



Seventy-Second Annual General Meeting

Thursday, 28th August 2008

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

Ladies and Gentlemen,

Welcome to the 72nd Annual General Meeting of your Company. With your permission, I take as read the Directors' Report and the Audited Statement of Accounts for the year ended 31st March 2008.

Since its inception, your Company's turnover went up to Rs. 1.5 crores by 1972. It was that year our Founder passed away and the Indian Patent Act 1970 came into force. Since then, over the years, our sales have steadily increased. In 1998, the birth centenary of our Founder, Cipla achieved a sales figure of Rs. 500 crores. Then in 2001 we reached the milestone turnover figure of Rs. 1000 crores. Three years later another milestone, the turnover reaching Rs. 2000 crores in 2004. Today, just a few years later we have crossed the magical figure of Rs. 4200 crores, equivalent to US\$ 1 billion. This is certainly a proud moment to cherish and is of special significance to all of us.

During the year ended March 2008, overall sales of your company grew by 18% and the previous year's profitability was maintained, in spite of a fluctuating currency. A major achievement was the expenditure of over Rs. 200 crores in R&D which resulted indirectly in scientific technology transfer to companies overseas earning for the company Rs. 150 crores in foreign exchange. Total export earnings exceeded Rs. 2000 crores making Cipla one of the major pharmaceutical exporters in India. Significant investments have been made and are ongoing in expansion of facilities and creation of newer plants. Investments of Rs. 100-150 crores each have been made in the Patalganga and Kurkumbh units. Over Rs. 30 crores has been invested in Bangalore. Rs. 200 crores has been invested in a plant in Sikkim which is already in production. At an estimated cost of Rs. 800 crores a SEZ plant is in the process of being set up in Indore.

Nearly 5 months of the current year are over. The Company has maintained its progress on all fronts, in particular, exports. All going well, our performance this year should be encouraging and we will be able to maintain a growth of 12 % - 15%. We will continue to pursue an aggressive expansion policy to cater for the increased volume growth, both locally and internationally. We have firmly established an enviable reputation worldwide as a Company that manufactures safe, quality, efficacious and affordable medicines.

More than mere figures, your Company sincerely believes that access to affordable medicines is a basic human right and not just a privilege for a few. No one should be denied medical treatment. We therefore take pride in the role that Cipla follows in corporate social responsibility. We believe in following humanitarian principles and at the same time running a profitable business. Our day to day work to provide affordable, high quality medicines underlines our basic philanthropy.

We are the largest suppliers of HIV drugs and these have saved countless lives throughout the world. In Africa alone, we have made critical contributions by supplying these at reasonable prices. Out of 1.5 million patients being treated for HIV worldwide, Cipla's medicines are used by more than a third. The price differential between our pricing of anti-HIV drugs and equivalent drugs being sold in the USA by the patent holders is in excess of US\$ 2 to 3 billion per year on the volume of drugs supplied. Cipla has therefore indirectly contributed more than any organization anywhere towards alleviation of suffering due to HIV/AIDS. You, our shareholders, through Cipla, are therefore part of this extraordinary humanitarian service which is appreciated by one and all worldwide.

The government's decision in 2005 to amend drastically the Patent Act 1970 and back dating product patenting to 1995 has already initiated an unpleasant series of litigations between pharmaceutical companies. Introduction of high priced, monopoly drugs has already started in the country and will gain momentum with the passage of time. The Patent Act 2005 will have a major adverse impact on future generations not only in India but throughout the third world and the developing world who look at India for supplies of their essential medicines. Patented and monopoly drugs will simply be unaffordable.

This situation can only be remedied if the government, in due course announce a pragmatic compulsory licensing system by which newer,

patented and monopoly drugs could be automatically licensed by payment of a fixed royalty on the wholesale prices. The government could also identify essential drugs covered under patent and create a "Patent Pool" whereby the innovator is suitably rewarded in return for allowing his patent to be used by others. This can lead to an equitable solution to the pressing problem of availability of vital, essential newer drugs at compatible prices. Canada followed a compulsory licensing policy under Bill-S91 from 1923 until 1992 until it joined NAFTA. No country objected to this. The sooner the third world and countries like India follow a similar policy the better.

The image of a successful and prosperous India has in recent years been portrayed by the media and accepted worldwide. It is true that a few Indian companies have done remarkably well both domestically and internationally. However, the country's growth has not been balanced. The chronic problems that we face as a nation of over one billion people cannot be treated lightly. Our public health system is poor. The disease profile in our country is alarming. Our Government spends less than 1% of its gross domestic produce on Health Care. A glaring lack of general infrastructure in our country creates a challenging environment in which to conduct business. One in three Indians survive on less than a dollar a day, two in three on less than 2 dollars a day. 50% of Indian children under 5 are underweight and 40% of all Indians cannot read or write. Also, 40% totaling 500 million live their entire lives in abject darkness without any electricity. We are today faced by high inflation which mainly affects the poor and middle income population. Due to all these reasons, the UN Human Development Index 2007, ranked India at the exceptionally low position of 128th among all countries worldwide.

The present norm in the pharmaceutical industry is Mergers and Acquisitions. You should be proud that today your Company is the largest generic standalone pharmaceutical company in the world. We are one of the few pharmaceutical companies, whose growth has been totally organic; we have neither bought nor sold any company. We believe in fostering strategic alliances for healthy partnerships all over the world. This approach has been good for your Company and Cipla is now a name widely recognized and appreciated worldwide.

There are only 14 generic pharmaceutical companies having a larger turnover worldwide and none of them are standalone. Recently, Scrip magazine ranked your company among the world's leading 75 pharmaceutical companies in terms of sales. If we calculate on the basis of

volume of production we would be among the leading dozen. A Dutch Advisory Group using a variety of criteria ranked Cipla 14th among all pharmaceutical companies worldwide as regards access to medicines throughout the world. Your Company also has the widest range of pharmaceutical products, both formulations and bulk drugs than any pharmaceutical company worldwide. Also, as regards services, we provide pharmaceutical technical know-how, transfer scientific technology, constantly update the medical profession, train paramedics, provide patient education and our products are present in over 99% of all pharmacies in our country. We will endeavor to maintain our leading position in the domestic market and also keep up the momentum on the export front.

Over the years, the Company has undergone many trials and tribulations and negotiated innumerable challenges. Our foundation is strongly embedded in a spirit of nationalism and patriotism as also self-reliance and self-sufficiency. The setting up of Cipla led to opportunities and employment for Indian scientists and chemists, leading to the overall progress and development of our country. I have voiced your company's views on the challenges ahead and which we will face accordingly not only for our Company but also to contribute more towards our social responsibilities. We have always faced challenges with vision and courage. We will seek inspiration from our past history and continue serving the nation even beyond healthcare. We have to commit ourselves in every possible way.

Over the past 72 years, Cipla has faced innumerable crisis and obstacles. Yet, in our own resourceful way, we have overcome each one and emerged successful. It is the same spirit that will guide us to overcome present and future challenges, be it in healthcare or otherwise. Do continue to maintain your pride in being a shareholder and an integral part of one of the most successful companies of its kind anywhere in the world.

I wish to acknowledge with a deep sense of gratitude the help and support of all our Directors, staff and workers throughout India. Thanks also to the Medical Profession and Trade for their support and finally my personal good wishes to all our shareholders for their faith in our company and may we together continue our march forward.

Thank you.

Cipla Ltd., Mumbai Central, Mumbai 400 008.