

managing director's review



“ at the heart of Lupin's growth story are our people. We outperform in the marketplace through the 'outbehavior' of our teams across the world.”

Dr Kamal K Sharma
Managing Director

unleashing the power within

Dear Shareholders

As expected, this has been a strong year for the Company - one which ushers in a new era in Lupin's story. For the past 5 years we have been carefully putting in place the strategic foundations for a robust and, what I believe will be, remarkable future journey. Over the years, we have targeted and invested in the higher value segments of the pharmaceutical value chain, which now would result in increased momentum, consistent growth and better financial performance. We have transformed our Company into one of the highest growth major players in all the markets and product segments we operate in, across the globe.

In FY 2010, net sales grew by 26% to INR 47,405 million (USD 1.1 billion) up from INR 37,759 the previous year. EBITDA margins increased to 21.1% from 19.7% in FY 2009 and net profits grew at 36% to INR 6,816 million (USD 152 million) compared to INR 5,015 million in FY 2009. Standing on the shoulders of our past performance record, these results deliver some of the best growth numbers in the industry - 29% CAGR in Gross Sales; 45% CAGR in EBITDA and 49% CAGR in Net Profits for the last 6 years. A performance that we are determined to maintain or exceed in the years to come.

The momentum behind Lupin's growth is driven across the spectrum of an engineered market expansion, differentiated product portfolio, higher investments in research and development and embedded stringent quality and compliance standards - all underpinned by financial prudence

and careful planning. We have a strong, truly world-class leadership team in place and an entrepreneurial, democratic and transparent culture that empowers all our people worldwide to excel and defines 'how we do things at Lupin'.

MARKET EXPANSION

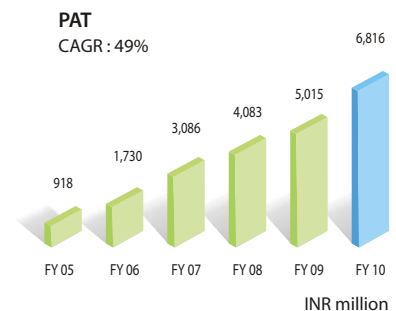
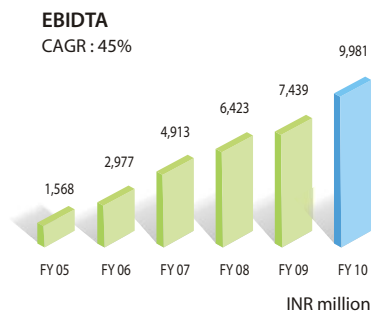
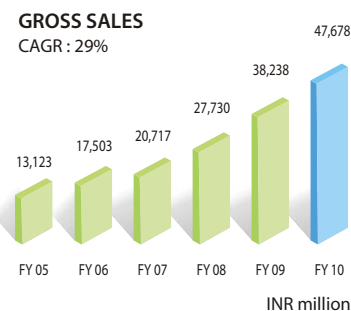
Our international business continues to grow and increased by 29% in FY 2010 to INR 31,966 million from INR 24,701 million in FY 2009. It is also heartening to know that Formulations today contribute 84% of our overall revenues with the rest coming from API's.

Advanced Markets

US & Europe

We recorded a stellar performance in the Advanced Markets of US & Europe. These markets contributed a healthy 38% of total revenues at INR 17,893 million, up from INR 12,916 million in FY 2009.

Lupin's Generic and Brand business also recorded high growth during the financial year. We have emerged as the 8th largest and the fastest growing amongst the Top 10 generic players (by prescriptions) in the US - the first Indian company to reach this milestone. FY 2010 saw Lupin expanding its US branded portfolio with the acquisition of AllerNaze™, an Intra-Nasal Steroid and Antara®, an anti-cholesterol drug. The US branded business contributed 37% of the overall US revenues with a turnover of USD 127 million, growing by 72% during FY 2010 as compared to USD 74 mn in FY 2009.



Lupin is the only Indian Pharma company with a significant Branded presence in the US market.

Formulation sales to the three most developed pharmaceutical markets in the world (US, Europe and Japan) were up by 34% during FY 2010 and stood at 49% of the Company's Gross Sales.

