

LUPIN Annual Report 2008-09

Chairman's Message

Page No: 10-13

CHAIRMAN'S MESSAGE

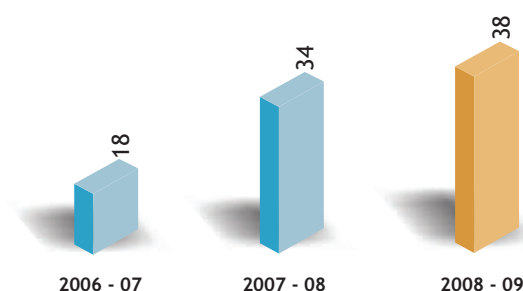
Dear Friends,

In 2006, we set ourselves the challenging goal of crossing US\$ 1 Bn in revenues by 2010. Looking back at that time, this appeared to be an ambitious and somewhat distant orbit that we aspired to enter. Yet, we persevered and locked this milestone firmly in our sight. With a sharp sense of direction and a defined vision, we set out to creatively transform ourselves to address the opportunities that we sought - opportunities that have become realities today.

The fact that every part of the Company has contributed handsomely to this endeavor is indicative of not only the effectiveness of our chosen business strategy and foresight, but also of the flawless execution, efficiency and single-mindedness with which everyone in the Company has embraced these business objectives. Today, with revenues of Rs. 39,145 Mn in FY 2008-09, we are not only on the threshold of entering this orbit within a year, but we also find ourselves bursting forth with renewed energy and momentum that will now propel us towards even higher orbits in the years to come.

What's making this possible? The simple answer is the soundness of our vision and strategy coupled with flawless execution - all backed by sheer passion and conviction that our people feel towards accomplishing challenging objectives. I am sure you will join me in saying "Well done!!" to every Lupinytt for bringing us this far.

Year on Year (Sales) Growth



% Growth

SCALING HIGHER ORBITS...

The journey we began 4 years ago has helped us arrive at a major threshold - a vantage point - where there's still so much more to be achieved and the time has come when we need to set ourselves new goals that are ambitious, yet credible. Going forward, our aspiration is to become a multi-billion dollar transnational company and be counted amongst the top Generic pharmaceutical companies in the world. After one and a half years of preparation in defining the means and the modes of these new growth objectives and getting the entire organisation to adopt and align themselves accordingly - I believe, we are now ready to write this next chapter. Once again, I see the spark of conviction and passion in the eyes of our people. That's not surprising. Looking at our recent past, we've clearly demonstrated that we can grow at rates that not only outpace the rest, but are in a league of our own.

