

Sixty-fifth Annual General Meeting– Tuesday, 4 September 2001

Address by **Dr Y K Hamied**

Chairman and Managing Director

Ladies and Gentlemen,

Welcome to the 65th Annual General Meeting of your Company. The Directors' Report and the Audited Statement of Accounts for the year ended March 31, 2001 are already with you and with your permission, I take them as read.

During the year, the Company crossed two important milestones. Our sales turnover crossed the Rs.1000-crore mark for the first time. It had taken us 55 years to reach Rs.100 crores in sales and only another 10 to move beyond Rs.1000 crores. Considering that the last few years have been the most challenging for the entire industry, this is indeed a very commendable achievement. I am sure you will join me in congratulating the entire Cipla team for making this possible through their dedication, sincerity and hard work. I must also thank all of you, our shareholders, for your unstinting support over the years, which always inspires us to scale new heights.

During the first quarter of 2001-2002, the Company recorded a 20 percent sales growth compared to the corresponding quarter last year. I am confident that we will be able to keep up this trend and maintain a healthy progress over the full year. The 5 months sales figure for the period ended August 2001 has shown an overall increase of over 21% compared to the previous year.

Another significant milestone is your Company's achievement on the export front. Last year exports increased by over 80%. This year to date in the first 5 months, the exports have shown an increase of nearly 75% over last year's figure. Your Company has today over 400 products in various categories, which are now offered for export. These include a range of sophisticated products such as active pharmaceutical ingredients (APIs), generic, ethical and state-of-the-art products that include inhalation, topical, oral and ophthalmic delivery systems. The Company has approvals from various international regulatory authorities such as the FDA – USA, MCA – UK, TGA – Australia, MCC – South Africa, PIC – Germany, etc. We are today exporting to over 125 markets worldwide including most of the developed countries. Apart from this, your Company has a number of marketing alliances with reputed companies in many of the countries mentioned. We also provide technical know-how to various overseas companies. Cipla is continuously upgrading its manufacturing facilities to meet current international standards and requirements. We believe that your Company's good name, reputation for quality and wide range of products will lead to increased international business in the future.

The sales figure is only one of the indicators of our performance as a responsible corporation. Over the years, we have been among the highest contributors to the national exchequer. Annually, our contribution in the form of taxes and direct and indirect levies amounts to over Rs. 250 crores. Last year, the Company's net foreign exchange earnings amounted to Rs. 140 crores. Our average expenditure on research and development is 4 percent of the turnover and is among the highest in Indian pharma industry.

At recent Annual General Meetings, I have been emphasising to you that the government's current

drug pricing policy is not only arbitrary but unrealistic and unfair. In fact, several drugs included by the government for price control are not liable according to the parameters laid down by the government itself. In spite of repeated representations by the Industry including your Company, the government has been adamant on this issue. Our stand has now been vindicated by a recent order of the Division Bench of the Bombay High Court which has in a landmark judgement, held that seven bulk drugs namely: ciprofloxacin, norfloxacin, salbutamol, theophylline, cloxacillin, doxycycline and glipizide do not fall under the purview of price control and that the current Drug Price Control Order (DPCO - 1994) is not applicable to them. Hopefully, the government will be gracious enough to accept this and work closely with the industry to formulate an open and transparent new drug policy including a pragmatic pricing policy.

On the social front, the Cipla Foundation's palliative care centre in Pune for terminally ill cancer patients has provided love and care to more than 1500 patients. Today, our Cipla family consists of over 30,000 shareholders and it has been our privilege to be consistently among the most shareholder-friendly companies in the country. Last year we completed 65 years. Cipla was still an infant when it faced its first major challenge as the advent of the Second World War cut off drug supplies to India from Europe. The Company stepped in to produce medicines that the nation desperately needed at that time. It was the start of our mission — the mission of caring for life, which continues to this day and God willing it will continue in the future.

