

Dear Shareholders,

Welcome to the 46th Annual General Meeting.

For 2018-19, the Company continued to enhance shareholders' value despite headwinds in the pharma markets, particularly in the United States. The Company delivered strong EBITDA growth, driven by successful integration of the Unichem business, efficient capital allocation and consolidation of its presence in key markets.

Integration objectives with respect to Unichem India business have been successfully achieved and the business has become cash accretive in the first year itself. During the year, the company consolidated its market position across key markets.

- In India, it improved its ranking to 7.
- In Brazil & Germany, it continued to be a ranked first amongst Indian companies.
- While in US, it significantly ramped up its market share in covered markets.

I shall now take you through the financial performance followed by some key trends in our business.

Key financial highlights:

1. Revenues at Rs 7,673 crores were up by 29% driven by successful integration of Unichem's business and growth in India, US, Germany & ROW markets.
2. EBITDA at Rs 2,025 crores was up by 23%, driven by implementation of margin synergies from Unichem business, improvement in field force productivity and operating leverage across markets.
3. Net profit at Rs 436 crores were subdued on account of exceptional items viz.
 - Industry wide recall of Valsartan & Losartan due to identification of certain impurities
 - Impairment of certain intangibles pertaining to our acquisition in US.Excluding these one-time impacts, net profit growth is positive.
4. By the year end, leverage in terms of Net Debt-to-EBITDA was reduced to 2.37, compared to 3.11 as of Mar 31, 2018.

Now, I shall brief on the performance trends of key businesses:

India:

1. India continues to be a strong franchise for Torrent, contributing to 42% of revenues. The revenues at Rs 3,234 were up by 38%.
2. On integration of Unichem business, the Company implemented multiple initiatives to realize margin synergies and align the acquired portfolio with base business. These included –
 - Realizing Cost synergies
 - Bringing specialty approach through restructuring of sales divisions based on therapeutic focus
 - Improving field force productivity & in-clinic effectiveness through training.
 - Portfolio optimization through rationalization of low value and low margin products
 - Building hygiene into the business by discontinuing certain schemes.
 - Bringing back growth momentum in key products through brand building.
3. While the base business continued to perform well, these initiatives have further aided the Company in surpassing Industry growth and grew by 15% versus IPM growth of 10%, as per AIOCD.
4. Shelcal & Chymoral – anchor brands from Elder portfolio, continued to deliver high double digit growth, surpassing the market growth.

While Shelcal surpassed sales of Rs 400 crores at mother brand level, Shelcal XT got recognized as one of best introductions in chronic segment and featured amongst top 5 new introductions in IPM.

5. Now, Torrent has 8 brands valued at more than Rs 100 crores compared to 7 brands last year. It has 19 brands in top 500 brands compared to 18 brands last year.
6. India continues to be a key growth engine and the Company shall continue to consolidate its positioning in IPM through its focus on chronic treatments, specialty driven business, sales force productivity and brand building.

United States:

- Despite headwinds in terms of price erosion and increased competition, the Company continued to ramp up its market share in covered markets and registered revenue growth of 44%.
- The Company continued to sustain launch momentum and has ramped up quality & strength of its product pipeline, through double-digit ANDA filing. During the year, 20 ANDAs were filed.
- There were two major challenges faced during the year:

- Valsartan and Losartan batches were recalled due to detection of certain impurities in outsourced API.
- Impairment of acquired business intangibles on account of certain regulatory developments and change in product development strategy.
- US being the largest market, continues to be a primary focus market for Indian Pharma companies, including Torrent, despite a challenging landscape. The Company intends to grow through consolidation of its market share and ramping up its pipeline with diversified product portfolio including Oral liquids, Ophthalmics, Ointments, Creams and Oncology.

Brazil:

- Brazil revenues at Rs 689 crores reported marginal de-growth in INR terms, despite 5% growth in local currency, due to depreciation of Brazilian Reias.
- As per close-up data, Torrent grew by 10% versus market growth of 8%.
- Macro-economic headwinds confronted by Brazil market have moderated and there is recovery trend visible. For Torrent, Brazil

continues to be a fundamentally attractive market. The Company intends to grow by enhancing its presence in existing therapies through field force productivity, specialty focus, brand building and new product introductions.

