



**Chairman's Speech -2008**

**Ladies and Gentlemen,**

My colleagues on the Board and I extend a very warm welcome to you at this 32<sup>nd</sup> Annual General Meeting of your Company.

As the curtains are drawn on the Financial Year 07-08 and the events of the past 12 months become a part of history, it is with mixed feeling that I present this year's results. The biggest heart-burn on the rupee's appreciation against the dollar for Indian Inc. is mainly as India's external trade is invoiced in dollar and any change in the dollar's rupee value has an adverse impact on a company's export business. JBPCl is no exception to this rule. During FY 07-08, exports of your Company increased to USD 81.80 mn (previous year USD 69.70 mn) by an impressive rate of 17.40 per cent. However, the growth in rupee terms stood at 6.40 per cent on a year-on-year basis, translating into lower export sales realisation by Rs.33.45 crore. To mitigate the currency risk in future, we are now booking forward cover for all its receivables on a month-to-month basis.

**INVESTING FOR THE FUTURE**

As a future-focused organization, we have always believed in increasing our preparedness to face future challenges and enhance our competitive position in the industry by investing in key elements of business today.

As a step in this direction, in the fiscal year 2006-07, we have set up two green field manufacturing facilities at Panoli meeting the stringent USFDA and European authorities' guidelines for Parenterals and multi-purpose API.

It was also a period when we have invested in strengthening marketing capabilities in the domestic and overseas market particularly in our core market of Russia & CIS countries. This has resulted in higher financing & marketing costs which along with the foreign exchange fluctuation loss have impacted our net profits significantly. However, we foresee these expenses as strategic investments which will help JBPCl consolidate its position firmly across its main markets. These expenses will also enable us to access newer fast growing markets and develop an array of niche products and boost our

already strong product pipeline. We are confident that these measures will lead to positive results in the years to come.

As immediate remedial measures and to improve the confidence level, we have taken several steps to strengthen our domestic market penetration, enhance our product mix, introduce several cost control measures. We have also taken steps to improve our working capital management.

## **DOMESTIC MARKET**

As the domestic segment at Rs 236 crores did not perform in line with our expectations, it impacted our top line growth. Hence, to reduce costs and be more competitive and react rapidly to the growing demands in specific segments, we have moved to a leaner structure of three domestic divisions from four divisions.

On the positive side in the domestic market, JBCPL has the first dual calcium channel blocker in India and Nicardia XL which has a novel osmotic release technology. The market response for these new entrants has also been very encouraging. Moving forward, we plan to enter into the fast growing therapeutic segments and focus on superior product mix and an effective supply chain to increase market share. JBCPL plans to introduce new products developed internally and also acquire more through in-licensing arrangements. Our domestic marketing strategy aims to make strong inroads into the rural sections of India which is home to nearly 700 mn people.

## **INTERNATIONAL MARKETS**

### ***Russia & CIS***

As you will well be aware, JBCPL is the third largest Indian pharmaceutical Company in Russia and the Company's branded products continue to be well-accepted. To entrench ourselves even more firmly in our flagship market, we undertook aggressive advertisement spends, continued introducing new niche products and brand extensions and created focused hospital, ethical and OTC divisions. To leverage on the brand equity of our flagship product, we are also considering out-licensing the "Doktor Mom" brand in the market.

### ***Semi-regulated markets***

Our strategy to invest in Biotech Laboratories (Pty) Ltd. to tap the lucrative South African market has resulted in good business through tender bidding in 2007-2008. We plan to acquire brands and conduct site variation manufacturing at MCC, South Africa approved facility in India.

Our strategic intent is to achieve consistent growth in earnings by concentrating on developing new promising market regions such as Australia, Brazil and extending our lozenges product segments in Australia where our expertise provides us a competitive

edge. We would like to position JBCPL in growth markets where the existing core product knowledge and manufacturing capabilities can be utilized well. We plan to expand into the Latin America region covering Mexico, Venezuela and Columbia and in South East Asia to cover Philippines and Indonesia. Other important markets where we are focusing our energies include Vietnam, Algeria, Malaysia and Thailand.

## **RESEARCH & DEVELOPMENT**

R&D has always been your company's driving force steering us into niche product and technology segments way before others and thereafter strengthening our competitive position in these unique segments through the continuous introduction of an array of products and solutions. The year 2008 was especially gratifying on the R&D front with your company announcing a number of breakthroughs such as completing the analytical standardization of herbs for export oriented products, completing the standardization of Novel Drug Delivery Disciplines (NDDS) formulation with an "Osmotic Drug Delivery System" till exhibit batch, commencing commercial manufacture of Cilnidipine, a calcium channel blocker addressing the anti-hypertensive segment, a first by any company in the country and the successful development of commercially viable process for Contrast Media known to very few in the industry till date.

## **MANUFACTURING & APPROVALS**

At JBCPL, as a forward thinking company, we have invested in building state-of-the-art manufacturing facilities, technology and continue to invest significantly in research and development of new products and manufacturing processes. We have received approvals from TGA – Australia for our Lozenges facilities, MCC South Africa for the tablets and injectable facilities with inspection being carried out by various authorities including the MHRA – US for our tablet manufacturing facilities.

## **SUPPLY CHAIN MANAGEMENT**

To improve overall efficiency, we have initiated a Supply Chain Management (SCM) project in November, 2007 and which has gone live in June 2008. SCM will play a critical role in ensuring greater product availability at point-of-sales through seamless production planning and distribution, enabling better evaluation and leveling, inventory management, etc. The most important result of the actions triggered by SCM will be that of curtailing costs and boosting operational efficiency. SCM will be of central importance when the phase of greater expansion in existing and new markets begins in the years to come.

## **FUTURE OUTLOOK**

We are confident that through our well-planned long term, forward thinking strategies and the strength of our core competencies & various initiatives, your Company will achieve improved business performance over the next three years, barring another set of unforeseen macro circumstances.

## **ON A CONCLUDING NOTE**

The JBPCCL of today is very different and stronger than the JBCPL of the yesteryears. And the JBPCCL we are today will most certainly be different from the company we will become tomorrow. And this difference will be brought about by the extraordinary dedication and creativity of the members of the company – members who have a shared ambition for the future, a shared ambition to improve the lives of as many patients in the best possible way.

As we move into another financial year, we remain focused on maintaining strong relationships with all our customers, suppliers, distributors, government bodies, esteemed members of the medical fraternity and all stakeholders. I would like to take this opportunity; to extend my deep gratitude to them for their co-operation, continued support and trust. On behalf of The Board of Directors, I would like to thank all employees for their continued commitment to the Company and the passion to take the company to the next level.

Thank you

**J.B. MODY**

**CHAIRMAN AND MANAGING DIRECTOR**

July 18, 2008