Today, the world is in the midst of another global disaster. This time, without exception, all nations are fighting a common enemy, namely the deadly HIV virus that leads to the breakdown of the Auto Immune Defence System in man. Worldwide, more than 36 million people are HIV/AIDS infected and 90 percent of them live in developing and least developed countries. Sub-Saharan Africa alone has over 25 million HIV/AIDS patients. India adds 3500 HIV positive cases every day and the World Bank estimates that there is likely to be as many as 35 million HIV/AIDS infected persons in India by 2005.

Unlike a natural calamity, like the recent Gujarat earthquake that created havoc without any warning, HIV/AIDS is an ongoing tragedy that is unfolding right before our eyes. If not controlled immediately, India will become another Africa within our lifetime. In many African countries, up to 25 percent of the population is HIV positive and a similar situation here would be disastrous.

A tragedy of this proportion calls for all of us to participate in a massive humanitarian effort. For the sake of humanity, we need an approach that has more compassion than commerce. It is not our country alone that needs help. This time, Cipla's mission has reached out beyond the Indian borders. Our Company has extended its helping hand throughout the world for controlling the HIV/AIDS pandemic. You, our shareholders, are therefore indirectly contributing and participating in the fight against HIV/AIDS through Cipla.

We have steadily cut the prices of our HIV/AIDS drugs in India over the past few years. We are offering anti-HIV/AIDS medicines to all countries that need help. We are doing this at prices the world considered impossible just a few months ago. In the month of February 2001, the Company offered to supply an effective and economical triple drug regimentation of anti-AIDS drugs to Médecins sans Frontières at a humanitarian price of US \$ 350 per patient per year as a first line treatment of HIV positive patients. Subsequent to this, Cipla seems to have stirred the collective conscience of the world and sparked off a debate on access to medicines at affordable prices in the

international media. What is gratifying is that anti-HIV/AIDS medicines are finally beginning to reach those who need them desperately. The world is awakening to the enormity of the task that lies ahead.

It is your Company's desire and hope that a better quality of life is within the reach of more and more people everywhere. Yes, today it is possible for a victim of HIV/AIDS to lead an active, productive life, if he or she takes the right medication as required. Towards this, we have gone beyond pricing and have launched an aggressive campaign in India to educate doctors and patients about living with HIV/AIDS and positively tackling its problems. The Company has also offered to provide Nevimune, Cipla's brand of nevirapine, free of charge initially for a two-year period to the National Aids Control Organisation (NACO), in India to help prevent mother-to-child transmission of HIV. As always, when the next technological development makes it possible to reduce the prices of anti-HIV/AIDS drugs even further, we shall do so without hesitation.

Given the health care infrastructure in developing countries, particularly Africa, the price of even the cheapest HIV drug is still beyond the reach of the majority. Basic medical facilities and infrastructure are not available. Education and prevention are still the best initial course of action to this problem. We are aware that we have our own limitations and there is only so much that one company can do. We are glad that our humanitarian gesture on the price front has dramatically led to many companies, both Indian and international, offering anti-AIDS drugs at reduced prices. The UN has also pledged greater support and help to poor nations in the fight to control HIV/AIDS.

The UN convened a special session of the General Assembly on HIV/AIDS from June 25 to 27 this year. The Declaration of Commitment issued at the end of the session recognised that access to medication was a fundamental element of the right of everyone "to the highest attainable standard of physical and mental health." The declaration went on to note, and I quote: "The cost, availability and affordability of drugs and related technology are significant factors to be reviewed and addressed in all aspects and that there is a need to reduce the cost of these drugs and technologies in close collaboration with the private sector and pharmaceutical companies."

It is rather unfortunate that it has taken a calamity like HIV/AIDS to throw light on what blind compliance with the TRIPS regulations can cause. Even as men, women and children were perishing in their thousands, as many as 39 pharmaceutical companies went to court in South Africa to protect their monopoly right to sell anti-HIV/AIDS medicines at exorbitant prices simply because they held the patents or had these exclusively licensed to them.

