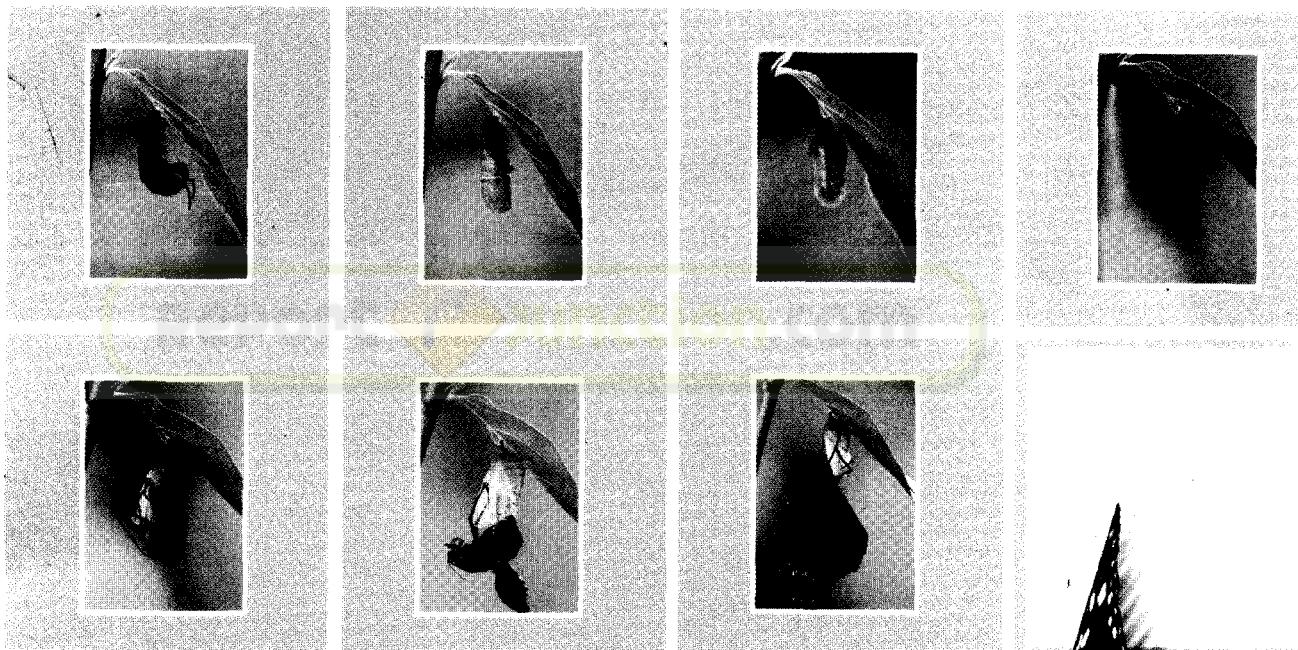


Creative transformation!



Forward-looking statement

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using

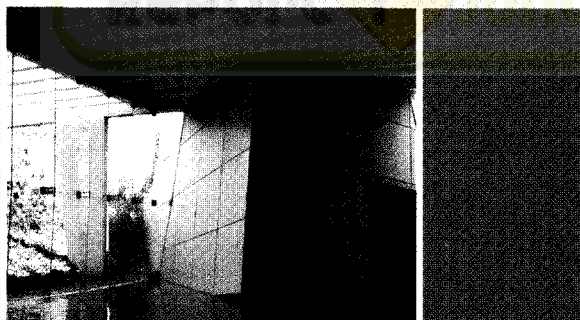
words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should

known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Care and
commitment.