Japan

Kyowa, the Company's subsidiary in Japan posted robust net sales of INR 5,341 million, growing 21% over the last fiscal. It now contributes 11% of Lupin's revenues. Kyowa launched 6 products and filed applications for another 8 during FY 2010.

Australia and New Zealand

The Company continued its focus on this important strategic region. FY 2010 saw the cumulative MAA filings go up to 27 of which 22 stand approved till date.

Emerging Markets

India

India forms a key part of Lupin's overall growth and is a very important market for us. The India Region Formulations contributed 28% of our Gross Sales at INR 13,502 million during FY 2010 as against INR 11,412 million, up 18% over the previous year.

This growth was driven by strong performance and increasing market share in the CVS, Diabetes, CNS,

Asthma and Gastro therapy segments. The India Region Formulations brand business continues to outpace the industry growing by over 21% during FY 2010 (Net of Excise).

South Africa

Lupin recorded revenues of INR 1,328 million from Pharma Dynamics, our subsidiary in South Africa, up 57% from FY 2009 with clear leadership in the cardiovascular segment. Pharma Dynamics is now ranked No. 6 amongst the generic pharmaceutical companies in South Africa and is the fastest growing of the Top 10 players.

Philippines

In March 2009, the Company acquired a majority stake in Multicare Pharmaceuticals Philippines, Inc. A premium branded generics company with a strong position in women's health and the childcare segment, Multicare has now emerged as the 10th largest and the fastest growing generic company in the Philippines (IMS Feb, 2010).

DIFFERENTIATED PRODUCT PORTFOLIO

Moving up the value chain in the pharmaceutical universe has helped us deliver superior margins and our track record of establishing leadership in both generic and branded formulations is evident given our strong market position in all markets of direct operations.



In addition to being the 8th largest Generic player in the US in terms of prescriptions, 13 out of our 26 generic products now rank No. 1 by market share and 25 out of these 26 products are in the Top 3.

RESEARCH AND DEVELOPMENT

We recognized very early in Lupin that focused long-term investment in new areas of research would form the backbone of the Company's future business performance and profitability. FY 2010 total expenditure on R&D amounted to INR 4,119 million, 8.7% of Net Sales as against INR 2,669 million in FY 2009. We reported a record number of filings in FY 2010 - 37 ANDA's and 19 DMF's with the US FDA, in addition to 11 MAA's with European Authorities. We also out-licensed one of our drug delivery system based products to Salix Pharmaceuticals for the US market.

In addition to the ramp-up in our established areas of Generic product research and Advanced Drug Delivery Systems, we completed the restructuring of the Novel Drug Discovery and Development program in FY 2010. Our biotechnology research program has also made rapid strides this year.

QUALITY AND COMPLIANCE STANDARDS

In the year, Lupin received official communication from the US FDA on the satisfactory resolution of the Warning Letter issued earlier to the Mandideep site. The US FDA also inspected two new sites of the Company at Aurangabad (Liquids) & Indore (Oral Solids and Oral Contraceptives). Both inspections were found acceptable. All our plants catering to Advanced Markets were inspected last year and were found to be in good shape.

FINANCIAL PRUDENCE TO ENHANCE EARNINGS

Despite a 26% increase in net sales, Net Operating Working Capital increased only by 4.3% from INR 11,388 million as of 31st March, 2009 to INR 11,869 million as of



31st March 2010, reflecting further optimisation in our Working Capital management. Material cost reduced by 1% of Net Sales, personnel cost remained constant at 12% of Net Sales and Selling, General and Administrative costs increased marginally to 28% of Net Sales from 27% during FY 2009.

The Debt Equity Ratio improved to 0.44 from 0.62 and all outstanding FCCBs were redeemed or converted into shares during FY 2010.

OUR PEOPLE

At the heart of Lupin's growth story are our people. I am very proud of their passion and commitment to the Company, its dreams and aspirations. Our leadership group stands apart in the Industry, preparing us for the challenges and opportunities of the future. Each member has a key role to play in engineering our destiny. It gives me great pleasure to introduce our leadership team in the following chapters. They will contour the major growth engines of Lupin and tell you in more detail what to expect from us going forward.

Yours Sincerely

Dr Kamal K Sharma
Managing Director
Lupin Limited