

Cipla

Seventy-First Annual Report 2006-2007

Last year, Cipla made a special effort to produce this report at a low cost, without compromising its quality or contents. A similar exercise this year has led to a saving of Rs. 32 lakhs. This year too, Cipla has added a matching contribution and donated the total amount of Rs. 64 lakhs to the Cipla Cancer and AIDS Foundation.

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Cipla Limited

Founder

Dr. K.A. Hamied
(1898-1972)

Chairman & Managing Director

Dr. Y.K. Hamied

Joint Managing Directors

Mr. M.K. Hamied

Mr. Amar Lulla

Non-Executive Directors

Dr. M.K. Gurjar

Mr. V.C. Kotwal

Dr. H.R. Manchanda

Mr. S.A.A. Pinto

Mr. M.R. Raghavan

Mr. Ramesh Shroff

Bankers

Bank of Baroda

Canara Bank

Corporation Bank

Indian Overseas Bank

Standard Chartered Bank

The Hongkong & Shanghai Banking
Corporation Limited

Union Bank of India

Auditors

R.S. Bharucha & Co.

R.G.N. Price & Co.

Registered Office

Mumbai Central, Mumbai 400 008

Website

www.cipla.com

NOTICE

NOTICE is hereby given that the SEVENTY-FIRST ANNUAL GENERAL MEETING of CIPLA LIMITED will be held at Amar Gian Grover Auditorium, Lala Lajpat Rai Marg, Haji Ali, Mumbai-400 034, on Friday, 24th August 2007 at 3.00 p.m. to transact the following business:

1. To consider and adopt the Balance Sheet as at 31st March 2007, the Profit and Loss Account for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To declare Dividend for the year ended 31st March 2007.
3. To appoint a Director in place of Dr. H. R. Manchanda who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Mr. Ramesh Shroff who retires by rotation and being eligible offers himself for reappointment.
5. To consider and, if thought fit, to pass, with or without modification, the following resolution, as an Ordinary Resolution:

“RESOLVED THAT M/s.R.S.Bharucha & Co., Chartered Accountants together with M/s.R.G.N.Price & Co., Chartered Accountants be and are hereby appointed as Joint Statutory Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting upon such remuneration and other out of pocket expenses incurred incidental to their functions, as may be agreed to between the Board of Directors/Audit Committee of the Company and the respective auditors and that the Board of Directors/Audit Committee of the Company be and is hereby authorised to fix the remuneration as aforesaid.

RESOLVED FURTHER THAT the Board of Directors/Audit Committee be and are hereby authorised to appoint auditors for the Company’s branch office(s) (whether now or as may be established) in terms of Section 228 of the Companies Act, 1956 in consultation with the Joint Statutory Auditors to examine and audit the accounts for the financial year 2007-08 on such remuneration, terms and conditions as the Board of Directors/Audit Committee may deem fit”.

By Order of the Board of Directors

Mumbai, 20th July 2007

Mital Sanghvi
Company Secretary

NOTICE *contd.*

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.

Proxies, to be effective, should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the Meeting.

2. The Register of Members and the Share Transfer Books of the Company will remain closed from Friday, 10th August 2007 to Friday, 24th August 2007, both days inclusive.
3. The dividend for the year ended 31st March 2007 as recommended by the Board, if sanctioned at the Meeting, will be paid to those members whose names appear in the Company's Register of Members on 24th August 2007. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by National Securities Depositories Ltd. and Central Depository Services (India) Ltd.
4. Members holding shares in physical form are requested to forward all applications for transfers and all other shares related correspondence, including intimation for change of address, if any, to the Share Transfer Agents of the Company at the following address:

Karvy Computershare Pvt. Ltd.
(Unit: Cipla Ltd.)
Plot No. 17 to 24,
Vittal Rao Nagar, Madhapur,
Hyderabad-500 081
Tel: (040) 2342 0818
Fax: (040) 2342 0814

5. Members holding shares in demat mode may please note that, the bank details as furnished by the respective Depositories to the Company will be used for the purpose of distribution of dividend through Electronic Clearing Service (ECS) as directed by the Stock Exchanges. In the absence of ECS facility, the bank account details, if available, will be printed on the dividend warrants. Members holding shares in demat mode must give instructions regarding bank accounts in which they wish to receive dividend, to their Depository Participants. The Company or the Share Transfer Agents will not act on any direct request from these members for change/deletion in such bank details.
6. All unclaimed dividends upto the financial year ended 31st March 1995 have been transferred to the General Revenue Account of the Central Government. Members who have not encashed the dividend warrants for the said period(s) are requested to claim the amount from the Registrar of Companies, Maharashtra, CGO Complex, CBD Belapur, Navi Mumbai-400 614, by submitting an application in Form No. II.

Consequent to the amendment of the Companies Act, 1956, dividends that remain unclaimed for a period of seven years shall be transferred to Investor Education & Protection Fund (IEPF). Accordingly, unclaimed dividends from the financial year ended 31st March 1996 till 31st March 2000 have been

NOTICE *contd.*

transferred to IEPF. Members, who have not encashed their dividends for the financial year ended 31st March 2001 and onwards, are requested to claim it from the Share Transfer Agents immediately. Members should note that any sum transferred to IEPF shall stand forfeited and no claim shall lie either against the IEPF or the Company.

7. The face value of shares have been sub-divided from Rs.10 to Rs. 2 in the year 2004. Shareholders who have not yet exchanged share certificates of Rs.10 face value are requested to surrender their old certificates to M/s. Karvy Computershare Pvt. Ltd. at the address stated above for exchange with new certificates of Rs. 2 face value.
8. Members who hold shares in the physical form can nominate a person in respect of all the shares held by them singly or jointly. Members who hold shares in single name are advised, in their own interest, to avail of the nomination facility by filling Form 2B in duplicate. On request, the Company's Share Transfer Agents will supply blank forms. Members holding shares in the dematerialised form may contact the Depository Participant for recording nomination in respect of their shares.
9. As required under Clause 49 VI(A) of the Listing Agreement, the relevant information in respect of the Directors seeking reappointment at the Annual General Meeting is annexed hereto.

NOTICE *contd.*

RELEVANT INFORMATION IN RESPECT OF THE DIRECTORS SEEKING REAPPOINTMENT AT THE ANNUAL GENERAL MEETING AS REQUIRED UNDER CLAUSE 49 VI(A) OF THE LISTING AGREEMENT IS AS UNDER:

A. Dr. H.R. Manchanda

Dr. H.R. Manchanda has done his M.B.B.S. from Mumbai University in the year 1951. He has also completed his F.R.C.S. from England and did his second F.R.C.S. from Edinburg. He is a consultant surgeon at Breach Candy Hospital since 1960. He is also on a panel of physicians for USA Visa work at Breach Candy Hospital. He joined the Board of Directors of the Company in 1983.

He was the Professor of Surgery and Head of Surgery at J. J. Hospital and Grant Medical College during the period 1960-85. He has been a postgraduate examiner for Mumbai University and was a Board Member of Haffkine Institute. He has worked with leading hospitals both in India and abroad.

Nature of expertise in specific functional areas

General Surgery with special interest in Colorectal, Gastroenterological, Neck and Breast Surgery.

He is the author of several articles on recent advances in treatment of haemorrhoidal surgery and prolapse of rectum.

He is a member of Shareholders'/Investors' Grievance Committee and Share Transfer Committee of the Company. He does not hold directorship of any other company.

As on the date of this Notice, he holds 3,77,500 equity shares of Rs. 2 each in the Company.

B. Mr. Ramesh Shroff

Mr. Ramesh Shroff holds an LL.B Degree from Mumbai University and is a well known solicitor by profession. He joined the Board of Directors of the Company in the year 1987.

Nature of expertise in specific functional areas

Corporate Laws, Taxation and Civil Suits.

He is a member of the Audit Committee of the Company.

As on the date of this Notice, he holds 250 equity shares of Rs. 2 each in the Company.

His other directorships are as under:

Simmonds Marshall Ltd., *Director*

Sadhana Nitrochem Ltd., *Director*

DIRECTORS' REPORT

The Directors take pleasure in presenting the Seventy-First Annual Report of the Company and Audited Accounts for the year ended 31st March 2007.

Financial Summary

Year ended 31 st March 2006		Year ended 31 st March 2007	Increase over previous year (%)
3,208	Sales and other income	3,764	17
790	Gross profit before depreciation and tax	911	15
608	Net profit for the year	668	10
234	Surplus brought forward from last balance sheet	304	
842	Profit available for appropriation	972	
	Appropriations:		
156	Dividend	156	
22	Tax on dividend	26	
360	Transfer to general reserve	400	
304	Surplus carried forward	390	

Rupees in crore

Dividend

The Directors recommend a dividend of Rs. 2 per share on 77,72,91,357 equity shares of Rs. 2 each for the year 2006-07 amounting to Rs. 155.46 crore.

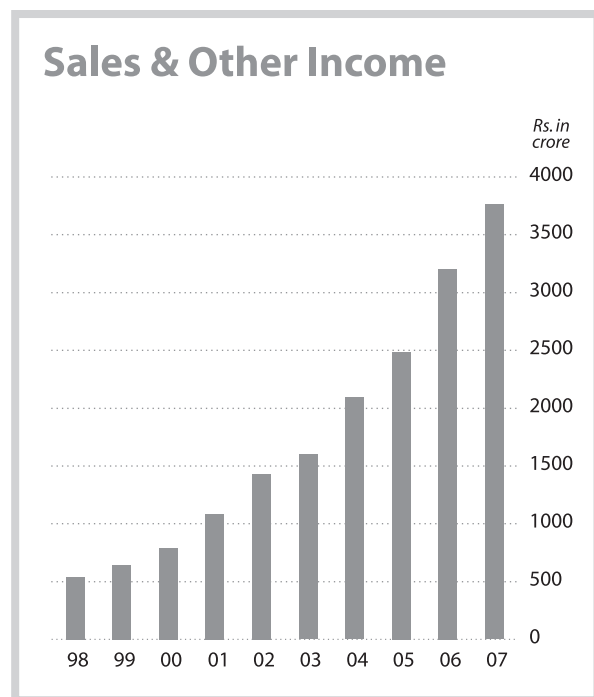
MANAGEMENT REVIEW: 2006 - 07

Industry Structure and Development

The Indian pharmaceutical industry grew at the rate of 14.30 per cent, according to ORG-IMS figures, as compared to 11 per cent in the previous year. Over the last few years, exports have been growing consistently at an average rate of 25 per cent. Today, pharmaceutical products from leading Indian companies are accepted the world over as safe, affordable and effective and are playing a significant role in meeting the healthcare needs of millions. Several companies in the pharmaceutical sector sought to increase their market share and relied on the consolidations and mergers route in order to do so.

DIRECTORS' REPORT *contd.*

In this era of global expansion, India has emerged as an important cost-effective destination for pharmaceutical manufacturing. The country's pool of scientific talent has been a major attraction. As domestic pharmaceutical companies continue to make substantial investments in expansion, multinational corporations too, are either stepping in or enhancing their presence.



Performance Review

The Company's turnover was Rs. 3533 crore with a growth of 17 per cent over the previous year. The net profits for the year grew by nearly 10 per cent over the previous year. The Company's profit at Rs. 668 crore was 18 per cent of its income from operations. This percentage was slightly lower than the previous year mainly on account of higher material costs and a change in product mix.

Exports accounted for over 50 per cent of the overall sales and exports exceeded Rs.1750 crore. Cipla exports to 180 countries across all the continents - the U.S., Latin America, Europe, Australia, Africa and Asia.

Cipla's continued success in its overseas business has been largely due to its strategy in forming strategic alliances with partners all over the globe who assist with the registration process and help market Cipla

products internationally. In the U.S., Cipla has alliances with nine generic majors including Teva Pharmaceuticals USA, Inc., Watson Pharmaceuticals, Inc., Eon Labs, Inc. and Akorn, Inc. for over 125 projects. Similar alliances exist in Europe, South Africa, Australia and the Middle East. In other international markets, Cipla has exclusive marketing tie-ups with companies which are well versant with the local market.

Awards

Cipla received many awards during 2006 for its excellent performance in various spheres. These included:

- The Scrip Best Company in an Emerging Market Award.
- The Dun & Bradstreet - American Express Corporate Award for the best company in the pharmaceutical sector.
- The Pharma Excellence Award for Sustained Growth.
- DHL and CNBC-TV18 International Trade Award for Outstanding Exporter of the Year (Pharmaceuticals, Healthcare and Life Sciences category).

DIRECTORS' REPORT *contd.*

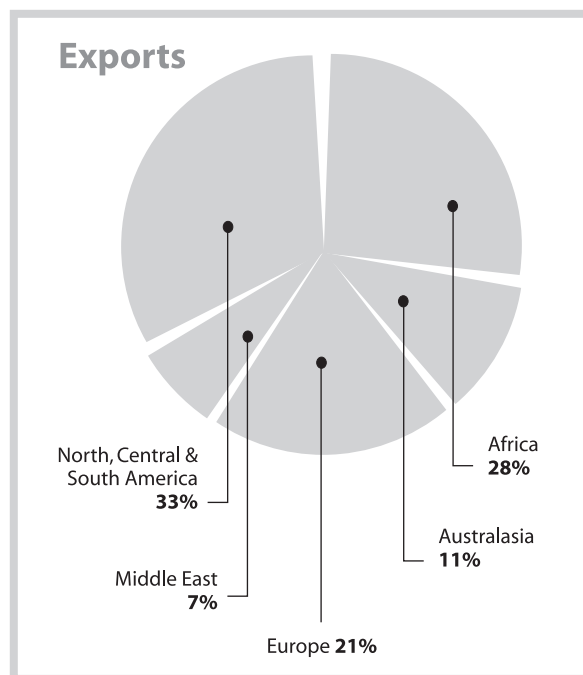
Products

The Company launched many novel drugs and formulations during the year. Significant among these were:

- Ciclohale (ciclesonide inhaler and rotacaps) - Latest steroid inhaler for asthma prophylaxis
- SimplyOne (ciclesonide and formoterol inhaler and rotacaps) - Novel combination therapy for asthma prophylaxis
- Calcinase (calcitonin-salmon nasal spray) - Safe and convenient treatment for osteoporosis
- Neosurf (bovine lipid extract surfactant suspension) - Rescue treatment for neonatal respiratory distress syndrome
- Varipres (terlipressin injection) - Hormone analogue to prevent variceal bleeding
- Viraday (efavirenz, emtricitabine and tenofovir disoproxil fumarate tablets) - Single-dose triple drug combination for HIV/AIDS
- Maximune (saquinavir tablets) - new protease inhibitor for HIV/AIDS
- Dytor Plus (torsemide and spironolactone tablets) - Potassium-sparing diuretic
- Gatiquin-P (gatifloxacin and prednisolone acetate eye drops) - New combination therapy for eye inflammation
- Androfil (testosterone transdermal gel) - For testosterone deficiency in men
- Elcepan (levodopa, carbidopa and entacapone tablets) - Novel combination therapy for epilepsy
- Estaspray (estrogen transdermal spray) - Estrogen replacement therapy for menopausal women
- Tobamist (tobramycin respules) - Inhaled antibiotic for lung infections
- Virenza (zanamivir capsules) - Inhaled antiviral for treatment of influenza A and B

Development of innovative drug delivery systems for new and existing active drug substances continued to be an integral part of the Company's growth strategy. Work on new medical devices, mainly in the area of respiratory medicine, progressed rapidly, as did its inhaled insulin project. The Company has developed a unique transdermal delivery system. It has already launched a spray patch for testosterone and another for estradiol. Other new developments include a novel dry powder inhaler device and a unique single-action single-dose inhaler device.