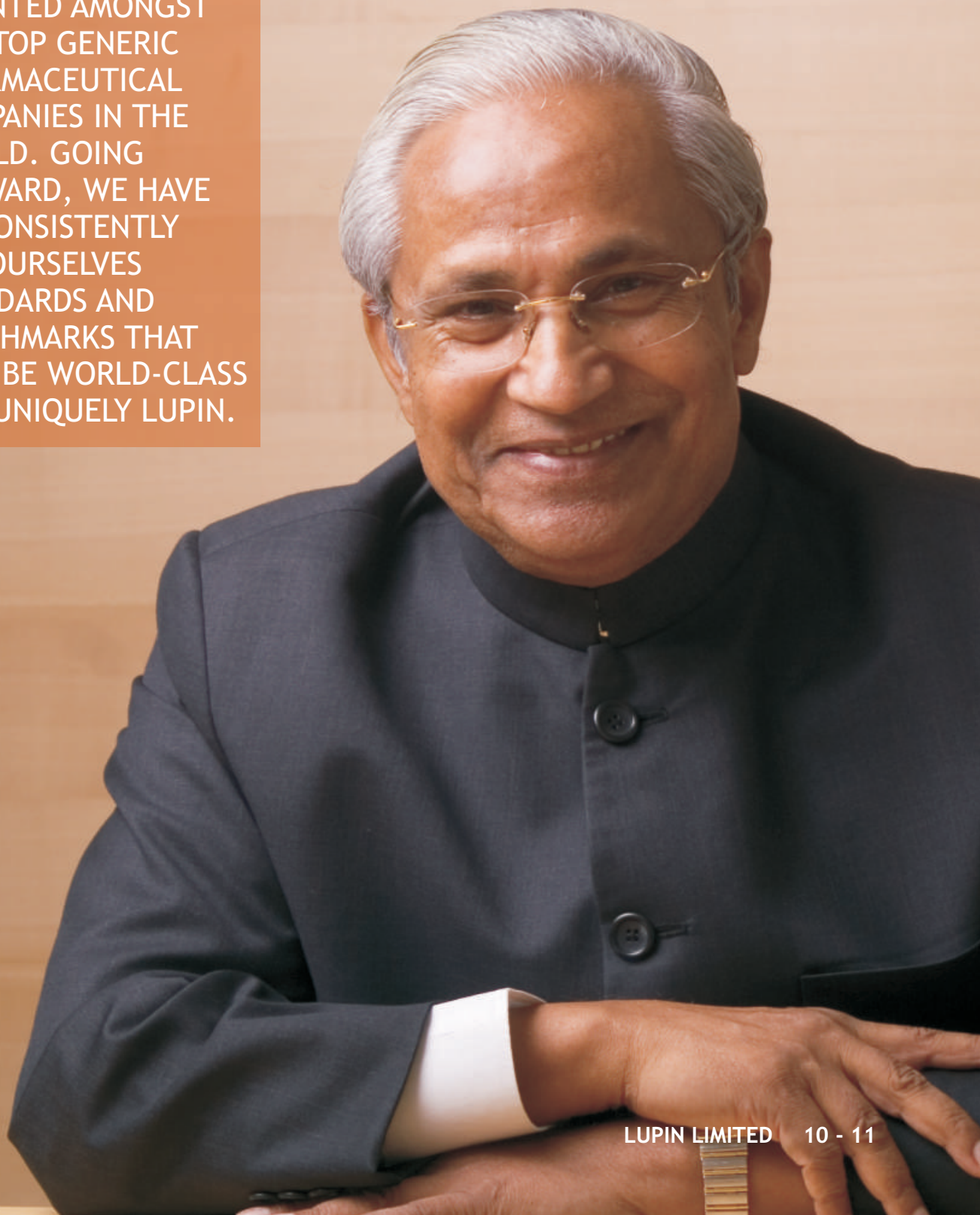
Strengthening our Pillars for Growth

Today, Lupin has a vibrant business model. We believe there are 6 pillars on which the Company stands and these are the pillars on which future growth of our Company rests. They are:

- Our size and growth rate – In today's world, it is critical to have a meaningful and sustainable size and pace of growth in the markets, therapies and business areas we operate in.
- Technology Edge – Our ability to develop innovative and difficult-to-replicate life saving drugs.
- Strengths in Generics – Our process research capabilities, backed by a vertically integrated business model, has helped us build one of the most successful Generics businesses.
- Ability to build Brands – Our marketing strengths and our ability to build super brands in niche therapy segments, across markets, globally, has helped us become one of the most profitable Generics players.
- Our People, Our Strength – A culturally diverse global workforce imbued with the values which are uniquely Lupin.
- Quality and Compliance – The differentiating factor and the mainstay of our competitiveness.



OUR ASPIRATION IS TO BECOME A MULTI-BILLION DOLLAR TRANSNATIONAL COMPANY AND BE COUNTED AMONGST THE TOP GENERIC PHARMACEUTICAL COMPANIES IN THE WORLD. GOING FORWARD, WE HAVE TO CONSISTENTLY SET OURSELVES STANDARDS AND BENCHMARKS THAT WILL BE WORLD-CLASS BUT UNIQUELY LUPIN.

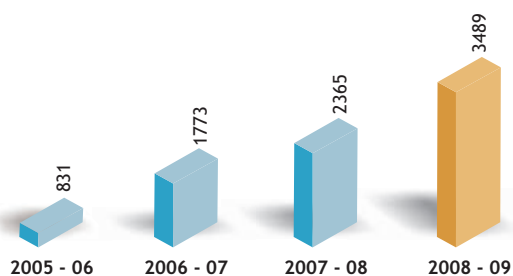


CHAIRMAN'S MESSAGE

Preparing for Growth

Increased demand and growth in revenues needs to be backed by a strong world-class manufacturing base. With a capital expenditure of Rs. 3,489 Mn in FY 2008-09, we not only commissioned and completed new projects to augment and optimise current capacities and capabilities, but also ramped up and modernised several of our API and Formulations plants. We have had unprecedented success, especially in the advanced markets of US and Europe and our investments are in line with ramping up our capacities towards meeting current and future demands.

Capital Expenditure FY 2008-09



Rs. in Mn

A significant portion of the capital expenditure in the year was directed towards creating capabilities to address new therapy areas, such as our investment into Oral Contraceptives, API and FP manufacturing in a new SEZ in Indore.

