Sixty-sixth Annual General Meeting – Wednesday, 04September 2002

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

Ladies and Gentlemen,

I am glad to welcome you all to the 66th Annual General Meeting of your Company. The Directors' Report and the Audited Statement of Accounts for the year ended 31st March 2002 are already with you. With your permission, I shall take them as read.

As you must have observed from the Directors' Report, your Company recorded a healthy growth of over 30% in sales. Even more significant, exports almost doubled in value. In fact, at just under Rs. 5 billion, the export figure is in excess of our entire Company turnover recorded 5 years ago. It accounts for 35% of our sales. Compared to 1997, our total sales turnover has almost tripled. These statistics present a robust picture of your Company's growth and progress. This is all the more commendable when one considers that the past few years have been the most difficult for the global pharmaceutical industry, the world economy as a whole and also for our nation.

Again, during the first five months of this financial year, your Company has been able to maintain a growth rate of nearly 30%. We are optimistic that we will be able to sustain at least an overall 20% growth during the current year.

In May 2002, the Government passed the second amendment to India's patent bill. The amendment may be through but the debate about the changes in our patent law is still raging. Let us examine the facts. We are a country with a population exceeding 1.2 billion. Only 6% of Indians complete their school education. We have over 60 million diabetics, 50 million asthmatics and 80 million heart patients. One in three Indians has latent T.B. The incidence of other ailments such as hepatitis, malaria, diarrhoea, dysentery and malnutrition is also very high. According to the World Bank, India is likely to have 35 million HIV/AIDS cases by 2005. With poverty, increasing unemployment and illiteracy, we simply cannot hope to maintain public health, unless we have access to medicines at fair, reasonable, and affordable prices. India is in a perennial state of emergency as far as healthcare is concerned.

Indian laws must uphold India's national interests and needs. The Government should critically examine and correctly interpret the provisions of trade related intellectual property rights (TRIPS). These are only guidelines within which each country has the liberty to frame its own patent laws. At the recent meeting of the World Trade Organization (WTO) at Doha in November 2001, 49 least developed countries (LDCs) were granted exemption from TRIPS until 2016. The criteria adopted for classifying a country as a LDC are unclear. WTO has no guidelines of its own. In 1995, India was regarded as an LDC, specifically for implementation of TRIPS and given a 10-year transition period.

In reality, India has not intrinsically changed from where it was in 1995. India today only accounts for 0.5% to 0.6% of the world trade. According to the Government, this is likely to increase to just about 1% after a decade. We strongly believe that India should be granted a further extension of its transition period until 2016, as given to other LDCs for implementation of TRIPS.

I would like to reiterate that we are not against patents per se and that the inventor has a right to just and fair rewards. Over the past few years, Cipla has also obtained a number of patents, both in India and abroad. Our fight is against monopoly caused by pharmaceutical patents resulting in high and unreasonable pricing of drugs, especially new drugs. Our fight is against denial of drugs to the masses at affordable prices.

While on this subject of drugs for the masses, the World Health Organization (WHO) inspected three of Cipla's manufacturing units in November 2001. They qualified Cipla as a supplier of good quality drugs internationally. WHO has so far approved 10 of

our drugs for HIV/AIDS and related opportunistic diseases. This is part of WHO's strategy to help less privileged countries and patients gain greater access to affordable HIV/AIDS medicines.

I would like to stress that your Company's manufacturing facilities have long been regarded as comparable to the best anywhere. We have been audited and inspected not only by WHO but also by most international regulatory authorities and compliance auditors appointed by our leading customers from all over the world.

Cipla was the first company ever to offer worldwide a triple regiment HIV/AIDS therapy for less than US $ 1 per day per patient. Apart from offering affordable anti-HIV/AIDS drugs within India, we are supplying Nevimune free to the government. Just to remind you, Nevimune is the current drug of choice for preventing transmission of HIV from mother to child. We are also offering free, technology for the manufacture of anti-HIV/AIDS drugs to the Indian public sector pharmaceutical companies and to all Third World governments.

According to the UN and World Bank statistics, India has the second highest number of HIV/AIDS infected patients among all nations. By 2005, we are likely to have the dubious distinction of being the HIV/AIDS capital of the world. This possibility should alert all of us to the forthcoming pandemic. Each one of us needs to do whatever best we can. Your Company is doing what it is best at - we are already producing 5 to 6 of the latest and most needed anti-retroviral drugs from the basic stages and supplying these on a sustainable basis at affordable prices both locally and internationally.

