



Cipla

Healing since 1935

Sixty-Seventh Annual Report 2002-2003

Healing since 1935

*“Healing is a matter of time,” said Hippocrates,
“but it is sometimes also a matter of opportunity.”*

*Cipla has been committed to healing,
protecting and nourishing life since 1935.*

*Over time, we have grabbed every opportunity
to challenge the new dimensions of disease.*

*The result has been the Cipla array of remedies
that now spread far and wide.*

*Today our range embodies good health
in many forms and strengths to counter the several
versions of disease. Our compassion guides
our tools and our thinking towards one goal:
sound health, in mind and body.*

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.

Registered Office

Mumbai Central, Mumbai 400 008

Website

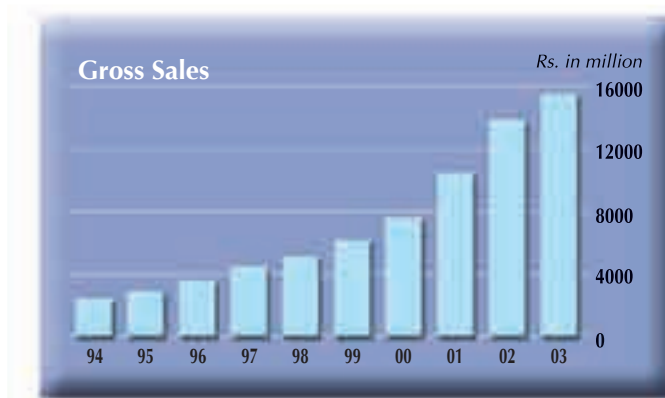
www.cipla.com

The Directors take pleasure in presenting the Sixty-Seventh Annual Report of the Company and Audited Accounts for the year ended 31st March 2003.

Financial Results

	Rupees in million	
	For the year ended	
	31st March 2003	31st March 2002
Gross sales and other income	15990.04	14288.69
Gross profit before depreciation and tax	3408.50	3306.42
Depreciation	283.56	212.78
Tax	647.50	742.50
Profit after tax	2477.44	2351.14
Prior year's adjustment	–	274.86
Appropriations:		
Dividend	599.72	419.81
Tax on dividend	76.84	–
General reserve	1800.88	1656.47





Dividend

The Directors recommend a dividend of Rs. 10 per share on 5,99,72,349 equity shares of Rs. 10 each.

Management Review: 2002-03

Industry Structure and Developments

It was a sluggish year for the Indian industry as a whole. The domestic pharmaceutical industry was no exception. For the first time in nearly five years, the Operations Research Group (ORG) and IMS Health reported a single digit growth in retail sales of drug formulations for the year ended 31st March 2003.



The implementation of the drug pricing policy announced last year was held up by an interim order of the Supreme Court in a public interest litigation. The apex court asked the government to review the lists of essential and life-saving drugs and prepare the criteria to ensure retention of these drugs under price control. In response, the government declined to define a "life-saving drug" but has submitted a revised list of "essential drugs".

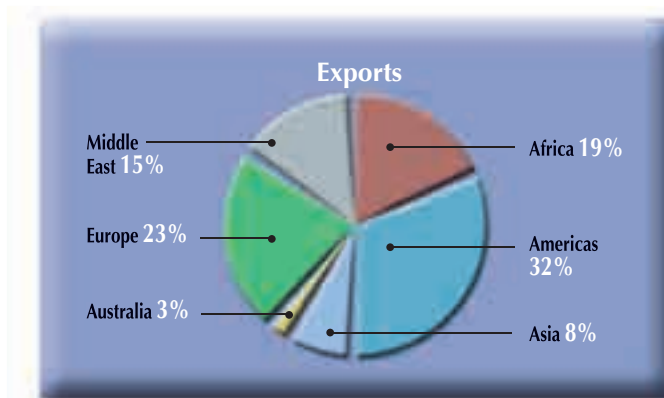
Performance Review

The Company's sales crossed the Rs. 15000 million mark – a growth of 12 percent compared to the previous year. The confusion regarding the introduction of VAT (value added tax) compounded the already difficult conditions in the domestic market. Fearing an additional tax burden, the stockists restricted purchases in the fourth quarter of the financial year.

Overall exports at Rs. 5660 million registered a growth of 15 percent. Notably, exports of formulations recorded a healthy growth of 60 percent over the previous year. Cipla now exports its drug formulations to over 140 countries in North and South America, Europe, Africa, Middle East, Asia and Australia.