Cipla has entered into a research agreement with Avestha Gengraine Technologies Private Limited, Bangalore with the objective of working on a collaborative biopharmaceuticals development programme. The partnership will focus on the development of range of biosimilar products for autoimmune disorders, cardiovascular diseases and cancer.



DIRECTORS' REPORT *contd.*

INFRASTRUCTURE

Manufacturing Facilities

During the year under review, the Company commenced commercial manufacture at its new Patalganga export oriented unit (EOU), set up with an investment exceeding Rs. 170 crore. New projects are underway at Bangalore and Kurkumbh for the manufacture of APIs, and at Sikkim for formulations. The overall capital expenditure for the year amounted to nearly Rs. 440 crore.

Regulatory Approvals

Several dosage forms and APIs manufactured in various plants of the Company continue to enjoy the approval of most major international regulatory agencies. These agencies include the US FDA, MHRA (UK), PIC (Germany), MCC (South Africa), TGA (Australia), Department of Health (Canada), ANVISA (Brazil), SIDC (Slovak Republic), the Danish Medical Agency and the WHO.

Safety and Environment Care

Various health, safety and environment awareness programmes were organised for neighbouring villages, school children and police personnel at Baddi, Patalganga, Kurkumbh and Bangalore.

As always, the Company maintained high standards of occupational health, safety and environment-friendly practices at all units. During the year, Cipla's

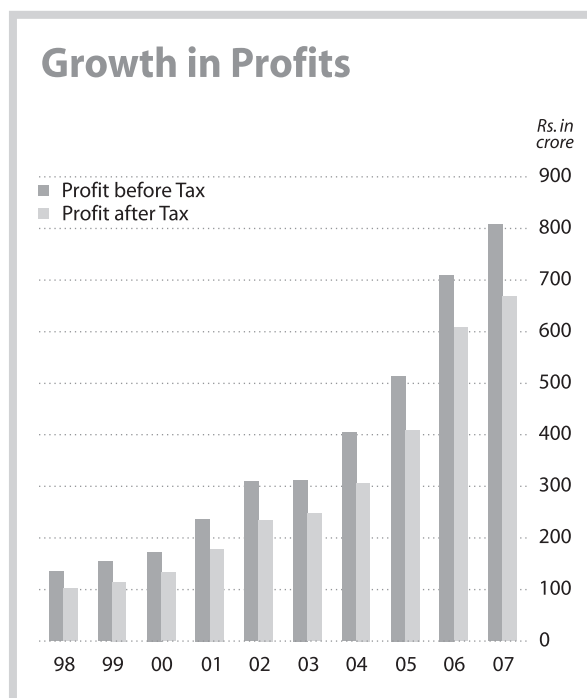
Kurkumbh unit was awarded the "Sword of Honour" for the second time, by the British Safety Council, UK.

In addition, its Kurkumbh and Bangalore plants have been certified for compliance with ISO 14001 and OHSAS 18001 standards. The new Patalganga plant has been developed in accordance with OHSAS 18001 guidelines. In consultation with regulatory authorities, the Inspectorate of Factories & Boilers, Government of India, has awarded Cipla's Goa unit a certificate for achieving the longest accident-free year since certification.

The Company has modern, well-designed effluent treatment plants at its factories. The "zero discharge" treated water is used for maintaining its green belt.

Internal Control Systems

The Company's internal control procedures are tailored to match the organisation's pace of growth and increasing complexity of operations. These ensure compliance with various policies, practices and statutes. Cipla's internal



DIRECTORS' REPORT *contd.*

audit team carries out extensive audits throughout the year, across all functional areas, and submits its reports to the Audit Committee of the Board of Directors.

Human Resources

Particulars of employees required to be furnished under Section 217(2A) of the Companies Act, 1956 forms part of this report. Any shareholder interested in obtaining a copy may write to the Company Secretary at the Registered Office of the Company.

THREATS, RISKS, CONCERNS

Patents

Two years after the implementation of the new patent laws, the government is yet to address important issues like ever-greening of patents and compulsory licensing. Unless the government takes some decisive steps, these can have serious adverse effects on the functioning and future of the Indian pharmaceutical industry.

Data Exclusivity

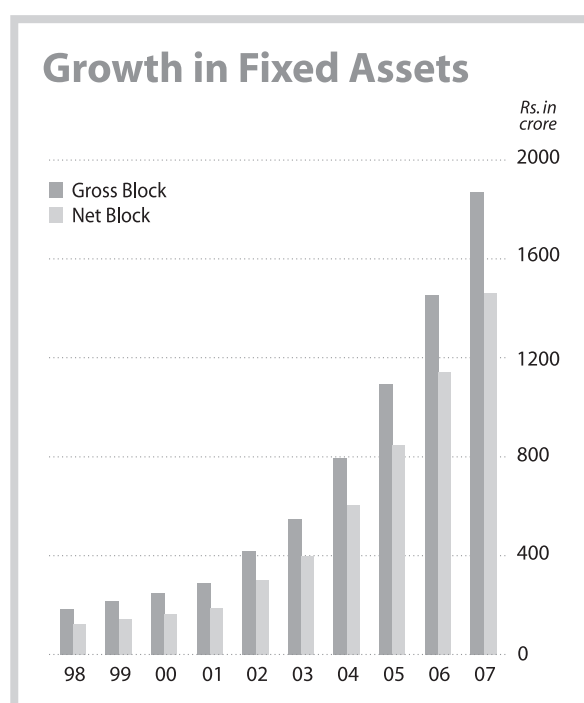
The policy of data exclusivity remains a significant area of concern for the Indian pharmaceutical industry. There is a need to safeguard against any attempt by vested interests to extend the monopoly of certain big companies and to delay the launch of generic versions even after their expiry of related patents.

Lower Realisation with Rising Costs

While the Company has taken adequate foreign exchange cover against its exports, the steady appreciation of the rupee against all major currencies is bound to have an adverse impact on realisations. Moreover, China's recent move to cut incentives on exports may add to the cost of imports. These factors will impact the Company's overall margins.

Drug Pricing

The government's drug pricing policy has a direct bearing on the health of the domestic pharmaceutical industry. We understand that the policy is being looked into by a Group of Ministers (GOM) and we hope that, instead of arbitrary drug control measures, the GOM would let free and fair competition determine drug prices. This will enable all Indians to have access to affordable healthcare.



OPPORTUNITIES

Domestic Markets

In the domestic arena, Cipla continued to maintain its leadership position. Again, the focus was not only on consolidating its existing brands but also on introducing new products and dosage forms. The Company will aim to increase its penetration and coverage for increasing its market share further.

International Markets

International business is a major thrust area for future growth. Cipla's strategic plans include partnerships and agency arrangements which will optimise the opportunities in the international arena. Presently, in the U.S. alone, Cipla has partnerships with nine companies for over 125 products. The Company has filed over 100 Drug Master File (DMF) registrations in the U.S. and over 85 in Europe. Already, Cipla has more than 5000 approvals for formulations in South and Central America, the Middle East and Africa.

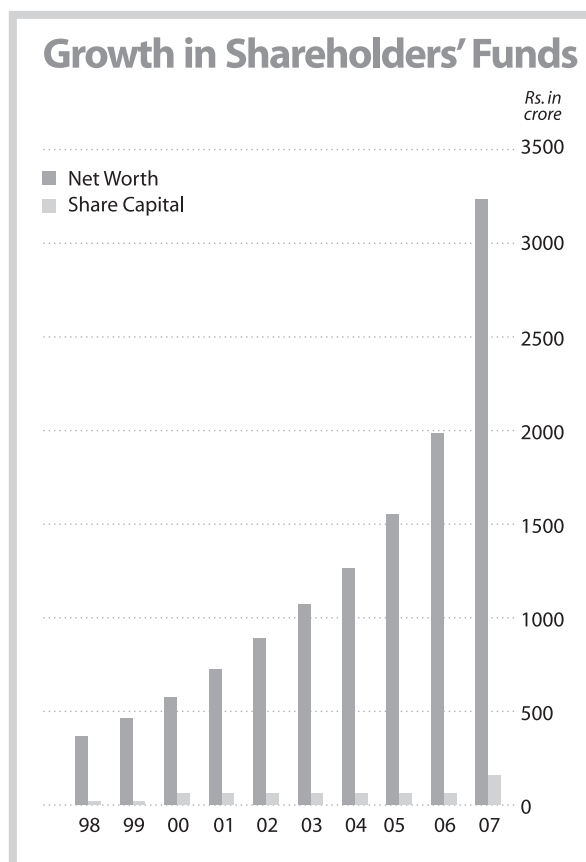
The Company has undertaken a rapid expansion of facilities for the manufacture of APIs and formulation dosage forms. Cipla is in the process of setting up SEZ projects for the manufacture of formulations in Indore and Goa. In addition, the Company's EOU projects at Kurkumbh and Bangalore are expected to be completed by March 2008.

COMMUNITY CARE

Over the years, Cipla has initiated several programmes to fulfil its corporate social responsibility (CSR). Cipla has provided affordable medicines for HIV/AIDS, malaria, second-line TB and other diseases. The Company's anti-AIDS drugs are sold in more than 102 countries, as per data collected by World Health Organisation (WHO) and the Clinton Foundation. One out of every three HIV patients in the world receiving treatment is on an anti-AIDS drug manufactured by Cipla.

Cipla has one of the largest portfolios of anti-malarial drugs and supplies more than 20 million anti-malarial treatments worldwide. Cipla has also partnered with Schistosomiasis Control Initiative (a public health programme by the Imperial College of London) for the control of the second most prevalent tropical disease in Africa after malaria.

In keeping with the Company's continuous endeavour towards the treatment of neglected diseases (usually diseases of the Third World), Cipla has been working with Drugs For Neglected Diseases Initiative (DNDi), a



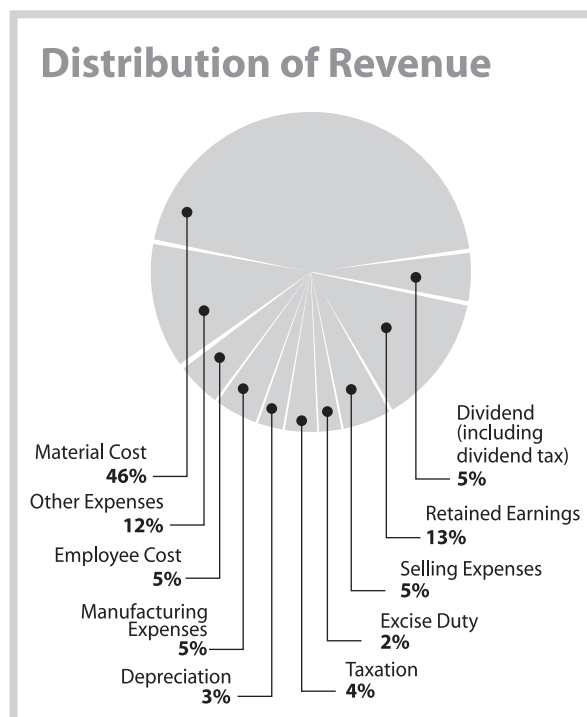
DIRECTORS' REPORT *contd.*

Geneva-based research organisation and Médecins Sans Frontières (MSF), an independent humanitarian medical aid agency, to develop new drugs for malaria and leishmaniasis (kala azar).

Cipla has also joined hands with the Clinton Foundation to support its worldwide paediatric HIV/AIDS initiative. This programme covers more than 45,000 infected children. The Company has provided subsidised drugs, estimated to be worth USD 3 million.

As of date, the Cipla Foundation's Palliative Care and Training Centre in Pune has provided comfort and solace to more than 5200 patients. Cipla also provides medicines to treat over a million poor, aged patients in slums and villages. For this work, Helpage India has felicitated the Company with the Silver Plate Award 2005-2006.

In addition, the Company continued to support the promotion of education and community welfare, both directly and through its charitable trusts.



CORPORATE MATTERS

Responsibility Statement

Pursuant to Section 217 (2AA) of the Companies Act, 1956 it is confirmed that the Directors have:

- i. followed applicable accounting standards in the preparation of the annual accounts;
- ii. 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 2007 and of the profit or loss of the Company for that period;
- iii. taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv. prepared the annual accounts on a going concern basis.

Subsidiary Company

The Company has set up a wholly owned subsidiary 'Cipla FZE' in October 2006 at Jebel Ali Free Zone, Dubai, U.A.E.

As per the exemption order no.47/148/2007-CL-III dated 16th April 2007, passed by the Central Government under Section 212(8) of the Companies Act, 1956, the financial statements of the subsidiary company have not

DIRECTORS' REPORT *contd.*

been attached. However, a statement under Section 212(3), which also contains other information in terms of the exemption order, is attached.

The subsidiary company did not commence commercial operations by the end of the Company's financial year. Also, the financial state of affairs of the subsidiary company as on 31st March 2007 is not material in the overall context. Therefore, consolidated financial statements for the period have not been drawn up and presented separately.

Corporate Governance

Your Company is committed to good corporate governance practices. The report on corporate governance as stipulated under Clause 49 of the Listing Agreement forms part of this report.

Fixed Deposits

The Company neither accepted nor renewed any fixed deposits from the public during the year.

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.

Directors

Dr. H. R. Manchanda and Mr. Ramesh Shroff retire by rotation and being eligible, offer themselves for reappointment. A brief resume of the said directors is provided in the Notice.

Cost Audit

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

Auditors

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

On behalf of the Board,

Y. K. Hamied

Chairman & Managing Director

Mumbai, 20th July 2007

ANNEXURE TO THE DIRECTORS' REPORT

Information under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

I. CONSERVATION OF ENERGY

- a. The Company is striving continuously to conserve energy by adopting innovative measures to reduce wastage and optimize consumption. Some of the specific measures undertaken are:
 - i. The Company has installed and commissioned variable frequency drives for water pumps leading to reduction in power usage.
 - ii. The Company has installed flash steam vessels at Goa to collect steam from boiler and reuse for increasing boiler feed water temperature, leading to savings in fuel consumption.
 - iii. The Company has carried out modifications in the piping design of chilled water systems and pumping systems resulting in substantial savings in energy consumption due to improved operational efficiency.
 - iv. Building Monitoring Systems has been extended to other plants in Goa & in Patalganga to monitor and control service floors which has lead to a significant savings in power usage.
- b. Impact of the above measures for reduction of energy consumption and consequent impact on the cost of production of goods :

The adoption of the above energy conservation measures have helped to curtail the proportionate increase in total energy usage consequent to overall increase in production. This has made it possible to maintain cost of production at optimum levels.

