



*Caring for Life*

## Directors' Report

The Directors take pleasure in presenting the Sixty-Sixth Annual Report of the Company and Audited Accounts for the year ended 31st March 2002.

### Financial Results

Rupees in million

	For the year ended	
	31st March <b>2002</b>	31st March <b>2001</b>
Sales and other income	<b>14288.69</b>	10856.17
Gross profit before depreciation and tax	<b>3306.42</b>	2532.04
Depreciation	<b>212.78</b>	156.34
Tax	<b>742.50</b>	585.00
Profit after tax	<b>2351.14</b>	1790.70
Prior year's adjustment	<b>274.86</b>	-
Appropriations :		
Dividend	<b>419.81</b>	269.88
Tax on dividend	-	27.52
General reserve	<b>1656.47</b>	1493.30

### Dividend

The Directors recommend a dividend of Rs. 7 per share on 5,99,72,349 equity shares of Rs.10 each, subject to tax deduction at source.

### *Management Review: 2001-02*

#### *Industry Structure and Developments*

Although the Indian pharmaceutical industry is estimated to have more than 20,000 manufacturing units all over the country, the top 100 manufacturers account for over 90% of its market share. India is also a major player in the global market, both in bulk drugs and formulations.

Among the major developments concerning the pharmaceutical sector was the announcement of the new drug policy in February 2002. The guidelines for its implementation, however, are yet to be notified.

Also, the new patent law formally aligning the country to the provisions of TRIPS was passed by Parliament.

# fortifying technological supremacy

The latest in molecules  
delivery systems and technology

Six decades of innovation  
and experience

Distilled into one dose of care

The same norms par excellence

Approved and applauded by  
the world

At five centres of excellence



Goa - Unit I  
Respules, Nasal Sprays,  
Ophthalmics and Oral Liquids



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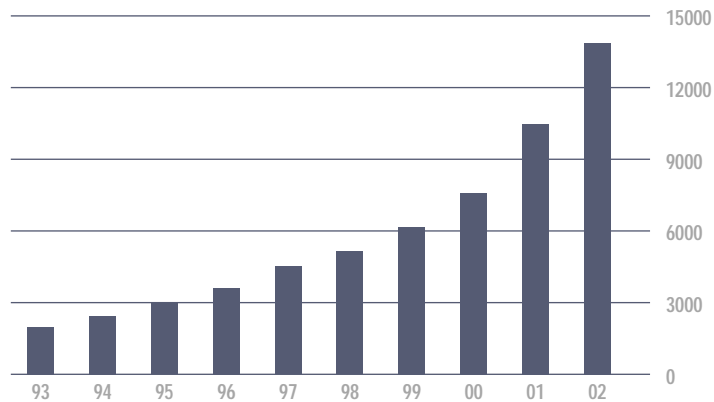
## Directors' Report *contd.*

### **Performance Review**

The Company continued to be exclusively in the pharmaceutical business segment. Sales at Rs. 13858 million grew by a remarkable 33% over the previous year. Exports at Rs. 4942 million showed a record increase of 92%. In addition, your Company earned around Rs. 26 million as fees for transfer of technical know-how. The Company's net profit at Rs. 2351 million was higher by 31% over the previous year.

### **Sales**

Rs. in million



Once again, this outstanding performance can be primarily attributed to the wide range of the Company's products and a high level of productivity and efficiency in overall operations. The leap in exports was a result of the Company's constant efforts to tap new markets and introduce new products. Cipla is now a reputed name in many global markets including the USA, Western and Eastern Europe, Asia, Africa, South America, Australia, Canada and the Middle East.

In order to cope with the increasing demand for Cipla products in India and other countries, four state-of-the-art manufacturing facilities for various dosage forms were set up in Goa in a record time of less than twelve months. Amongst these, the aerosol manufacturing facility has already been inspected and approved by the MCA, UK.

In a significant development, in November 2001, the World Health Organisation (WHO) inspected, approved and qualified three of your Company's manufacturing units for supplying quality drugs to fight HIV/AIDS. Cipla was the first Indian company to obtain this approval. This is part of WHO's initiative to ensure that HIV/AIDS patients all over the world can access quality drugs at reasonable prices. This is a high point in your Company's continuing crusade against HIV/AIDS, and enhances Cipla's global standing in pioneering the manufacturing and marketing of sophisticated antiretroviral drugs at affordable prices.

