



# LUPIN Annual Report 2008-09

Managing Director's Review

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## MANAGING DIRECTOR'S REVIEW

TODAY, LUPIN IS AT A VERY INTERESTING POINT OF ITS EVOLUTION, WELL ON COURSE ON ITS INTENDED JOURNEY TO EMERGE AS A GLOBAL GENERICS POWERHOUSE - A POINT IN TIME WHERE I FIND NOT ONLY A NEW LEVEL OF ENERGY AND EXCITEMENT BREWING WITHIN LUPIN'S RANK AND FILE, BUT MOST IMPORTANTLY, A KEEN SENSE OF POINTED URGENCY TO ACHIEVE AND EXCEL.



### Dear Shareowners,

The year 2008-09 was yet another year with impressive growth of 32% in revenue and 50% (excluding IP income) in profits. Over the last 5 years, the Company has recorded a CAGR of 31% and 53% in sales and net profits respectively. This has established beyond doubt the “Winning habit” of the team and has created an organisation with high energy and strong “Make it happen” skills. I am very pleased to say it has been an all round good performance, with US and India markets leading the table.

We closed FY 2008-09 with revenues of Rs. 39,145 Mn (Rs. 29,583 Mn FY 2007-08). Our consolidated net profit for the year increased by 23% to Rs. 5,015 Mn (Rs. 4,082 Mn FY 2007-08). We are happy to inform you that our consolidated topline recorded a growth of 38%, while our bottom line also grew sharply by 50% (excluding IP income). The Company's Formulations business today accounts for over 81% of our portfolio, up from 42% four years ago.

### CONFIDENCE, DIRECTION & MOMENTUM

Lupin today is at an inflexion point. We are on course, of our intended journey to emerge as a global Generics powerhouse - a point in time, where I find not only a new level of energy and excitement brewing within the organisation, but more importantly, a keen sense of pointed urgency to achieve and excel. This stems from the successes that we have achieved so far, which is a result of the many bold but well thought out decisions over the years. We were the first company out of India to develop a successful brand business in the US. We have also emerged as one of the most profitable Indian Generics player in the US. Lupin is the first Indian company to have created a noticeable presence in Japan through the acquisition of a top 10 Japanese Generics firm. One of the first, to become a global market leader in APIs and now evolving into the most compelling Formulations' business company. We have successfully entered new therapy areas with many new complex Formulations and possess the most prolific R&D

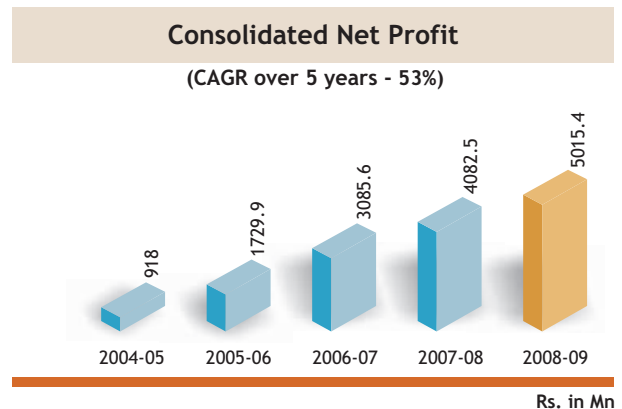
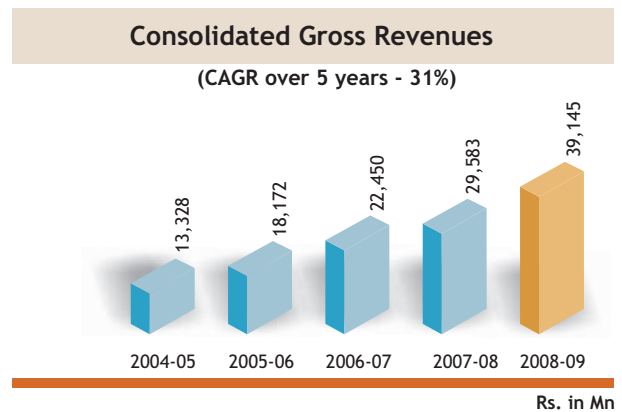
initiatives covering NDDD, ADDS & Biotechnology, replete with high quality, differentiated filings and patents. Besides making a mark in the US as the 9<sup>th</sup> largest Generics company by prescriptions (IMS Health), we also continue to make strides in the Indian market reaching a rank of No.5 from No. 11 in just 5 years (IMS MAT Mar 09).

The successes of the past have given us the confidence to put in place new programs and initiatives that would propel the Company into higher orbits of growth. The key milestones in our journey which we started five years ago, give us the confidence for the future. I can say with certainty that our organisation has now gained solid momentum.

### REVVING UP GROWTH...

#### Advanced Markets

For FY 2008-09, we have been able to garner handsome market share for our products in the



## MANAGING DIRECTOR'S REVIEW

advanced markets of US, Europe and Japan. A key growth driver for the year was Lupin's ability to build sales on its existing base business and continue to build market share in all the top 3 markets of the world so much so that the Company today has become the 9<sup>th</sup> largest and the largest Indian Generics player in terms of prescriptions (IMS Health) in the US markets, having attained market leadership positions in 8 of the 22 products and amongst the top 3 in 18 of the products (IMS Mar 09). We strengthened our presence in the Japanese market through Kyowa Pharmaceuticals, our wholly-owned Japanese subsidiary which contributed 12% of consolidated revenues. We are ranked amongst top 10 companies in the Japanese Generics market, with Kyowa being the fastest growing Generics Company in the Japanese market where it continues to outpace the industry, recording a growth of 23% over the previous year, while industry grew 13%.