- c. Total energy consumption and energy consumption per unit of production as per Form A:

Considering that the Company has a multi-product, multi-facility production system, it is not possible to determine product-wise energy consumption. Therefore, the consumption is categorised under different classes of goods as shown below. The figures for the year are not exactly comparable with the previous year's figures because of changes in the product mix.

ANNEXURE TO THE DIRECTORS' REPORT *contd.*

		2007	2006
A. Power and Fuel Consumption			
1. Electricity			
a. Purchased			
Units	kwh	105043123	89795068
Total amount	Rs. in crore	66.78	48.95
Rate/Unit	Rs.	6.36	5.45
b. Own generation			
i. Through diesel generator			
Units	kwh	7182674	6310319
Units per litre of diesel oil	kwh	3.81	3.45
Cost/Unit	Rs.	8.76	8.46
ii. Through steam turbine/generator			
		-	-
2. Others/Internal generation			
Light diesel oil/diesel oil/furnace oil			
Quantity	kl	7069	6106
Total cost	Rs. in crore	17.16	14.13
Average rate	Rs./kl	24275	23141

B. Consumption per Unit of Production

1. Electricity			
Bulk drugs	(kwh/mt)	67080	63435
2. Light diesel oil/diesel oil/furnace oil			
Bulk drugs	(kl/mt)	2.87	2.65

It is not feasible to classify energy consumption data for formulations on the basis of product categories, since the Company manufactures a large range of formulations with different energy requirements.

II. RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION

A. Research & Development

1. Specific areas in which R&D work is carried out:

The focus of the Company's R&D efforts was on the following areas:

- i. Development of new drug formulations for existing and newer active drug substances.
- ii. Development of agrotechnology, genetics and biotechnology for cultivation of medicinal plants and isolation of active ingredients from plant materials.
- iii. Development of new drug delivery systems for existing and newer active drug substances as also newer medical devices.

ANNEXURE TO THE DIRECTORS' REPORT *contd.*

- iv. Patenting of newer processes/newer products/newer drug delivery systems/ newer medical devices/newer usage of drugs for both local and international markets.
 - v. Development of new innovative technology for the manufacture of existing APIs and their intermediates.
 - vi. Development of new products, both in the area of APIs as well as formulations, specifically for export.
 - vii. Development of methods to improve safety procedures, effluent control, pollution control, etc.
 - viii. Projects to develop APIs and formulations jointly with overseas companies.
 - ix. Development of products related to the indigenous system of medicines.
2. Some of the major benefits derived as a result of R&D include:
- i. Successful commercial scale up of several new APIs and formulations.
 - ii. Development of new drug delivery systems and devices.
 - iii. Improved processes and enhanced productivity in both APIs and formulations.

3. Future plan of action:

The Company will continue its R&D efforts in the various areas indicated in (1) above. The major thrust would be on developing new products and delivery systems.

4. Expenditure on R&D:

	Rs. in crore
a. Capital	28.41
b. Recurring	147.32
Total	<u>175.73</u>

The total R&D expenditure as a percentage of total turnover is nearly 5 per cent.

B. Technology Absorption, Adaptation and Innovation

1. Efforts, in brief, made towards technology absorption, adaptation and innovation:
 - i. Development and patenting of new molecular forms and methods of synthesis.
 - ii. Development of new drug delivery systems.
2. Benefits derived as a result of the above efforts:
 - i. Improvement in operational efficiency through reduction in batch hours, increase in batch sizes, better solvent recovery and simplification of processes.
 - ii. Meeting norms of external regulatory agencies to facilitate more exports.
 - iii. Improvements in effluent treatment, pollution control and all-round safety standards.
 - iv. Maximum utilization of indigenous raw materials.
 - v. Development of products for import substitution.

ANNEXURE TO THE DIRECTORS' REPORT *contd.*

III. FOREIGN EXCHANGE EARNINGS AND OUTGO

1. Activities relating to exports, initiative taken to increase exports, development of new export markets for products and services and export plans:

At Rs.1780 crore, exports registered a growth of 18 per cent and constituted more than 50 per cent of total sales. The Company earned Rs.76 crore towards Technical Know-how/Fees.

Cipla's continued success in its overseas business has been largely due to its strategy of forming key alliances with various partners all over the globe who assist in the registration and marketing of products in local/regional markets. In the U.S. market, Cipla has alliances with nine U.S. generic majors including Teva Pharmaceuticals USA, Inc., Watson Pharmaceuticals, Inc., Eon Labs, Inc. and Morton Grove Pharmaceuticals, Inc. for over 125 projects. Similar alliances exist in Europe, South Africa, Australia as well as in several countries in the Middle East. In other international markets, Cipla has exclusive marketing tie-ups with companies familiar with the local market. The Company currently exports to nearly 180 countries and this will continue to be our thrust area.

2. Total foreign exchange used and earned:

During the year, the foreign exchange outgo was Rs. 765 crore and the earnings in foreign exchange was Rs. 1865 crore. Details of the same have been given in Notes 15 to 17 in Schedule R to the Accounts.

On behalf of the Board,

Y.K. Hamied

Chairman & Managing Director

Mumbai, 20th July 2007

REPORT ON CORPORATE GOVERNANCE

(Pursuant to Clause 49 of the Listing Agreement)

a. Company's Philosophy on Code of Governance

The Company is committed to good corporate governance. The Company respects the rights of its shareholders to secure information on the performance of the Company and it is its endeavour to maximise the long term value to the shareholders of the Company. The Compliance Report is prepared and given below in conformity with the mandatory requirements of the Listing Agreement with the Stock Exchanges.

b. Board of Directors

- The composition of Board of Directors as on 31st March 2007 is as follows:

Category	No. of Directors	%
Executive Directors	3	33
Non-Executive Directors	6	67
Total	9	100

- Five board meetings were held during the year. The dates on which the meetings were held are as follows: 25th April 2006; 21st July 2006; 5th September 2006; 20th October 2006; 23rd January 2007.
- The attendance of Directors at the board meetings and at the last Annual General Meeting and the number of other directorships and committee memberships in public companies (being a director as on the date of the Directors' Report) are given below:

Name of the Director	Category of Directorship	No. of Board Meetings Attended	Last AGM Attended	No. of other Directorships held in Indian Public Companies	No. of other Committee Memberships
Dr. Y.K. Hamied	Executive	2	Yes	Nil	Nil
Mr. M.K. Hamied	- do -	5	Yes	Nil	Nil
Mr. Amar Lulla	- do -	5	Yes	1	3
Dr. H.R. Manchanda	Non-Executive/ Independent	5	Yes	Nil	Nil
Mr. S.A.A. Pinto	- do -	5	Yes	Nil	Nil
Mr. Ramesh Shroff	- do -	5	Yes	2	Nil
Mr. V.C. Kotwal	- do -	3	Yes	Nil	Nil
Dr. M.K. Gurjar	- do -	5	Yes	1	Nil
Mr. M.R. Raghavan	- do -	5	Yes	Nil	Nil

REPORT ON CORPORATE GOVERNANCE *contd.*

- Shareholding of Non-Executive Directors:

As on 31st March 2007, Mr. S.A.A. Pinto, Dr. H.R. Manchanda and Mr. Ramesh Shroff – Non-Executive Directors held 6,19,150, 3,77,500 and 250 equity shares respectively of the Company. None of the other Non-Executive Directors hold any equity shares of the Company.

c. Audit Committee

- The Audit Committee was constituted on 4th September 2000 in compliance with the requirements of Clause 49 of the Listing Agreement. Mr. S.A.A. Pinto is the Chairman and Mr. Ramesh Shroff and Mr. M.R. Raghavan are the members of the Committee, all being independent directors. The Joint Managing Director, Head of Finance and other functional managers along with internal auditors and statutory auditors are invitees to the Audit Committee meeting, as and when necessary. The Company Secretary acts as Secretary to the Committee. The Committee discharges such duties and functions generally indicated in Clause 49 of the Listing Agreement with the Stock Exchanges and such other functions as may be specifically delegated to the Committee by the Board from time to time.
- Meetings and attendance during the year:
The meetings of the Audit Committee were held on 25th April 2006; 21st July 2006; 20th October 2006 and 23rd January 2007 during the year 2006-07 (April to March) where all the members were present.

d. Remuneration to Directors

- The details of remuneration paid to Executive Directors during the year 2006-07 are given below:

Executive Directors	Salary (Rs. in lakhs)	Commission (Rs. in lakhs)	Perquisites and Allowances (Rs. in lakhs)	Retiral Benefits* (Rs. in lakhs)
Dr. Y.K. Hamied	21.00	750.00	14.82	2.52
Mr. M.K. Hamied	18.00	700.00	12.80	2.16
Mr. Amar Lulla	18.00	700.00	12.53	2.16

* Exclusive of provision for leave encashment and contribution to the approved Group Gratuity Fund, which are actuarially determined on an overall basis.

- Notes:
- i) The agreement with each Executive Director is for a period of five years. Either party to the agreement is entitled to terminate the agreement by giving not less than three months' prior notice in writing to the other party.
 - ii) Presently, the Company does not have a scheme for grant of stock options either to the Executive Directors or employees.

REPORT ON CORPORATE GOVERNANCE *contd.*

- The details of payments to Non-Executive Directors during the year 2006-07 are given below:

Non-Executive Directors	Sitting Fees (Rs.)
Dr.H.R.Manchanda	350000
Mr.Ramesh Shroff	90000
Mr.S.A.A.Pinto	420000
Mr.V.C.Kotwal	30000
Dr.M.K.Gurjar	50000
Mr.M.R.Raghavan	100000

Note: The above figures are inclusive of fees paid for attendance of committee meetings.

e. Shareholders'/Investors' Grievance Committee

- The Company has a Shareholders'/Investors' Grievance Committee, which is headed by an independent Non-Executive Director – Mr. S.A.A. Pinto, to attend and address the grievances of the shareholders/ investors as and when received. The other members of the Committee are:
Mr.M.K.Hamied – Executive Director
Dr.H.R.Manchanda – Non-Executive Director
- During the year, the Committee met on 25th April 2006; 21st July 2006; 20th October 2006 and 23rd January 2007 where all members were present.
- The Company Secretary acts as the Compliance Officer of the Company. The Company attends the shareholders'/investors' grievances/correspondence expeditiously. During the year under review, 60 investor complaints were received and all of them have been resolved. There were 2 share transfer requests and 7 demat requests pending as on 31st March 2007.

f. General Body Meetings

- The last three Annual General Meetings of the Company were held at Amar Gian Grover Auditorium, Lala Lajpat Rai Marg, Haji Ali, Mumbai-400 034 at 3.00 p.m.
- An Extraordinary General Meeting of the Company was held on 21st April 2004 at Amar Gian Grover Auditorium, Lala Lajpat Rai Marg, Haji Ali, Mumbai-400 034 at 3.00 p.m. *inter alia* for approval of subdivision in face value of shares.

REPORT ON CORPORATE GOVERNANCE *contd.*

- The Company obtained the approval of the members, through postal ballot on 21st March 2006 on the following business:

Sr. No.	Description	Type of Resolution	Votes cast in favour (%)
1.	Increase in the Authorised Share Capital of the Company	Ordinary Resolution	97.55
2.	Alteration in the Memorandum of Association of the Company	Ordinary Resolution	99.26
3.	Alteration in the Articles of Association of the Company	Special Resolution	99.25
4.	Issue of Bonus Shares	Ordinary Resolution	99.69
5.	Further issue of securities in the domestic and/or international market	Special Resolution	94.83
6.	Increasing the limit of investment by Foreign Institutional Investors (FIIs)	Special Resolution	96.72
7.	Reappointment of Mr. Amar Lulla as Joint Managing Director	Ordinary Resolution	99.37
8.	Enhancement of borrowing limits	Ordinary Resolution	96.14

Mr.S.N.Ananthasubramanian, Practising Company Secretary, was appointed as Scrutinizer for conducting the postal ballot process. All the aforesaid resolutions were passed with requisite majority.

- No resolution was passed through postal ballot during the financial year ended 31st March 2007.

g. Disclosures

- The Company has not entered into any transaction of material nature with the Promoters, the Directors or the Management, their subsidiaries or relatives, etc. that may have any potential conflict with the interests of the Company.
- The Company has complied with the requirements of the Stock Exchanges, SEBI and other statutory authorities on all matters related to capital markets during the last three years. There were no penalties imposed nor any strictures passed on the Company by the Stock Exchanges, SEBI or any other statutory authority relating to the above.

h. Code of Conduct

- The Code of Conduct for the Directors and Senior Management of the Company has been laid down by the Board and the same is posted on the website of the Company. The CEO hereby declares that the Board Members and Senior Management affirmed compliance with the Code of Conduct of the Company.

REPORT ON CORPORATE GOVERNANCE *contd.*

i. CEO/CFO Certification

- The CEO/CFO of the Company have certified to the Board as required under Clause 49 (V) of the Listing Agreement.

j. Means of Communication

- The half-yearly/quarterly results are published in the newspapers (Mumbai edition) and are not being sent to each household of shareholders.
- The results are usually published in the following newspapers:
 - i) The Economic Times
 - ii) Navbharat Times
 - iii) The Financial Express
 - iv) Business Standard
 - v) The Hindu Business Line
 - vi) Sakaal
- The annual/half-yearly/quarterly results, other official news releases and presentations are displayed on the website of the Company - www.cipla.com
- The Management Discussion and Analysis Report forms part of the Directors' Report.

k. General Shareholder Information

- Date, Time and Venue of the AGM : Friday, 24th August 2007 at 3.00 p.m.
Amar Gian Grover Auditorium,
Lala Lajpat Rai Marg, Haji Ali,
Mumbai-400 034
- Financial Calendar : April to March
- Adoption of Quarterly Results for the Quarter Ending : 3rd/4th week of
 - 30th June 2007 July 2007
 - 30th September 2007 October 2007
 - 31st December 2007 January 2008
 - 31st March 2008 April 2008
- Date of Book Closure : 10th August 2007 to 24th August 2007 (both days inclusive)
- Dividend Payment Date : On or before 23rd September 2007
- Issue of Bonus Shares : The Company issued and allotted 46,63,74,814 equity shares as fully paid-up Bonus Shares in the ratio of three equity shares for every existing two shares held for which 25th April 2006 was fixed as the record date. The Bonus Shares have been listed on Bombay Stock Exchange Limited effective 19th May 2006 and on National Stock Exchange of India Limited effective 22nd May 2006.

REPORT ON CORPORATE GOVERNANCE *contd.*

- Listing on Stock Exchanges : Equity Shares: Bombay Stock Exchange Limited and National Stock Exchange of India Limited
Global Depository Receipts (GDRs): Luxembourg Stock Exchange
The Company has paid the requisite annual listing fees to the above stock exchanges for the financial year 2007-08.
- Stock Code : 500087 on Bombay Stock Exchange Limited
CIPLA EQ on National Stock Exchange of India Limited
- ISIN Number for NSDL & CDSL : INE059A01026
- Market Price Data : The high and low prices of every month during the financial year 2006-07 are given below. The Company's market capitalisation is included in the computation of BSE Sensex and S&P CNX NIFTY Index.