However, this growth could not adequately offset a slowdown in the export of Active Pharmaceutical Ingredients (APIs), particularly to the regulated markets. This was mainly on account of certain patent rulings. The Company will continue its strategy of strengthening alliances with leading generic companies, essentially in the USA and Europe.





The Company kept up its efforts to check costs and to improve overall productivity. These measures enabled the Company to maintain its overall profitability in spite of the prevailing business environment.

The Company successfully launched several new drug formulations during the year. A new landmark in respiratory medicine was reached with the introduction of TIOVA. This novel long-acting bronchodilator has been acclaimed the world over as a new hope for patients of Chronic Obstructive Pulmonary Disease (COPD) - the sixth largest cause of mortality. Cipla's HIV/AIDS range was expanded with the addition of ODIVIR KIT - a unique once-daily formulation of three potent antiretroviral drugs.

The Company also manufactures a number of new APIs both for its captive use and for export.

In addition to the approval of various other international regulatory agencies, Cipla received US FDA approval for three of its formulations facilities at Bangalore, Kurkumbh and Goa.



Outlook on Concerns

The major factors that affected the performance of the entire industry during the year under review were linked to the business environment and the government policy. As long as there is confusion regarding important policy issues like VAT and drug pricing, the element of unpredictability will continue.

While we are a year closer to 2005, when the new product patent regime will come into effect, there are no definitive moves to introduce the necessary measures to protect our national interest from manipulative monopolistic forces. Without these safeguards, we may well re-enter the pre-1972 era, when multinational pharmaceutical companies held sway over supply and prices.

Outlook on Opportunities

The first phase of Cipla's manufacturing complex in Goa is now fully operational. In April 2003, commercial production commenced in the second phase. This has facilities to manufacture the entire range of anticancer and hormonal drugs. The state-of-the-art Goa complex is equipped to meet the growing requirements of the Company's international business.

The R&D team continued to focus on development of novel processes and new drug delivery systems. This was in addition to the continuing work on process improvements and productivity





enhancements. A number of patents have been filed in India and other countries. In all, the Company has registered nearly 2800 products, including formulations and APIs, in about 135 countries.

During the year, Cipla's strategic alliances with leading generic companies in the USA and Europe were expanded to include additional products and projects. Currently, there are nearly 50 such projects in various stages of development in the USA alone.

The Company maintained its leadership role in inhalation therapy. A number of innovative products and novel delivery devices for asthma are in the pipeline.

In HIV/AIDS care, the Company continued its pioneering role in making available a range of antiretroviral drugs including unique combination products. These were made available at reasonable prices not only in India but also in other parts of the world.



Your Company is confident that its highly skilled and motivated technical team will rise to the challenges of the business environment. The depth and breadth of our product range and the continuous expansion of our markets across the world will certainly help the Company to retain its lead position in the industry.

Internal Control Systems

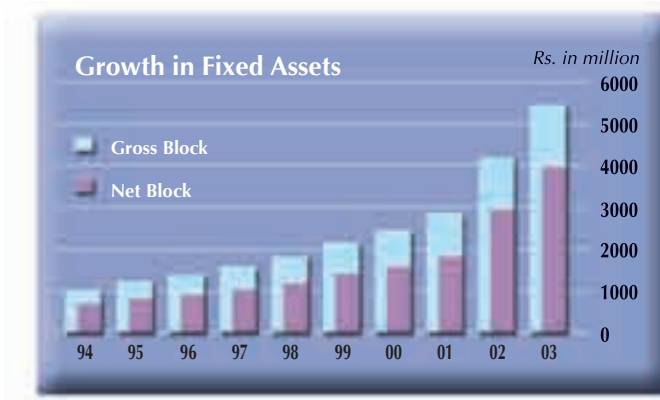
During the year, the Company reviewed its control systems across all functional areas. Inputs from independent auditors and consultants contributed to this exercise. The systems are now geared to maintain high levels of productivity, safety and security at all Cipla units.

Human Resources

The Company continued its policy of providing continuous training to maintain the competitive edge of its personnel, especially those in the technical and marketing areas. The management policy is to nurture the right environment to maximise team effort while enhancing individual growth potential. The Directors record their appreciation of the support and contribution of all employees towards the growth of the Company.

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.





Social Responsibility

The Company has taken the initiative to support a new research facility in Pune. The Chest Research Foundation is dedicated to research in asthma, COPD, allergic airways diseases and other respiratory ailments. The Foundation expects to conduct clinical research, bioequivalence studies and CME (continuing medical education) programmes for the medical profession.