Lupin is the only Indian company with a branded play in the US market. FY 2008-09 was an exciting year for Lupin's branded business wherein the Company added a valuable brand to its portfolio through a strategic alliance for the AeroChamber Plus<sup>®</sup> line of products with Forest Laboratories, Inc.

This alliance will not only extend Lupin's presence in the respiratory segment but also strengthen our franchise with pediatricians. With the introduction of AeroChamber Plus<sup>®</sup> range of products, Lupin's branded business clocked in sales of US\$ 74 Mn, contributing 27% to the overall US business.

### India

Beating the industry growth rate has become a habit for our India Region Formulations business. With a CAGR of 23% on trade prices in FY 2008-09 over FY 2004-05. FY 2008-09 was no exception - we continue to outperform and outpace the industry, growing at almost twice the industry average. I'm pleased to inform you that the Company improved its rank by one position to become the 5<sup>th</sup> largest player (IMS ORG MAT Mar 09) within the Indian Pharmaceutical market. This was a result of a combination of factors, that while our existing products continued to grow in sales and build

## WHILE WE TRAVERSE ONWARD INTO A JOURNEY MARKED WITH AMBITIOUS GOALS, WE REMAIN FOCUSED ON BECOMING ONE OF THE MOST PROFITABLE PLAYERS IN THE INDUSTRY.

market shares across therapy segments, we also entered into new therapy segments like Gynaecology and Oncology. All backed up by sharp and incisive marketing strategies, strategic alliances and an in-licensing program which provided the medical profession with modern and quality drugs to choose from. Furthermore, the Company continues to reinforce its strong brand equity by disseminating the most contemporary knowledge on treatments, technology, best practices and innovations to the medical fraternity, given its collaborative efforts with the American College of Cardiology; the Joslin Institute of Diabetology; and the European Institute of Neurology.

### Value based Acquisitions

By design, Lupin has maintained a sound organic growth strategy, which we believe to be the most sustainable and profitable way to grow. We however, also recognise that our growth aspirations exceed our organic capabilities, besides entry strategies have to be market specific. Therefore, calibrated moves to incorporate inorganic growth will also continue to be a part of the Company's strategic initiatives and will be leveraged to speed up and catalyse our growth agenda in key markets. In FY 2008-09, we successfully acquired 4 companies in Australia, Germany, South Africa and the Philippines. These were strategic acquisitions - with the view to create 'beachheads' with sound management structures for future growth - that gives us access to a collective Generics market valued at over US\$ 5 Bn. The overriding thought behind Lupin's acquisitions has been to arrive at a strategic fit that would enable the Company to achieve operational efficiencies and leverage the same to maximise profitability and returns.



Lupin's technology strength, regulatory expertise, ability to forge strategic alliances and vertical integration, have not only helped us integrate these entities, but have also made them productive for the Company, often within the first year itself.

### Biotechnology

Two years ago, we recognised that getting into biotechnology was not only essential but could very well form an important component of our future business. Today, we have made sound progress in our biotechnology initiatives that has culminated in us having set up a state-of-the-art cGMP manufacturing facility near Pune during FY 2008-09. We have 7 proteins in different stages of development and we expect to introduce our products into the market by FY 2010-11. Besides captive product research and development, we have also entered into strategic alliances and partnerships for co-development. Looking into the future, we wish to develop our biotechnology business into a high growth business vertical that would eventually become a significant component of Lupin's overall business mix.

### Differentiation - A Key Enabler

What is going to take the Company into a higher orbit for sure, is 'Differentiation' in the market place. In our understanding, differentiation remains the key enabler of our aspirations. We are committed to creating and institutionalising differentiation through products, processes and people. We have

undertaken a systematic exercise to unleash the 'innovation potential' of our organisation.

### Enhancing Profitability

While we attempt to scale higher orbits of growth, we must simultaneously focus on achieving even better profitability in every aspect of our business. This requires us to be highly diligent and prudent about our "Go 2 Market" strategies by optimising manufacturing operations and supply chain to maintain overall cost and profit leadership for all our businesses. As we compete with global majors, I believe that it will be profitability and not just large topline that will differentiate the men from the boys. While we traverse onward into a journey marked with ambitious goals, we remain focused on becoming one of the most profitable players in the industry.

### People Focus

People have always been at the centre stage of Lupin's growth journey. Their passion and conviction will continue to be the key driver of all our growth strategies and initiatives. We are proud of our team and are committed to their continuous development. In this direction, we have decided to bring in world-class inputs in the form of business led training solutions to build organisational capacity and prepare the organisation for the challenges of scaling higher orbits. We have active collaborations with various universities of repute and institutes of higher learning where the research and academic input of these institutions of learning is disseminated to our employees through advanced courses.

With Best Wishes & Regards,

**Dr. Kamal K. Sharma**  
Managing Director