Year (2006-07)	Bombay Stock Exchange Ltd. (BSE)			National Stock Exchange of India Ltd. (NSE)		
	High (Rs.)	Low (Rs.)	Number of Shares Traded	High (Rs.)	Low (Rs.)	Number of Shares Traded
April	761.80	225.00 [*]	17379689	760.00	221.25 [*]	53411791
May	280.35	178.00	19852774	280.00	180.00	53820056
June	236.00	188.25	18420075	240.00	182.00	47374492
July	238.25	208.25	14415724	238.40	208.25	37144223
August	255.00	225.05	10935198	280.00	225.40	35068472
September	268.90	240.00	8525467	269.00	239.15	30076583
October	267.50	251.60	6048827	270.70	251.15	17341861
November	275.00	247.05	6636414	274.80	247.50	20033296
December	260.45	230.55	4152933	260.90	230.15	15748316
January	261.50	239.60	4911203	262.50	231.10	15610876
February	259.90	226.00	3071255	267.00	220.10	14196521
March	243.70	215.00	5054701	246.75	180.25	16217474

* Monthly low price of April and all prices thereafter are Ex-Bonus.

REPORT ON CORPORATE GOVERNANCE *contd.*

- Address for Correspondence

All communications with regard to transfer, transmission, Electronic Clearing Service (ECS), dividend, demat, etc. should be addressed to the Share Transfer Agents viz. Karvy Computershare Pvt. Ltd.

Share Transfer Agents : Karvy Computershare Pvt. Ltd.
(Unit: Cipla Ltd.)
Plot No. 17 to 24,
Vittal Rao Nagar, Madhapur,
Hyderabad - 500 081
Tel: (040) 2342 0818
Fax: (040) 2342 0814
E-mail: mailmanager@karvy.com
Website: www.karvy.com

Registered Office : Shares Department
Cipla Ltd.
Mumbai Central,
Mumbai - 400 008
Tel: (022) 2302 5272/2309 5521
Fax: (022) 2300 8101
E-mail: cosecretary@cipla.com
Website: www.cipla.com

REPORT ON CORPORATE GOVERNANCE *contd.*

- Share Transfer System

A Committee of Directors has been constituted to approve the transfer, transmission, issue of duplicate share certificates and allied matters. The Company's Share Transfer Agents, M/s. Karvy Computershare Pvt. Ltd., have adequate infrastructure to process the above matters.

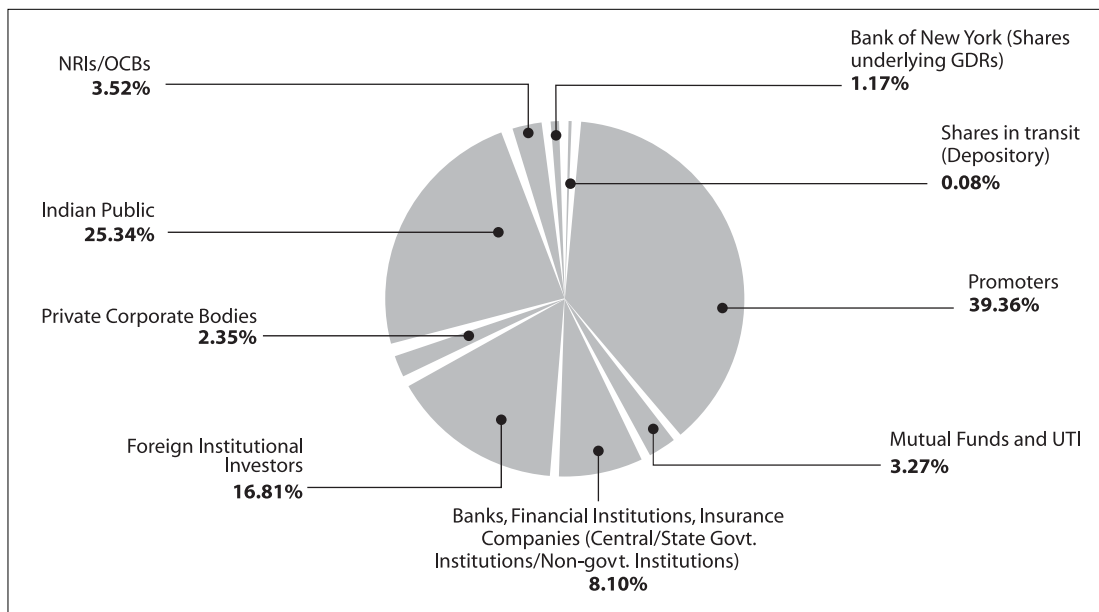
A predetermined process cycle at regular interval ensures transfer of shares expeditiously. In compliance with the Listing Agreement, every six months the system is audited by a Practising Company Secretary and a certificate to that effect is issued and filed with the Stock Exchanges.

- Distribution of shareholding as on 31st March 2007
(Class-wise distribution of Equity Shares)

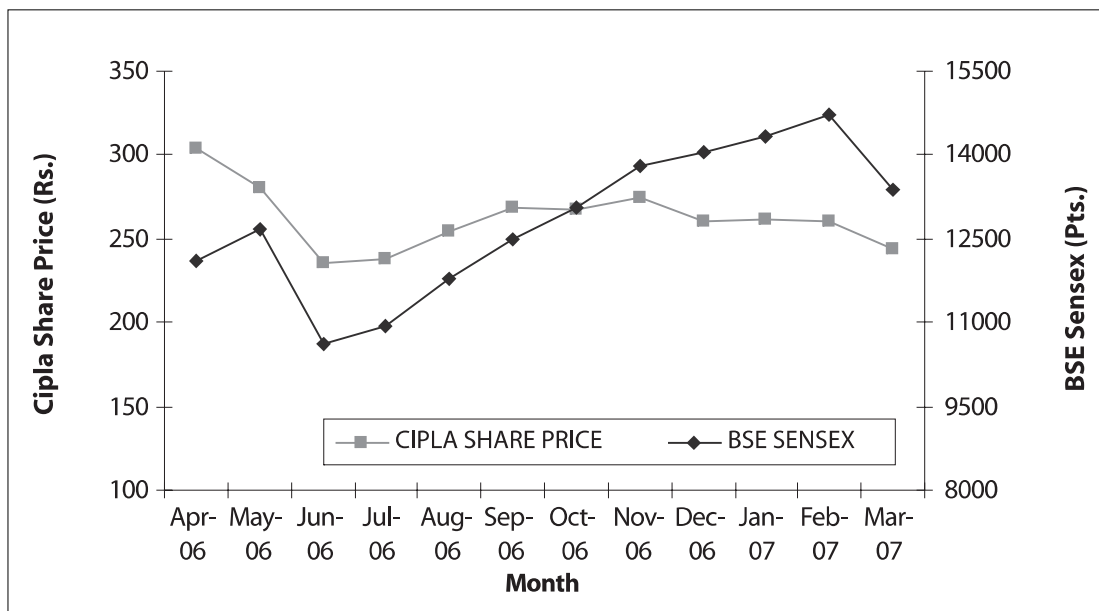
Shareholding	No. of Folios	% of Total	No. of Shares	% of Total
1-2500	191610	97.32	33779583	4.35
2501-5000	1835	0.93	6759646	0.87
5001-10000	1088	0.55	8012923	1.03
10001-15000	595	0.30	7381708	0.95
15001-20000	253	0.13	4508223	0.58
20001-25000	258	0.13	5875472	0.75
25001-50000	414	0.21	15231505	1.96
Above 50000	841	0.43	695742297	89.51
Total	196894	100.00	777291357	100.00
Physical Mode	2174	1.10	121489489	15.63
Electronic Mode	194720	98.90	655801868	84.37

REPORT ON CORPORATE GOVERNANCE *contd.*

- Shareholding Pattern as on 31st March 2007



- Performance in comparison to BSE SENSEX – Year 2006-07
(Adjusted for Bonus Shares issued in the ratio of 3:2)



REPORT ON CORPORATE GOVERNANCE *contd.*

- Dematerialisation and Liquidity of Shares

As on 31st March 2007, 84 per cent of the share capital was held in demat mode. The equity shares of the Company are traded in the 'A'/Forward group and have been included in the SENSEX at Bombay Stock Exchange Limited. It is also included in S&P CNX NIFTY of National Stock Exchange of India Limited. It is among the select scrips in which derivatives trading has been permitted in the form of stock futures and stock options.

- Outstanding GDRs/ADRs/Warrants

Consequent to the approval of the members through Postal Ballot on 21st March 2006, the Company successfully raised US\$ 170 million through issue of GDRs. On 18th April 2006, the GDR Committee of the Board of Directors approved and allotted 1,10,46,310 equity shares of face value Rs.2 each underlying GDRs to The Bank of New York, the Depository. The GDRs are listed on Luxembourg Stock Exchange and the underlying equity shares are listed on Bombay Stock Exchange Limited effective 26th April 2006 and on National Stock Exchange of India Limited effective 28th April 2006. As on 31st March 2007, 91,15,001 GDRs were outstanding.

- Plant Locations

: Virgonagar, Old Madras Road,
Bangalore - 560 049, Karnataka

MIDC, Patalganga - 410 220,
Dist. Raigad, Maharashtra

D-7, MIDC Industrial Area,
Kurkumbh - 413 802,
Dist. Pune, Maharashtra

Verna Industrial Estate,
Verna - 403 722, Salcette, Goa

Village Malpur Upper, P.O. Bhud,
Nalagarh, Baddi - 173 205,
Dist. Solan, Himachal Pradesh

REPORT ON CORPORATE GOVERNANCE *contd.*

To the Members of Cipla Limited,

Re: **Certificate on Corporate Governance**

I have examined all relevant records of CIPLA LIMITED for the purpose of certifying compliance of the conditions of Corporate Governance under Clause 49 of the Listing Agreement with Bombay Stock Exchange Limited and National Stock Exchange of India Limited for the financial year ended on 31st March 2007. I have to the best of my knowledge and belief obtained all the information and explanations, which were necessary for the purpose of certification.

The compliance of conditions of Corporate Governance is the responsibility of the Management. My examination was limited to the procedure and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

On the basis of my examination of records produced, explanations and information furnished, I certify that the Company has complied with all the mandatory conditions of the said Clause 49 of the Listing Agreement.

This certificate is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the Management has conducted the affairs of the Company.

N. R. Moorthy
Practising Company Secretary
FCS: 193 CP: 7352

Mumbai, 20th July 2007

AUDITORS' REPORT TO THE MEMBERS OF CIPLA LIMITED

1. We have audited the attached Balance Sheet of Cipla Limited as at 31st March 2007 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with the auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 as amended by Companies (Auditors' Report) (Amendment) Order, 2004 (hereinafter referred to as "the Order") issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books;
 - c. The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d. In our opinion the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - e. On the basis of the written representations received from the Directors as on 31st March 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2007, from being appointed as a Director in terms of Section 274(1)(g) of the Companies Act, 1956; and
 - f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2007;
 - ii. In the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - iii. In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For R.S. Bharucha & Co.,
Chartered Accountants

M.R. Amin
Partner
Membership No. 114010

Mumbai, 20th July 2007

For R.G.N. Price & Co.,
Chartered Accountants

R. Rangarajan
Partner
Membership No. 41883

Mumbai, 20th July 2007

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

1. a. The Company has generally maintained proper records showing full particulars including quantitative details and situation of fixed assets, other than the situation of furniture and fixtures and office equipment where the situation recorded is the location of the Company's different establishments.
- b. The Company has a policy of physically verifying its fixed assets periodically, which in our opinion is reasonable having regard to the size of the Company and the nature of its business. During the year, some of the fixed assets have been physically verified by the management and discrepancies noticed during the physical verification and the assets scrapped during the year have been properly dealt with in the books of account.
- c. The fixed assets that have been sold/disposed of during the year do not constitute a substantial part of the total fixed assets of the Company. Hence, the going concern concept has not been affected.
2. a. The inventory has been physically verified by the management at reasonable intervals during the year. The verification was made on the basis of the perpetual inventory system operated by the Company. In case of materials lying with third parties, certificates confirming such inventory have been obtained by the Company from most of the third parties.
- b. In our opinion and on the basis of the information and explanations given to us, the procedures for physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c. The Company has maintained proper records of inventory. The discrepancies noticed on physical verification of stock as compared to the book records were not material.
3. a. As informed to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. Therefore, requirements of clauses (iii-b), (iii-c) and (iii-d) of paragraph 4 of the Order are not applicable.
- b. As informed to us, the Company has not taken any loans, secured or unsecured from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. Therefore, requirements of clauses (iii-f) and (iii-g) of paragraph 4 of the Order are not applicable.
4. In our opinion and according to the information and explanations given to us, there is generally adequate internal control system commensurate with the size of the Company and the nature of its business for purchase of inventory and fixed assets and for the sale of goods and services. During the course of audit, no major weakness has been noticed in these internal control systems.
5. In our opinion and according to the information and explanations given to us, there are no contracts or arrangements referred to in Section 301 of the Companies Act, 1956 that need to be entered in the Register required to be maintained under that section. Hence clause (v-b) of paragraph 4 of the Order is not applicable.
6. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposit from the public within the meaning of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.
7. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
8. We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that, *prima facie*, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the accounts and records with a view to determine whether they are accurate or complete.
9. a. According to the records of the Company, undisputed Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it have been regularly deposited with the appropriate

ANNEXURE TO THE AUDITORS' REPORT *contd.*

authorities. There were no arrears as at 31st March 2007 for a period of more than six months from the date they became payable.

- b. According to the information and explanations given to us, the dues in respect of Sales Tax, Income Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess that have not been deposited with the appropriate authorities on account of dispute as at 31st March 2007 and the forum where the disputes are pending are given below:

Nature of dues	Financial years to which the matter pertains	Forum where dispute is pending	Amount Rs. in crore
Sales Tax	1990-91 to 1995-96	State Sales Tax Tribunal	0.17
Excise Duty	1994-95, 1999-00, 2000-01, 2001-02, 2002-03, 2003-04, 2004-05	CESTAT/ Commissioner (Appeals)	2.98

10. The Company does not have accumulated losses at the end of the financial year and has not incurred cash losses in the current year or in the immediately preceding financial year.
11. According to the information and explanations given to us and based on our observations during the audit, the Company has not defaulted in repayment of dues to any financial institution or bank.
12. According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit funds/nidhi/mutual benefits funds/society do not apply to the Company.
14. In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in shares, securities, debentures or other investments. Accordingly, the provisions of Clause 4(xiv) of the Order are not applicable to the Company.
15. According to the information and explanations given to us and the representations made by the management, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. The Company has not obtained any term loans.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investment.
18. The Company has not made preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
19. The Company has not issued any debentures.
20. The Company has not raised any money through a public issue during the year.
21. According to the information and explanations given by the Company and based on our audit, no fraud on or by the Company has been noticed or reported by the Company during the year.