Cipla continued its mission to fight AIDS. Going beyond the supply of antiretroviral at reasonable prices, the Company conducted workshops and symposia in India, Sri Lanka and various countries in Africa to enhance awareness of the disease and its management.

The Cipla Foundation's Palliative Care Centre for cancer patients in Pune continued to provide care to the terminally ill. As of date, this institution has provided comfort and solace to over 2800 patients.



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

Fixed Deposits

The Company neither accepted nor renewed any fixed deposits from the public during the year. In all, 44 deposits, amounting to Rs. 0.37 million, due for repayment as on 31st March 2003 remain unclaimed by the depositors.

Disclosure of Particulars

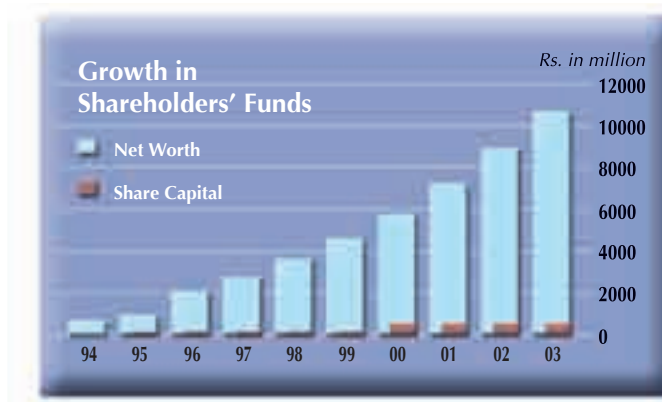
As required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the relevant information and data are annexed to this report.

Responsibility Statement

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

- i. that the applicable accounting standards have been followed in the preparation of the annual accounts;





- ii. that the Directors have selected such accounting policies and applied them consistently and made judgments 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 2003 and of the profit of the Company for that period;
- iii. that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. that the Directors have prepared the annual accounts on a going concern basis.



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.

Directors

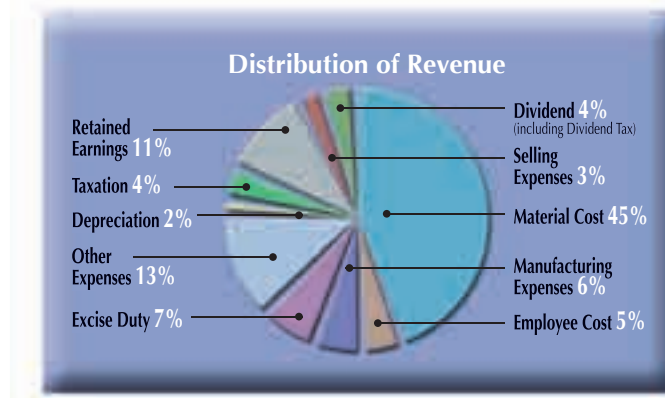
Subject to the approval of shareholders, Dr. Y. K. Hamied and Mr. M. K. Hamied were reappointed by the Board of Directors as Managing Director and Joint Managing Director respectively for a period of five years with effect from 1st August 2003. As required under Schedule XIII of the Companies Act, 1956 an application will be made to the Central Government for the approval of reappointment of Dr. Y. K. Hamied as Managing Director.

Mr. Amar Lulla and Mr. V. C. Kotwal, retire by rotation and being eligible, offer themselves for reappointment. Mr. Amar Lulla is also a Joint Managing Director. It is proposed that the Articles of the Company be amended so that his appointment is not subject to the rule of retirement by rotation.

A short resume of the directors is provided in the explanatory statement pertaining to their appointment as directors.

Mr. B. K. Khare resigned from the Board of Directors with effect from 2nd April 2003 due to personal reasons. The Board of Directors would like to record its appreciation of the very valuable services rendered by him as a member of the Board and of its Audit Committee.