Recently, *Forbes* placed Cipla among the leading 200 companies with an annual turnover below \$500 million, after studying 20,000 international companies. The *Far Eastern Business Review* also listed Cipla among the leading 200 companies in Asia.

# stepping up the pace of growth

Ten times the sales in as many years  
Exports tripled in just two  
Sharper minds thriving on tougher demands  
Now a multi-unit modern facility  
From ground-breaking to first inhaler  
Up in mere months  
Just in keeping with tradition  
Of ever raising the bar and soaring higher



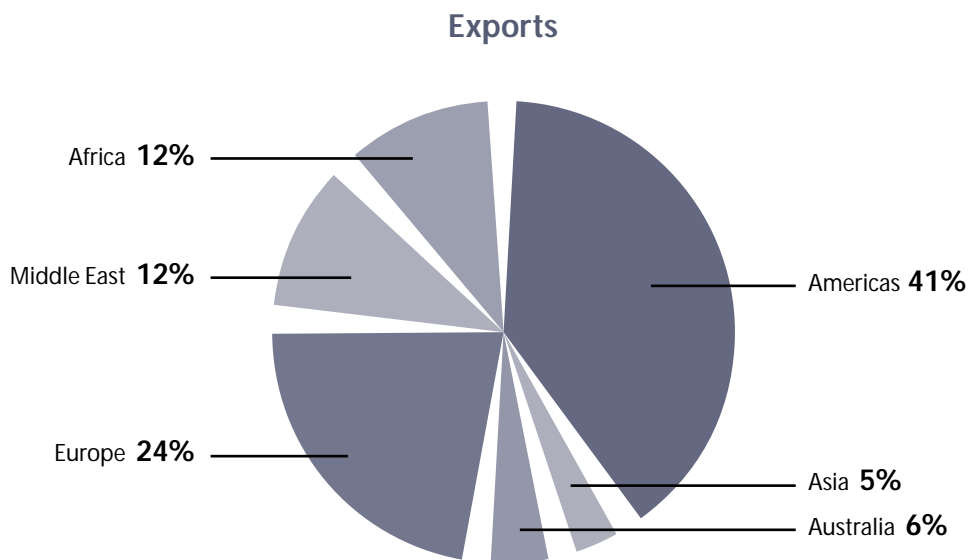


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## Directors' Report *contd.*

Cipla successfully launched several new drug formulations during the year. A number of these were based on Active Pharmaceutical Ingredients (APIs) made in-house.

The Company also successfully scaled up a number of APIs particularly for the export market. The new introductions have contributed significantly to the overall sales growth.



### ***Outlook on Concerns***

The major challenge before the Indian pharmaceutical industry is the new product patent regime, which is expected to come into force after 2005. While the new legislation would obviously impact the launch of new products in the country, it is to be seen whether the Government would incorporate adequate safeguards such as compulsory licensing system, to protect the interests of the Indian consumer.

The industry is also awaiting the guidelines for the implementation of the new drug policy. As of now, it is not clear as to which of the Company's products would fall under the purview of price control.

### ***Outlook on Opportunities***

Research and development activities will continue to play a pivotal role in sustaining the Company's premier position in the industry. Besides process improvements and productivity enhancements, the R&D team focused on development of novel processes and new drug delivery systems and continued research on new chemical entities.

# expanding the reach

Spelling quality health  
Reaching medicines and  
sharing expertise  
To 140 of the world's countries  
Tapping technology and  
compassionate pricing  
To tame disease  
To breathe a little more ease  
Into difficult lives  
Here and everywhere





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## Directors' Report *contd.*

Cipla is one of the leading exporters of bulk drugs and formulations and its products are registered in over 140 countries. Your Company's exports have more than tripled in the last two years. Given the excellent reputation your Company enjoys worldwide and considering the wide range of Cipla products, the Company is confident of maintaining a robust growth in the coming years.