For R.S. Bharucha & Co.,
Chartered Accountants

M.R. Amin
Partner
Membership No. 114010

Mumbai, 20th July 2007

For R.G.N. Price & Co.,
Chartered Accountants

R. Rangarajan
Partner
Membership No. 41883

Mumbai, 20th July 2007

BALANCE SHEET

Rupees in crore

As at 31 st March 2007	Schedule	2007	2006
Sources of Funds			
Shareholders' Funds			
Share Capital	A	155.46	59.97
Reserves & Surplus	B	<u>3080.81</u>	<u>1923.30</u>
		3236.27	1983.27
Loan Funds			
Secured Loans	C	7.25	51.27
Unsecured Loans	D	<u>116.31</u>	<u>417.64</u>
		123.56	468.91
Deferred Tax Liabilities			
	M	112.65	97.95
		3472.48	<u>2550.13</u>
Application of Funds			
Fixed Assets			
Gross Block	E	1799.71	1366.67
Less: Depreciation		<u>411.64</u>	<u>310.06</u>
Net Block		1388.07	1056.61
Capital Work-in-Progress		<u>73.19</u>	<u>87.01</u>
		1461.26	1143.62
Investments			
	F	117.80	22.43
Current Assets, Loans & Advances			
Inventories	G	978.60	957.00
Sundry Debtors	H	1028.78	875.96
Cash & Bank Balances	I	131.49	44.48
Other Current Assets	J	24.83	13.35
Loans & Advances	K	<u>670.98</u>	<u>401.50</u>
		2834.68	2292.29
Less: Current Liabilities & Provisions			
Liabilities	L	531.13	635.90
Provisions		<u>410.13</u>	<u>272.31</u>
		941.26	908.21
Net Current Assets			
		1893.42	1384.08
		3472.48	<u>2550.13</u>
Notes to the Accounts			
	R		

As per our report of even date

For R.S. Bharucha & Co.,
Chartered Accountants

M.R. Amin
Partner
Membership No. 114010

Mumbai, 20th July 2007

For R.G.N. Price & Co.,
Chartered Accountants

R. Rangarajan
Partner
Membership No. 41883

Y.K. Hamied
Chairman & Managing Director

M.K. Hamied
Amar Lulla
Joint Managing Directors

M.K. Gurjar
V.C. Kotwal
H.R. Manchanda
S.A.A. Pinto
M.R. Raghavan
Ramesh Shroff
Directors

Mital Sanghvi
Company Secretary

Mumbai, 20th July 2007

PROFIT AND LOSS ACCOUNT

Rupees in crore

For the year ended 31 st March 2007	Schedule	2007	2006
Income			
Gross Sales		3533.17	3019.68
Less: Excise Duty		94.93	128.32
Net Sales		3438.24	2891.36
Other Income	N	230.55	188.27
		3668.79	3079.63
Expenditure			
Material Cost	O	1725.58	1411.57
Employee Cost	P	184.59	149.86
Manufacturing Expenses		173.32	159.59
Other Expenses	Q	667.00	557.17
Interest - Fixed period		4.83	10.64
- Others		2.12	0.78
Depreciation		103.72	80.92
Less: Transferred from Revaluation Reserve		0.35	0.74
		103.37	80.18
		2860.81	2369.79
Profit before Tax		807.98	709.84
Provision for Tax - Current Tax		121.75	89.00
- Deferred Tax		14.70	9.00
- Fringe Benefit Tax		3.50	4.20
Profit after Tax		668.03	607.64
Surplus brought forward from last Balance Sheet		304.20	233.82
Profit available for Appropriation		972.23	841.46
Appropriations			
Proposed Dividend		155.46	155.46
Tax on Dividend		26.42	21.80
Transferred to General Reserve		400.00	360.00
Surplus carried forward		390.35	304.20
		972.23	841.46
Basic and Diluted Earning per Share (Rs.) (Schedule R-Note 23)		8.61	20.26

Notes to the Accounts

R

As per our report of even date

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Chartered Accountants

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Company Secretary

Mumbai, 20th July 2007

SCHEDULES TO THE ACCOUNTS

	Rupees in crore	
	2007	2006
A Share Capital		
Authorised		
87,50,00,000 Equity Shares of Rs. 2 each (Previous year 87,50,00,000 Equity Shares of Rs. 2 each)	175.00	175.00
	175.00	175.00
Issued		
77,82,94,752 Equity Shares of Rs. 2 each (Previous year 30,08,73,628 Equity Shares of Rs. 2 each)	155.66	60.17
	155.66	60.17
Subscribed & Paid-up		
77,72,91,357 Equity Shares of Rs. 2 each (Previous year 29,98,70,233 Equity Shares of Rs. 2 each)	155.46	59.97
	155.46	59.97
<i>Notes: Of the above Equity Shares:</i>		
i. 75,83,20,444 shares of Rs. 2 each (Previous year 29,19,45,630 shares of Rs. 2 each) were allotted as fully paid-up Bonus Shares by capitalisation of General Reserve & Securities Premium Account. Out of 75,83,20,444 shares of Rs. 2 each, 46,63,74,814 shares of Rs. 2 each were allotted as Bonus Shares in May 2006.		
ii. 1,10,46,310 shares of Rs. 2 each underlying GDRs were allotted in April 2006.		
iii. 8,488 shares of Rs. 2 each were issued for consideration other than cash pursuant to the Scheme of Arrangement in September 2004.		

	Rupees in crore	
	2007	2006
B Reserves & Surplus		
Capital Reserve	0.08	0.08
Revaluation Reserve		
As per last Balance Sheet	9.32	10.06
Less: Transferred to Profit and Loss Account	0.35	0.74
	8.97	9.32
Securities Premium Account		
As per last Balance Sheet	48.68	48.68
Add: Premium on issue of GDRs	764.98	-
	813.66	48.68
Less: Amount capitalised by issue of Bonus Shares	48.68	-
	764.98	48.68
General Reserve		
As per last Balance Sheet	1561.02	1201.02
Less: Amount capitalised by issue of Bonus Shares	44.59	-
	1516.43	1201.02
Add: Transferred from Profit and Loss Account	400.00	360.00
	1916.43	1561.02
Surplus in Profit and Loss Account	390.35	304.20
	3080.81	1923.30

SCHEDULES TO THE ACCOUNTS *contd.*

Rupees in crore		
	2007	2006
C Secured Loans		
Amounts drawn against Cash and Export Credit Accounts with Banks (Secured by hypothecation of tangible movable assets and receivables)	7.25	51.27
	7.25	51.27

Rupees in crore		
	2007	2006
D Unsecured Loans		
Fixed Deposits*	0.01	0.03
Interest Accrued & due on Fixed Deposits*	–	0.00
Other Loans & Advances		
Govt. of Maharashtra Sales Tax Loan	0.01	0.01
HDFC – Line of Credit	0.01	0.05
Maharashtra Govt. Sales Tax Deferral	5.49	5.07
Loans from Banks	110.79	412.48
	116.30	417.61
	116.31	417.64
<i>Notes:</i> i. A sum of Rs. 110.96 crore (Previous year Rs. 386.60 crore) is repayable out of Unsecured Loans within the next 12 months.		
ii. *There are no amounts due and outstanding to be credited to Investor Education & Protection Fund.		

Rupees in crore							
ASSETS	GROSS BLOCK AT COST/REVALUATION			DEPRECIATION		NET BLOCK	
	As at 31.03.06	Additions	Deletions	As at 31.03.07	As at 31.03.07	As at 31.03.07	As at 31.03.06
Freehold Land	14.88	11.87	–	26.75	–	26.75	14.88
Leasehold Land	10.89	8.01	–	18.90	1.81	17.09	9.54
Buildings & Flats	270.34	104.16	0.17	374.33	54.06	320.27	227.13
Plant & Machinery	1017.49	303.03	3.03	1317.49	341.32	976.17	763.16
Furniture & Fixtures	45.34	10.18	–	55.52	12.64	42.88	36.00
Vehicles	7.73	1.22	2.23	6.72	1.81	4.91	5.90
Total	1366.67	438.47	5.43	1799.71	411.64	1388.07	1056.61
Previous Year	986.67	414.99	34.99	1366.67	310.06		
Capital Work-in-Progress (At Cost)						73.19	87.01
Total						1461.26	1143.62
<i>Note:</i> The gross value of Buildings & Flats includes the cost of shares in Co-operative Housing Societies.							

SCHEDULES TO THE ACCOUNTS *contd.*

	Rupees in crore	
	2007	2006
F Investments		
Long Term Investments		
Government Securities		
<i>Unquoted</i>		
National Savings Certificates	0.03	0.03
Other Investments		
Trade		
<i>Unquoted</i>		
The Saraswat Co-operative Bank Limited 1,000 Equity Shares of Rs. 10 each, fully paid - Rs.10,000 (Previous year - Rs.10,000)	0.00	0.00
In Subsidiary Company 1 (Previous year Nil) Equity Share of AED10,00,000 of Cipla FZE fully paid	1.27	-
Other than Trade		
<i>National Bank for Agriculture and Rural Development</i> 2,000 (Previous year 2,000) Capital Gains Bonds of Face Value Rs.10,000 each, fully paid	2.00	2.00
<i>National Housing Bank</i> 1,000 (Previous year 1,000) Capital Gains Bonds of Face Value Rs.10,000 each, fully paid	1.00	1.00
<i>Rural Electrification Corporation Limited</i> 1,000 (Previous year 1,000) Non-convertible Redeemable Taxable Bonds - Series V of Face Value Rs.10,000 each, fully paid	1.00	1.00
Current Investments		
Mutual Funds		
<i>Birla Sun Life Mutual Fund "Birla Cash Plus" - Institutional Premium Daily Dividend Scheme</i> 98,505 (Previous year 33,93,925) units (17,72,26,450 units purchased and 18,05,21,870 units redeemed during the year)	0.01	3.40
<i>Birla Sun Life Mutual Fund "Birla FMP Series 2" - Quarterly Dividend Scheme</i> Nil (Previous year Nil) units (49,85,542 units purchased and redeemed during the year)	-	-
<i>Birla Sun Life Mutual Fund "Birla FTP Series 5" - Quarterly Dividend Scheme</i> 1,00,00,000 (Previous year Nil) units (1,00,00,000 units purchased during the year)	10.00	-
<i>DBS Chola Mutual Fund "Chola Liquid" - Institutional Daily Dividend Plan</i> Nil (Previous year Nil) units (9,88,90,104 units purchased and redeemed during the year)	-	-
<i>Deutsche Asset Management "DWS Insta Cash Plus" - Institutional Daily Dividend Scheme</i> Nil (Previous year Nil) units (7,98,21,988 units purchased and redeemed during the year)	-	-

SCHEDULES TO THE ACCOUNTS *contd.*

	Rupees in crore	
	2007	2006
F Investments - contd.		
<i>DSP Merrill Lynch Liquidity Fund - Institutional Daily Dividend Scheme</i> Nil (Previous year Nil) units (6,79,526 units purchased and redeemed during the year)	-	-
<i>Fidelity Mutual Fund "Fidelity Cash Fund" - Institutional Daily Dividend Scheme</i> Nil (Previous year Nil) units (20,05,553 units purchased and redeemed during the year)	-	-
<i>Fidelity Mutual Fund "Fidelity Short Term Income" - Institutional Dividend Scheme</i> Nil (Previous year Nil) units (50,71,597 units purchased and redeemed during the year)	-	-
<i>Franklin Templeton Investments "Templeton India Treasury Management Account" - Super Institutional Daily Dividend Plan</i> 275 (Previous year Nil) units (9,05,200 units purchased and 9,04,925 units redeemed during the year)	0.03	-
<i>Franklin Templeton Investments "Templeton India Treasury Management Account" - Institutional Daily Dividend Plan</i> Nil (Previous year Nil) units (99,990 units purchased and redeemed during the year)	-	-
<i>Franklin Templeton Investments "Templeton India Treasury Management Account" - Regular Daily Dividend Plan</i> Nil (Previous year Nil) units (39,731 units purchased and redeemed during the year)	-	-
<i>ING Vysya Mutual Fund "ING Vysya Liquid Fund" - Super Institutional Daily Dividend Scheme</i> Nil (Previous year Nil) units (12,59,59,849 units purchased and redeemed during the year)	-	-
<i>JM Financial Mutual Fund "Fixed Maturity Fund Series III" - Monthly Plan Dividend</i> Nil (Previous year Nil) units (1,51,55,663 units purchased and redeemed during the year)	-	-
<i>JM Financial Mutual Fund "High Liquidity Fund" - Super Institutional Daily Dividend Scheme</i> Nil (Previous year Nil) units (5,74,83,496 units purchased and redeemed during the year)	-	-
<i>Kotak Mahindra Mutual Fund "Kotak Liquid" - Institutional Premium Daily Dividend Scheme</i> Nil (Previous year 1,22,68,739) units (23,10,71,424 units purchased and 24,33,40,163 units redeemed during the year)	-	15.00
<i>Lotus India Mutual Fund "Liquid Fund" - Institutional Plus Daily Dividend Scheme</i> Nil (Previous year Nil) units (2,20,89,156 units purchased and redeemed during the year)	-	-
<i>Lotus India Mutual Fund "FMP- 3 Months Series I" - Institutional Dividend Scheme</i> 50,38,709 (Previous year Nil) units (50,38,709 units purchased during the year)	5.04	-
<i>OptiMix Active Debt Multi-Manager "FoF Scheme" - Dividend</i> Nil (Previous year Nil) units (5,00,000 units purchased and redeemed during the year)	-	-

SCHEDULES TO THE ACCOUNTS *contd.*

	Rupees in crore	
	2007	2006
F Investments - contd.		
<i>Principal Mutual Fund "Principal Cash Management Fund" - Institutional Premium Plan Daily Dividend Scheme</i> 1,98,27,382 (Previous year Nil) units (11,06,69,664 units purchased and 9,08,42,282 units redeemed during the year)	19.83	-
<i>Prudential ICICI Mutual Fund "Prudential ICICI Liquid Plan" - Super Institutional Daily Dividend Scheme</i> 93,40,674 (Previous year Nil) units (11,58,40,674 units purchased and 10,65,00,000 units redeemed during the year)	9.34	-
<i>Prudential ICICI Mutual Fund "FMP Series 35" - Three Month Plan B - Retail Dividend</i> 1,00,98,497 (Previous year Nil) units (1,00,98,497 units purchased during the year)	10.10	-
<i>Prudential ICICI Mutual Fund "FMP Series 34" - Six Month Plan B - Retail Dividend</i> 2,50,00,000 (Previous year Nil) units (2,50,00,000 units purchased during the year)	25.00	-
<i>Reliance Mutual Fund "Fixed Horizon Fund" - Monthly Plan A - Series IV Dividend Option</i> Nil (Previous year Nil) units (2,34,80,389 units purchased and redeemed during the year)	-	-
<i>Reliance Mutual Fund "Fixed Horizon Fund" - Monthly Plan A - Series V Dividend Option</i> Nil (Previous year Nil) units (2,35,90,465 units purchased and redeemed during the year)	-	-
<i>Reliance Mutual Fund "Treasury Plan" - Institutional Option Daily Dividend Scheme</i> Nil (Previous year Nil) units (1,52,94,061 units purchased and redeemed during the year)	-	-
<i>Reliance Mutual Fund "Fixed Horizon Fund" - Monthly Plan A - Series VI Dividend Option</i> Nil (Previous year Nil) units (2,37,07,994 units purchased and redeemed during the year)	-	-
<i>Reliance Mutual Fund "Fixed Horizon Fund I" - Monthly Plan - Series I Dividend Plan</i> Nil (Previous year Nil) units (2,37,07,994 units purchased and redeemed during the year)	-	-
<i>Reliance Mutual Fund "Fixed Horizon Fund I" - Monthly Plan - Series II Dividend Plan</i> Nil (Previous year Nil) units (2,38,23,203 units purchased and redeemed during the year)	-	-
<i>Reliance Mutual Fund "Fixed Horizon Fund I" - Monthly Plan - Series III Dividend Plan</i> Nil (Previous year Nil) units (2,39,46,950 units purchased and redeemed during the year)	-	-