Cost Audit

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

Auditors

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

On Behalf of the Board,

Y. K. Hamied

Chairman & Managing Director

Mumbai, 28th July 2003



Auditor's Report

To the Members of Cipla Limited,

1. We have audited the attached Balance Sheet of Cipla Limited as at 31st March 2003, 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. Those standards require that we plan and perform the audit to obtain a 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 Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we give 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 it 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 sub-section (3C) of Section 211 of the Companies Act, 1956;
 - e) On the basis of the written representations received from the Directors, as on 31st March 2003 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2003, from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - 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 2003;
 - 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

D.R. Bharucha

Mumbai, 28th July 2003
Partner

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

1. 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. A physical verification of major fixed assets has been conducted by the management during the year and on the basis of the explanations given to us, no serious discrepancies have been noticed on such verification.
2. None of the fixed assets has been revalued during the year.
3. The stocks of finished goods and raw materials have 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 stocks have been obtained by the Company.
4. In our opinion and on the basis of the information and explanations given to us, the procedures for physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies noticed on physical verification of stocks as compared to the book records were not material.
6. In our opinion, on the basis of our examination of the stock records, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding years.
7. No loans have been taken from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. There are no companies under the same management as defined under sub-section (1B) of Section 370 of the said Act.
8. No loans have been granted to companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.
9. The parties to whom loans and advances in the nature of loans have been given by the Company are generally repaying the principal amount as stipulated and are also regular in payment of interest where applicable.
10. In our opinion and according to the information and explanations given to us, there are generally adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of stores, raw materials, components, plant and machinery, equipment and other assets and sale of goods.
11. According to the information and explanations given to us, no transactions of purchase of goods and materials and sale of goods and materials were made in pursuance of contracts or arrangements entered in the Register maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000 or more in respect of each party.
12. As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods. Adequate provision has been made in the accounts for the loss arising on the items so determined.
13. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public.
14. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable scrap. We have been informed by the management that there were no by-products.

15. In our opinion, the Company has an adequate internal audit system commensurate with its size and the nature of its business.
16. We have broadly reviewed the books of account maintained by the Company pursuant to the Order 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.
17. According to the records of the Company, Provident Fund and Employees' State Insurance dues have been regularly deposited with the appropriate authorities.
18. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty were outstanding in the books as at 31st March 2003 for a period of more than six months from the date they became payable.
19. According to the information and explanations given to us, no personal expenses of employees or Directors have been charged to revenue account other than those payable under contractual obligations or in accordance with generally accepted business practices.
20. The Company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
21. In respect of the trading activity of the Company, damaged goods have been determined and adequate provision has been made in the accounts for the loss arising on the items so determined.

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

D.R. Bharucha
Partner

Mumbai, 28th July 2003

		Rupees in million	
As at 31st March 2003	Schedule	2003	2002
Sources of Funds			
Shareholders' Funds			
Share Capital	A	599.72	599.72
Reserves & Surplus	B	<u>10101.07</u>	<u>8301.69</u>
		10700.79	8901.41
Loan Funds			
Secured Loans	C	288.86	216.77
Unsecured Loans	D	<u>658.97</u>	<u>122.07</u>
		947.83	338.84
		11648.62	9240.25
Application of Funds			
Fixed Assets			
Gross Block	E	5169.83	4186.57
Less: Depreciation		<u>1459.35</u>	<u>1211.40</u>
Net Block		3710.48	2975.17
Capital Work-in-Progress		<u>288.35</u>	<u>19.16</u>
		3998.83	2994.33
Investments			
	F	1265.94	1437.03
Current Assets, Loans & Advances			
Inventories	G	5892.38	3962.82
Sundry Debtors	H	3553.66	2547.05
Cash & Bank Balances	I	131.16	155.74
Other Current Assets	J	25.40	34.92
Loans & Advances	K	<u>3308.39</u>	<u>3004.93</u>
		12910.99	9705.46
Less: Current Liabilities & Provisions	L	<u>5966.17</u>	<u>4500.86</u>
Net Current Assets		6944.82	5204.60
Deferred Tax Liabilities	M	(561.96)	(397.36)
Miscellaneous Expenditure	N	0.99	1.65
		11648.62	9240.25
Notes to the Accounts	S		

