

Managing Director's Letter



We have not only created one of the most differentiated, sustainable pharmaceutical business models but also one of the most exciting companies in the pharmaceutical world.

Dr Kamal K Sharma
Managing Director

Being The Benchmark

Dear Shareholders

Lupin has one overarching objective that influences our decisions and actions. That goal is simply to be the best transnational pharmaceutical company in the world. We don't have to be the largest, just the best. Being the best has a variety of meanings to us. It means bringing value to our customers & ensuring sustainable shareholder returns. It also means a rigorous focus on quality in all its aspects, transparency in our dealings and fostering a culture of inclusiveness, mentorship and learning to make Lupin the best and most rewarding place to work in the industry.

In my review this year, I will not only dwell on the Company's performance but also talk about the "off balance sheet" indicators that are our hidden strengths.

The momentum of over 20 quarters of successive, sustained growth is a reflection of Lupin's geographic focus, continued expansion of market share across our global footprint, our product offerings and rigorous attention to input costs in our search for ever better efficiencies. The Company had a strong year of financial performance and is geared to excel further in the years to come. All our business verticals delivered double-digit growth with particularly robust business performance being delivered by US & Europe, India, Japan and South Africa. I am pleased to report that Lupin remains amongst the fastest growing generic players in the U.S., India, Japan, South Africa and the Philippines.

Continued investments in manufacturing, infrastructure and R&D and, more importantly, in human capital has resulted in us establishing a core of competitive advantage for the future. I believe

that the sum of these parts means that we have established a culture of continuous enhancement of business quality and performance to ensure that Lupin will maintain its growth and profitability record over the long term.

In FY 2011, the Company's net sales grew by 20% to ₹57,068 million (USD 1.28 billion) up from ₹47,736 million the previous year. EBITDA margins increased to ₹12,000 million from ₹9,981 million in FY 2010, an increase of 20%. Net profits grew at over 27% to ₹8,626 million compared to ₹6,816 million in FY 2010.

Standing on the shoulders of sustained growth in the past, these results add up to the best growth numbers in the Industry – a 28% CAGR in Gross Sales; 40% CAGR in EBITDA and 45% CAGR in Net Profits for the last 6 years.

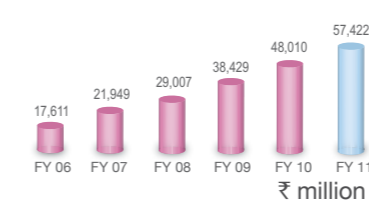
The Business Barometer

It takes time, patience and continued investments in people, research and technology to build markets. Over the last 6 years, we have adopted a systematic approach, Uniquely Lupin, whether it was for opening up new territories for our products, building market entries or establishing customer and trade relationships. The resulting performance, sustained growth momentum and value created are in front of you.

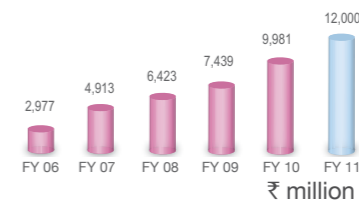
As expected, our international business increased by 20.4% in FY 2011 to ₹38,886 million from ₹32,298 million in FY 2010. Our Formulations business today contributes 85% of our overall revenues with the rest coming from API's.

I am pleased to report that we continued to record

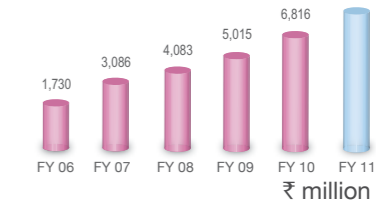
GROSS SALES
CAGR : 28%



EBITDA
CAGR : 40%



PAT
CAGR : 45%



strong performances in our Advanced Markets of the US & Europe and Japan. During FY 2011, these markets contributed 51% of the Company's total revenues at ₹28,882 million up from ₹23,911 million in FY 2010.

Lupin continues to be the 5th largest and the fastest growing Top 10 generics player by prescriptions in the US and is the only Indian company to achieve such a status.

In FY 2011, the US brand business contributed 30% of the overall US revenues with a turnover of USD 133 million. Lupin remains the only Indian Pharma company with a significant Branded presence in the US Market.

Kyowa, the Company's subsidiary in Japan, posted robust net sales of ₹6,212 million, contributing 11% of Lupin's revenues having grown 16% during FY 2011. We continue to ramp up our operations in Japan and launched 6 new products and filed applications for another 8 during the year.

In the emerging markets, India remains the main growth driver and a critical market of focus. India contributed 27% of gross sales at ₹15,732 million during FY 2011 as against ₹13,502 million during FY 2010, registering a growth of 16.5% over the previous fiscal. This growth was driven by strong performance and increasing market share in the CVS, Diabetes, CNS, Asthma and Gastro therapy segments.

In South Africa, Lupin recorded growth of 38% in revenues to ₹1,829 million from Pharma Dynamics, its subsidiary in South Africa. Pharma Dynamics remains the fastest growing Top 10 generic company in the market with a clear leadership in the cardiovascular segment. Pharma Dynamics is now ranked 6th amongst the generic pharmaceutical companies in South Africa.

Lupin's Philippines subsidiary, Multicare Pharmaceuticals, grew by 28% during FY 2011. As a premium branded generics company, Multicare has built a strong position in the Women's health and the Pediatric Primary segment.

The Research and Quality Barometer

We recognize that focused long-term investment in new areas of research would form the backbone of the Company's future business performance and profitability. Lupin's Research and Development programs cover the entire research value chain; right from research on Generics, Drug Delivery Systems, to Novel Drug Discovery and Biotechnology.

FY 2011 revenue expenditure on R&D amounted to ₹4,834 million, 8.5% of net sales as against ₹3,570 million in FY 2010. Over the past 5 years we have created one of the best generic product pipelines in the world. A research based pipeline that has made us the 5th largest generic pharmaceutical Company in the US and will drive growth in the years to come.

During FY 2011, we continued to fine tune and ramp up almost all of our research programs in preparation of emerging opportunities, specifically for Generics and Biotech products for advanced as well as emerging markets. We added significant capabilities to our pharmaceutical research and novel drug delivery programs. 21 ANDAs were filed during FY 2011, bringing the total filings to 148.

Quality has long been a key focus area for the company. I am pleased to note that all our Manufacturing facilities remain in a state of constant compliance. Quality at Lupin is a never ending journey towards perfection. We have endeavored to set robust processes to ensure consistency and reproducibility. People are at the centre of this crusade and we are committed to train them and provide them with the best tools to succeed.

Human Quotient, the People Barometer

As I mentioned in my opening remarks, our tangible and intangible performance is an indicator of how the business vision and values of the company are being translated through our people to generate results. Being Lupin, means getting this equation right and ensuring that the entire organisation is attuned to a common, clear philosophy and value system. When people come first, performance is nothing but a natural outcome. We are grateful to our leadership teams, our cadre of people across the world, our

suppliers and partners and especially our customers for making this another great year for Lupin. We have truly gotten started on a sustained quest to reach even greater levels where everyone is geared and committed to investing in every aspect of their existence; where we are committed to reinforcing a culture of self-empowerment and innovation built around a shared drive for continuous improvement,

and hence evolution. Lupin is not a destination; it's a journey, so you can expect more from us. Stand by!

Yours Sincerely

Dr Kamal K Sharma
Managing Director
Lupin Limited