SCHEDULES TO THE ACCOUNTS *contd.*

	Rupees in crore	
	2007	2006
F Investments - contd.		
<i>Reliance Mutual Fund "Fixed Horizon Fund I" - Monthly Plan - Series IV Dividend Plan</i>		
Nil (Previous year Nil) units (2,40,69,970 units purchased and redeemed during the year)	-	-
<i>Reliance Mutual Fund "Fixed Horizon Fund 1" - Quarterly Plan - Series IV Dividend Plan</i>		
50,00,000 (Previous year Nil) units (50,00,000 units purchased during the year)	5.00	-
<i>Sundaram BNP Paribas Mutual Fund "Sundaram Money Fund" - Super Institutional Daily Dividend Scheme</i>		
Nil (Previous year Nil) units (7,33,15,990 units purchased and redeemed during the year)	-	-
<i>Sundaram BNP Paribas Mutual Fund "Fixed Term Plan" - Series VIII (30 Days) Dividend Plan</i>		
Nil (Previous year Nil) units (1,00,49,090 units purchased and redeemed during the year)	-	-
<i>Sundaram BNP Paribas Mutual Fund "Fixed Term Plan" - Series X (30 Days) Dividend Plan</i>		
Nil (Previous year Nil) units (1,00,49,090 units purchased and redeemed during the year)	-	-
<i>SBI Mutual Fund "SBI Debt Fund Series" - 60 Days - Dividend</i>		
Nil (Previous year Nil) units (50,00,000 units purchased and redeemed during the year)	-	-
<i>SBI Mutual Fund "SBI Debt Fund Series" - 90 Days II - Dividend</i>		
50,00,000 (Previous year Nil) units (50,00,000 units purchased during the year)	5.00	-
<i>Tata Mutual Fund "Liquid Super High Investment Fund" - Daily Dividend Scheme</i>		
7,141 (Previous year Nil) units (1,05,56,854 units purchased and 1,05,49,713 units redeemed during the year)	0.80	-
<i>Tata Mutual Fund "Fixed Horizon Fund" Series 8 - Scheme F Dividend Inst Plan</i>		
1,00,90,452 (Previous year Nil) units (1,00,90,452 units purchased during the year)	10.09	-
<i>Taurus Mutual Fund "Taurus Liquid Fund" - Dividend Plan</i>		
Nil (Previous year Nil) units (1,00,36,724 units purchased and redeemed during the year)	-	-
<i>UTI Mutual Fund "UTI Liquid Cash Plan" - Institutional Daily Income Scheme</i>		
1,20,378 (Previous year Nil) units (10,89,365 units purchased and 9,68,987 units redeemed during the year)	12.27	-
	117.80	22.43
Aggregate of Unquoted Investments at Book Value Rs. 117.80 crore (Previous year Rs. 22.43 crore)		

SCHEDULES TO THE ACCOUNTS *contd.*

		Rupees in crore	
		2007	2006
G Inventories			
[As valued by the Management & certified by Cost Auditors. Schedule R–Note 1(iv)]			
Raw Materials		532.40	480.07
Work-in-Process		139.36	133.86
Finished Goods		306.84	343.07
		<u>978.60</u>	<u>957.00</u>

		Rupees in crore	
		2007	2006
H Sundry Debtors			
Unsecured			
Over Six Months			
Considered Good	248.30		115.12
Considered Doubtful	0.31		6.43
	<u>248.61</u>		<u>121.55</u>
Less: Provision for Doubtful Debts	0.31		6.43
		248.30	115.12
Others			
Considered Good		780.48	760.84
		<u>1028.78</u>	<u>875.96</u>

		Rupees in crore	
		2007	2006
I Cash & Bank Balances			
Cash in hand		0.67	0.35
Balances with Scheduled Banks in Current Accounts		54.64	44.10
Balances with Non-scheduled Banks in Current Accounts - HSBC Bank Middle East Limited, Dubai, U.A.E. (maximum amount outstanding at any time during the year - Rs. 1.68 crore, Previous year Nil)		1.02	-
Fixed Deposits with Banks		75.16	0.03
		<u>131.49</u>	<u>44.48</u>

SCHEDULES TO THE ACCOUNTS *contd.*

		Rupees in crore	
		2007	2006
J Other Current Assets			
Unsecured (Considered good, unless otherwise stated)			
Interest accrued on Inter-corporate Loans, Government Securities & Deposits:			
Considered Good	0.69		0.15
Considered Doubtful	0.60		0.60
	1.29		0.75
<i>Less:</i> Provision for Doubtful Interest	0.60		0.60
		0.69	0.15
Export Incentives Receivable		23.32	12.62
Rent and Lease Rentals Receivable		0.82	0.58
		24.83	13.35

		Rupees in crore	
		2007	2006
K Loans & Advances			
Unsecured (Considered good, unless otherwise stated)			
Advances recoverable in cash or in kind or for value to be received:			
Considered Good	202.49		124.66
Considered Doubtful	0.07		0.07
	202.56		124.73
<i>Less:</i> Provision for Doubtful Advances	0.07		0.07
		202.49	124.66
Excise Advance Receivable		24.70	12.08
Balance with Central Excise Department		131.19	63.18
Dues from Staff		5.84	3.07
Sundry Deposits		9.21	8.21
Advance Tax & TDS		283.38	183.09
Sales Tax Receivable		12.24	5.28
Inter-corporate Loans:			
Considered Good	1.93		1.93
Considered Doubtful	1.25		1.25
	3.18		3.18
<i>Less:</i> Provision for Doubtful Loans	1.25		1.25
		1.93	1.93
		670.98	401.50

SCHEDULES TO THE ACCOUNTS *contd.*

Rupees in crore

	2007	2006
L Current Liabilities & Provisions		
Liabilities		
Sundry Creditors [#]	305.93	418.95
Trade Deposits from Customers	20.42	20.33
Unclaimed Dividend*	5.70	3.88
Advances Received	33.13	44.88
Unclaimed Preference Share Capital	0.01	0.01
Other Liabilities	165.94	147.85
	531.13	635.90
Provisions		
Leave Encashment	7.16	6.05
Provision for Taxation	221.09	89.00
Provision for Dividend	155.46	155.46
Tax on Dividend	26.42	21.80
	410.13	272.31
	941.26	908.21

Notes: i. # Includes Rs. 30.65 crore (Previous year Rs. 126.37 crore) due to SSI units (as disclosed by the parties).

Listed below are SSI units having outstanding for more than 30 days:

Aar Aar Arts Pvt. Ltd.	Harika Packages Pvt. Ltd.	Microfinish Valves Limited	Shree Print & Pack
Aditi Pharmaceuticals Pvt. Ltd.	Hasita Aromatics Pvt. Ltd.	Mpp Technologies Pvt. Ltd.	Simchem Pvt. Ltd.
Advance Pharma Equipments	Healing Cross Pharma Pvt. Ltd.	Nahati (India) Structure Pvt. Ltd.	Sirmaxo Chemicals Pvt. Ltd.
Advanced Remedies Pvt. Ltd.	Himgiri Cooling Towers Pvt. Ltd.	Navagen Marketing Pvt. Ltd.	Snowline Hvac Systems Pvt. Ltd.
Albert Printing Works	Indo Woosung Vacuum Co Pvt. Ltd.	Newtronic Equipment Company	Span Packers Pvt. Ltd.
Apex Extrusions Pvt. Ltd.	Indrayadav Multi Printers & Publishers	Nirmal Print Art	Sterling & Wilson Services Pvt. Ltd.
Atfah Packaging Pvt. Ltd.	Jaishrinath Packaging Pvt. Ltd.	Nishotech Systems Pvt. Ltd.	Subodh Engineering Pvt. Ltd.
Bakul Pharma Pvt. Ltd.	Jasmine Art Printers Pvt. Ltd.	Noble Printing Press	Sunshine Organics Pvt. Ltd.
Barrier Packaging Pvt. Ltd.	Jpb Chemical Industries Pvt. Ltd.	Novacare Drug Specialities Pvt. Ltd.	Super Chillers Pvt. Ltd.
Bhavani Industries	Jupiter Remedies Pvt. Ltd.	Nutan Industries	Swastik Flexipack Pvt. Ltd.
Bhavani Seals Pvt. Ltd.	Jyoti Print Art	Oasis Luminaires Pvt. Ltd.	Tapasya Engineering Works Pvt. Ltd.
Budharaja Art Printers Pvt. Ltd.	K.K.Dani Consultants & Eng. Pvt. Ltd.	Okay Paper Products Pvt. Ltd.	Technocrats Security Systems Pvt. Ltd.
Canton Laboratories Pvt. Ltd.	Kemix Chemicals (Ambarnath) Pvt. Ltd.	Pab Organics Pvt. Ltd.	Themis Laboratories Pvt. Ltd.
Cheminnova Remedies Pvt. Ltd.	Kevin Technologies Pvt. Ltd.	Pap-flon Engineering Co Pvt. Ltd.	Trade Cool Services (India) Pvt. Ltd.
Cip Machineries Pvt. Ltd.	Kewaunee Labway India Pvt. Ltd.	Pilani Envirotech Pvt. Ltd.	Trichem Laboratories (Bombay) Pvt. Ltd.
Compu Sales & Services Pvt. Ltd.	Kewaunee Scientific Corporation (I) Pvt. Ltd.	Pink Packaging & Moulding Pvt. Ltd.	Tricil Packaging Pvt. Ltd.
Compu-tax Forms Pvt. Ltd.	Konkan Polymers & Additives Pvt. Ltd.	Polfrost Air-con Pvt. Ltd.	Tuffsign Systems Pvt. Ltd.
Condot Systems Pvt. Ltd.	Kopalle Pharma Chemicals Pvt. Ltd.	Pragati Pack (India) Pvt. Ltd.	Vaibhav Healthcare Pvt. Ltd.
Coral Drugs Pvt. Ltd.	Kraft-pack Containers	Pratham Technologies Pvt. Ltd.	Vaikunth Chemicals Pvt. Ltd.
Cosmic Drugs & Chemicals Pvt. Ltd.	Labindia Instruments Pvt. Ltd.	Printmann	Valco Valve Mfg Co
Cosmos Twisters Pvt. Ltd.	Lasersec (India) Pvt. Ltd.	Prophyla Biologicals Pvt. Ltd.	Varahi Plastics Pvt. Ltd.
Croda Chemicals (India) Pvt. Ltd.	Laukik Paper Industries Pvt. Ltd.	Pune Techtrol Pvt. Ltd.	Vardhaman Remedies Pvt. Ltd.
Danna Laminates	Laxmi Industries	Rajdeep Automation Pvt. Ltd.	Veekay Graphics
Dipesh Engineering Works	Lex Orbis Consulting Pvt. Ltd.	Rakshit Drugs Pvt. Ltd.	Venkar Chemicals Pvt. Ltd.
Elam Pharma Pvt. Ltd.	M K Precision Metal Parts Pvt. Ltd.	Ramdev Chemicals Pvt. Ltd.	Vinamax Organics Pvt. Ltd.
Electroflow Instruments Pvt. Ltd.	Mahim Polyprints Pvt. Ltd.	Rapid Pack Engineering Pvt. Ltd.	Vinery International Pvt. Ltd.
Fatech Technologies Internation Pvt. Ltd.	Mak Polyplast Pvt. Ltd.	Ravik Arts & Printers Pvt. Ltd.	Visa Powertech Pvt. Ltd.
Flex Art Foil Pvt. Ltd.	Mayura Offset	Safe Offset Pvt. Ltd.	Vishvacharya Slotangles Pvt. Ltd.
Glide Chem Pvt. Ltd.	Mc Coy Architectural Systems Pvt. Ltd.	Sam Services	Wax Oils Pvt. Ltd.
Golden Cross Pharma Pvt. Ltd.	Medioral Laboratories Pvt. Ltd.	Saptagiri Packagings Pvt. Ltd.	Xal Engineering (India) Pvt. Ltd.
Gordhandas Desai Pvt. Ltd.	Metrochem Api Pvt. Ltd.	Scholastic Lab-requisites Pvt. Ltd.	XI Coders Pvt. Ltd.
			Yagnesh Printing Company Pvt. Ltd.

ii. The Company has not received any intimation from its suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any relating to amounts unpaid as at the year end together with interest paid/payable as required under the said Act have not been given.

iii. *There are no amounts due and outstanding to be credited to Investor Education & Protection Fund.

SCHEDULES TO THE ACCOUNTS *contd.*

	Rupees in crore	
	2007	2006
M Deferred Tax Liabilities		
Deferred Tax Liabilities arising on account of:		
Depreciation	104.96	93.70
Export Incentives	7.69	4.25
	112.65	97.95

	Rupees in crore	
	2007	2006
N Other Income		
Profit on sale of Investments (Net)	0.03	0.04
Profit/(Loss) on sale of Fixed Assets (Net)	0.76	(9.43)
Technical Know-how/Fees	76.47	41.56
Export Incentives	47.28	42.38
Dividend	11.64	2.97
Interest (includes tax deducted at source Rs.0.28 crore; Previous year Rs.0.08 crore)	18.26	0.96
Rent (includes tax deducted at source Rs.0.19 crore; Previous year Rs.0.04 crore)	1.03	0.19
Insurance Claims	1.13	94.19
Provision for Doubtful Debts & Advances written back/(written off)	6.12	(7.82)
Exchange Gain/(Loss) (Net)	32.98	(10.58)
Miscellaneous Income	34.85	33.81
	230.55	188.27

SCHEDULES TO THE ACCOUNTS *contd.*

		Rupees in crore	
		2007	2006
Q Material Cost			
Consumption of Raw & Packing Materials			
Opening Stock	480.07		363.10
Add: Purchases	1348.85		1303.29
	<u>1828.92</u>		<u>1666.39</u>
Less: Closing Stock	532.40		480.07
		1296.52	<u>1186.32</u>
Finished Goods Purchased		398.33	319.60
(Increase)/Decrease in Stock of			
Work-in-Process & Finished Goods			
Opening Stock			
Work-in-Process	133.86		101.48
Finished Goods	343.07		281.10
	<u>476.93</u>		<u>382.58</u>
Less: Closing Stock			
Work-in-Process	139.36		133.86
Finished Goods	306.84		343.07
	<u>446.20</u>		<u>476.93</u>
		30.73	<u>(94.35)</u>
		1725.58	<u>1411.57</u>

		Rupees in crore	
		2007	2006
P Employee Cost			
Salaries, Wages, Bonus, etc.		162.11	127.96
Provident & other Funds		7.30	6.25
Staff Gratuity		2.96	5.89
Staff Welfare		11.11	8.02
Leave Encashment		1.11	1.74
		184.59	<u>149.86</u>

