

Chairman's Statement 2011-12

Dear Shareholders,

On behalf of the board of directors and on my personal behalf, I welcome you all to this 39th Annual General Meeting of your Company. I am sure, by now you would have received and reviewed the Annual Report for the year 2011-12. I would like to share with you the highlights of the performance and other achievements of the Company during the last fiscal year.

It gives me pleasure to inform you that the Company achieved consolidated operating revenues of Rs. 2696 Crores, a growth of 23% over previous year. The domestic business recorded Rs. 912 Crores, registering a growth of 9%. The international revenues grew by 33% to Rs. 1477 Crores.

During the year under review, in line with the requirements, the Company has made a provision towards estimated future sales returns on sales effected till 31st March, 2012 and made a one-time charge of Rs. 65 Crores under exceptional items. Adjusting for the same, the profit growth is in line with revenue growth. However subdued growth in domestic business is a cause for concern. Your company is addressing this by taking suitable marketing initiatives.

In line with the dividend policy adopted by the Company last year, a normal annual dividend of 120%, i.e., Rs. 6.00 per equity share was paid as interim dividend during the year. Further, the Board has recommended a special dividend of 50%, i.e., Rs. 2.50 per equity share as final dividend. The aggregate dividend works out to be 170% for the year under review, i.e., an increase from Rs. 8.00 per share to ` 8.50 per share.

Manufacturing

The final module of API expansion at Indrad facility has been completed and production has commenced during the year under review. The Company has successfully ramped up production at its Sikkim facility. Capacity at all the three plants were satisfactorily utilised to cater to the growing demand. The work at its formulation and API manufacturing project at Dahej SEZ in Gujarat is in progress and its first phase is expected to be completed by April'13. The Plant at the end of Phase I is expected to be ready for regulatory inspections and be able to produce for regulatory needs. The commercial production is expected by July 2014.

Marketing

On the operational front, the domestic business registered a growth of 9% primarily due to lower growth in acute therapy which witnessed intense competitive pressures & an overall industry slowdown. The Company created a new division in acute therapy in order to bring better focus on growing molecules. The Company has continued with its efforts and strategic initiatives towards improving its market share through portfolio expansion, new product introductions, increase in geography coverage and developing differentiated products. The Company has further expanded its therapeutic reach by

entering Oncology - Cytotoxic market which is growing at a rate of 17%. On the international front, the Company has witnessed five years Compounded Average Growth Rate of over 20% in the revenues which accounts for more than 55% of the total revenues. International business witnessed a healthy growth of 33%, partly helped by better exchange rate realisations and contract manufacturing business registered a growth of 23% during the year under review. This growth is mainly on account of robust upward surge of nearly 90% in revenues from US operations, 34% from Brazilian market and that of 16% from Germany operations (Heumann). Other territories also witnessed healthy growth.

Research and Development

Continuous investment in R&D over the years has positioned your Company strongly to meet the growth requirements. During the year, the Company has completed Phase I clinical trial of one of its New Chemical Entities (NCE). The Company intends to initiate further clinical studies in near future to ascertain safety and efficacy of the lead molecule. The Company is currently working on several in-house NCE projects within the areas of diabetes and its related complications, metabolic and cardiovascular disorders, ischemic diseases and neuropathic pain.

Outlook for the coming year

Let me now share with you the outlook for the coming year. The domestic market is anticipated to grow at a better pace considering various new initiatives taken by the Company.

International generic opportunities continue to be growth engine for the Company. The Company is well positioned to capitalise on these growth opportunities with strong development pipeline and robust R&D and manufacturing capabilities built over a period of time. Brazil & Europe will continue to post healthy growth in revenues aided by a slew of new product introductions. The U.S. business will also see high growth, with regular stream of new product approvals. Mexico is a promising market for branded generic business where the Company has commenced its operations during last year. Company is also planning to enter into some emerging international markets primarily having growth potential in therapeutic areas of Cardiovascular, Diabetology, Central Nervous System & Gastro-Intestinal.

Lastly, I would like to extend our sincere gratitude to all our stakeholders including the medical fraternity, our customers and our business partners, who have reposed great trust in us and in our products. I also thank the various central and state government bodies, the financial institutions and all our employees for supporting us in our activities and helping us grow further. My colleagues on the Board have always provided valuable guidance to whom I owe my gratitude.

I thank all of you for attending this meeting.