

Chairman's Statement – 2014-15

Dear Shareholders,

On behalf of the Board of Directors of the Company, it is a great honour and privilege for me to extend a very warm welcome to each one of you to the 42nd Annual General Meeting of your Company. The Annual Report for the year ended 31st March, 2015 along with the Directors' Report and the audited Annual Accounts of the Company have been circulated to you. I request your kind permission to take them as read.

Future Potential Infinite

The Global pharma market is expected to cross USD 1.6 trillion dollars by 2020 which means with Torrent Pharma's presence across continents leaves us with a potential that is enormous....AndYes, we are poised to leverage these opportunities with our capabilities, our strategies & our team. We have also further strengthened our competencies to ready us for the Torrent of Tomorrow.

Our core competencies

Ever since we started our journey with our founder Shri UN Mehta with the first ever fixed dose combination Trinicalm Plus, we began realizing what is yielding us success & sustainability which today comprises of our core competencies as an organization

This includes-

- Niche marketing revolving around specialties & complex products
- Drug development & Speed to market for unmet needs
- Relationships with Customers based on a foundation of science & Knowledge sharing

One might feel, for a global organization like ours, which today gets almost 2/3rds of its revenue from outside India, are these competencies enough? Or do we need to acquire more?

Changing Landscapes

Aiming for a new growth trajectory will require new capabilities. Dahej which is also the theme of our annual report as you may have observed, our new manufacturing facility is a step in that direction. This facility gives us scale, agility & flexibility to compete better in regulated markets like USA & Europe. Dahej is conceptualized with an eye on the future with vertically integrated capabilities and in built flexibility in finished formulations. This will ensure that we serve our customers promptly.

Today, change is 'the new normal' and the pace of change in future will be even faster than it is today. Being ready for tomorrow means having the vision and the capabilities to compete in the world of tomorrow.

Your Company has continually adapted itself and that is why it stands where it is today. To further ensure its sustainability, it seeks to redefine its business models fundamentally to become a globally effective & integrated organization.

Torrent of Tomorrow

As we prepare for our future, we have now redefined our business model by classifying it into two segments namely Generics and Branded Generics. This is no alien concept to the industry. Branded Generics, as many of you must be aware, are medicines that are promoted and sold by its brand name. These include markets like India, Brazil, Russia, Philippines etc. On the other hand, the Generics refer to medicines that are sold based on their molecules and have no particular brand name attached to them. This way of business is popular in markets like USA, Germany, UK, etc.

In Branded Generics Business, the key to success lies in maintaining the right relationship with the customers and focus on brands.

In the Generics market, the retail chain is the prime influencer. The model is similar to Generics market in U.S. Availability, discounts and rates are the primary drivers in this market.

Accordingly, from now onwards, instead of Indian operations and International operations; our way of working will be clearly demarcated based on Branded Generics and Generics. This change is made to bring in uniformity in Torrent's business across the globe. The new approach will bring in more agility in the company right from sourcing to delivering to the relevant customers.

India: Branded Generics

Talking of countries in the Branded Generics, our major focus will be our Indian Operations and for Generics market USA will be our prime focus. We outperformed the market in the past 3 years & believe that we will continue to do so with our strengths in the Branded Generics marketing model in India which revolves around Specialties, Science & Field Force productivity. It is a matter of pride that your Company's brands have been saving lives & alleviating the burden of disease & have the trust of thousands of healthcare providers across the nation.

Other BG markets

Your Company has endeavored to build world-class brands. In a relatively short span of 10-15 years, some of our brands have become market leaders in other BG Markets like Brazil & Philippines

USA: Scaling up capabilities

In the generics business, the United States will be the prime focus which is the world's largest Pharma market today.

For this focus on the US Pharma market, we are committed to strengthen our capabilities in complex/specialty products. Torrent is significantly ramping up its pipeline with products like ointments, injectables and specialty oral solids while simultaneously acquiring new capabilities.