Recently in February 2002, after several years of uncertainty, the Government announced a new drug policy. While it was indeed a step forward, we now understand that the policy has been stayed by a Bangalore court order. Within the framework of the drug policy is the Drugs (Prices Control) Order. The notification for its proper implementation is yet to be issued. We do hope the Government will incorporate the necessary guidelines to ensure that the price control policy is not arbitrary. It must give sufficient impetus to the growth of the indigenous pharmaceutical sector. We believe that if the new policy is correctly implemented with full transparency and openness, it would be beneficial to our industry.

I am confident that the indigenous pharmaceutical sector is strong enough to continue to make a significant contribution to the nation's health, post-2005, even if pharmaceutical product patents are implemented. As for Cipla, I wish to state most emphatically that your Company is geared to meet the challenges that lie ahead. We hope to maintain our leading position in the domestic market, which in itself will not be an easy task.

I would like to apprise you of our export markets. Cipla today has a presence in over 130 countries worldwide. Our objectives for the international market are two-fold. First, in the sophisticated and highly regulated markets such as the USA and Europe, the Company will continue to register both active bulk drugs and their formulations. We shall comply with the changing requirements of the various international regulatory agencies. Your Company has already entered into strategic alliances with leading generic companies both in the USA and Europe. This would lead to increased opportunities. We are working on a large number of products with various marketing partners, thereby enhancing our reach and penetration into these markets. Moreover, this policy safeguards the Company against the risk of patent and other litigations.

Secondly, Cipla will also continue to make fresh inroads into selected markets in Eastern Europe, Africa, Australia, the Middle East, Latin America and South East Asia. More and more, our emphasis is on our external markets. From exports being only around 10% of your Company's turnover until recently, for the year ended March 2002 it was 35%. This year hopefully the figure would be around 40% and by 2005 we are aiming to have an equal domestic sales to exports ratio.

Research and Development has always been and will continue to be the focal area for Cipla. As in the past, we will continue to

earmark a significant portion of our funds for R&D. Our R&D successes have certainly been directly responsible for our better performance each year for the past several decades. The R&D work being undertaken focuses on new chemical entities, new drug delivery systems, development of patent-free processes for known molecules, etc. The world's only budesonide formulation in CFC- free metered dose inhalers, developed by us is already marketed in India and South Africa. It is expected to be launched very shortly in Germany and throughout Europe. You will be glad to know that apart from budesonide we have also offered the world's first metered dose inhaler combination of budesonide and formoterol as a CFC-free product. We have also developed and patented a new multi-dose dry powder inhaler, which will be first launched in India and thereafter in different parts of the world. Your Company's novel drug delivery systems also include transdermal spray patches and other innovative release mechanisms for different formulations. Cipla has several important products at various stages of regulatory compliance in Europe.

Today, Cipla ranks among the world's leading companies in the manufacture of metered dose products for inhalation. We have over 40 years experience in inhalation therapy and the international market for inhaled drugs is expected to be a major growth area for your Company in the immediate future.

In order to meet this and other additional business requirements and opportunities, last year your Company, set up a state-of-the-art centre for manufacturing a wide range of pharmaceutical formulations in Goa. The facilities spread across 20 acres and comprising four sophisticated units were completed in a record time of 11 months. A fifth unit in Goa, dedicated for the manufacture of oncological products both for the local and international markets, is expected to be ready by early 2003.

Your Company has been instrumental in setting up a Chest Research Foundation in Pune. This centre will undertake clinical research in the field of respiratory diseases particularly Asthma and Chronic Obstructive Pulmonary Disease (COPD). This research centre is among the very few of its kind anywhere in the world and would cater to the research requirements of institutions both in India and abroad.

The Cipla Foundation's Palliative Care Centre in Pune continues to provide care to terminally ill cancer patients. As of date, this institution has provided comfort and solace to over 2000 patients.

Today, the Cipla name commands respect worldwide. It stands for trust and above all, outstanding quality. It stands for values over and above sales and profits. Restrictive regulations and a general downturn in the business environment will continue to pose ongoing challenges. The enduring intrinsic strength that Cipla has built up over the years will help us overcome all the hurdles in our path towards future success.

New technologies will change the way we live, work and maintain our health. However radical these changes may be, Cipla will always remain synonymous with care, compassion and a humane approach to all problems involving medicines and healthcare.

As always, it is very heartening to have your steadfast support in all our endeavours. On behalf of the entire Cipla team, I must again thank you for helping your Company along on the path to progress and greater prosperity. I also thank my fellow Directors on the Board, the Cipla team, the medical profession and the trade for their cooperation at all times.

Thank you.