



Seventy-First Annual General Meeting

Friday, 24th August 2007

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

Ladies and Gentlemen,

Welcome to the 71st Annual General Meeting of your Company. My fellow Directors and I extend our warm greetings to all of you present here today. I take as read the Audited Statement of Accounts and the Directors' Report for the year ended 31st March 2007.

Once again, this has been an eventful year for the Indian pharmaceutical industry. The domestic growth in value has been 14 per cent as per ORG-IMS data. Your Company has consistently featured among the leaders in this sector. In fact, your Company is among the handful of Indian companies in all sectors of industry that have shown a regular, consistent growth over the past 15 years.

The Indian pharmaceutical industry witnessed a series of expansions, mergers and acquisitions, both within India and in other countries. Today, pharmaceutical products manufactured by reputable Indian companies are accepted the world over for their quality and reliability. India, with its strong scientific base has emerged as an important, cost-effective manufacturing centre for pharmaceutical manufacture, particularly in the regulated markets of Europe, USA and Japan. Your Company has an enviable international reputation in this field and is respected throughout the world for its credibility, quality, integrity and humanitarian approach to healthcare.

Your Company had a satisfactory year with the turnover crossing Rs. 3500 crore and net profit crossing Rs. 650 crore. You must have read the detailed review of the Company's overall performance in the Directors' Report. During the first four months of the current year, your Company has been able to increase its sales by 11 per cent compared to the previous year. This is despite the rupee's appreciation by about 10 per cent against the US dollar and the fact that about 50 per cent of your Company's business accrues from exports. Hopefully, the remainder of the year will also be a successful period for the Company.

From its inception in 1935, Cipla has followed a consolidated strategy of organic growth. Several factors have contributed to the Company's success. Foremost among them have been Cipla's proactive and skillful R&D, expansion and modernisation of our factories and consistent regulatory approvals from the most demanding international agencies. We are looked upon as one of the leaders in the international generic industry, providing formulations, Active Pharmaceutical Ingredients (API's) and new delivery systems to help alleviate suffering throughout the world.

In recent years, including the current period, your Company has significantly increased its capital expenditure on modernisation and expansion of existing units and for setting up new facilities. Ten years ago, in 1997, the total investment was Rs.160 crore whereas this year the additional investment was in excess of Rs. 430 crore. During the last three years alone, Cipla has incurred a total capital expenditure of Rs. 1100 crore. It is a matter of great pride that Cipla's factories are regarded to be among the best equipped and most modern in the world.

State-of-the-art facilities are essential if we are to be competitive internationally. Our exports constitute about 50 per cent of our total turnover and this share is increasing year after year. In the last three years, while overall sales increased from Rs. 2000 crore to over Rs. 3500 crore (at a compounded annual growth rate of over 21 per cent), exports jumped from Rs. 800 crore to Rs. 1800 crore (at a compounded annual growth rate of 30 per cent).

Cipla has invested more than Rs. 170 crore in a new Export Oriented Unit at Patalganga for both API's and formulations. Apart from this, two new projects for API manufacture have been set up in Bangalore and Kurkumbh. A new formulation unit is being set up in Sikkim. New facilities are being set up by your Company at regular intervals to keep pace with the increased demand for Cipla's products worldwide.

Apart from this, your Company has excelled in the area of regulatory approvals. This is of utmost importance to your Company's future. Most of the factories are internationally approved and are routinely audited and inspected. This is essential for developing new markets and partnerships. Cipla has formed key alliances with many companies and organisations all over the world. In the USA alone, we have over 108 ongoing projects with various partners. We have over 100 Drug Master Files for API's in the USA and 80 in Europe. Various pharmaceutical formulations totaling over 5000 are approved in as many as 150 countries worldwide. Many products are on the verge of approval, essentially in regulated markets, and this augurs well for the Company's overseas thrust in the foreseeable future.

Cipla has always maintained a strong and capable R&D team. Research is conducted at various locations within the Company. A most modern R&D laboratory was set up last year in Vikhroli, Mumbai. The Company is

committed to developing innovative drug delivery systems for both new and existing active drug substances.