Germany:

- Torrent is the 4th largest generic company in Germany and ranked no. 1 amongst Indian companies. Germany revenues at Rs 1,009 grew by 17%.
- The growth was driven by winning in high-value tenders, product launches and ramp-up of non-tender and OTC segment.

ROW:

- RoW markets, where the company operates in different countries encompassing the geographies of Africa, Middle East, South East Asia and Russia /CIS, the revenues stood at Rs 468 crores registering a growth of 23%. The company plans to consolidate its position in selected markets through enhancing prescription base and improving productivity.

Research & Development

- During the year, R&D spend was Rs 538 crores or 7% of revenues, compared to Rs 460 crores or 7.7% of revenues for previous financial year.
- The Company is deploying its incremental R&D spend on developing products in diversified dosage forms, NDDS and specialty products in addition to the base capabilities in oral solids.

Manufacturing

- During FY19, we have invested in a state of the art Oral Oncology manufacturing facility at Bileshwarpura, Indrad which will cater to the regulated and non-regulated markets in near term.
- During the year, Dahej and Levittown manufacturing facilities were audited by USFDA. For Dahej, the Company has received OAI classification in the last week. While we have already fulfilled the commitments given in our initial response, we will now be engaging with regulator to know their concerns and are committed in resolving the issue at the earliest. It will not have any impact on the existing supplies or revenues from this facility.

People – Our Strength

At Torrent, we firmly believe in a people first approach. We take pride in our human capital, which comprises people from diverse backgrounds. Guided by our core values which are deeply imbibed in our culture, our achievements are an outcome of efforts, dedication and conviction demonstrated by our people. In order to sustain this vital resource, we continue to build on meritocracy that will aid the Organisation to be ready to embrace the new competencies for a sustainable future. Also, continuous efforts have been taken to implement Gender Diversity initiatives, in various areas to ensure enhanced representation of women.

CSR

Inspired by ideas of our Founder, late Shri U N Mehta, Torrent Group deeply subscribes to its responsibilities as a corporate citizen and believes in carrying out its industrial and business activities in a socially and environmentally responsible manner balancing the needs of all stakeholders and contributing to the upliftment and well being of the disadvantaged sections of the society.

As explained in detail last year, the flagship CSR programme of the Group, REACH - "Reach Each Child" is progressing very well. The programme is currently being carried out at the 4 prime industrial locations of the Group, with fully functional Paediatric Primary Health Centres and mobile OPD vans to reach far flung areas.

The 150 bedded secondary care hospital near Sugem plant is expected to be commissioned on 2nd October, 2019.

Apart from “REaCH”, we have undertaken other important CSR programs -Development & Maintenance of Public parks and developed 6 public parks during the year. We have planned to develop another 6 public parks during the current year. Also we continue to develop Shiksha Setu – a quality education programme, supporting primary and secondary school for urban slum children and community development work.

Way forward

As a part of our growth strategy, the following would be our priorities:

- Increase our scale & diversity of product offering in key markets viz. India, Brazil, Germany & US.
- Continue to implement synergies from integration of acquired portfolio
- Build & leverage R&D capabilities to diversify pipeline in terms of complexity. Accelerate product launches in generic markets
- Continue a top-driven quality approach by constantly adapting and investing in the highest standards of manufacturing practices
- Allocate incremental capital towards debt repayments to de-leverage balance sheet in near to medium term.

Conclusion

Before I conclude, on behalf of the Board of Directors and myself, I would like to thank all the stakeholders and partners, including our customers and vendors, who have reposed great trust in us and our products. I also take this opportunity to reiterate Torrent's firm belief in assisting the medical fraternity and paving way for a bright future of medical science. I would also thank various Central and State Government bodies for their continued support. Above all, I would like to express my gratitude to all the shareholders for their cooperation and continued faith in the Company.

Thank you ladies and gentlemen for your kind attention.