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Corporate Information

Dr. D. B. Gupta, Chairman
Dr. K. K. Sharma, Managing Director
Mrs. M. D. Gupta, Executive Director
Mrs. Vinita Gupta
Mr. P. K. Kaul
Dr. D. P. Sinha
Dr. K. U. Mada
Mr. D. K. Contractor
Mr. Marc Desaedeleer
Mr. Sunil Nair
Mr. M. Parameswaran, Nominee UTI

Mr. Kiran N. Bade

Dr. K. U. Mada, Chairman
Dr. D. P. Sinha
Mr. D. K. Contractor

Mr. D. K. Contractor, Chairman
Dr. D. P. Sinha
Dr. K. U. Mada

Mr. P. K. Kaul, Chairman
Dr. D. P. Sinha

Mr. Sunil Nair (alternate - Mr. Marc Desaedeleer)

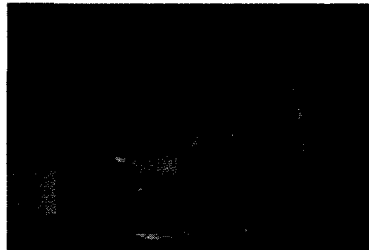
S. S. Kapoor & Co.,
Chartered Accountants

Crawford Bayley & Co.
Gagrat & Co.

ABN-AMRO Bank N.V.
Banks of Baroda
Central Bank of India
Citibank N.A.
Dena Bank
Punjab National Bank
Standard Chartered Bank
State Bank of India
UTI Bank Ltd.

159, C.S.T. Road, Kolina,
Santacruz (East),
Mumbai - 400 098
Tel: + 91 22 5640 2323
Fax: +91 22 2652 8606

Care and commitment.



These are two words that have consistently described Lupin's longstanding relationship with patients and doctors.

After considered attention, the company added two more words that faithfully describe how the company expects to remain a responsible global provider of remedies.



Creative transformation

From a presence in developing markets to advanced markets.

From a few therapeutic groups to a larger basket.

From process research to cutting-edge ANDA, NDDS and NCE focus.

From plain to complex generic and specialty products.

From a direct-selling to an alliance-led market access.

AT LUPIN, OUR PRINCIPAL COMMITMENT has been the consistent development of the most effective remedies at competitive prices, in the most needed therapeutic areas.

As a responsible corporate entity, we have continuously extended this focus: from areas of longstanding presence to emerging therapeutic spaces; from patients and corporate customers in developing markets to those in developed geographies; from basic therapies to novel drug delivery systems.

At Lupin, this proactive 'creative transformation' has been marked by:

- ✦ A creative leverage of the company's skills and competencies
- ✦ An aggressive and ongoing transformation that ensures the company's place in the industry forefront

As a result, Lupin serviced its customers and consumers more effectively and recorded the highest profit in its history in 2003-04.

A dynamic business model

As competition has intensified in progressively globalised markets, there is a premium on sustainable value-creation now than ever before.

In view of this, a static business model is a thing of the past: its continuous state of evolution is a dynamic reality among the more market-responsive companies intending to enhance value on a sustainable basis.

As a future-focused manufacturer of finished dosages (FD) and active pharmaceutical ingredients (API), our business model has been proactively designed to comprise the following features:

Innovation

- Process research
- ANDA research
- NDDS
- NCE
- Regulatory knowhow

Build global leadership

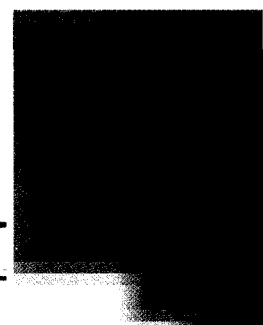
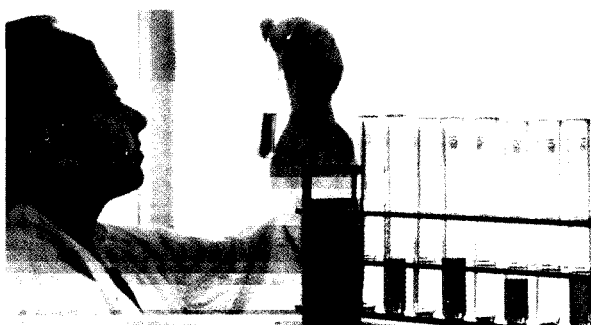
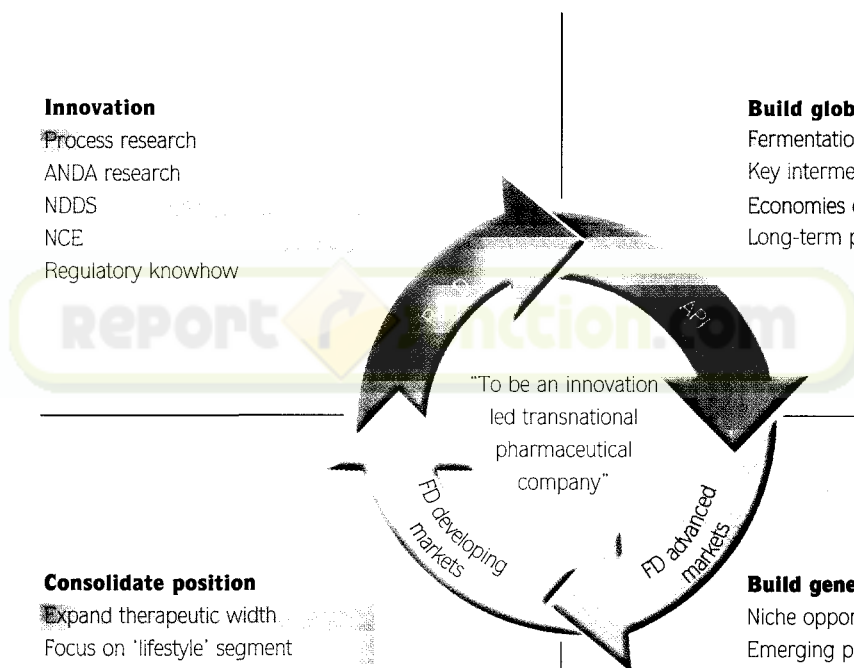
- Fermentation and Process chemistry
- Key intermediates
- Economies of scale
- Long-term partnerships

Consolidate position

- Expand therapeutic width
- Focus on 'lifestyle' segment
- Increase CIS presence
- Herbal portfolio development

Build generic & specialty portfolio

- Niche opportunities
- Emerging pediatric player
- Expand to new geographies



R&D - Innovation

- ✦ Large investment in specialised R&D facilities, to enable leading-edge process chemistry, NDDS and NCE capabilities.
- ✦ Creation of a competent regulatory team to strengthen product development and introduction across global markets.
- ✦ US FDA-approved facilities for both API as well as finished dosages, including injectables.
- ✦ Proven fermentation global scale capabilities, including superior strain management.

API - Build global leadership

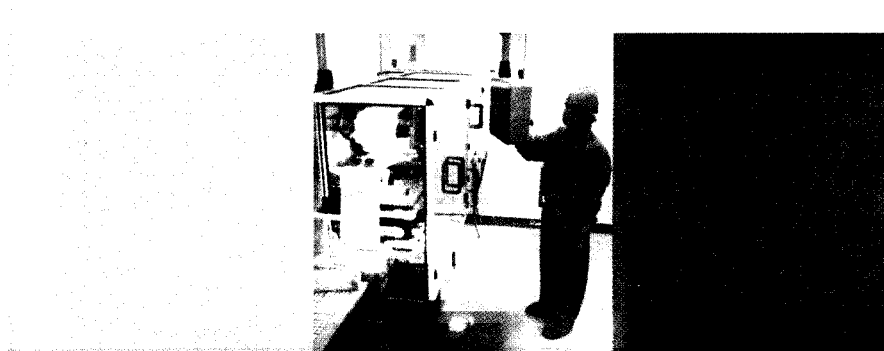
- ✦ Enhanced economies of scale leading to lower costs and improved margins.
- ✦ Enhanced fermentation and process chemistry competencies to create products for the developed markets.
- ✦ Business partnerships across select geographies to promote a growing product range.
- ✦ Creating powerful position in value-added cephalosporins, statins and prils.

