, bulk drugs and their formulations. After independence, in the early 1950's, we aggressively embarked on research and development with a view to improve India's technological capabilities in the pharmaceutical field.

In 1960, when I joined Cipla, the indigenous pharmaceutical industry was in its infancy. The multinational companies present in India dominated the industry and had a monopolistic control over the domestic market, controlling 80 percent of the sales volume. Exports were also negligible then.

We believed that the draconian British Patent Act of 1911, being followed in India at that time, had to be modified. We never really opposed product patents. We strongly opposed monopoly, because a country as populated as India simply could not afford the high prices of drugs

resulting from monopolies. Our efforts culminated in the enactment of the Indian Patent Act, 1970 passed in September 1972 giving us the legal right and freedom to manufacture and market within India almost any drug available internationally. It was the dawn of a golden age for the Indian pharmaceutical industry.

I have always believed that the foundation and backbone of the pharmaceutical industry is the manufacture of active pharmaceutical ingredients. Cipla initiated this in 1961 and we were, therefore, better prepared post-1972 to avail of the benefits of the new Patent Act. This we did and successfully produced the beta blocker propranolol, the bronchodilator salbutamol, the tranquillizer lorazepam, the major fluoroquinolone norfloxacin and a host of over 30 major important drugs, for the first time in India.

We set up our Bangalore unit in 1973-74. We then set up in the mid-1970's a state-of-the-art manufacturing unit for medicinal aerosols and took an outright lead in the supply of anti-asthmatic drugs. In 1983, our fourth major factory began operations at Patalganga, just outside Mumbai. During the 1980's, we continued to produce many important bulk drugs including a range of anti-cancer drugs and their formulations. Then in 1985, Cipla was the first Indian Company to get US FDA approval for its bulk drugs facilities at Vikhroli, Mumbai. Again in the early 1990's, Cipla took the lead by manufacturing and marketing the first anti-retroviral drug, zidovudine, in India and expanded this major activity by the end of that decade. In 1994, Cipla's fifth major factory for both bulk drugs and formulations was set up at Kurkumbh near Pune. Then towards the turn of the century, four factories were commissioned in Phase I at Goa , and later by 2003, five more independent manufacturing units commenced commercial production in Phase II . In the beginning of this financial year, the Company started commercial production at Baddi. All the factories in Goa as also in most of the other locations have international regulatory approvals.

A major fixed-dose combination drug Triomune, for combating HIV and AIDS was introduced in the year 2000. Today this is the leading anti-retroviral drug by volume, used by over 2,50,000 HIV positive people worldwide, approximately 25 percent of all those being treated. Cipla supplies anti-retrovirals at affordable prices to over 90 countries and has been a major force in not only curtailing the pandemic of AIDS but also creating awareness that AIDS can be treated as a chronic ailment and not as a death sentence.

Your Company has been in the forefront in the fight against AIDS. We contribute to alleviating the suffering from cancer. We supply many drugs for neglected tropical diseases including malaria. You, our shareholders, are therefore directly contributing to the welfare of many of the third world countries who are dependent on Cipla's medications available at affordable prices. We lead in corporate social responsibility.

India joined the WTO in 1995 and was given a 10-year transition period prior to implementing TRIPS, in effect re-introducing product patents post-2005. However, in the year 2000, India was pressurized to introduce a vague system of exclusive marketing rights and to backdate it to 1995. This was essentially incorrect as WTO in its rules and regulations does not allow backdating. It allowed companies, mainly MNC's to file product patents from 1995 onwards and India would have had to honour these as and when the patent laws changed. Currently, there are over 7000 patents pending grant. Why India did not use its entire 10-year transition period will remain a mystery.

In my personal opinion, a major predictable tragedy took place in India on 26th December 2004 when the Indian parliament announced an ordinance amending the Indian Patent Act, 1970 to bring in product patents. On 22nd March 2005 , the new Patent Bill ratifying this was passed by the Lok Sabha without any debate, in spite of healthcare being of great importance and significance. I have no doubt that this will deprive the poor of India and also third world countries dependent on India , of the vital medicines they need to survive. It will divide the human race into those who can afford life saving drugs and those who cannot. It will lead to a systematic denial of drugs to the three billion in the poorer nations, an act tantamount to selective genocide by the year 2015. No right thinking person can truthfully claim that there has been a dramatic improvement in the living standards of the majority of Indians during the last three decades. This certainly does not warrant a change in pharmaceutical patent laws by introducing product patents to encourage monopolies and thereby leading to high prices.

Your Company is totally Indian. The progress of Cipla can be attributed directly to the efforts in R&D in the areas of active ingredients, drug

formulations and new drug delivery systems. Cipla owes its success to Indian expertise and effort. In today's competitive pharmaceutical environment, innovation, technology and management are intertwined. Cipla's growth so far has been intrinsic and organic and not by acquisitions and mergers. Cipla's strategic alliance throughout the world, be it in the area of technology or marketing, will be the foundation for the continued growth.

Our progressive track record over 70 years gives us the confidence to face the challenges that lie ahead. We hope to continue to be at the forefront of the pharmaceutical industry both in India and globally. We fully appreciate the continuing support of our shareholders, directors, all employees, our associates and partners. The real strength of your Company lies in its people. They are the most valuable asset we have.

Thank you.