

Seventy-Eighth Annual General Meeting

Wednesday, 3rd September, 2014

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

Ladies and gentlemen,

Your Company has just completed its 79th year. For over 40 years, I have had the pleasure of meeting many of our shareholders at our AGM's. Today, I would like to share with you, your Company's performance and its future in a spirit of confidence and hope. With your permission, I take as read the audited Statement of Accounts and the Directors' Report for the year ended March 31, 2014.

This year, the Directors' Report is much more comprehensive and gives us an in-depth and detailed analysis of your Company's working, aims, objectives, hurdles and opportunities. I will endeavour to present to you a few relevant and major issues that are before us. Prior to doing so, I would like to congratulate one and all on our Company achieving a major milestone in crossing a consolidated turnover in excess of Rs. 10,000 crores for the year. Ten years ago in 2004, we had achieved a turnover of over Rs. 2,000 crores; in 2009 it was Rs. 5000 crores; and subsequently we have maintained our growth. The company's net profit has marginally decreased during the year ended March 31, 2014 due to various factors. These are primarily price reductions in the domestic market, major investments undertaken both domestically and internationally, and a one-time windfall income in the previous year. The quantum of profit still remains substantial. The overall figures are encouraging as they clearly show that we are striving for consolidation towards growth and progress.

Our first quarter results for the current year have shown a marginal growth in turnover and profitability relative to the previous quarter. We are optimistic that in the current year, we will achieve our budgeted revenues and profitability targets. Cipla is among the leading generic drug companies worldwide and continues to maintain an enviable global record for quality, integrity, reliability, sustainability of production, and a humanitarian approach to healthcare.

Last year was an exciting period for your Company. Many important, significant and strategic changes were made. Currently, Mr M K Hamied and I are non-executive Vice

Chairman and Chairman respectively of the Company. The Board of Directors of your Company has expanded and we have added a few Board members of proven merit. This bodes well for the Company's future. A word of appreciation for the Directors who have either retired or stepped down: our thanks to them for the yeomen service done by them for the Company during their tenure. A silent prayer for Mr Ramesh Shroff, a Director of many years standing, who passed away peacefully on July 30 this year.

I have already introduced to you our current Board of Directors. Your Company now has in place an outstanding global senior management team headed by Mr Subhanu Saxena, our Managing Director and Global CEO; and Mr Rajesh Garg, our Executive director and Global CFO. If I am asked what your Company's greatest asset is, I would, without hesitation, say that it is our people at all levels in the Company. We need this major, human intellectual input if we are to remain ahead, prosper and grow in the future. Another forward step is the recent global vision Cipla has taken since the current management team has been incorporated. In a number of countries, we now have an active front-end presence which includes marketing, distribution, and also some manufacturing facilities. Currently, our sales are higher overseas than in the domestic market, and this trend is likely to continue over the next few years, as we further expand our geographical presence and consolidate in areas where we are already strong.

In this context, a word of praise for the indigenous pharma industry. As a country, India is regarded as the pharmacy centre of the world. Pharma exports have risen from US\$ 100 million in 1980 to US\$ 15 billion in 2014, the target being US\$ 25 billion by 2025. India has a larger number of US FDA approved factories than any other country. In the USA, Indian companies have a 30-40% share of the generic pharma market. Apart from traditional generics, the capabilities of the Indian pharma companies now extends to complex drugs and newer delivery systems in many areas such as oncology, asthma, etc.. Apart from the USA, the industry also made a major thrust and impact throughout the world including Europe, Africa and Asia.

We are keenly awaiting our new government's stance on various issues pertaining to the pharmaceutical industry and healthcare. Specifically, in the area of healthcare, governments around the world preach, protect and push for their own national needs and interests, and promote their own indigenous pharma industry. It is therefore imperative and of the utmost importance that our government should take the necessary initiative and support the indigenous industries that look after the healthcare of the nation, both directly and indirectly. I have mentioned this very forcefully in the

Annual Report as well as on many occasions in the past.

We are partners with the government marching forward to improve medication for our country, and therefore we should be taken into confidence to initiate policies for the benefit of healthcare in India. The government should look to create attractive market conditions by supporting capital investment, encouraging R&D investments and creating a favourable tax environment. Instead of regulating prices in a highly competitive market where prices are already amongst the lowest in the world, the focus should be to have no monopolies in essential and life saving drugs.

Our country has achieved eminence in many fields. However, in the area of healthcare we are in a state of permanent crisis. The illness profile is frightening. There are 110 million mental health patients, 80 million cardiac patients, 60 million diabetics, 50 million asthmatics, 50 to 70 million hepatitis-B and -C patients. Even today, rural India lacks access to life-saving medications. We need pragmatic healthcare policies if we are to overcome the vast inequalities and disparities to provide access to medication at affordable prices so that none shall be denied. One major barrier that needs to be resolved on a war footing is the issue of intellectual property in healthcare. India simply cannot afford a monopoly in medication. We therefore need to modify our laws in such a way that we comply with the international patent system, but at the same time allow Indian companies to manufacture patented drugs and offer these in India and also the developing world if possible, at affordable prices. A suitable royalty to the inventor should be incorporated. This is the only way that medicines will be available to all those who need them. We should not succumb to pressure from the international community and mortgage away our nation's health. Let India decide for itself its own destiny.

Many times in the past, I have said that Cipla as a national company is willing to provide technology to the five public sector drug manufacturing units in the country for those products which they believe are essential for the country. Apart from this, we have suggested that the government research laboratories under CSIR should do fundamental, innovative drug research and work closely with the industry. It is very difficult for companies such as ours to match the reach and resources of the government infrastructure and therefore partnering is essential. The US government spends on drug research alone in excess of US\$ 30 billion annually.

I would like to tell you more about the activities of your Company. We are expanding our horizons and the driving force is globalization using India as the major manufacturing base. We were one of the first Indian companies to get US FDA approval way back in

1984. We have a presence in over 170 countries worldwide, and the name Cipla continues to be synonymous with the highest level of trust and respectability. We have some of the finest manufacturing units for both bulk drugs and drug formulations that one could find anywhere in the world. These are in Patalganga, Kurkumbh, Goa, Bengaluru, Baddi, Indore, and Sikkim. Most of these are approved by international regulatory agencies. Apart from this, we are present today in a large number of therapeutic segments and we manufacture more than 50 dosage forms with a portfolio of more than 1,500 products. Cipla has made valuable contributions, particularly in the area of respiratory medicines and devices, and also in the manufacture of cancer, malaria and anti-retroviral drugs, for which we have been appreciated worldwide. Innovation is an integral part of Cipla's success in R&D. This year we are spending around Rs. 600 crores in R&D and our efforts are directed towards accountable and implementable research-oriented projects. Cipla has been granted many patents in the field of pharmaceuticals. Above all, we owe our success to Indian intellect, Indian endeavour and resilience. We recognize our obligations to society and to our shareholders. You are our partners in Cipla's effort to provide vital and life saving medicines at affordable prices, not only in India, but to the needy throughout the world.

We run a palliative care centre for terminally-ill cancer patients and work closely with a Chest Research Foundation, both based in Pune. We will continue at all times to maintain a high level of corporate social responsibility. We are on the threshold of reaching 80. Cipla is now better equipped in facilities, manpower, and with the experience to do more than ever before for people around the world in the area of healthcare. We will continue to remain in the forefront of the pharmaceutical industry, both in India and internationally. Your company's growth and progress depends on the support of the Company's Directors, Employees, Associates and above all you, our Shareholders. My personal thanks to all as well as the trade and Medical Profession for their continued support. Let us therefore march forward together to a healthier and more productive future.

Thank you.