

Chairman's Statement 2013-14

Dear Shareholders,

On behalf of the board of directors and on my personal behalf, I am delighted to welcome you all to this 41st Annual General Meeting of your Company. I trust, by now you would have received and reviewed the Annual Report for the year 2013-14.

The Company during the year under review had issued Bonus Shares in the proportion of 1:1 which has doubled the total paid up capital of the Company from Rs. 42.31 Crores to Rs. 84.61 Crores.

In line with the dividend policy adopted by the Company, a normal annual dividend of 100%, i.e., Rs. 5.00 per equity share was paid as interim dividend during the year under review. Further, the Board has recommended a special dividend as final dividend of 100%, i.e. Rs. 5.00 per equity share. The aggregate dividend for the year under review works out to be 200% on increased share capital, post issue of bonus shares as above against 260% on a pre-bonus issue capital during 2012-13.

In my brief address today, I will touch upon the performance of your Company during last fiscal year, a brief on the manufacturing, marketing and research front, Company's philosophy on safety, environment & CSR activities and of course, the outlook for the coming years.

Performance Overview

I am happy to inform you that your Company achieved consolidated operating revenues of Rs. 4185 Crores, a growth of more than 30% over previous year. The domestic business recorded revenues of Rs. 1162 Crores, registering a growth of 13%.

However, the operations of the Company during the year have been influenced by the changes in the Global and National economic scenario. Some of the key The overall Pharma market growth was subdued on account of the implementation of new DPCO 2013 and prolonged stalemate between industry and trade, leading to severe disruption in the distribution channel. At this point, I would also like to highlight that both the Domestic and International markets were impacted by:

- The changes in Global and domestic economical scenario.
- Increased focus on compliance to regulatory standards
- Slowdown in the launch of new products due to delays in approvals in some markets.
- Continued emphasis on generic drugs by Governments across the world and increase in competition scenario

The international revenues grew by 44% to Rs. 2635 Crores. The consolidated net profit was Rs. 664 Crores which shows a growth of more than 53 % over last year. Adjusted for the exceptional item during the last year, consolidated net profit has grown by more than 41%.

Manufacturing

The Company's manufacturing facilities at Indrad, Baddi and Sikkim have significantly contributed to the growing demand of high quality pharmaceutical products. Capacity at all the three plants were utilised satisfactorily to cater to the growing demand.

During the year under review, the Company has completed decongestion and modification of manufacturing facilities at Indrad and Baddi plants and additional capacities due to this will be fully available from financial year 2014-15. The work at its formulation and API manufacturing project at Dahej SEZ in Gujarat is progressing well and the commercial production is expected to start during the year 2014-15.

Marketing

Continuous investment in R&D over the years has positioned your Company strongly to meet the growth requirements. Clinical trials initiated earlier in India for various New Chemical Entities (NCE) are progressing well and the Company is also working on certain other NCEs in the areas of its core competency.

During the year under review, the Company received approvals for 5 ANDA and 17 EU dossiers and approval for certain others are in the pipeline. The Company has initiated development work on Ulcerative Colitis. Also company is working on long acting injectables for improved disease management of Prostate Cancer and Endometriosis, Pain, Parkinsons. Similarly, work has been initiated in new technology platforms like Nano suspensions & nasal drug delivery systems and in management of Dermatology.

Pharmaceutical regulations are growing fast around the world, both in the developed and developing countries. Regulatory agencies continue to raise quality bars, implying that companies will have to continuously improve quality systems and processes to remain compliant. I am glad to inform that as quality and system adherence was and is, the topmost priority for us, we have tried to withstand these changes around the pharmaceutical world.

Research and Development

Concern for Society and Environment is a deeply rooted core value of Torrent.

The Group has initiated sanitation health education and other programmes among the students, and has also undertaken surveys to understand women & child health issues, undertaken teaching learning enhancement programme and engaged in construction / development of school buildings. In line with provisions of the Companies Act, 2013, a Corporate Social Responsibility (CSR) Committee has been formed and a CSR policy was formulated by the Board for undertaking & monitoring various CSR activities.