Other Generic markets

Amongst the other Generic markets, we are No. 6 Company in the overall German Generic market & no. 1 Indian Company

People resources: People are the organization

Your organization has always valued its human resources as the most important resource. As companies in almost every industry stake a large portion of their growth plans on global expansion, the robustness and consistency in the approach to talent management capabilities, HR policies and leadership development is extremely important. Attracting and retaining skilled employees, stabilizing the work force in the new market, increasing their productivity, putting into place a credible and competent leadership, building an **orientation that is consistent but accommodating local differences — are now increasingly becoming important.**

One of the most profound but also subtle issues companies face - as they expand from East to West and vice versa - is adopting a genuinely neutral global perspective, without presumptions about whose role is dominant.

People have grown up with presumptions about their own country's economic dominance, but other centers of power and influence are also rising. Future executives of our companies, must therefore, now be groomed to operate and lead in that environment, whether it's in terms of appropriate business management skills or simply in terms of the required emotional and psychological mindsets. I am happy to inform you that your company is sufficiently prepared to meet these new challenges.

Most importantly, I take this opportunity to express my gratitude to all the members for the trust reposed by them in the Management of the Company.

I also owe gratitude to my colleagues on the Board who have always provided valuable guidance. Their Pro-active involvement and unstinted support has helped Company build sound Corporate Governance Practices. We believe that while implementation of the corporate governance requirements is a prerequisite, superior governance practices are vital for growing a sustainable and successful business. Over the years, we have evolved our corporate governance practices based on the three inviolable principles of TRANSPARENCY, INTEGRITY and ACCOUNTABILITY. The Companies Act 2013 and revised Listing Agreement has raised the bar on the Governance and set new benchmarks for the listed companies in terms of increased reporting framework, wider director and management responsibility and emphasis on Investor Protection. Our Company has conformed to the requirements of this new legislation in true letter and spirit and not treating it as mere compliance exercise. Diverse and effective Board, transparent policies, disclosures and transactions, well-founded Vigil Mechanism for employees and stake holders, effective evaluation processes and provision of adequate & quality information to board and members, substantiates the essence of sound governance embedded in the core principles of the Company. Thus, the core values of your Company embody the spirit of corporate governance and act as guiding principles for its employees and management.

Corporate Social Responsibility

Concern for society is a deeply rooted core value of your company. We have made concentrated efforts in the fields of community healthcare, Sanitation & hygiene, Education & knowledge enhancement.

Financial Performance

I would now like to highlight some key aspects of the performance of the year under review.

- For FY 2014-15 revenues were at Rs. 4,653 crores, up by 11% from Rs. 4,185 crores in the previous year.
- EBITDA for FY 2014-15 was at Rs. 1291 crores, up by 34% from Rs. 962 crores in the previous year.
- PAT for FY 2014-15 was at Rs. 751 crores, up by 13% compared to Rs.664 crores during the previous year.
- Performance of the year 13-14 was positively impacted by one off income of a major new product launch and hence performance of 14-15 needs to be seen in that context.

Branded Generics

- In the India Business, Torrent Pharma is now amongst the top 15 companies in the 80000 Cr+ Indian Pharma market. This has been driven by outperforming the market in all the key specialties & also the

contribution by the acquired business of Elder that we closed during the year. I am happy to share that the Elder acquisition is cash accretive from year one itself & the portfolio of brands is now consistently outperforming the market.

- India business recorded revenues of Rs. 1,609 crores for year 2014-15 growing by 39%. As per AIOCD, for the financial year 2014-15 in India, the India business growth was 16% as against the covered market growth of 13%.

GENERIC

USA

- In the US Generic market, despite being late entrants, we are ranked No. 8 amongst the US Generic Indian companies and have a market share of around 10% in the covered market.
- Revenues from US operations was at Rs. 832 crores @istered growth of 7% for the year 2014-15. Adjusting for one-offs, revenues grew by 54%.
- The Company received 6 ANDA approvals in 2014-15 and has total 48 ANDA approvals. Its pipeline currently consists of 19 pending approvals and 40 products under development.

As I conclude, may I on behalf of the Board and the employees of your Company once again thank you, our valued shareholders, for your continued support and encouragement. I also place on record our appreciation to our partners across the globe and our vendors for their cooperation. I also place on record our appreciation to all the authorities in various countries who provided us global opportunities and continue to do so.

Thank you, Ladies & Gentlemen.