

being LUPIN

Annual Report 2011

An innovation-led transnational
pharmaceutical company

being

\$1.28 billion revenue

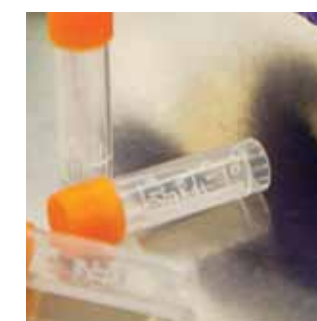
>20% EBITDA and growing

>30% CAGR embedded

consistent results over 20 quarters

global footprint

operating in over 100 markets



LUPIN



driven

creative

transparent

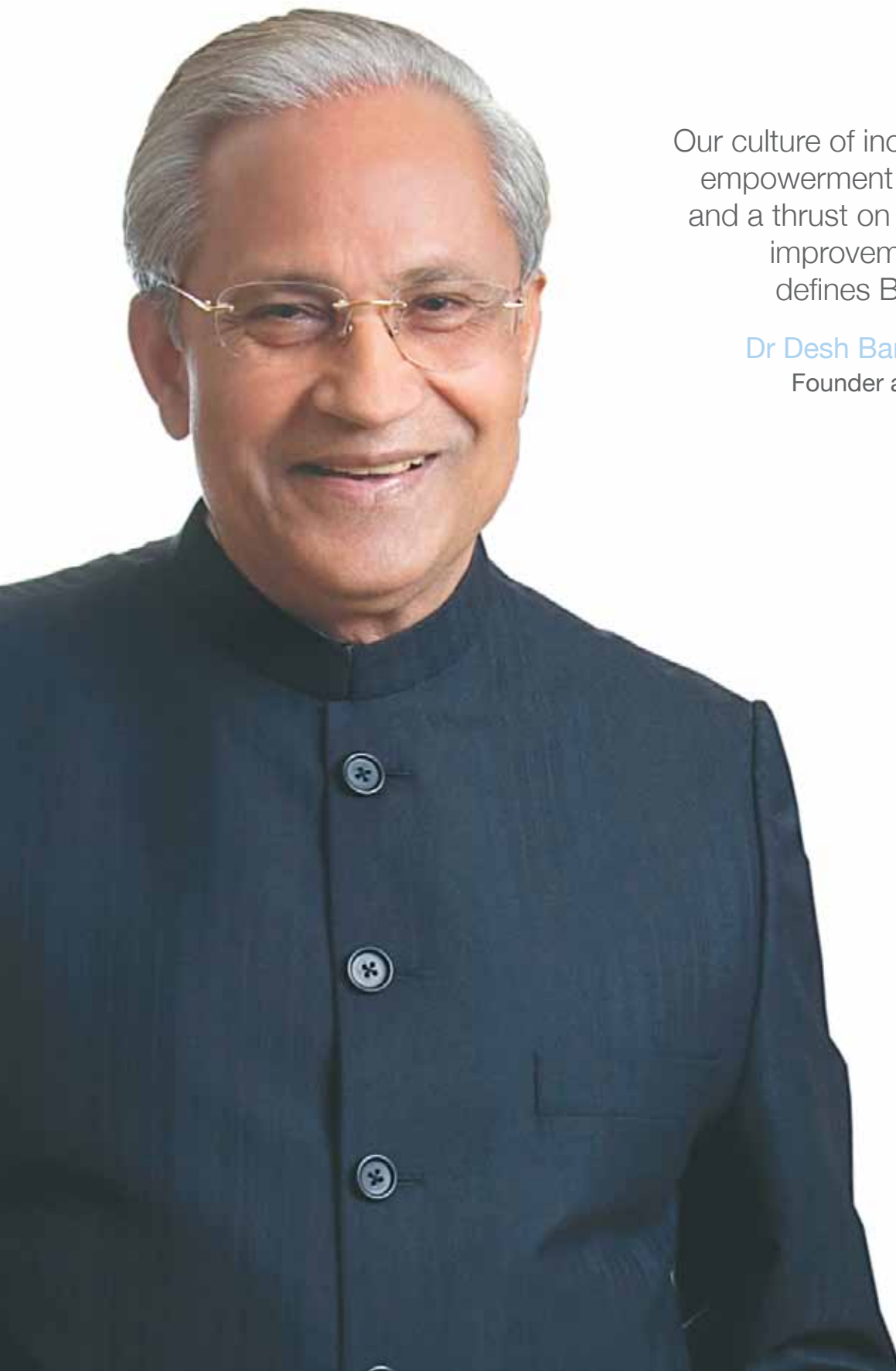
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global