As we have maintained for years, when a country formulates its laws covering intellectual property, it must give priority to its basic national needs such as food and health. In India's case, come what may, we simply cannot afford a monopoly in these two vital areas. Last year, patents prevented a country like Ghana from obtaining anti-HIV/AIDS medicines at roughly one-tenth the price it was paying the patent holder. This may very well turn out to be the story of India after 2005 unless we take a stand to protect the right of over one billion Indians to affordable medicines. The UN special session acknowledged this threat when it called for a further evaluation of "the impact of international trade agreements on access to or local manufacturing of essential drugs and on the development of new drugs." The declaration also welcomed "the efforts of

countries to promote innovation and the development of domestic industries consistent with international law in order to increase access to medicines to protect the health of their populations.

“What India needs to do is to adopt the best provisions of the patent laws prevailing in countries like Kenya, Argentina, Brazil, USA, Ghana and Israel. We need to ensure that the new Indian patent law that comes into force in 2005 will have enough safeguards to protect the overall interests of our country. We must include provisions to promote indigenous production within a specified time frame, both by the patent holder and/or by licensed companies. A recent example has been the action of Brazil and their taking up local manufacture of nelfinavir, an anti-HIV/AIDS drug because of the high price of the originator.

Access to medicines – to maintain good health is a basic right of every individual. The world shouts free trade. Yet, within the framework of the rules, regulations and guidelines of the World Trade Organisation, we find restrictive practices lead to monopolies, thereby denying free access to medicines at fair and reasonable prices. We, in the Third World, within the umbrella of the WTO, therefore need a system that avoids monopoly, allows free competition and also respects the originator by giving him a reasonable royalty on sales.

As a Company, Cipla welcomes global competition and free trade. However, as a corporate citizen of India we cannot let vested interests dictate what is best for India. It is the present Indian patent law of 1972 that has nurtured the Indian drug industry to commanding heights. It is the present Indian patent law that has kept drug prices in India within the reach of the masses. It is the present Indian patent law that has enabled Cipla to reach out and help other nations in need. We have outlined our sincere plea to the government in our Directors' Report, which I repeat here:

New patent laws to formally align India with the provisions of TRIPS are on the anvil. The Indian pharmaceutical industry has been campaigning for various safeguards some of which are in place in countries like Kenya, Argentina, Brazil, Ghana and Israel.

These include:

- permanent compulsory licensing for a fixed royalty payment
- permission for parallel imports
- restricting the life of patents on essential drugs to 10 years
- not allowing imports to be construed as working of patents
- not imposing any restriction on non-commercial activities such as research and process development during patent protection
- not granting patent protection to formulations based on drugs whose patents have expired.

These measures will go a long way in ensuring that monopolistic conditions of the kind prevalent in the West and certain African countries do not endanger the Indian consumer. It is for our government to provide these safeguards even if the provisions of TRIPS have to be reviewed in the interests of developing countries. It is said that one shoe size cannot fit everybody. We therefore need TRIPS–NORTH to cater to the 600 million people in the developed world and TRIPS–SOUTH for the 3 billion people in the developing and least developed countries.

The challenge for Cipla is to maintain its momentum amidst growing uncertainties. The Company is confident that it will continue to capitalise on emerging business opportunities, given its technological strength and strong presence across a wide range of therapeutic segments. With its

highly committed and skilled workforce backed by sound infrastructure and state-of-the-art systems, Cipla is poised to scale greater heights in the years to come.

Cipla's humanitarian mission began long before the advent of the HIV virus. It is a mission that will outlive the virus. It is a mission that brings hope to millions all over the world. It is a mission that is engrained in our Company, its culture and its people. It is said that success does not make a Company great. What really matters is its contribution towards making life better for everyone. This is the mission that will guide your Company in the future.

In conclusion, I would like to thank my fellow Directors on the Board, the members of the Cipla team, the medical profession and the trade for their support.

Thank you.