



metamorphosis into a new age drug company





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metamorphosis

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Biocon is a technology-driven, integrated biopharmaceutical enterprise. From discovery and development to commercialisation, our businesses span every stage in the lifecycle of a drug.

Over the past two decades, we have dynamically evolved from an enzyme-manufacturer to a leading biotechnology company, focused on biopharmaceuticals. We have steadily built our core fermentation expertise, acquired new skills, strengthened our R&D platform, benchmarked international quality standards and generated a rich pipeline of innovation and invention. These strategic investments have accelerated our growth and strongly positioned us for big change.

Increased capacity to manufacture our flagship range of Statins, now enables us to corner US and European markets. Niche skills developed on our patented invention, the PlaFactor™, have provided us with a unique process advantage, thereby strengthening our position in the Immunosuppressants market. Leading the way in recombinant technologies, we have established Asia-Pacific's largest manufacturing facility for r-Human Insulin, based on a novel *Pichia* expression system. Most recently, we aggressively entered the branded formulations market in India with an innovative and advanced range of Cardio-Diabetic drugs.

In the field of custom research services, we have significantly evolved from an FTE based research services organisation to a knowledge-led, proactive partner in discovery programmes. With strong emphasis on patient diagnostics and disease profiling, our clinical research capabilities now offer differential advantage in conducting comprehensive clinical trials, from Phase I-IV stages.

Today, Biocon has developed proprietary process technologies, novel products, new domains of operation and a significant intellectual property base, by integrating its different businesses. **Our ability to realise these important synergies has driven Biocon's metamorphosis into a new age drug company.**



Chairman's Review

This is a symbolic year for us as it celebrates a new era for Biocon as a Public Company. Today, we are recognised as India's premier Biotechnology Enterprise and are proud to have built such a valuable organisation on a strong foundation of intellectual capital. We have witnessed dramatic growth this year, realised through the synergies created by integrating our different businesses. Our evolutionary transformation from an Enzymes Company into an Integrated Biopharmaceutical Enterprise is now complete. We are shaping ourselves into a new age drug company through a vigorous process of metamorphosis which is partly reflected through our milestones and our financials. It is therefore, with a deep sense of accomplishment that I present to you Biocon's outstanding performance for the Financial Year 2003-04.

Financial Highlights

In the year 2003-04, our total income nearly doubled from Rs. 2,833 million to Rs. 5,493 million. Operating profits moved up 142% to Rs. 1,796 million and profit after tax trebled to Rs.1,386 million. Our net margins expanded impressively from 15% to 25% and EPS on post issue capital was Rs.13.9 for the year.

Revenues from our biopharmaceutical business also increased by an impressive 117%. Biocon's custom and clinical research subsidiaries posted considerable growth of 40%. Our exports (largely to regulated markets) increased by 151%, contributing 63% to overall revenues as compared to 48% in the previous year.

During the Financial Year under review, the size of our balance sheet increased three times to Rs. 6,566 million. The return on capital employed was at 50%, compared to 23% in 2003, while return on net worth increased from 39% to 68%

Biocon's innovation and technology-led model enables us to practise what we call "business-driven science".

An Integrated and Differentiated Business Model

Strategic investments made two years ago have propelled Biocon's leadership position in Statins, Enzymes and Research Services. Biocon's manufacturing capabilities along with custom research and clinical expertise at Syngene and Clinigene, give us the unique ability of taking a product from the laboratory through to clinical development and commercialisation in an integrated manner. Today, we have embarked on a major investment programme to build global-scale manufacturing capabilities and deepen our Intellectual Property (IP) base.

r-Human Insulin

A significant outcome of our integrated approach, has been the development of Recombinant Human Insulin on a commercial scale. The success of this technology has been endorsed by a long-term supply agreement with Bristol-Myers Squibb and a Drug Master File submitted to US FDA. In the very near future, we will also be launching our finished formulation 'Insugen', and are confident that it will compete effectively in the Indian market. Simultaneously, we are exploring global opportunities for generic Insulin in semi and non-regulated markets in the short term and regulated markets in the medium term. We believe Insulin to be a key growth driver for us in the future.

Statins

Biocon today, dominates European and US markets for both Simvastatin and Lovastatin. Expiration of Pravastatin patents in Europe will augment growth of Statins in the year ahead. This will be followed by a quantum jump in the US market in 2006, when both Pravastatin and Simvastatin go off patent. The recent announcement of Simvastatin going OTC is an additional opportunity for Biocon. We intend to further differentiate our Statins' strategy through initiating supply arrangements with innovator companies.

Immunosuppressants

With an estimated market size of \$2 billion and high entry barriers, Immunosuppressants offer Biocon tremendous growth potential. Proprietary process technologies based on our patented PlaFactor™ together with dedicated facilities will provide us key advantages to capture this segment.

Custom Research

Syngene continues to advance its leadership position in research services. To meet increased global demand for custom research services, I am pleased to announce that Syngene's new facility will be operational very shortly. Besides providing research services for global pharma companies and several biotech enterprises in the US and Europe, Syngene has widened its global reach by recently enrolling customers from Japan and Australia.