SCHEDULES TO THE ACCOUNTS *contd.*

	Rupees in crore	
	2007	2006
Q Other Expenses		
Stores & Spares	60.04	58.19
Power & Fuel	86.71	63.08
Rent	6.91	4.98
Rates & Taxes	6.62	5.48
Insurance	7.30	5.63
Repairs & Maintenance		
Machinery	13.15	11.04
Buildings	34.69	31.26
Others	18.67	14.44
Printing & Stationery	14.16	11.93
Conveyance & Vehicle Expenses	5.99	10.17
Remuneration to Auditors (including service tax, where applicable)		
Audit Fees	0.27	0.27
Tax Audit Fees	0.02	0.02
Cost Audit Fees	0.02	0.02
Other Services	0.02	0.01
Professional Fees	57.42	46.41
Telephone, Postage & Telegram	14.29	13.08
Selling Expenses	42.61	42.71
Freight & Forwarding	28.30	22.77
Travelling Expenses	39.34	38.22
Donations	1.77	0.13
Commission on Sales	155.17	122.10
Bank & Other Financial Charges	4.21	4.65
Directors' Sitting Fees	0.10	0.04
Miscellaneous Expenses	58.05	50.41
Bad Debts written off	11.17	0.13
	667.00	557.17

SCHEDULES TO THE ACCOUNTS *contd.*

R Notes to the Accounts

1. Significant Accounting Policies

i. Basis of Accounting

The financial statements are prepared under the historical cost convention in accordance with applicable mandatory accounting standards and relevant provisions of the Companies Act, 1956.

ii. Fixed Assets

Fixed Assets are stated at cost of acquisition (net of recoverable taxes wherever availed) or construction or other amounts substituted for historical costs on revaluation less accumulated depreciation.

iii. Depreciation

- a. Plant and Machinery (other than office machinery) purchased from 1.11.1986 to 31.3.1993 on the Straight Line Method at rates prescribed under Schedule XIV of the Companies Act, 1956.
- b. All other assets added up to 31.3.1993 and on amounts added on revaluation of buildings, on the Written Down Value method at rates prescribed under Schedule XIV of the Companies Act, 1956.
- c. On all assets added from the year 1993-94, on the Straight Line Method at rates prescribed under Schedule XIV of the Companies Act, 1956.
- d. All individual items of fixed assets, where the actual cost does not exceed Rs. 5,000 each have been written off entirely in the year of acquisition.
- e. Cost of leasehold land including premium is written off over the period of lease.

iv. Inventories

Raw materials are valued at lower of cost and net realisable value. However, these items are considered to be realisable at cost if the finished products, in which they will be used, are expected to be sold at or above cost.

Work-in-process and finished goods are valued at lower of cost and net realisable value. Finished goods and work-in-process include costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Cost of inventories is computed on weighted average basis.

v. Foreign Exchange Transactions

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. Foreign currency monetary assets & liabilities and forward contracts are restated at year end exchange rates. Exchange differences relating to fixed assets acquired in foreign currency are adjusted in the cost of the respective asset. Any other exchange difference is dealt with in the Profit and Loss Account.

In respect of forward contracts, the premium or discount on these contracts is recognised as income or expenditure over the period of the contract. Any profit or loss arising on cancellation or renewal of such contracts is recognised as income or expense for the year.

vi. Retirement Benefits

- a. The Company contributes to a Gratuity Fund, which has taken up group policies with insurance companies for future payments of gratuities to employees. The contributions are based on actuarial valuation.
- b. The Company provides for Leave Encashment Benefit on the basis of actuarial valuation.

SCHEDULES TO THE ACCOUNTS *contd.*

vii. Research and Development

Revenue expenditure on Research and Development is charged against profit of the year in which it is incurred. Capital expenditure on Research and Development is shown as addition to Fixed Assets.

viii. Expenditure on Regulatory Approvals

Expenditure incurred for obtaining regulatory approvals and registration of products for overseas markets is charged to revenue.

ix. Investments

Long term investments are stated at cost, less any provision for permanent diminution in value. Current investments are stated at lower of cost and fair value.

x. Revenue Recognition

Sales are inclusive of excise duty, but net of sales tax, returns and trade discounts. The Company recognises sales at the point of despatch of goods to the customers. Royalty, technical know-how/fees and licensing income are recognised as revenue, when earned, in accordance with the terms of the relevant agreements.

xi. Income Tax

Provision for tax for the year comprises current income tax determined to be payable in respect of taxable income and deferred tax, being the tax effect of timing difference, representing the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent period(s).

In cases where the tax assessments have been completed but the appeals are pending at various appeal fora, the tax payments have been set-off against the provisions in the Balance Sheet. Appropriate disclosures have been made towards contingent liabilities, if any.

xii. Impairment of Assets

At each Balance Sheet date, the Company assesses whether there is any indication that any asset may be impaired. If any such indication exists, the carrying value of such assets is reduced to its estimated recoverable amount and the amount of such impairment loss is charged to Profit and Loss Account. If, at the Balance Sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

2. The previous year's figures have been recast/regrouped wherever necessary in order to conform to current year's presentation.

3. Estimated amount of contracts remaining to be executed on Capital Account and not provided for (net of advances) Rs. 202.20 crore (Previous year Rs. 137.31 crore).

4. Contingent Liabilities

- i. Guarantees given by banks on behalf of the Company Rs. 28.90 crore (Previous year Rs. 25.05 crore).
- ii. Letters of credit Rs. 23.06 crore (Previous year Rs. 31.02 crore).

SCHEDULES TO THE ACCOUNTS *contd.*

iii. Technical know-how/fees Rs. 54.60 crore (Previous year Rs. 21.51 crore) pending completion of certain obligations.

iv. Claims against the Company not acknowledged as debts:

a. Income Tax Rs. 49.55 crore (Previous year Rs. 83.30 crore).

The above amount of Rs. 49.55 crore (Previous year Rs. 14.95 crore) represents claims where the issues have been decided in the Company's favour and the Income Tax Department has filed further appeals before the Income Tax Appellate Tribunal/High Court.

b. Sales Tax Rs. 0.17 crore (Previous year Rs. 0.17 crore).

c. Excise Duty/Service Tax Rs. 24.99 crore (Previous year Rs. 8.63 crore).

The above represents claims where, based on decisions in earlier years, the Company is of the opinion that the demand is not sustainable.

d. Others Rs. 1.60 crore (Previous year Rs. 1.70 crore).

5. The Government of India has served demand notices in March 1995 and May 1995 on the Company in respect of six bulk drugs, claiming that an amount of Rs. 5.46 crore along with interest due thereon is payable into the DPEA under the Drugs (Prices Control) Order, 1979 on account of alleged unintended benefit enjoyed by the Company. The Company has filed its replies to the notices and has contended that no amount is payable into the DPEA under the Drugs (Prices Control) Order, 1979.

6. The Government of India (NPPA) has served show cause notices on the Company on account of overcharging in respect of Salbutamol, Theophylline, Ciprofloxacin, Cloxacillin, Norfloxacin, Cefadroxil, Trimethoprim and Sulphamethoxazole formulations under the Drugs (Prices Control) Order, 1995. The aggregate demand of the show cause notices received upto July 2003 amounted to Rs. 360.75 crore.

In response to the writ petition filed by the Company against the aforesaid show cause notices, the Hon'ble High Court of Bombay had upheld the Company's contentions and held that the drugs Norfloxacin, Ciprofloxacin, Theophylline, Salbutamol and Cloxacillin cannot be included under price control and consequently had quashed the above show cause notices. The Government of India had filed an appeal in the Supreme Court of India. The Hon'ble Supreme Court of India by its order dated 1st August 2003 laid down the principles for interpretation of the Drug Policy and has remanded the matter to the Hon'ble High Court of Bombay where the petitions are now pending. The Hon'ble Supreme Court of India had also given liberty to the NPPA to recover 50 per cent of the allegedly overcharged amount. In addition, the Company's writ petition has also challenged the wrongful withholding by the Government of the exemption to Salbutamol manufactured by the Company on the grounds of Research and Development. The said challenge is pending in the Hon'ble High Court of Bombay, which has granted interlocutory orders regarding the same.

With regard to the other drugs in the show cause notices, the Company has also pointed out to the Government that it does not manufacture formulations of Cloxacillin and Cefadroxil and has also pointed out that the Company is following the notified prices in respect of formulations of Trimethoprim and Sulphamethoxazole.

The Company had not deposited the amount demanded, as in another petition challenging the Price Fixation notifications of formulations of Salbutamol, Norfloxacin, Ciprofloxacin and Theophylline, the Karnataka High Court had granted an interim stay against the government. Subsequently, in separate proceedings on the

SCHEDULES TO THE ACCOUNTS *contd.*

same basis as before the Karnataka High Court, the Allahabad High Court had ruled that the prices fixed by the government in respect of the said drugs were *ultra vires*, illegal and void. On an appeal filed by the government against this ruling, the Supreme Court stayed the judgement of the Allahabad High Court but directed that no prosecution should be launched or coercive action taken against the Company for recovery, till the appeal was finally decided. The Company has, subsequently, in April 2007 received demand notices for the entire 100 per cent of the aforesaid amount along with interest, aggregating Rs. 748.27 crore. In May 2007, the Company has received further demand notices for Rs. 193.65 crore inclusive of interest which according to them was allegedly overcharged by the Company during the period August 2003 to March 2006 in respect of the same five drugs. These notices are contrary to the orders of the Supreme Court and the Company has received legal advice that the demand notices of the government are not tenable and sustainable.

7. The net difference in foreign exchange credited to the Profit and Loss Account is Rs. 32.98 crore (Previous year debit Rs. 10.58 crore).

8. Expenditure on Research & Development

	Rupees in crore	
	2007	2006
Capital Expenditure	28.41	34.92
Revenue Expenditure charged to Profit and Loss Account	147.32	120.48
	175.73	155.40

Of the above, capital expenditure of Rs. 28.34 crore and revenue expenditure of Rs. 74.93 crore are eligible for weighted deduction under Section 35(2AB) of the Income Tax Act, 1961. The eligible revenue expenditure includes Employee Cost Rs. 16.16 crore, Raw Materials & Consumables Rs. 17.40 crore, Clinical Trials & Research Grants Rs. 19.85 crore and other expenditure Rs. 21.52 crore.

9. Capacities and Actual Production

Class of Goods	Unit	Installed Capacity		Actual Production	
		2007	2006	2007	2006
Bulk Drugs (including Malts)	Tonne	1783.0	1598.0	756.7	1054.3
Tablets & Capsules	Million	12499.0	12296.0	12358.5	11167.8
Liquids	Kilolitre	1320.0	1404.0	6850.9	6711.0
Creams	Tonne	643.0	616.0	616.6	541.4
Aerosols/Inhalation Devices	Thousand	70860.0	53580.0	47525.0	43018.4
Injections/Sterile Solutions	Kilolitre	917.0	1071.0	1474.0	1296.3
Others		-	-	7.0	3.4

- Notes: i. The installed capacity is as certified by the management and not verified by the auditors, this being a technical matter.
- ii. Actual production includes production at loan licensee locations.
- iii. Actual production includes production of goods captively consumed.

SCHEDULES TO THE ACCOUNTS *contd.*

10. Purchases of each class of Finished Goods

Rupees in crore

Class of Goods	Unit	2007		2006	
		Qty.	Value	Qty.	Value
Bulk Drugs (including Malts)	Tonne	1369.0	102.64	696.9	61.53
Tablets & Capsules	Million	1606.6	165.02	1552.3	168.39
Liquids	Kilolitre	2623.4	44.82	2286.5	42.64
Creams	Tonne	402.1	13.48	265.7	9.90
Aerosols/Inhalation Devices	Thousand	3602.8	13.76	2679.0	8.27
Injections/Sterile Solutions	Kilolitre	885.5	42.41	990.4	26.42
Others		–	16.20	–	2.45
			398.33		319.60

11. Sales of each class of Finished Goods

Rupees in crore

Class of Goods	Unit	2007		2006	
		Qty.	Value	Qty.	Value
Bulk Drugs (including Malts)	Tonne	1820.3	547.76	1432.4	530.32
Tablets & Capsules	Million	14425.5	2018.64	11425.3	1735.35
Liquids	Kilolitre	9451.2	185.42	8421.1	167.18
Creams	Tonne	917.3	60.21	669.9	46.08
Aerosols/Inhalation Devices	Thousand	53284.0	377.83	43100.2	295.55
Injections/Sterile Solutions	Kilolitre	2443.6	301.02	1910.3	229.03
Others		–	42.29	–	16.17
			3533.17		3019.68

12. Closing Stock of each class of Finished Goods

Rupees in crore

Class of Goods	Unit	2007		2006	
		Qty.	Value	Qty.	Value
Bulk Drugs(including Malts)	Tonne	325.2	82.57	131.4	88.22
Tablets & Capsules	Million	1889.3	137.43	2431.6	170.29
Liquids	Kilolitre	1320.6	20.32	1381.7	21.44
Creams	Tonne	271.7	7.91	176.7	6.12
Aerosols/Inhalation Devices	Thousand	2732.7	14.64	5225.7	25.12
Injections/Sterile Solutions	Kilolitre	427.4	41.75	531.5	29.87
Others		–	2.22	–	2.01
			306.84		343.07

Note: The Closing Stock stated above is after adjustments for in-transit breakage, obsolete/date-expired stocks, physician samples and also for captive consumption in case of bulk drugs.

SCHEDULES TO THE ACCOUNTS *contd.*

13. Consumption of Raw and Packing Materials

Rupees in crore

Class of Goods	2007		2006	
	Value	%	Value	%
Purchased indigenously	815.03	58	772.49	61
Imported by the Company	594.34	42	499.82	39
	1409.37	100	1272.31	100
<i>Less</i> : Recoverable duties (included in the above cost)	112.85		85.99	
Total consumption (Net of Cenvat)	1296.52		1186.32	

Note: Figures as certified by the management.

14. Break-up of Materials Consumed

Rupees in crore

Class of Goods	Unit	2007		2006	
		Qty.	Value	Qty.	Value
Purchased Bulk Drugs	Tonne	2601.2	543.67	2296.6	569.71
Solvents	Tonne	21432.8	90.56	15663.4	80.64
Capsules	Million	2042.9	18.08	1676.1	15.23
Packing Materials			341.83		274.26
Others (None of which individually accounts for more than 10 per cent of the total consumption)			415.23		332.47
			1409.37		1272.31
<i>Less</i> : Recoverable duties (included in the above cost)			112.85		85.99
Total consumption (Net of Cenvat)			1296.52		1186.32

Note: Figures as certified by the management.