enriching

Chairman's Message



Our culture of inclusiveness, empowerment, innovation and a thrust on continuous improvement is what defines Being Lupin.

Dr Desh Bandhu Gupta
Founder and Chairman

Being Lupin

My Dear Shareowners,

Lupin is striving for more. We live today in a rapidly evolving global marketplace and an economic environment that has been through its most tested phase in memory. All businesses have learned from this and the ones that will shine into the future will be those that recognize it is not enough to rely on past triumphs but to constantly explore new frontiers, innovate and invest passionately in the future.

We must not look back at our milestones but look forward to new challenges and goals with a resolute determination to seek out excellence in all that we do. Quality products and services are no longer the hallmark of success. They are simply expected in today's increasingly demanding marketplace. We have created a high growth business model with consistently improving margins - an achievement that we are proud of. But this must go hand-in-hand with the ability to not only sustain every aspect of quality and performance but to maintain the vision and the will to deliver it; to always be alert for change and better ways of doing things. It is this combination that determines a Company's character, its culture of inclusiveness, empowerment, innovation and a thirst for continual improvement.

At Lupin, we are challenging our teams to look beyond our existing standards and seek excellence in every aspect of business. Better ways to relate to our customers and our partners. Better ways to develop new markets and new products. Better ways of research and innovation. Better manufacturing technologies. Better ways to serve all our communities.

I am delighted about the results we have achieved so far. My fellow Directors and our Leadership Team will tell you about our revenues of USD 1.28 billion in the past year, growth of over 20% in revenues and profits and a sustained improvement curve that has now spanned 20 consecutive financial quarters. But let not that be the whole story of Lupin 2010-11. We are building a global company positioned and poised to reach out for ever greater discoveries and achievements. That mission is our DNA; that is Being Lupin.

With Best Wishes

Dr Desh Bandhu Gupta
Founder and Chairman
Lupin Limited

Awards 2010 -11

CNBC India Business Leader Award

Most Promising Entrant into The Big League

BSE Award for **Best Return to Investors, 2011**

Lupin, **A Global Challenger, 2011**

The Boston Consulting Group

Great Place To Work

Best Companies to work for 2011, India

Frost & Sullivan Award

Indian Pharmaceutical Company of The Year

Dun & Bradstreet

India Corporate Awards 2010



Board of Directors

Dr Desh Bandhu Gupta, *Chairman*

Dr Kamal K Sharma, *Managing Director*

Mrs M D Gupta, *Executive Director*

Ms Vinita Gupta, *Director*

Mr Nilesh Gupta, *Executive Director*

Mr K V Kamath, *Director*

Dr Vijay Kelkar, *Director*

Mr Richard Zahn, *Director*

Mr R A Shah, *Director*

Mr D K Contractor, *Director*

Dr K U Mada, *Director*

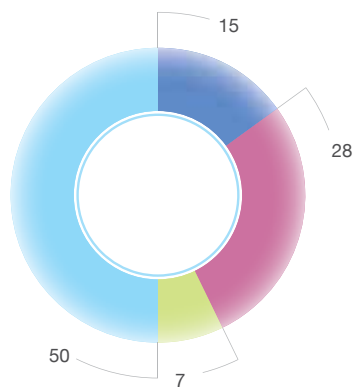
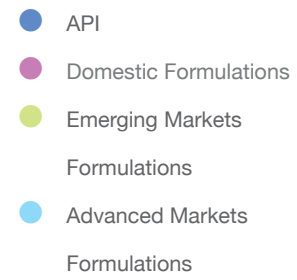
Lupin

