

**Seventy-Sixth Annual General Meeting**

Friday, 17th August, 2012

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

Ladies, Gentlemen, Friends and Colleagues,

Welcome to the Seventy-Sixth Annual General Meeting of your Company. I would like to extend to all of you my best wishes and greetings on behalf of your Directors and myself. With your permission, I take as read the Director's Report and the audited accounts for the year ended 31st March, 2012.

At the outset, I would like to share with you our deep sense of grief at the sad demise of one of your Directors, Mr. Sidney Pinto on 25th October, 2011. He served your Company for nearly three decades and was an important part of its growth. May his soul rest in peace.

I would like to remind you that it has been 40 years since the demise of our Founder, Dr. K.A. Hamied. Since then each year, I have looked forward to the opportunity to be with you. It gives me great satisfaction to brief you about your Company's performance, progress and vision for the future.

Over the past four decades, Cipla has shown consistent growth in turnover. In 1972, your Company's turnover was Rs. 1.76 crores. At the turn of the century, it crossed Rs. 700 crores with a profit of Rs. 100 crores. Today, 12 years later, we have crossed the landmark figure of Rs. 7,000 crores with a profit of Rs. 1,100 crores. We hope to cross the magical figure of Rs. 10,000 crores within a few years.

The recent efforts made by your Company involving rationalization and consolidation have begun to reflect in our overall results. When one considers the major slow down in economies worldwide, we have to carefully examine our future strategy and vision. The current aim of the entire pharmaceutical industry is to make a determined thrust and expand in the US market as well as in the emerging markets that include Brazil, China, India, Indonesia, Russia, South Africa and Turkey. Cipla has to keep abreast of these changes and challenges if we are to maintain our current position, both in India and abroad.

Until 1972, it was a struggle for all Indian pharmaceutical companies. The Golden Era for this industry was initiated by the introduction of the Indian Patent Act, 1970 in September 1972 that removed monopoly in the drug industry. This singularly led Cipla to make rapid progress over the past four decades. However,

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the Patent Bill 2005, which introduced product patents retrospectively from 1995, was a regressive move and a major setback for the entire Indian pharma industry.

It is already leading to the re-introduction of monopoly and multinational domination in major therapeutic areas in our country. We have always said that India must decide its own destiny for the good of its people and not get swayed by international pressure that leads to economic colonization. Patent Acts are National Acts meant for the benefit of the nation. No two countries have the same Act. Under the circumstances and in full accordance with our obligation to the WTO, we strongly urge the government to enact the following suggestion:

They should take a major positive step forward and introduce a pragmatic compulsory licensing policy. There should be an automatic license of right and the patent holder of valid patents should receive a reasonable royalty of 4% on net sales. This is totally in agreement with TRIPS and has to be implemented at the earliest for the good of the nation.

A recent order regarding compulsory licensing by the Indian Patent Office has been of great significance. It clearly indicates that monopoly drugs that are under patent can be produced by indigenous generic manufacturers at accessible prices and that this should be allowed with a payment of suitable royalties to the innovator. This not only compensates the innovator, but also ensures availability of life-saving drugs, and with the competition that will ensue, prices will consistently reduce. Even the US government has conceded that India is within its legal rights to incorporate a compulsory licensing system under TRIPS.

The government has yet to enact a suitable drug policy. This should also encompass a pricing policy which today is totally inconsistent and arbitrary. Time and again, we have insisted that drugs sold under monopoly should be scrutinized and put under price control, whether locally manufactured or imported. Where there are multiple manufacturers, internal competition is the most effective way to reduce prices. We have also suggested that vital drugs required by the country could be produced by the public sector drug undertakings and if the government requires technology for this purpose, then companies like Cipla would be happy to provide this at no cost to the government. The government has recently announced a tentative policy to provide free medicines to the population to promote greater and rational use of generic medicines for healthcare in the country. While, in principle, this is a step forward, it remains to be seen how the government will ensure proper implementation of the policy and take adequate safeguards regarding quality, distribution, etc. The government should interact with companies having national interests like Cipla, to promote policies and practices that will be of benefit to the public.

