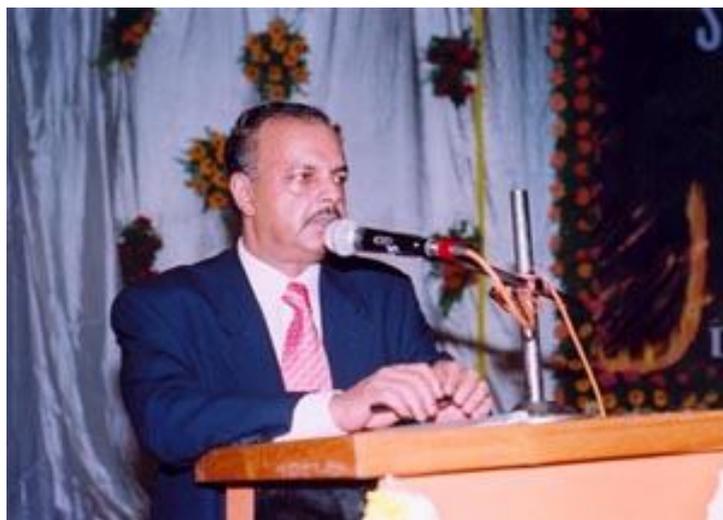


Chairman Speech at the Sami Labs Annual Day

on October 9, 2004



It is with great honor and happiness I am standing in front of you all to share with you the saga which has led us to where we are now and at the same time give a sketch as to what is in store for the future. The Annual Day Celebration is just not a moment of celebrating and breaking away from our work schedules, but I feel it is also a platform to recollect the past, evaluate our present and visualizing a better future and an opportunity for friends from Kunigal.

Now, a word about our past. It started as a 2 – 4 person from Singasandra in 1991 and today we have grown to this size.

I owe my sincere gratitude to my dear colleagues who breathes life into Sami Labs Ltd through their hard work and sincerity. But at the same time it cannot be ignored that managing an organization like SAMI LABS LTD had never been an easy task. As is known to you all, we are a multi-cultural, multi-national multi-locational and multi-faceted group and bringing with it, its own difficulties.

I think you'll agree that the more successful a business is globally, the more stable it can be locally. I should very proudly state here that this is our great advantage. We have our Sabinsa Corporation in the United States and distribution network in various developed countries like Japan. This of course adds to our corporate strength. We have to grow from strength to strength in the international market and increase our potential in India as well. To be globally competitive, it is essential that we effectively create more value than our competitors, because value-addition is very essential in a business. When it is a global business it becomes much more important. We can keep ourselves globally competitive only if we are highly productive. Today's marketplace dictates that each and every facility operates in the most cost efficient manner with highly trained/skilled workers who are able to work independently and resourcefully. It's the only way we will sustain a competitive advantage and build a business as great as our brands of products.

During this occasion I would like to bring to your notice that during the last two years we have witnessed major erosion of market dominance in the supply of key ingredients. It is not that we have not struggled to retain the dominance but that we did reach upto the mark. The reasons can be attributed partially to the growing competition and the corresponding challenges of today's global market economy which have put new demands on companies like ours. We must now compete on a worldwide basis for product inputs, technology and best of human resources. Because of this, our Sami management team will work at evolving better strategies to regain back our dominance.

Talking about our marketing front, it was a mix of hits and misses. On one hand we did achieve tremendous success, for which I would like to applaud our marketing department, but on the other side we had some moderate failure, which will be looked into in the future. We are in the process of re-evaluating, re-assessing and building a better roadmap.

In addition to our success story in Japan, Sami Labs Ltd. has begun operations in South Africa , Australia and very soon we will move to Europe and South East Asian Countries. The South African entity is called SABINSA SA PVT. LTD. and the

Australian group is called Sabinsa Australia Pty Ltd. We are leveraging our Sabinsa brand in these countries.

Very shortly, we will bring into implementation a major change in our business strategy. Sami Labs is moving from being a science based ingredient supplier to a formulation based and research oriented development group and supplier. This change is expected to bring huge dividends in the future. In order to achieve this goal, we are committing approximately Rs.20 crore for additional infrastructure and research facilities.

As you are all aware, our organization never had any dearth of recognition and accolades. Our products have been well received and accepted for their quality and efficiency globally. At the same time our R&D efforts and facility have been well recognized and have been honored with prestigious awards and accolades both by Government agencies like DSIR as well as by reputed private agencies. To mention a few, we received the National R&D Award in the year 2002, the Ellis Island Medal of Honor for myself in the USA and the New Jersey R&D Council has conferred on us the prestigious Thomas Alva Edison innovation Patent award for our Forskolin Patent.

The U.S. and international patents, the cornerstone of our innovation is an expensive one. It is not only getting the patent, but defending them and enforcing our patent rights have become very expensive. Nevertheless, we will continue our efforts in a more aggressive fashion both in the development and defense of our patents in the international markets.

All these laurels & credentials, I would say should make us humble further. They should serve as a source of inspiration to motivate and innovate further.

An organization is typical to an edifice, where every brick is significant. Each brick is a building block and every single piece has a vital role in maintaining and strengthening the building. At the same time, the roles that these bricks play complement and contribute to the entire whole. No part is insignificant and no component is irrelevant. Or in other words, each and every member in this organization is important for us. We

know that products and services can be reproduced but never the employees. The employees are our assets and our competitive advantage.

Dear Colleagues, let me remind you that every rupee that we invest in our Research and Development, Manufacturing & Marketing, Distribution and Customer Support have to be utilized judiciously and with utmost care. To be a great business that is globally competitive, we have to maintain an ongoing customer-oriented, lean operating philosophy. I am pleased to report that we are making substantial progress towards this end.

I know doing all this, and that too with a sense of urgency may sound highly ambitious. But at the same time we must not take a laid back attitude. I am going to bank on our three powerful assets:

- The commitment and talent of our people
- The quality of our products
- The strength of our brand

I am sure, with Teamwork and excellent contribution from all of you, I am highly hopeful that all of us together can create a multinational success story in our own homeland - India.

Thank you.

Jai Hind