The company was named after the Lupin flower because of the inherent qualities of the flower and what it personifies and stands for. The Lupin flower is known to nourish the land, the very soil it grows in. The Lupin flower is also known to be tolerant of infertile soils and capable of pioneering change in barren and poor climes. The Lupin flower and bean pods have also long been used as food and sources of nourishment, thus protecting and nurturing life.

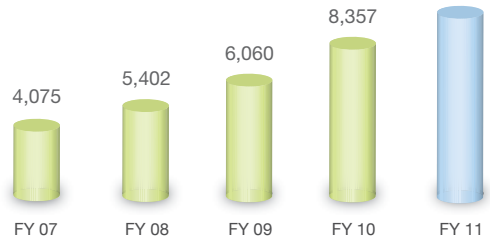
Lupin was founded in 1968 with the same vision, a company that would develop new pioneering drugs to combat, prevent and eradicate life-threatening diseases, by manufacturing drugs of the highest social priority, thus nurturing, protecting and enriching society, very much like the Lupin flower.

Financial Highlights 2011

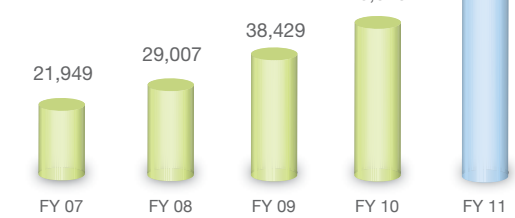
Revenue Composition (%)



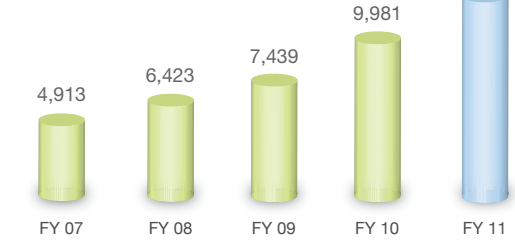
Profit Before Tax
(₹ million)



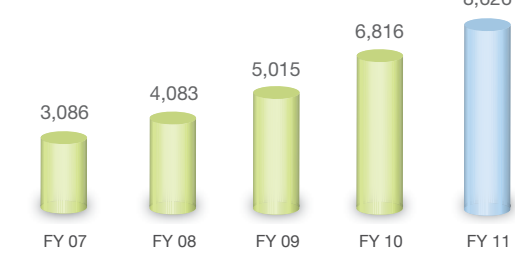
Sales (Gross)
(₹ million)



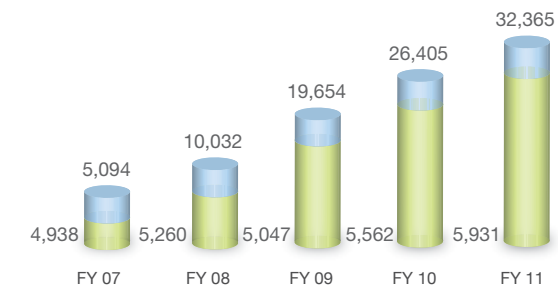
EBIDTA
(₹ million)



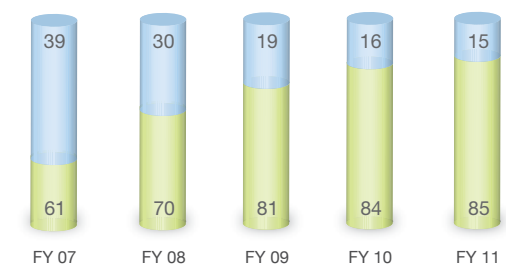
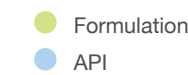
Consolidated Net Profit
(₹ million)