15. Value of Imports on C.I.F. basis

Rupees in crore

	2007	2006
Raw Materials/Packing Materials	543.29	462.41
Components & Spare Parts	11.98	6.00
Capital Goods	94.85	106.55

SCHEDULES TO THE ACCOUNTS *contd.*

16. Expenditure in Foreign Currency

	Rupees in crore	
	2007	2006
Legal and Professional charges	10.79	13.19
Other matters – Commission, Travelling, etc.	104.34	67.28

17. Earnings in Foreign Exchange

	Rupees in crore	
	2007	2006
F.O.B. Value of Exports	1780.44	1513.64
Technical Know-how/Fees	76.47	41.56
Others	8.16	10.43

18. Foreign exchange derivatives and exposures outstanding at the year end

Nature of instrument	2007		2006	
	Amount (equivalent US\$ million)	Amount (equivalent Rupees in crore)	Amount (equivalent US\$ million)	Amount (equivalent Rupees in crore)
Forward contracts - Sold	160.00	717.28	44.35	198.82
Forward contracts - Bought	11.53	51.70	-	-
Foreign currency options	1.00	4.48	12.00	53.79
Currency swaps	-	-	34.04	152.78
Open foreign exchange exposures:				
Receivables	32.63	141.52	100.67	450.90
Payables	-	-	12.83	57.52
Loans	-	-	48.91	219.26

Note: The Company uses derivative instruments for hedging and/or reducing interest costs.

19. Managerial Remuneration

Managerial Remuneration under Section 198 of the Companies Act, 1956 paid or provided for during the year to the Chairman & Managing Director and the Joint Managing Directors:

	Rupees in crore	
	2007	2006
i. Salary and Allowances	0.91	0.91
ii. Commission	21.50	21.50
iii. Company's contribution to Provident Fund	0.07	0.07
iv. Approximate monetary value of other perquisites or benefits	0.06	0.06
	22.54	22.54

Note: The above figures exclude provision for leave encashment and contribution to the approved Group Gratuity Fund which are actuarially determined on an overall basis.

SCHEDULES TO THE ACCOUNTS *contd.*

20. Computation of Net Profits under Section 349 of the Companies Act, 1956 and Commission payable to Directors

		Rupees in crore
		2007
Profit before Tax as per Profit & Loss Account		807.98
<i>Add:</i> Managerial Remuneration	22.54	
Directors' Sitting Fees	<u>0.10</u>	22.64
		830.62
<i>Less:</i> Profit on Sale of Investments	0.03	
Provision for Doubtful Debts written back	<u>6.12</u>	6.15
Net Profit under Section 349 of the Companies Act, 1956		824.47
Commission to Executive Directors (as determined by the Board of Directors)		21.50

21. Related Party Disclosures

Related party disclosures, as required by AS-18, "Related Party Disclosures," of the Institute of Chartered Accountants of India are given below:

i. The related parties are as under:

- a. Four trusts namely – Cipla Public Charitable Trust, Chest Research Foundation, Hamied Foundation & Cipla Cancer and Aids Foundation.
- b. Key management personnel, namely – Dr.Y.K. Hamied, Mr. M.K. Hamied & Mr. Amar Lulla.
- c. Subsidiary Company – Cipla FZE, U.A.E.

ii. Donation given to Cipla Public Charitable Trust Rs. 0.07 crore (Previous year Rs. 0.05 crore) and Cipla Cancer and Aids Foundation Rs.0.90 crore (Previous year Nil), rent paid to Hamied Foundation Rs.0.56 crore (Previous year Rs.0.56 crore) and Research & Clinical Trial expenses paid to Chest Research Foundation Rs. 0.92 crore (Previous year Rs. 0.68 crore).

iii. Refer Note 19 for details of managerial remuneration.

iv. During the year, the Company has set up a subsidiary namely Cipla FZE, U.A.E. and invested Rs. 1.27 crore towards equity contribution. Further, the Company has given interest free advances aggregating to Rs. 0.06 crore (Maximum amount outstanding during the year Rs. 0.06 crore) to Cipla FZE, U.A.E., which has been repaid during the year.

SCHEDULES TO THE ACCOUNTS *contd.*

22. Segment Information

- i. Information about primary business segments:
The Company is exclusively in the pharmaceutical business segment.
- ii. Information about secondary business segments:

Rupees in crore

	India		Outside India		Total	
	2007	2006	2007	2006	2007	2006
Gross revenue by geographical market	1876.12	1658.21	1856.91	1555.20	3733.03	3213.41
Less: Excise duty	94.93	128.32	–	–	94.93	128.32
Net revenue by geographical market	1781.19	1529.89	1856.91	1555.20	3638.10	3085.09
Carrying amount of segment assets	3115.46	2518.94	866.37	714.66	3981.83	3233.61
Capital expenditure	495.75	485.46	1.05	–	496.80	485.46

- Notes: a. The Segment Revenue in the geographical segments considered for disclosure are as follows :
- Revenue within India includes sales to customers located within India and earnings in India.
 - Revenue outside India includes sales to customers located outside India and earnings outside India.
- b. Segment Revenue comprises :

Rupees in crore

	2007	2006
• Sales (Net of Excise duty)	3438.24	2891.36
• Other income excluding interest, dividend and profit on sale of investments & fixed assets	199.86	193.73
	3638.10	3085.09

- c. Segment Revenue and Assets include the respective amounts identifiable to each of the segment.

- 23.** Basic and Diluted Earning per Share has been calculated by dividing net profit after tax for the year by 77,59,29,483 equity shares of nominal value of Rs. 2 each, being the weighted average number of equity shares outstanding during the year. For comparison purpose, Earning per Share for the previous year would be Rs.8.11 per share after taking into account the effect of issue of Bonus Shares during the year.

As per our report of even date

For R.S. Bharucha & Co.,
Chartered Accountants

M.R. Amin
Partner
Membership No. 114010

Mumbai, 20th July 2007

For R.G.N. Price & Co.,
Chartered Accountants

R. Rangarajan
Partner
Membership No. 41883

Y.K. Hamied
Chairman & Managing Director

M.K. Hamied
Amar Lulla
Joint Managing Directors

M.K. Gurjar
V.C. Kotwal
H.R. Manchanda
S.A.A. Pinto
M.R. Raghavan
Ramesh Shroff
Directors

Mital Sanghvi
Company Secretary

Mumbai, 20th July 2007

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.

State Code

Balance Sheet Date
Date Month Year

II. Capital raised during the year (Amount in Rs.Thousands)

Public Issue

Rights Issue

Bonus Issue

Private Placements

GDR issue

III. Position of Mobilisation and Deployment of Funds (Amount in Rs.Thousands)

Sources of Funds
Total Liabilities

Total Assets

Paid-up Capital

Reserves and Surplus

Secured Loans

Unsecured Loan

Application of Funds
Deferred Tax Liabilities

Investments

Net Fixed Assets

Misc. Expenditure

Net Current Assets

Accumulated Losses

IV. Performance of the Company (Amount in Rs.Thousands)

Gross Turnover

Total Expenditure

Profit/(Loss) before Tax

Profit/(Loss) after Tax

Earnings Per Share (in Rs.)

Dividend Rate (%)

V. Generic Names of Three Principal Products/Services of the Company (as per monetary terms)

Item Code No. (ITC Code)

Product Description

Item Code No. (ITC Code)

Product Description

Item Code No. (ITC Code)

Product Description

CASH FLOW STATEMENT

		Rupees in crore	
For the year ended 31 st March 2007		2007	2006
A Cash Flow from Operating Activities			
Net profit before tax		807.98	709.84
Adjustments for :			
Depreciation	103.37		80.18
Interest expense	6.95		11.42
Unrealised foreign exchange gains (Net)	(25.23)		(4.12)
Provision for doubtful debts and advances written off/(written back)	(6.12)		7.82
Interest income	(18.26)		(0.96)
Dividend income	(11.64)		(2.97)
Profit on sale of investments	(0.03)		(0.04)
(Profit)/loss on sale/discard of fixed assets	(0.76)		9.43
Lease rent income	(0.07)		-
Brokerage income	-		(0.05)
		48.21	100.71
Operating profit before working capital changes		856.19	810.55
Adjustments for :			
Increase/(Decrease) in trade payables and other liabilities	(100.92)		145.44
Increase in inventories	(21.60)		(211.32)
Increase in trade and other receivables	(305.81)		(332.68)
		(428.33)	(398.56)
Cash generated from operations		427.86	411.99
Direct taxes paid		(93.44)	(134.83)
Net cash from operating activities	(A)	334.42	277.16
B Cash Flow from Investing Activities			
Purchase of fixed assets/Capital work-in-progress		(423.86)	(396.03)
Sale of fixed assets		3.26	6.91
Investment in subsidiary		(1.27)	-
Purchase of other investments		(1842.78)	(2539.14)
Sale of investments		1748.71	2535.05
Interest income		18.26	0.96
Dividend income		11.64	2.97
Lease rent income		0.07	-
Brokerage income		-	0.05
Net cash used in investing activities	(B)	(485.97)	(389.23)

CASH FLOW STATEMENT *contd.*

		Rupees in crore	
		2007	2006
C Cash Flow from Financing Activities			
Proceeds from issue of GDR		767.18	-
Proceeds from long term & other borrowings		112.16	421.51
Repayment of long term & other borrowings		(456.57)	(145.07)
Interest expense		(6.95)	(11.42)
Dividend paid		(155.46)	(104.95)
Tax on dividend		(21.80)	(14.72)
Net cash from financing activities	(C)	238.56	145.35
Net increase in cash and cash equivalents	(A)+(B)+(C)	87.01	33.28
Cash and Cash Equivalents as at the beginning of the year		44.48	11.20
Cash and Cash Equivalents as at the end of the year		131.49	44.48

Note: Cash and Cash Equivalents represent cash & bank balances and fixed deposits with banks.

As per our report of even date

For R.S. Bharucha & Co.,
Chartered Accountants

M.R. Amin
Partner
Membership No. 114010
Mumbai, 20th July 2007

For R.G.N. Price & Co.,
Chartered Accountants

R. Rangarajan
Partner
Membership No. 41883

Y.K. Hamied
Chairman & Managing Director

M.K. Hamied
Amar Lulla
Joint Managing Directors

M.K. Gurjar
V.C. Kotwal
H.R. Manchanda
S.A.A. Pinto
M.R. Raghavan
Ramesh Shroff
Directors

Mital Sanghvi
Company Secretary

Mumbai, 20th July 2007

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANY - CIPLA FZE, U.A.E.

PARTICULARS	
Financial year/ period of the subsidiary company ended on	31 st March 2007
No. of Equity Shares held by Cipla Limited in the subsidiary as at 31 st March 2007	1 Equity Share of AED 10,00,000 fully paid
Extent of interest of Cipla Limited in the capital of the subsidiary company	100%
Net aggregate amount of profit/(loss) of the subsidiary so far as it concerns to the members of Cipla Limited as it is not dealt with the Company's accounts for the year ended 31 st March 2007 of the subsidiary	(AED 75,552) (Rs. 0.09 crore)
Net aggregate amount of profit/(loss) of the subsidiary so far as dealt with or provision is made for those losses in the accounts of Cipla Limited for the year ended 31 st March 2007 of the subsidiary	Nil

Note: Figures in Indian Rupees have been given only as additional information.

Details of Cipla FZE, U.A.E. as at 31st March 2007

Rupees in crore

PARTICULARS	
Capital	1.18
Reserves	(0.09)
Total Assets	1.09
Total Liabilities	1.09
Investments	Nil
Total Income	Rs. 37,277
Profit/(loss) before Taxation	(0.09)
Profit/(loss) after Taxation	(0.09)
Proposed Dividend	Nil

Note : Exchange rate considered as on 31st March 2007: 1AED = Rs. 11.8190

Y.K. Hamied
Chairman & Managing Director

M.K. Hamied
Amar Lulla
Joint Managing Directors

M.K. Gurjar
V.C. Kotwal
H.R. Manchanda
S.A.A. Pinto
M.R. Raghavan
Ramesh Shroff
Directors

Mital Sanghvi
Company Secretary

Mumbai, 20th July 2007

CIPLA LTD.

Regd. Office: Mumbai Central, Mumbai-400 008

ATTENDANCE SLIP

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL.

Folio No.: _____ DP ID No.: _____ Client ID No.: _____

Name/s: _____
(1st name)

(Joint Holder)

I/We record my/our presence at the Seventy-First Annual General Meeting of the Company at Amar Gian Grover Auditorium, Lala Lajpat Rai Marg, Haji Ali, Mumbai - 400 034 on Friday, 24th August 2007.

Signature(s) of the Shareholder(s)/Proxy: _____

Note: Only Shareholders of the Company or their Proxies whose names are registered with the Company will be allowed to attend the meeting.



CIPLA LTD.

Regd. Office: Mumbai Central, Mumbai-400 008

FORM OF PROXY

Folio No.: _____ DP ID No.: _____ Client ID No.: _____ No. of Shares held _____

I/We, _____
of _____

being a member/members of CIPLA LIMITED, hereby appoint _____
of _____ or failing him

_____ or failing him

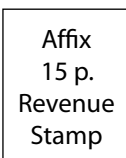
_____ as

my/our proxy to vote for me/us and on my/our behalf at the Seventy-First Annual General Meeting of the Company to be held on Friday, 24th August 2007 at 3.00 p.m. and at any adjournment thereof.

Signed this _____ day of _____ 2007.

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
2. This form, duly completed and signed across the stamp, should reach the Registered Office of the Company not less than 48 hours before the meeting.



Signature(s) of the
Shareholder(s)



TEN-YEAR HIGHLIGHTS

Rupees in crore

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Sales & Other Income	3763.72	3207.95	2482.87	2090.99	1599.00	1428.87	1085.62	791.39	645.15	541.02
Profit before Tax	807.98	709.84	514.61	404.09	312.49	309.36	237.57	172.66	154.45	134.97
Profit after Tax	668.03	607.64	409.61	306.69	247.74	235.11	179.07	133.06	114.95	101.97
Dividend	155.46	155.46	104.96	89.96	59.97	41.98	26.99	17.79	14.99	11.00
Tax on Dividend	26.42	21.80	14.95	11.53	7.68	–	2.75	1.96	1.65	1.10
Retained Earnings	486.15	430.38	289.70	194.11*	180.09	165.65*	149.33	113.31	98.31	89.87
Gross Block	1872.90	1453.68	1092.63	796.80	545.82	420.57	287.86	246.08	216.49	183.76
Net Block	1461.26	1143.62	844.87	603.57	399.88	299.43	187.18	161.74	144.89	122.49
Investments	117.80	22.43	18.30	180.37	126.59	143.70	222.93	195.00	140.41	72.82
Net Current Assets	1893.42	1384.08	970.60	756.64	694.48	520.46	338.37	238.05	210.36	187.18
Miscellaneous Expenditure	–	–	–	–	0.10	0.17	0.23	0.30	0.36	0.43
Total Assets	3472.48	2550.13	1833.77	1540.58	1221.05	963.76	748.71	595.09	496.02	382.92
Share Capital	155.46	59.97	59.97	59.97	59.97	59.97	59.97	59.97	19.99	19.99
Reserves	3080.81	1923.30	1493.66	1204.08	1010.10	830.17	664.69	515.55	442.42	344.34
Net Worth	3236.27	1983.27	1553.63	1264.05	1070.07	890.14	724.66	575.52	462.41	364.33
Borrowings	123.56	468.91	191.20	210.58	94.78	33.88	24.05	19.57	33.61	18.59
Deferred Tax Liabilities	112.65	97.95	88.94	65.95	56.20	39.74	–	–	–	–
Total Liabilities	3472.48	2550.13	1833.77	1540.58	1221.05	963.76	748.71	595.09	496.02	382.92

* After adjustments of earlier years

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