FD for advanced markets - Build generic and specialty portfolio

- ✦ Specific market focus with an identified product pipeline for each market.
- ✦ Growing focus on niche opportunities.
- ✦ Focus on NDDS with a view to provide superior compliance benefits, enabling the shift from 'generics' to 'super generics' to 'branded'.
- ✦ Positioning itself as a key pediatric player.
- ✦ Expansion into new geographies and consolidation in existing ones.

FD for developing markets - Consolidate position

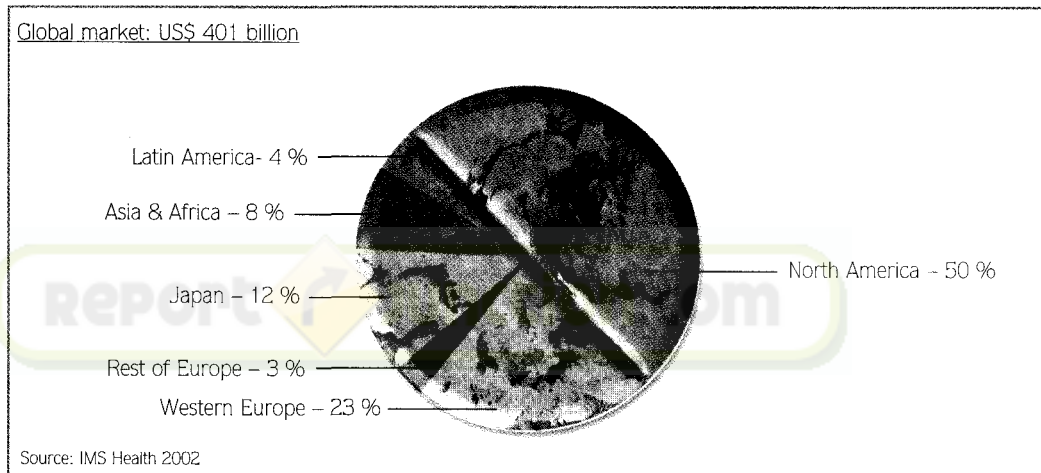
- ✦ Growing focus on lifestyle-induced diseases.
- ✦ Growing focus on innovative herbal product development.
- ✦ Exploring in-licensing opportunities.
- ✦ Increase CIS presence.



Reaching our products to customers across more geographies

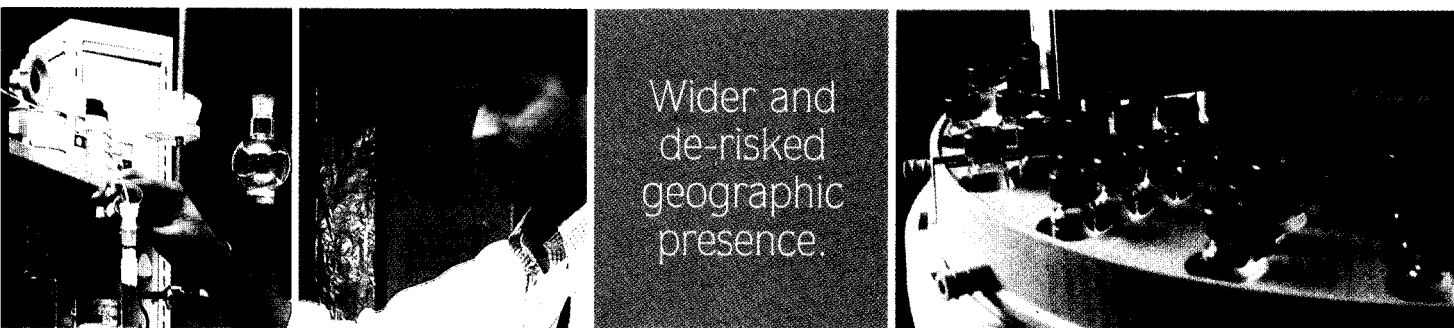
As the world becomes increasingly borderless, progressive companies will need to extend their presence across geographies.