In terms of our report of even date

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

D.R. Bharucha
Partner

Mumbai, 28th July 2003

Y.K. Hamied
Chairman & Managing Director

M.K. Hamied
Amar Lulla
Joint Managing Directors

H.R. Manchanda
S.A.A. Pinto
M.R. Raghavan
Ramesh Shroff
Directors

Mital Sanghvi
Dy. Company Secretary

Mumbai, 28th July 2003

Profit And Loss Account

Rupees in million

For the year ended 31st March 2003	Schedule	2003	2002
Income			
Gross Sales		15497.91	13858.42
Less: Excise Duty		<u>1125.14</u>	<u>1113.28</u>
Net Sales		14372.77	12745.14
Other Income	O	<u>492.13</u>	<u>430.27</u>
		14864.90	13175.41
Expenditure			
Material Cost	P	7155.80	6056.66
Employee Cost	Q	734.63	632.54
Manufacturing Expenses		895.02	786.81
Other Expenses	R	2653.78	2371.98
Interest – Fixed period		5.38	5.24
– Others		11.79	15.76
Depreciation		285.06	214.45
Less: Transferred from Revaluation Reserve		<u>1.50</u>	<u>1.67</u>
		283.56	212.78
		11739.96	10081.77
Profit before Taxation		3124.94	3093.64
Provision for Tax – Current		482.90	620.00
– Deferred		164.60	122.50
Profit after Taxation		2477.44	2351.14
Deferred Tax – Prior Years		–	274.86
Profit available for Appropriation		2477.44	2076.28
Appropriations			
Proposed Dividend		599.72	419.81
Tax on Dividend		76.84	–
Transferred to General Reserve		<u>1800.88</u>	<u>1656.47</u>
		2477.44	2076.28
Basic and Diluted Earning per Share (Rs.) (Schedule S – Note 21)		41.31	34.62
Notes to the Accounts	S		

In terms of our report of even date

For R.S. Bharucha & Co.,
Chartered AccountantsD.R. Bharucha
Partner

Mumbai, 28th July 2003

Y.K. Hamied
Chairman & Managing DirectorM.K. Hamied
Amar Lulla
Joint Managing DirectorsH.R. Manchanda
S.A.A. Pinto
M.R. Raghavan
Ramesh Shroff
DirectorsMital Sanghvi
Dy. Company Secretary

Mumbai, 28th July 2003

		Rupees in million	
		2003	2002
A Share Capital			
Authorised			
6,50,00,000 Equity Shares of Rs.10 each		650.00	650.00
(Previous year 6,50,00,000 Equity Shares of Rs.10 each)			
		<u>650.00</u>	<u>650.00</u>
Issued			
6,01,73,028 Equity Shares of Rs.10 each		601.73	601.73
(Previous year 6,01,73,028 Equity Shares of Rs.10 each)			
		<u>601.73</u>	<u>601.73</u>
Subscribed & Paid-up			
5,99,72,349 Equity Shares of Rs.10 each		599.72	599.72
(Previous year 5,99,72,349 Equity Shares of Rs.10 each)			
		<u>599.72</u>	<u>599.72</u>
<p>Note: Of the above Equity Shares, 5,83,89,126 shares of Rs.10 each (Previous year 5,83,89,126 shares of Rs.10 each) were allotted as fully paid-up Bonus Shares by capitalisation of General Reserve & Share Premium Account.</p>			

		Rupees in million	
		2003	2002
B Reserves & Surplus			
Capital Reserve		0.78	0.78
Revaluation Reserve			
As per last Balance Sheet		104.69	106.36
Less: Transferred to Profit and Loss Account		<u>1.50</u>	<u>1.67</u>
		103.19	104.69
Share Premium Account			
		486.82	486.82
General Reserve			
As per last Balance Sheet		7709.40	6052.93
Add: Transferred from Profit and Loss Account		<u>1800.88</u>	<u>1656.47</u>
		9510.28	7709.40
		<u>10101.07</u>	<u>8301.69</u>

Schedules To The Accounts

Rupees in million

	2003	2002
C Secured Loans		
Amounts drawn against Cash and Export Credit Accounts with Banks (Secured by hypothecation of tangible movable properties and receivables)	288.86	216.77
	<u>288.86</u>	<u>216.77</u>

Rupees in million

	2003	2002
D Unsecured Loans		
Fixed Deposits*	2.69	2.80
Interest accrued and due on Fixed Deposits*	0.18	0.25
Other Loans and Advances		
Govt. of Maharashtra Sales Tax Loan	0.57	1.16
MIDC Development Loan	–	0.04
HDFC – Line of Credit	1.40	1.66
Maharashtra Govt. Sales Tax Deferral	47.61	46.10
Loans from Banks	<u>606.52</u>	<u>70.06</u>
	<u>656.10</u>	<u>119.02</u>
	<u>658.97</u>	<u>122.07</u>
<i>Notes:</i>		
i. A sum of Rs.607.59 million (Previous year Rs.71.45 million) 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 million

