

## Eighty-First Annual General Meeting

Friday, 11<sup>th</sup> August, 2017

### **Address by Dr. Y. K. Hamied Chairman**

*Ladies and Gentlemen,*

*On behalf of our Directors and myself, it is my pleasure to greet all of you at Cipla's 81<sup>st</sup> Annual General Meeting. I take this opportunity to welcome Ireena Vittal and Peter Lankau, who have recently joined our Board of Directors.*

*With your permission, I take as read the audited financial statements, the Board's Report and the Management Discussion and Analysis for the year ended 31<sup>st</sup> March, 2017. With these reports continuing to serve as a comprehensive analysis of your Company's goals, aims, challenges and opportunities in the short, medium, and long-term, I shall restrict myself to a brief overview of the last year and the immediate future. The year ending March 2017 has led Cipla on the path of strategic transformation. This is an ongoing process and I believe that in the years ahead we will be able to see the benefits that will accrue.*

*The Company's consolidated revenue for the year was Rs.14,630 crore, which marked a 6% growth over the previous year. As a result of an overall difficult environment, our top line growth appears low. However, on the positive side, we had a 16.9% operating margin and there was a significant improvement in our core business profitability, consistent with our expectations.*

*Our biggest priority therefore in the current year is to generate a sustainable and profitable growth. Two of our businesses—the sale of pharma active ingredients, and international tender business in drugs for AIDS and malaria—saw a decline. Your management is taking steps to safeguard this. Our biotech business is being repositioned into a broader licensing and partnership model. At the same time, Cipla continues to strengthen its manufacturing base and global business.*

*Cipla's main markets continued their strong performance. India registered an above average growth with key therapies retaining their leadership in spite of pricing challenges, the impact of demonetisation, and other concerns. South Africa continued its impressive performance and your Company there is now among the largest pharma companies in the private sector. We have successfully integrated our acquisitions InvaGen and Exelan in America with Cipla's global operations. Cipla is ranked 9<sup>th</sup> among generic companies in the US in terms of total prescriptions, with 10 of our 45 products there being first according to recent statistics. Our international business including Europe is now showing a profitable trend and Cipla can look forward to a better future in most of our overseas ventures. The flagship OTC product of Cipla Health Limited for smoking cessation, Nicotex, continues to win awards and remains a clear leader in its category.*

*In quality control, quality assurance and manufacturing, your Company continues to be ever-vigilant and this remains the basic principle by which we work. Our reputation for quality, reliability, credibility and sustainability rests on this and is respected by all. We continue to set high standards in the areas of Environment, Health and Safety (EHS). Doing the "right things right" to secure the welfare of our employees and the well-being of the community at large is the essence of this philosophy.*

*As a scientist, I am pleased that our investment in R&D last year was 7.6% of our revenue. We are planning a higher amount for the current year. Cipla is appreciated for its R&D capability and achievements, particularly in the areas of HIV/AIDS, oncology, respiratory and some neglected diseases. We are now targeting the important area of Anti-Microbial Resistance (AMR), which is a major problem not only in our country, but worldwide.*

*Cipla caters to 70% of India's asthma and COPD inhalation therapy market and we also have a leading domestic presence in a range of other therapies such as cardiology, urology and anti-infectives. In the last financial year, we submitted a record 32 dossiers for drug formulation approvals in the US, including our first metered dose inhaler containing albuterol, as well as liposomal nano-paclitaxel for cancer. Apart from this, there were 700 drug formulation filings worldwide. Cipla concluded in-licensing agreements in cardiology, vaccines, diabetics and respiratory products, and a wide-ranging licensing agreement on a CNS product. Apart from this, we have been licensed many of the latest drugs for HIV/AIDS and Hepatitis-C. This ensures continuity of supplies in the years ahead. Your Company will continue to focus on a strong portfolio of generic products and also those that are niche, with limited competition and difficult to manufacture. At the same time, we will build and consolidate our specialty product portfolio, both in the domestic and overseas markets.*

*During the last year, we saw ongoing initiatives by the Government such as 'Make in India', 'Digital India', 'Swachh Bharat Abhiyan' (Clean India Mission). This will hopefully lead to improvements in the country's future impact on healthcare. The recent introduction of the Goods and Services Tax (GST) following closely after demonetisation has also been a major landmark. It is true that there will be initial uncertainty and transitional problems, but hopefully in the long run, we will all benefit from these initiatives.*