Clinical Research

Clinigene, Biocon's clinical development subsidiary, has built its capability base to offer third party clinical services, including bio-equivalence and bio-availability studies as well as Phase I to IV human clinical trials. Clinigene has recently concluded a successful Phase III clinical trial for Biocon's Recombinant Human Insulin. We intend to use Clinigene for future trials, including those for Recombinant Biotherapeutics to be produced by Biocon Biopharmaceuticals.

Research & Development

On the R&D front, we continue to commit resources towards creating a pipeline of exciting products and technologies that are rapidly transforming Biocon into a discovery-led enterprise. Process improvement remains an important focus within R&D. We believe it will provide us with continual global competitive advantage.

Looking Forward

The outlook for the year ahead is very positive. Sales of Pravastatin to Europe; revenues from our new products (Insulin, Immunosuppressants and branded formulations), and expansion of our research services will be the key drivers for the year ahead. These initiatives have provided us with clear direction. I am confident that Biocon's strong foundation of technological and intellectual capabilities, will continue to give us that competitive edge in the coming years. Our proprietary technologies and global-scale manufacturing meet the highest levels of global regulatory compliance and reinforce our growing presence in global markets.

In conclusion, I would like to thank all our investors for making Biocon's IPO a success. I also want to place on record the extraordinary contribution of Team Biocon. As we metamorphose into a new age drug company, I reinforce our commitment to delivering long term and sustainable value to our shareholders.

Yours sincerely,

Kiran Mazumdar-Shaw
Chairman



Board of Directors

Ms. Kiran Mazumdar-Shaw Chairman & Managing Director

- First generation entrepreneur with more than 25 years experience in biotechnology and industrial enzymes
- Post Graduate in Malting and Brewing, Melbourne University, Australia • Awarded the Padmashri, one of India's highest civilian awards, for her pioneering efforts in biotechnology

Mr. John Shaw Vice Chairman, International Business Development

- 27 years experience with Coats Viyella plc. • Served as Managing Director in various locations around the world

Dr. Neville Bain

- Chairman, Hogg Robinson plc. • Board Member, Scottish Newcastle plc. • Formerly Group CEO, Coats Viyella plc.
- Formerly Deputy Group Chief Executive, Cadbury Schweppes plc. • Author of several management books on Corporate Governance and People Management

Prof. Charles L. Cooney

- Professor of Chemical & Biochemical Engineering at MIT, USA • Director, Genzyme Inc. and Cuno Inc. • Recipient of prestigious awards, including Gold Medal of the Institute of Biotechnology Studies and Distinguished Service Award from the American Chemical Society • PhD (MIT)

Mr. Suresh Talwar

- Partner, Crawford Bayley & Co. • Director of Cadbury India, Blue Star Ltd., BPL Communications Ltd. and several other companies of repute

Prof. Ravi Mazumdar

- Professor of Electrical and Computer Engineering, Purdue University, USA • Fellow of the Royal Statistical Society
- PhD (UCLA)

Prof. Catherine Rosenberg

- Professor of the School of Electrical and Computer Engineering, Purdue University, USA • Director, Center for Wireless Systems and Applications • PhD (University of Paris)

Ms. Ada K.H. Tse

- Managing Director, Direct Investment, AIG Global Investment Corporation (Asia) Limited • BA in Applied Mathematics, Harvard University and a JD, Harvard Law School • Alumna of the Stanford Business School Executive Programme



Scientific Advisory Board

Prof. Charles L. Cooney Chairman, Scientific Advisory Board

Professor of Chemical & Biochemical Engineering, MIT, USA

Dr. C.N.R. Rao

Linus Pauling Research Professor

Honorary President, Jawaharlal Nehru Centre for Advanced Scientific Research, India

Dr. Sam Pasternack

PhD in Aeronautics from Stanford University, USA

Partner, Choate, Hall & Stewart - Patent Attorneys, USA

Dr. Bala Manian

Chairman and Co-Founder, Reamatrix Inc.

Co-Founder, Quantum Dot Corporation and Surromed Corporation, USA

Dr. Ashok Ganguly

Director, ICICI Knowledge Park, Hyderabad, India

Director, WIPRO, India

Retired Worldwide Director of R&D, Unilever plc.

Dr. Anthony Allison

Distinguished Scientist at SurroMed Corporation, USA

Former Vice President Research Syntex Corporation

Inventor of Mycophenolate Mofetil

Ms. Kiran Mazumdar-Shaw Chairman & Managing Director, Biocon

Board Member of Science Foundation, Ireland



Key Management Team

Ms. Kiran Mazumdar-Shaw Chairman & Managing Director

Founder entrepreneur, 1978

Mr. John Shaw Vice Chairman, International Business Development

With Biocon since 1999

Mr. Murali Krishnan President, Finance

With Biocon since 1981

Mr. Shrikumar Suryanarayan President, Research & Development

With Biocon since 1984

Mr. Ajay Bhardwaj President, Marketing

With Biocon since 1986

Dr. Arun Chandavarkar President, Operations & Technology

With Biocon since 1990

Dr. Goutam Das Chief Operating Officer, Syngene

With Biocon since 1994

Dr. A.S. Arvind Chief Operating Officer, Clinigene

With Biocon since 2000

Mr. Rakesh Bamzai Vice President, Marketing

With Biocon since 1995

Mr. Chinappa M.B. Vice President, Finance

With Biocon since 1999

