

Chairman Speech: 47th AGM (2019-20)

Dear Shareholders,

Welcome to the 47th Annual General Meeting. I hope you and your family members are safe and healthy.

The spread of Covid-19, caught the world off-guard and continues to affect us all. It is resulting in a major impact on patients, healthcare workers, our overall healthcare infrastructure and the broader economy. We at Torrent acknowledge with admiration the work of our customers and partners who have helped cope with the unprecedented crisis. Doctors, hospitals and wholesalers and retailers have continued to perform their essential duties even during the most difficult period of this crisis often at considerable risk to themselves.

The lockdowns and restrictions implemented by various countries have resulted in disruptions to the global supply chain. Resilience of the businesses and industry at large have been tested and your Company has been fast to adapt to such changing environment and has ensured business continuity and product availability for the well-being of its patients. Our operational planning processes have helped us reduce the risk of supply chain disruptions

Chairman Speech: 47th AGM (2019-20)

Our foremost priority remains ensuring the health and safety of our workforce. Wherever possible, we have adopted new 'Work-from-Home' model and are continuously monitoring health status of employees and their risk of exposure to the virus. We have implemented social distancing norms across all our work places and facilities.

The Group's governance philosophy has always been emphasizing people and society over everything else and stands committed to doing all that it can during the time of national crisis. Torrent Group has committed Rs. 100 crores to strengthen the Government's efforts to fight the COVID pandemic and its fallout on poorer sections of the society. This would include donation into PM CARES funds and will also be directed towards various initiatives such as providing essential medicines to various Govt. hospitals free of cost, contributions to State Govt relief funds, contributions to NGOs doing grassroots work, provision of PPEs to healthcare workers and our own direct efforts to contain the impact of COVID pandemic.

Chairman Speech: 47th AGM (2019-20)

During the year 2019-20 we continued to strengthen the organization through improvements in field force productivity, cost control initiatives and synergies from the acquired business.

Key financial highlights on a consolidated basis:

Torrent continued to be ranked amongst the top Indian Pharma companies with a position amongst Top 5 players in cardiovascular, psychiatry, neurology, vitamins & minerals and gastro-intestinal segments. It continued its leadership position amongst Indian Pharma Companies in Brazil, Germany and Philippines.

Let me give you a quick highlight of the financial performance for the year:

1. Revenues at Rs 7,939 crores were up by 3%.
2. EBITDA at Rs 2,284 crores was up by 13%. EBITDA margins was at 29% as against 26% in the previous year.
3. Net profit after taxes at Rs. 1,025 crores was up by 134%. Adjusted for exceptional items in Financial Year 19, it was up by 34%.
4. R&D spend as percentage to sales was 6.2% compared to 7.0% for previous year.

5. Leverage (Net Debt-to-EBITDA) reduced to 2.21x as of 31st March, 2020 compared to 2.37x in the earlier year.

Now, let me take you through the performance across our key markets.

India:

- India revenues at Rs 3,517 crores were up by 9%. Adjusted for base impact of discontinued products and Covid related supply delays, the underlying growth was 12%.
- In terms of secondary sales as per AIOCD , Torrent registered growth of 12.5% versus IPM growth of 10%
- Torrent now has 10 brands, as against 8 brands in last year, with revenues of more than Rs 100 crores. Rozucor & Veloz are two new entrants in 100 cr club. It has 17 brands in Top 500 brands of IPM
- Year 20 witnessed the launch of high potential products viz. Vildagliptin, Ticagrelor, Remogliflozin & novel FDC Eurepa V
- Torrent outperformed market growth across all key therapies and brands
- On the productivity front, PCPM stands at 7.3 Lacs on a full year basis against 6.2 lacs in the previous year.

Chairman Speech: 47th AGM (2019-20)

- India continues to be an important growth engine for Torrent. The India business shall drive growth through revenue synergies from the acquired business and new product launches, while continuing to focus on specialty driven approach, brand building and productivity improvement.

United States

- US revenues at Rs 1,523 cores, were down by 4% due to muted product launches
- As you are aware, Torrent had received OAI classification for its Dahej facility and Warning Letter for Indrad and liquid facility in the US. Remediation work for these facilities have advanced significantly during the year as per our expectation
- Despite no major launches, Torrent was able to sustain base of \$200+ million, mainly due to market share gain in existing molecules
- During the year, Torrent filed 12 ANDAs and got 3 approvals.
- At the end of the year, Torrent has 48 ANDAs pending approval and 6 Tentative Approvals.
- Torrent continues to strengthen and diversify its product pipeline by investing in to complex products in the areas of Oral liquids, Ophthalmic, Ointments & creams, and Oral Oncology.