Cipla continues to be focused on new medical devices in the area of respiratory medicine, including an inhaled device for insulin. Two unique spray patch systems have been launched by Cipla for the first time in the world for testosterone and for estradiol. In addition to a novel dry powder inhaler device, a new inhaler has been launched for asthma under the brand name "Simply One", which allows a single daily dose. The worlds' first HIV triple fixed dose combinations made by Cipla under the brand name Triomune baby and junior have recently been approved by the US FDA and WHO. Cipla has an on-going research agreement with Avesthagen, Bangalore primarily for collaborative biopharmaceutical products to be marketed in and outside India. Last year, your Company's outlay on R&D was the fifth highest among all companies in India and for the year under review this reached a figure of Rs. 175 crore.

It was in the 1980's that the idea of a WTO to replace GATT was first proposed by the developed world. The main object was to introduce intellectual property rights into trade carried out anywhere in the world, under the heading, TRIPS. On this issue, Cipla has always made it's position clear. We oppose monopoly in the specific areas of health and food. The change in India's patent laws in 2005 which included backdating of product patents to 1995 will certainly have an adverse impact on the truly indigenous pharmaceutical industry. The current patent laws do not take cognizance of the wide social and economic disparities that exist in the developing world. The present patent laws grant legitimacy to these disparities and keeps safe and affordable medicine out of the reach of the poor and the sick. We need laws that will allow full access to essential drugs at affordable prices. No one in the Third World should be denied healthcare.

We are already beginning to witness the repercussions of the new patent Act in India, in terms of high prices, frivolous patenting, unnecessary litigations and a wider presence of multi-national companies in India. The full impact of this will be borne by future generations in our country. Unfortunately, the Doha declaration of 2001 has not been implemented and even today it is unclear as to how countries can make full use of compulsory licensing. In the best interest of the needy millions, countries need to have a simple procedure for this. Our suggestion is that the Third World and the developing countries should be allowed to manufacture and market any patented medicine on payment of a 2 per cent to 4 per cent royalty on any valid patent in their respective countries.

The recent ruling of the Madras High Court, upholding the validity of Section 3(d) of the Indian Patent Act and rejecting a challenge by Novartis, has vindicated your Company's stand in the matter. This ruling hopefully shall ensure that there is no misuse of patents. You will be pleased to know that Cipla

played an active role in representing the interest of the Indian consumer in this case.

As I have said before, you as our shareholders can take just pride in the fact that you are part of your Company's endeavours in making available certain essential and lifesaving medicines at affordable prices all over the world. You are therefore indirectly contributing to making the world a better place to live in. To give you an example, there are an estimated 40 million HIV-positive people in the world. About 6.5 million of them require anti-retroviral treatment. Currently, only about 1.5 million are actually being treated and of these about one-third are on Cipla's medicines. Apart from this, our efforts are also aimed at developing treatment for malaria and neglected diseases of the Third World like thalassaemia, leishmaniasis, schistosomiasis, etc.

In the past, your Company has overcome many hurdles and has emerged as one of the leading pharmaceutical companies in India with an enviable reputation abroad. Currently, the pharmaceutical industry is faced with several challenges. As I have already said, appreciation in the value of the Indian rupee against foreign currencies has adversely affected both rupee turnover and profitability of the Company. The cost of imports from countries like China has increased. The cost in the living index has also increased dramatically leading to higher manpower overheads. The rigid drug price control mechanism is slowing down growth and stifling investments in R&D. The new patent Act of 2005, will clearly make it difficult for Indian companies to introduce new drugs at affordable prices for the needy in India and other developing countries.

Your Company has and will continue to take all possible steps to overcome these hurdles. It will sustain its thrust in overseas markets and also strive to maintain its leadership position in the domestic arena. Given the Company's presence in several markets, its range of products, its state-of-the-art facilities and committed team efforts, the Company is confident of maintaining its growth in the coming years.

In conclusion, I would like to convey my sincere gratitude to all my fellow Directors and the entire Cipla team, all over the country for their unstilted dedication and contribution. I would also like to thank the medical profession and the pharmaceutical trade for its continued co-operation.

Lastly, I would like to thank you, my colleagues and shareholders for your support at all times in the overall interest of the Company.

Thank you.

Cipla Ltd., Mumbai Central, Mumbai 400 008.