People - Developing Talent by Leveraging Experience

While we have seasoned people at the helm of our affairs who are well supported by capable and self-driven teams, we realise that we would have to create a consistent pipeline of talented future leaders to further fuel our growth objectives and drive future endeavors. Recognising this, we have been consistently focusing on creating and mentoring a new generation of young and able minds who would grow into leadership positions across the Company in the future.

Over the years, our Human Resources function has focused on developing talent management initiatives that have been ably backed by cohesive learning and development programs, running across various levels of the Company - all in an endeavor to develop and hone leadership talent to help sustain our high growth objectives.

Stimulating Organic Growth through Acquisitions

At a time when large and expensive acquisitions were being made by many players globally, Lupin was considered by some to be relatively slow in the Mergers & Acquisitions space. Clear in our strategy and approach, we have actually made 6 acquisitions in the past two years. What has differentiated us in our approach is that all our acquisitions have been strategic and value based in nature, from creating beachheads in key markets that we have identified, to enabling entry into new therapy segments. The inorganic pieces of our business have been wedded together with the parent Company to create operational synergies, backed by strong financial logic that these acquisitions would add value both, in the near as well as the long term. All these acquisitions have been performing well and were extremely well-timed in terms of market entry. We plan to continue making select strategic acquisitions in certain markets of our interest to supplement and further add impetus to our strong organic growth engine.

Innovation and Technology

Working with new technologies and innovating through our research initiatives are the key enablers for our growth and performance. FY 2008-09 was no exception - a record year for our Generics research, with 28 ANDA filings for complex and difficult-to-make products in existing as well as high potential new therapy areas. These new filings have taken the total ANDA count to 90, with 56 products still pending approval and launch. We have and will continue to further build a strong product pipeline to drive future growth.



With a firm foothold in the most important Generic markets of US, Europe and Japan and an aggressive, dynamic team driving our Generics research, we have ensured ourselves of a pipeline that will deliver for the years to come. We have now started laying more emphasis on drug discovery and drug delivery research. During the course of the year, we substantially revamped our drug discovery program to ensure that our capabilities, infrastructure and investments are in line with global standards to achieve world-class results.

Driving innovation across the board underpins Lupin's culture. We encourage everyone within the Company to look for excellence within their functional areas and beyond, to seek and adopt better ways of carrying out their responsibilities. To further improve and institutionalise this culture of innovation, we have engaged a world-class innovation consultant to help us institute strong processes and tools for fostering and developing innovation as a way of life within the Company.

Adding New Businesses & Therapy Segments

Another important aspect of scaling to newer orbits would be introducing new business lines and adding new therapy areas each year for the Company. FY 2008-09 was the year we made our entry into Oral Contraceptives (OC) through the filing of 7 OC ANDAs and associated DMFs. Similarly, we have now instituted research in Ophthalmological drugs. We expect these new business lines to be highly rewarding for Lupin, globally, in the years to come.

Thinking Global

For Lupin, the playing field is no longer limited to India but is truly global. Going forward, we have to consistently set ourselves standards and benchmarks that will be world-class but uniquely Lupin. While this has made our task more demanding, it will also instill a new sense of discipline, awareness, identity and direction within the Company. In line with thinking global, we also need to look for acquiring new ideas, new

technologies as well as talent internationally. This year, I am pleased to inform you that Dr. Rajender Kamboj, an eminent and successful scientist from Canada, joined us to steer our drug discovery program. He has returned to India after 26 years and brings with him a vast pool of knowledge and rich experience, which would be of great value to Lupin's research initiatives.

OUTLOOK

I remain very upbeat about the business outlook for the pharmaceutical industry in general. While the pharmaceutical business remains reasonably insulated from the trying times the global economy is currently going through, many players have suffered during this time due to imprudent financial management.

During times of over exuberance over the past two years, we have maintained financial sobriety and therefore, hardly felt the adversities of the global recession. Furthermore, our ability to garner strong market share on our base business year on year is an indicator of the long term sustainability of our business model, wherein we have been able to ensure margins and profitability even when prices are under pressure. Going forward, our research backbone, our efficient manufacturing capabilities, our marketing and servicing depth across the globe and overall financial strength will hold Lupin in strong form and on course. Furthermore, with some of the best talent in the industry under our roof, I remain very upbeat about our future and have no doubt that we are going to enter and scale even higher orbits in the years to come.

With Best Wishes & Regards,

Dr. Desh Bandhu Gupta
Chairman