For Lupin, this is an opportune time: approximately USD 50 billion worth of products are going off-patent by 2010 in the US market alone. This is completely unprecedented in terms of the scalable potential of sustainable revenue and profit generation.



During the last few years, Lupin embarked on a strong transformation process to evolve its predominantly Indian customer base into obtaining a transnational identity to achieve the following:

- ✦ Significantly increased revenue streams.
- ✦ Wider and de-risked geographical presence.
- ✦ Access to some of the world's largest markets, an incentive for sustainable growth.
- ✦ Relatively low competition in these markets, leading to protected realisations.



To accelerate this transformation process, the company entered into business-enhancing distribution alliances:

- ✦ Marketing alliances with well-entrenched companies like Watson and Baxter for its finished dosage initiatives.
- ✦ American Pharmaceutical Partners and Apotex in North America, besides others in the EU to distribute APIs.

As generic opportunities increase, Lupin is proud to state that its product development, reinforced with alliance partnerships, will help it service an emerging community of customers with a compelling price-value proposition.

A growing transnational presence

International sales / Net revenues

Per cent

Year	2002-03	2003-04
International sales	44	52

Sales from America and EU / Net revenues

Per cent

Year	2002-03	2003-04
Sales from America and EU	16	32

Servicing customers with effective remedies across a wider therapeutic range

As modern conveniences result in lifestyle changes, companies with the most patient-relevant prospects will be those that address ailments that emerge from such a lifestyle.

For companies like Lupin, this lifestyle evolution represents a profile-extending and business-enhancing opportunity for a number of reasons:

- ✦ It represents a logical counter-strategy to increased competition and the relative decline in the importance of certain specific therapeutic groups.
- ✦ It provides an opportunity to strengthen the corporate brand through a presence in growing therapeutic groups.



Marketing alliances with Watson and Baxter for finished dosage initiatives.

Over the years, Lupin embarked on a strong transformation process to churn its portfolio and climb the value chain. This process was marked by the following initiatives:

- ✦ A recognition that while 'legacy therapies' would remain valid, they would represent only average growth, whereas new therapies would offer exciting value-added opportunities.
- ✦ A recognition that an evolving therapeutic relevance was not only relevant within India but across the world, making the migration not only advisable but also imperative.
- ✦ An extension for modestly growing therapeutic groups to ones expected to grow rapidly over the long-term.
- ✦ A graduation from the manufacture of simple remedies towards complex products that require technological know-how as well as development capabilities, an effective 'brand differentiator' in a competitive marketplace.
- ✦ From a linear business focus to allied therapeutic segments, leveraging on an existing goodwill within the medical community.

Developing new and innovative products, including for emerging patient needs

As brands proliferate and competition increases within the international pharmaceutical industry, there is a greater need to differentiate products through innovation, derived from focused research and development.

For companies like Lupin, this increasing R&D focus is a challenge and an opportunity: it creates new and sustainable revenue streams and leads to the creation of patented products. The higher the number of patented products, the greater the long-term commercial value resident in the company and the stronger its competitive edge.

Lupin's creative and innovative R&D strategy hinges on the following:

- ✦ Process chemistry research: Lupin has developed a range of patent non-infringing processes, leading to the development of APIs that are sold to global customers.
- ✦ ANDA research: To meet its finished dosage requirements, Lupin has significantly strengthened its ANDA research group.
- ✦ Novel Drug Delivery Systems: The company creates differentiated products from existing molecules or