Germany

- Germany revenues at Rs 947 crores, which were down by 6%
- In the second half of the year, revenues were soft due to certain temporary disruption on the back of upgrading of our quality management systems. The intrinsic value of the business still remains and we should be back on track in the coming months.
- There is no change in the fundamentals of the market, which remains attractive with Torrent continuing to be no. 1 amongst the Indian Pharma companies and no. 5 amongst the generic players.
- Strategic priorities for Germany would include – Expansion of market coverage, participation in high volume tenders, growth in non-tender and OTC markets.

Brazil

- Brazil revenues at Rs 715 crores, were up by 4%. Brazilian real growth was 12%. Rupee growth was lower due to currency headwinds with the Brazilian real depreciating by 8% during the year.
- In terms of our secondary market performance, Torrent grew by 15% versus market growth of 10%.

Chairman Speech: 47th AGM (2019-20)

- Torrent continues to be ranked no. 1 amongst the Indian Pharma Companies in Brazil.
- Torrent has been strengthening its portfolio in branded generic and generic segments. Its strategic priorities includes – product launches, specialty focus, brand building and productivity improvement.

Research & Development and Manufacturing

- During the year, R&D spend was Rs 494 crores or 6.2% of revenues.
- Incremental R&D spend is allocated towards high value complex generics, NDDS and speciality products in addition to strengthening Oral solids pipeline.
- In addition, Torrent continues to invest in New Chemical Entities in the areas of metabolic, cardiovascular, gastrointestinal, dermatology and respiratory disorder.
- The new Oral Oncology manufacturing facility at Bileshwarpura, is at an advanced stage of completion. The facility will cater to the regulated and non-regulated markets in the near term.
- Torrent has completed remediation work for Dahej and Indrad and await the USFDA guidance on the next steps. Upgradation of the liquid facility at

Levittown, US is progressing well and expected to be ready by Q3 of 2020-21.

People – Our Strength

An Organization's growth depends upon the dedication and synergy of its employees towards its vision and mission. At Torrent, we consider employees as our most important assets and all our employee oriented activities and initiatives are guided by our deeply imbibed core values. We take pride of our diverse workforce from various backgrounds, who enjoy aspects like right exposure, freedom at work and meritocracy based opportunities to grow. We continue to put in our efforts in various Gender Diversity Initiatives to ensure higher representation of women. We believe that to perform to perfection one needs to enjoy what he/she is doing. Hence we create an encouraging diverse and conducive work environment for the employees.

CSR

Torrent Group believes in the well-being of the Society at large. As a corporate citizen, it has always believed in the philosophy of "Think of others also when you think about yourself". A significant milestone during the year was establishment of a state-of-art paediatric hospital. Under the umbrella of our flagship REACH Program, "Rangtarang" an integrated medical complex was

Chairman Speech: 47th AGM (2019-20)

built which is near to SUGEN Power Plant at an aggregate capital cost of ₹ 135 crores. "Rangtarang" houses "Balsangam", a new 150 bed paediatric hospital and "Sumangal", a multispeciality day care clinic for all. Everyday more than 400 beneficiaries, otherwise deprived of access to good medical facilities, from around 500+ surrounding villages avail benefit of free-of-cost medical facilities.

In addition to REACH programme, the other notable CSR programmes of the Group are:

- (a) "Shardashish" – which deals with refurbishing and upgrading primary & secondary schools;
- (b) "Shiksha Setu" - aimed at enhancing teaching and learning outcomes in municipal / government schools;
- (c) "Pratiti" – which is to do about building and maintaining public gardens; and
- (d) "Abhivyakti" – which is to do with promoting arts and culture.

Every year while talking about the CSR initiatives of the Group, I feel proud to see the lasting impact our programmes are making to the lives of the downtrodden, helping them break the vicious cycle of poverty and ill-health.

Chairman Speech: 47th AGM (2019-20)

For Torrent, CSR is an all encompassing concept – it goes beyond charity for poor and forces us to behave as a responsible corporate citizen carrying out business in a socially responsible manner. Our framework of CSR includes, treating employees with utmost dignity and fairness, promoting diversity within the Group, having a safe working environment, treating suppliers as partners, delight of customers as a divine objective, a steadfast adherence to our core values, minimising and mitigating the environmental impact of our activities and last but not the least, transparent and accountable governance practices. We believe such a definition of CSR will ensure sustainability, as we aim to forge a symbiotic relationship with the Society.

Way forward

Our long-term strategic priorities include -

- Continue to growth focus in India, US, Germany and Brazil, which are our primary markets
- Invest in other markets to develop them as growth engines over medium to long term
- Continue to drive revenue synergies from the acquired business
- Sustain market outperformance through product launches, expansion of prescription base, brand building & in-clinic effectiveness

Chairman Speech: 47th AGM (2019-20)

- Allocate incremental R&D spend in to high value complex & niche products
- Accelerate implementation of digital initiatives for customer engagement, employees' productivity and supply chain effectiveness
- Allocate incremental capital towards balance sheet de-leveraging.

Conclusion

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 would also like to thank various State and Central 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 Torrent. I wish and pray for safety and well-being of you and your family.

Thank you.