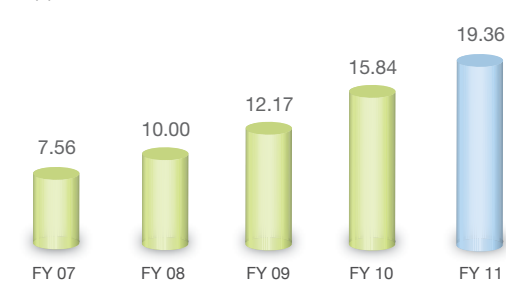
Exports
(₹ million)



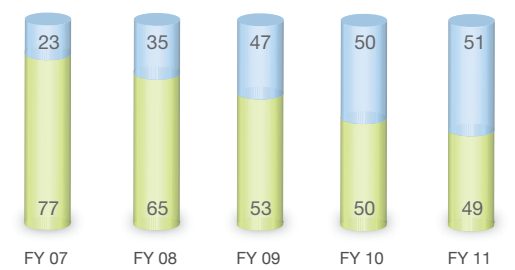
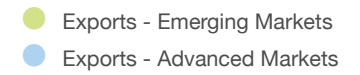
Business Mix
% Contribution



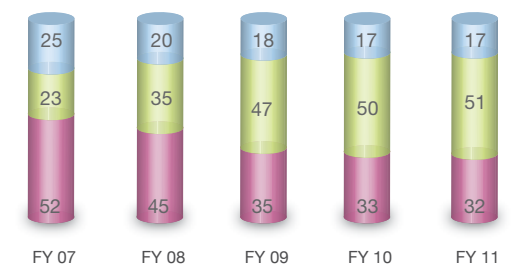
Earning Per Share Basic
(₹)



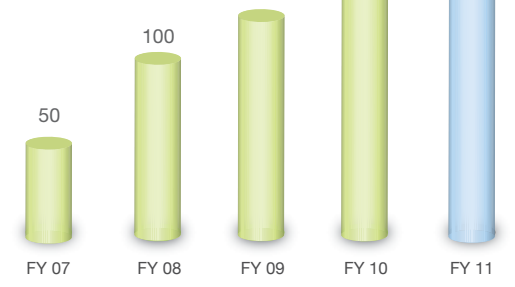
Market Break Down
% Contribution



Geographic Break Down
% Contribution



Dividend
%



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.

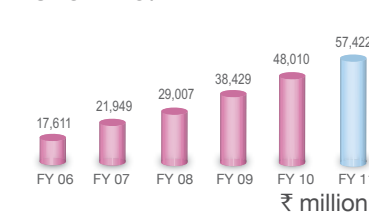
The Business Barometer

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.

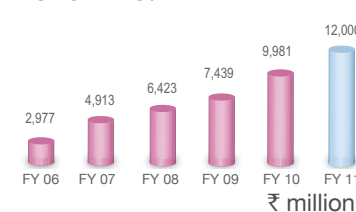
As expected, our international business increased by 20.4% in FY 2011 to ₹38,886 million from ₹32,298 million in FY 2010. Our Formulations business today contributes 85% of our overall revenues with the rest coming from API's.

I am pleased to report that we continued to record

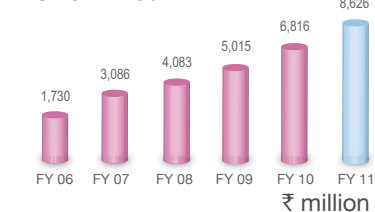
GROSS SALES
CAGR : 28%



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





We have come a long way but we are yet to unleash the true value of one of the best pipelines in the Industry.

Vinita Gupta
Group President & CEO
Lupin Pharmaceuticals Inc

The Company's business in the US and Europe recorded another year of strong performance with total sales of ₹22,017 million during FY 2011, up from ₹17,893 million during the previous fiscal, registering a growth of 23%. Lupin also further strengthened its European business where the company reported revenues of USD 41 million for FY 2011, up from USD 28 million during FY 2010 registering a growth of 44%.