*I would now like to share with you, recent developments in India pertaining to our pharma industry. From being a net importer of drugs right upto the mid-1970s, India now is a major exporter. We are today regarded as the pharmacy capital of the world. Over 40% of generic drugs consumed in America have their origin in India. Drug prices in India are the lowest in the world. In R&D and pharma technology, our Indian technical expertise is among the best. This has been due to a combination of progressive laws, investment in infrastructure and a generation of entrepreneurs in healthcare. Currently, there is a multitude of issues between the Government and industry. In the last year alone, the proposal for prescription of drugs by generic names only, expansion of the list of drugs under price control, have all presented challenges to Indian pharma manufacturers, leading to an atmosphere of uncertainty.*

*However, even as the industry faces several hurdles, there have been major policy developments. A new national pharmaceutical policy is in the making and we hope that this will positively encourage the industry in the present and future. The Drugs and Cosmetics Act and Rules is currently undergoing change to ensure quality, safety and efficacy of drugs. The Government is set to launch a workable clinical trials policy that will promise greater transparency and better checks for patient safety. A mandatory code is expected to replace the current voluntary Uniform Code for Pharmaceutical Marketing Practices (UCPMP) for increased adherence and governance. A separate ministry for pharmaceuticals and medical devices has been contemplated to establish*

*efficiency, streamline regulatory approval processes, and improve transparency and predictability.*

*Provisions under the Trade Related Intellectual Property Rights, popularly known as TRIPS, allow many important flexibilities for countries to protect their own healthcare needs, crises and health emergencies. Some of these provisions were incorporated in the Doha Declaration of 2001. Unfortunately, these were never ratified. The important clause of the Doha Declaration was that each country had the right to determine what constitutes a national emergency or other circumstances of extreme urgency, it being understood that public health crises, including those relating to HIV/AIDS, tuberculosis, malaria and other epidemics, can represent a national emergency or other circumstances of extreme urgency. During a healthcare crisis, countries could manufacture need-based products. In my opinion, such provisions ensure a balance between intellectual property and incentives to innovators on the one hand, and public interest and access to medicines on the other. If India is to continue its global leadership in pharma, our Government and industry should work closely together. We need long term pragmatic policies to maintain not only our domestic stability and sustainability, but also to expand internationally.*

*Since its beginning in the mid-1930s Cipla has continuously been at the helm of providing healthcare services, not only in India, but throughout the world. I have been with you in thought and spirit since the very inception of Cipla, and in various working capacities for over 57 years. I will continue to add value to your Company as long as I am able to do so. Your Company will always remain dynamic, develop people of high calibre, and create outstanding processes and products. Our Company culture and core business strategies are legendary. We have created a healthcare legacy in the belief that "Success does not make a company great. What really matters is its contribution towards making life better for everyone." Our uncompromising commitment to excellence, our dynamism, and our compassionate approach to healthcare were recognised by the magazine BW Businessworld this month when they named Cipla as the most respected pharma company in India.*

*Today, Cipla has a young and alert workforce. We are a trendsetter in diversity and progressive measures for a balanced working life. Our Company has a highly competent management team. All our Directors are eminent people, recognised in their fields of expertise. We have a reputation for a humanitarian approach to healthcare and this is reflected in our Credo, 'Caring for Life'. In 1997, we set up a unique project in India – the 'Cipla Palliative Care and Training Centre' in Pune for terminally-ill cancer patients. In this Centre, we have so far cared for over 13,000 patients and it is with great pride that in November this year we will celebrate our 20th year of providing totally free care to patients and their families.*

*We are at the threshold of an exciting transformational time for your Company. We will venture into newer territories and change our approach as and when required for overall improvement in healthcare. Newer strategies will be adopted. If one looks at the history of Cipla, one will see that over the years we have continually changed, diversified and improved. Our initial growth stage was the period prior to independence. The period from independence to 1972 was one of struggle, but it also saw the birth of Cipla's bulk drug manufacturing. In 1972, India changed its patent laws and this led to a golden era of growth and expansion upto 2005. Since then, we have had to adapt ourselves to a very challenging product patent scenario. Your Company is coping well with this change. We are now in-licensing products from both international and local manufacturers. Our international business has significantly increased in recent times and it now accounts for over 60% of our revenues. We will continue to adopt suitable strategies to be a leader in the global generic drug industry.*

*Our Cipla Board and Management Council are working together to consolidate our strengths and capabilities. In this, promoter continuity under Samina as the Executive Vice-Chairperson, and Umang's leadership, will be key. Our focus will be on strengthening our core business areas with a view to creating a robust path forward. Cipla has an enviable legacy and is poised for a brighter future.*

*I would like to end by thanking all our customers, the medical profession, suppliers, partners, associates, employees and you, our shareholders, for your support. We particularly thank you for your steadfast faith and trust in us.*

*Thank you.*

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