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During the first 4 months of the current year, Cipla has recorded a growth of more than 20% in turnover. We are hopeful that we will end the year as planned with a revenue growth of 12-15%. Your Company is expanding its manufacturing capacity at all its API locations at Bengaluru, Kurkumbh and Patalganga. These newer facilities are expected to be completed this year. The Company is upgrading its R&D center at Vikhroli, Mumbai and has set up a new R&D establishment at Patalganga, which is already operational. The Indore formulations facility is now contributing to export revenues but is yet to reach optimum capacity. Cipla has made significant investment in the manufacture of biosimilar drugs, both in India and China. This activity will have immense potential in the coming years. Your Company has also ventured into research in stem cells with a major investment in Stempeutics Research Pvt. Ltd., Bengaluru. Hopefully, products based on stem cells are expected to reach the market within 3-5 years.

The key to success in the current environment is not only basic research but also commercial and technological innovation. We have to aim at continuously innovating and complementing our activities to achieve both operational and marketing excellence. Research & Development has always been Cipla's major thrust area and this ongoing commitment has been an important contributor to our progress and success.

As shareholders, you should be aware of what your Company has achieved and stands for. Cipla has 28 internationally approved manufacturing units producing over 2,000 different products in 65 therapeutic categories with 40 different dosage forms, apart from 9 state-of-the-art basic raw material production facilities.

Over the years, we have introduced many drugs for the first time in the world. We have over 100 granted patents on APIs, formulations and medical devices. WHO have qualified 49 of our products and others are under review. In the USA, Cipla has over 130 Drug Master Files (DMFs) for active ingredients, 105 registered generic approvals and a further 26 awaiting approval. These include 18 new drug applications. In other regulated markets including the European Union, we have over 100 approved API DMFs. Cipla currently exports to over 170 countries and has over 10,000 drug registrations worldwide, of which 1,800 are in the regulated markets. It is important to note that Cipla continues to adhere to one global GMP standard, thus ensuring an enviable reputation for quality and reliability.

Cipla revolutionized the treatment for HIV/AIDS and pioneered the introduction of the first triple once-a-day drug cocktail for this disease, at less than a dollar a day in 2001. At that time, only 2,000 to 4,000 people in Africa could afford treatment. Today, over 8 million are being treated in Africa and millions of lives are being saved. Your Company deserves full credit for this initiative and continues to be among the leaders in supplying drugs, not only for HIV/AIDS, but also for malaria

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and neglected and rare diseases such as thalassemia, schistosomiasis, leishmaniasis, pulmonary fibrosis and multiple sclerosis. We offer the world's largest range of respiratory products and devices, all developed with in-house innovative technology. Cipla was the first generic company to develop the two anti-viral drugs, Oseltamivir and Zanamivir, not only to fight seasonal flu but also the global pandemic of bird and swine flu.

In keeping with its commitment to make medicines affordable and accessible, your Company recently announced a breakthrough price reduction in select cancer drugs. This time initiative of price reduction is another humanitarian approach by Cipla, this time to support cancer patients both in India and abroad. As you are probably aware, drugs constitute a significant proportion of the overall cost of cancer treatment and drug price reductions can greatly relieve the burden. In fact, our commitment to cancer goes back to 1997, when we established the Cipla Palliative Care and Training Centre in Pune, to provide holistic care to terminally-ill cancer patients. The Centre gives free treatment and to date has cared for nearly 8,000 patients.

The Chest Research Foundation (CRF) located in Pune was started by Cipla 10 years ago as an independent Institution specifically for research in respiratory medicine. Cipla also has in its fold, a contract research organization to cater to bio-equivalence studies and analytical development.

Currently, our overall business is evenly divided between domestic and overseas. Our vision is to expand our international business and maintain our leadership in the domestic market. This will involve multiple tasks, foremost among them will be the strengthening of joint ventures, partnerships, strategic alliances, setting up offices and factories in select countries and optimizing the productivity of our field force. We are in a strong position to provide turnkey projects and assist countries that are aiming to be self-reliant in healthcare. We are set on a mission of globalization using all our experience, expertise and know-how developed here in India over the past 77 years. We are expanding our horizons and we can achieve this with our core strengths and focus on our people and our technology.

Cipla was built on a sound and solid foundation, brick by brick, capability by capability. Over the years, we have made an impact not only in India but also globally. With your backing, and the Almighty's blessing, Cipla will remain at the forefront of the pharmaceutical industry in India and across the world.

Thank you for your continuing support. On your behalf, I would like to thank my fellow Directors, our employees and associates for their contribution towards your Company's progress.

Thank you.

Cipla Ltd., Mumbai Central, Mumbai 400 008.

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