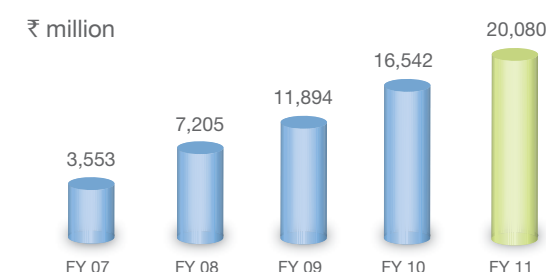
We continue to be the 5th largest generic players in the US in terms of prescriptions (IMS Health) and the only Asian generic major in the Top 10. Furthermore, we remain the fastest growing top 10 Generic player for the 3rd year in succession growing at over 51% in terms of prescriptions.

US and Europe maintain pole position in terms of being the principal growth engine for the Company, and are major contributors to revenues and margins. Our philosophy is to ceaselessly explore the full potential of Lupin's opportunities in these geographies. Current plans include an expansion of our generic portfolio, introduction of new brands, increasing the geographic footprint in Europe and preparing for an entry into the Canadian marketplace. In addition, we will continue to improve on our current market shares to enhance margins further. That is Being Lupin; a relentless quest to push the boundaries of conventional business thinking to seek optimization and differentiation in every aspect of our business.

US

Formulations sales in the US market were ₹20,080 million during FY 2011, up from ₹16,542 million in FY 2010, growing by 21%. Generics represented 70% of overall US sales, with the US Branded Business making up the balance.

US Formulation Revenue



US Generics

The US Generic business is Lupin's main powerhouse of value creation. Lupin continues to increase its market shares for most of its marketed products through increased focus on execution, strong relationships with trade partners and an efficient and responsive supply chain, all supported by a globally integrated team, determined to explore better ways to create value.

In FY 2011, the US Generics business recorded growth of 39% reporting revenues of USD 308 million up from USD 221 million in FY 2010.

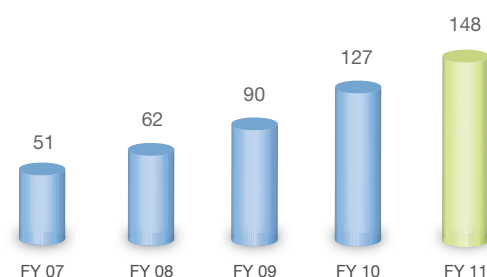
Of the 30 generic products marketed in the US, 14 are market leaders in terms of market share. Lupin holds Top 3 positions in 27 out of these 30 generic products and our growth is driven equally by inline as well as new product introductions.

A very lucrative product pipeline, good new product launches, deeper customer relationships and world class Intellectual property capabilities have been the key to the success of our US Generics business. As the fastest growing generic player in the US we believe that we have the required momentum in place to accelerate this growth further. The ceiling is far from reached as we are yet to realize the true value of one of the best generic pipelines in the US market.

During FY 2010, the Company filed 21 Abbreviated New Drug Applications (ANDAs) with the United States Food and Drug Administration (US FDA). The Company continues to maintain its position as one of the Top 10 ANDA filers for the US market. The cumulative number of ANDA filings now stands at 148, with 48 approvals received till date. Lupin has 77 Para IV Filings with the US FDA. The cumulative first-to-file opportunities for the US generics market now stands at 20.



ANDA Pipeline



The Company received 8 approvals from the US FDA during FY 2011.

US Branded

With sales of USD 133 million, Lupin's Branded business contributed 30% to the overall US revenues. Lupin remains the only Indian company and one of the few global generics majors with a significant branded presence in the US.

Lupin's flagship brand, Suprax® continued its upward trajectory reporting a healthy rise of over 20% in prescriptions with the Suprax® double strength registering prescription growth of 48%. Suprax® has helped build a sound platform to build an even larger branded presence in the years to come.