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. It gives me great pleasure to inform you that your Company has completed the acquisition of identified Indian Branded Formulation Business of Elder Pharmaceuticals in India and Nepal on slump sale basis for a consideration of about Rs. 2000 Crores. I would like to also mention that this is the largest M&A transaction between two Indian Companies in the Pharma sector. The business acquired from Elder will strengthen the Company's position in the Women's Healthcare, Pain Management, Wound Care, Vitamins and Nutraceuticals therapeutic segments. The acquisition will also enable cost & revenue synergies in the Company's domestic formulations business. Our overall focus continue to remain in specialties, enhancing PCPM and business hygiene to ensure sustainable 17-18% growth. One important development is that the government has brought additional products under price control, which in turn may affect the net margins of the Company.

International markets have become a prime engine for company's growth with more than 63% of its business coming from these markets. Company is well poised to exploit the international generic opportunity. In the years to come, growth in US market will remain important for the Company. It is continuously moderating its business models in various key territories like US, Brazil, Germany, etc to address the challenges of the changing economic and regulatory scenarios. Simultaneously it is spreading its footprints in newer markets like Romania, France, UK to build a large and stable base. At the same time, greater competition and the government outlook on regulatory processes in major world economies like US, Europe and Brazil are putting pressure on operating margins. The Company is continuously striving to meet the existing and newer challenges by pro-active measures including rationalization of markets and product portfolios as well as improving efficiency in all spheres of operations.

Your company has been growing at a strong pace over the last few years. Encouraged by the stability in its existing operations and confidence from the domestic acquisition, the company is now seeking to take the next step forward by actively looking for inorganic growth in the international markets. As a small step, the company has acquired portfolios of marketing authorisation in UK and France. It is now looking at bigger opportunities in the overseas market and I am sure with the kind of support and confidence you have reposed in the management, we would be successful in achieving this target as well.

I am happy to inform you that over the year we have maintained healthy relations with our business and trade partners, whilst fostering positive industrial relations throughout the Company.

Your Company is committed to uphold the best corporate governance practices, creating wealth for all its stakeholders and enriching long term shareholder value.

On behalf of your Board of Directors, 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, banks &

financial institutions 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.

Samir, my younger brother and Executive Vice Chairman of the Company, needs no introduction for this audience. Both of us had the privilege to be jointly groomed under the illustrious leadership of the founder chairman late Shri U. N. Mehta since 1986. Since the beginning of 90s, when the Group started taking initiatives to pursue power sector opportunities, he has been playing an increasingly vital and crucial role in effective management and growth of the company. Your Company has witnessed some challenges in the recent past, especially the compliance to increasingly stringent regulatory requirements and competitive business scenario. On the other hand some opportunities did arise requiring timely and focused approach such as expansion of manufacturing facilities and acquisition of new products and businesses. All of these have to be pursued along with maintaining smooth running and growth in the ongoing operations. Samir substantially undertook this burden of steering growth with stability for the Company. He also led and motivated the employees of the Company who even at the cost of their personal or family time have exhibited dedication & involvement in the Company. I am sure, you would agree with me that they all deserve our sincere compliments for their commitment and dedication in the discharge of their duties.

I have turned 60 in April, 2014. I have the fortune of having worked with my father, with my mother and with my brother Samir during the last so many years for the establishment, stabilization and growth of this Company. Although I was feeling for last 2-3 years to decrease my involvement, I could not do so for one or the other reason. Now is the time, I think that comfortably and confidently I can reduce the involvement. My colleagues of the Board of Directors have kindly acceded to my request of stepping down as Chairman of the Board. They have also suggested to my becoming Permanent Director on the Board for continuity sake and honoured me by titling me "Chairman Emeritus". I humbly accept their sentiments. In this light, with your approval, I suggest Samir to take over the reins of the company as the Chairman on conclusion of this AGM. You have been very kind to provide valuable suggestions and effective support to me and I am more than confident that the same would be extended to Samir, even with increased intensity.

I thank all of you for attending this meeting.