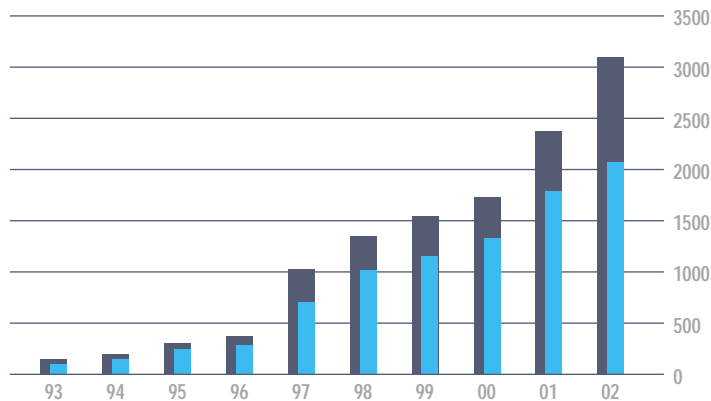
### **Internal Control Systems**

The Company has a well-established internal control system in all functional areas, and this is reviewed periodically. This system is further reinforced by independent audits.

#### **Growth in Profits**

Rs. in million

■ Profit Before Tax    ■ Profit After Tax



### **Human Resources**

The leadership position that the Company has attained over the years is largely due to the dedication and commitment of its people. The Company's focus has been not only to impart adequate training but also to provide the right environment to maximise productivity and growth potential.

The Directors record their appreciation of the support and contribution of all employees towards the growth and progress of the Company.

As required by the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of employees are set out in the annexure to the Directors' Report. However, as per the provisions of the said Act, the Annual Report and accounts are being sent to all the members of the Company excluding the aforesaid information. Any member interested in obtaining the annexure may write to the Company Secretary at the Registered Office of the Company.

focused on **care**

The warmth of good health  
Melting boundaries and divisions  
Bestows purpose on glass and steel  
Adds value to skill and sweat  
All driven by one old mission  
67 years and young as ever  
*Caring for Life*





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## Directors' Report *contd.*

### Social Responsibility

Cipla fulfilled its commitment to the world and has started making available an effective and economical triple drug combination of lamivudine, stavudine and nevirapine for HIV/AIDS at a low cost to countries in Africa, Asia and Latin America. Your Company has also donated significant quantities of the antiretroviral drug nevirapine to the National AIDS Control Organisation (NACO).

The Cipla Foundation's Palliative Care Centre in Pune continues to provide care to terminally ill cancer patients. As of date, this institution has provided comfort and solace to over 2000 patients.

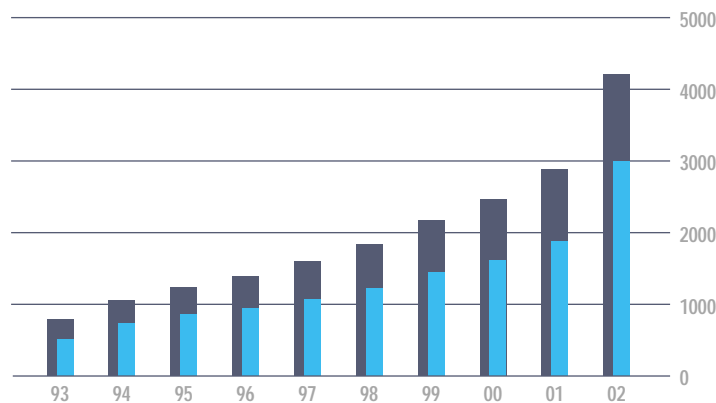
### Fixed Deposits

The Company neither accepted nor renewed any fixed deposits from the public during the year. In all, 44 deposits amounting to Rs. 0.35 million due for repayment as on 31st March, 2002 remain unclaimed by the depositors.

#### Growth in Fixed Assets

Rs. in million

■ Gross Block    ■ Net Block



### Disclosure of Particulars

As required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the relevant information and data are annexed to this report.