During the year, the Company put in place new marketing programs for Antara® (Fenofibrate Capsules 43 mg and 130 mg) that it had acquired from Oscient Pharmaceuticals in the previous fiscal. Antara® is prescribed for treatment of hyper-cholesterolemia and hyper-triglyceridemia. The US Fenofibrate products market is around USD 1.9 billion wherein Antara® has close to 4.5% share of this market. Oscient had stopped promoting Antara® which had since witnessed a decline in sales. The Company has been able to stem the decline in sales, which have since picked up in the last quarter of FY 2011. The Company aims to strengthen and build on the brand equity that the drug enjoys with primary care physicians.

AeroChamber Plus® remains one of the most widely prescribed holding chambers across the US. AeroChamber Plus® is a Valved Holding Chamber

(VHC) device that is used with metered dose inhalers to enhance the delivery of medication to the lungs in the treatment of Asthma and COPD. The device continues to bolster Lupin's franchise with pediatricians, whilst extending our presence in the respiratory segment.

During FY 2011, Lupin ramped up its US sales force to over 170 medical representatives given the focus on growing Antara®. The ramp-up helps build further critical mass to our specialty sales forces that address both Pediatricians and Primary Care Physicians and would also provide the company with significant headroom to increase branded sales in the US.

Lupin further aims to strengthen its branded portfolio with value-added line extensions and will continue to invest in developing new products built on its proprietary advanced drug delivery technologies. The Company is also on the look out for brands to acquire to fast track its formidable branded presence.

EUROPE

During FY 2011, the Company's formulations business in Europe recorded a growth of 44% reporting revenues of USD 41 million as compared to USD 28 million during FY 2010.

Over the last 4 years, we have invested in building a differentiated product pipeline encompassing Anti-infectives, Cardiovascular and CNS therapy products. Having established its presence across select EU markets through unique localised direct-to-market initiatives, judicious acquisitions and partnerships, the company is today well placed to address the unique demands of the fragmented and diverse EU market.

This was a record year for the Company in terms of product filings with European Authorities. Lupin filed 33 MAAs across Europe. Total cumulative product filings with EU authorities now stands at 91, with 44 total approvals.

France

It was an exciting year for us in the French

pharmaceutical market as we made rapid and incisive inroads with new product launches and increased filings with the French authorities. Having built a strong presence with successful trade partnerships, the Company is looking to ramp up its presence in the market by introducing new products and therapy segments. The company has filed 14 MAAs with regulatory authorities and received 12 approvals till date. Lupin continues to garner increased market share with its Cefpodoxime Proxetil tablets and Cefpodoxime Proxetil suspension. The strong performance in France was backed by the launch of Trimetazidine, where Lupin was the first to get approval. The company also launched Clarithromycin XL in France during the third quarter of FY 2011.

Germany

Lupin's subsidiary, Hormosan Pharma GmbH (Hormosan) is our primary growth driver in the German market. With Germany transitioning to a substitution-driven market, the Company has sharpened its focus on tapping into the right Generic opportunities and specialty pharmaceutical products.

UK

Lupin's Business in the UK is a direct-to-market initiative. The company is now looking to introduce value-added products into the UK and has built a strong pipeline of 20 MAAs with the UK authorities.

Lupin is well aware of the opportunities and the challenges that lie ahead in maintaining and sustaining its current growth trajectory in US & Europe. The Company will continue to focus on identifying and entering niche segments, developing a differentiated product portfolio, successfully challenging and litigating the right opportunities and also rely on its ability to garner greater market share in existing in-market products. We would also continue to build our Brands Business in the US by entering new therapy segments and adding to our product portfolio. We are working hard on creating the right manufacturing capacities and facilities while ensuring adherence to the most stringent quality standards to meet market expectations. The goal is to be the best in terms of the quality of our business in the US & Europe. That is Being Lupin.