### Responsibility Statement

Pursuant to Section 217 (2AA) of the Companies Act, 1956, your Directors confirm:

- that the applicable Accounting Standards have been followed in the preparation of the annual accounts;



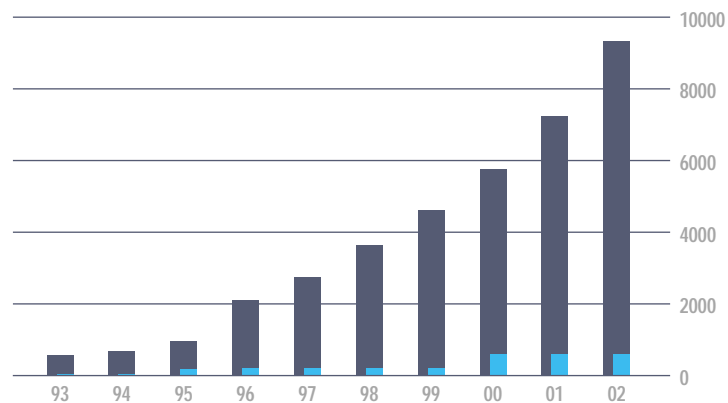
## Directors' Report *contd.*

- ii. that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March 2002 and of the profit or loss of the Company for that period;
- iii. that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. that the Directors have prepared the annual accounts on a 'going concern' basis.

### Growth in Shareholders' Funds

Rs. in million

■ Net Worth    ■ Share Capital



### Corporate Governance

Your Company is committed to good Corporate Governance practices. The report on Corporate Governance stipulated by Clause 49 of the Listing Agreement is annexed hereto and forms part of this Annual Report.

### Directors

Dr. H. R. Manchanda and Mr. S. A. A. Pinto retire by rotation and being eligible, offer themselves for reappointment.

Dr. M.K. Gurjar, a renowned Research Scientist and Mr. M.R. Raghavan, a leading Chartered Accountant were appointed as Additional Directors with effect from 19th January 2002 and 24th July 2002 respectively. They hold office till the ensuing Annual General Meeting. Notices have been received from some members, proposing their appointment as Directors.

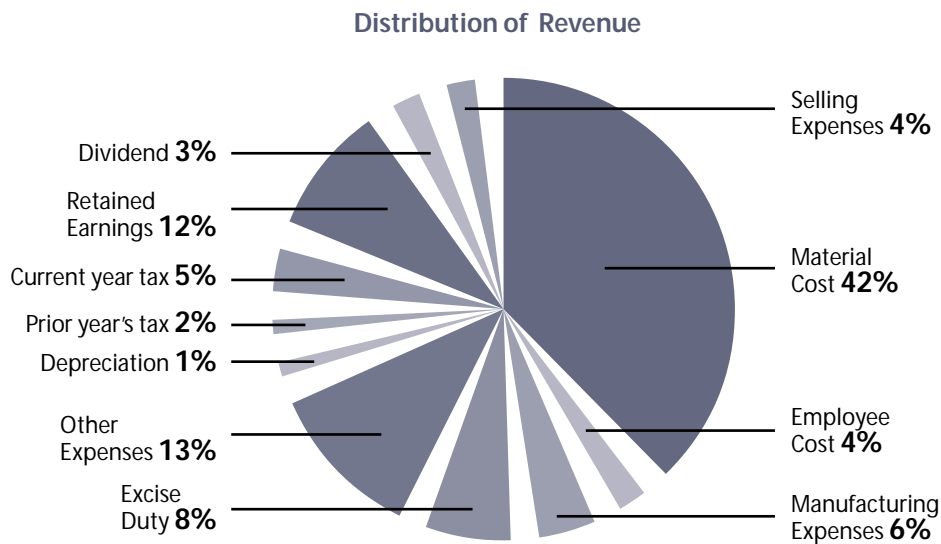
A short resume of these Directors is provided in the Notice.



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## Directors' Report *contd.*

Mr. D.R. Narang resigned from the Board of Directors with effect from 4th September 2001 due to personal reasons. The Board of Directors would like to record their appreciation of his association with the Company.



### Cost Audit

Messrs R. Nanabhoy & Co. have been reappointed to carry out the cost audit for the year.

### Auditors

Messrs R.S. Bharucha & Co., the auditors of the Company, retire at the conclusion of the forthcoming Annual General Meeting and are eligible for reappointment.

On Behalf of the Board,

Mumbai, 24th July 2002

Y.K. Hamied  
*Chairman & Managing Director*