E Fixed Assets

ASSETS	GROSS BLOCK AT COST/REVALUATION			DEPRECIATION		NET BLOCK	
	As at 31.03.02	Additions	Deletions	As at 31.03.03	As at 31.03.03	As at 31.03.03	As at 31.03.02
Freehold Land	90.71	–	–	90.71	–	90.71	90.71
Leasehold Land	16.28	–	–	16.28	2.10	14.18	14.35
Buildings & Flats	501.53	36.20	33.20	504.53	189.49	315.04	322.82
Plant & Machinery	3412.23	966.81	23.35	4355.69	1206.61	3149.08	2457.52
Furniture & Fixtures	86.85	62.37	–	149.22	50.11	99.11	44.68
Vehicles	41.35	16.32	4.27	53.40	11.04	42.36	33.02
Leased out Assets	37.62	–	37.62	–	–	–	12.07
Total	4186.57	1081.70	98.44	5169.83	1459.35	3710.48	2975.17
Previous Year	2847.35	1386.48	47.26	4186.57	1211.40		
Capital Work-in-Progress (At Cost)						288.35	19.16
Total						3998.83	2994.33

Notes: i. Leasehold Land is being written off over the period of lease.

ii. The value of Buildings & Flats includes the cost of shares in Co-operative Housing Societies.

Rupees in million

	2003	2002
F Investments		
Long Term Investments		
Government Securities		
<i>Quoted</i>		
6% Government of India Loan, 2002		
Face Value Rs.30 million (Redeemed during the year)	–	30.00
<i>Unquoted</i>		
National Savings Certificates		
(Purchased NSC of Rs.0.02 million during the year)	0.25	0.23
Indira Vikas Patra	0.60	0.60
Other Investments		
Trade		
<i>Unquoted</i>		
The Saraswat Co-operative Bank Limited		
1,000 Equity Shares of Rs.10 each, fully paid	0.01	0.01

Schedules To The Accounts

	Rupees in million	
	2003	2002
F Investments – contd.		
Other than Trade		
Bonds		
<i>(Listed but not quoted)</i>		
<i>Indian Railway Finance Corporation Limited</i>		
Nil (Previous year 1,00,000) 10.5% (Tax free) Secured Redeemable Non-Convertible Bonds of Face Value Rs. 1000 each, fully paid (1,00,000 Bonds redeemed during the year)	–	101.91
Mutual Funds		
<i>Alliance Capital Mutual Fund “Alliance Income” – Growth Scheme</i>		
71,08,054 (Previous year 98,14,787) Units (27,06,733 Units redeemed during the year)	116.60	159.85
<i>Birla Sun Life Mutual Fund “Birla Income Plus” – Growth Scheme</i>		
1,75,00,000 (Previous year 2,07,23,727) Units (32,23,727 Units redeemed during the year)	271.75	321.75
<i>Birla Sun Life Mutual Fund “Birla FMP” – Growth Scheme</i>		
3,00,000 (Previous year Nil) Units (3,00,000 Units purchased during the year)	30.00	–
<i>Birla Sun Life Mutual Fund “Birla Bond Plus” – Dividend Scheme</i>		
Nil (Previous year 30,08,479) Units (14,920 Dividend Units received during the year and 30,23,399 Units redeemed during the year)	–	30.59
<i>DSP Merrill Lynch Mutual Fund “DSP Bond Fund” – Growth Scheme</i>		
1,25,84,913 (Previous year 1,59,77,546) Units (33,92,633 Units redeemed during the year)	186.04	234.94
<i>HDFC Mutual Fund “HDFC Income Plan” – Growth Scheme</i>		
88,40,961 (Previous year 88,40,961) Units	100.00	100.00
<i>Prudential ICICI Mutual Fund “Prudential ICICI Income Plan” – Growth Scheme</i>		
2,81,14,265 (Previous year 2,96,35,178) Units (15,20,913 Units redeemed during the year)	348.13	368.13
<i>HDFC Mutual Fund “HDFC FIP” – Growth Scheme</i>		
40,00,000 (Previous year Nil) Units (40,00,000 Units purchased during the year)	40.00	–

	Rupees in million	
	2003	2002
F Investments – contd.		
<i>Prudential ICICI Mutual Fund “Prudential ICICI FMP” – Growth Scheme</i> 70,00,000 (Previous year Nil) Units (70,00,000 Units purchased during the year)	70.00	–
<i>IL&FS Mutual Fund “IL&FS Bond Fund” – Growth Scheme</i> 16,08,979 (Previous year Nil) Units (32,17,959 Units purchased & redeemed during the year & 16,08,979 Bonus Units received during the year)	–	–
<i>Kotak Mahindra Mutual Fund “K Gilt Unit Scheme 98” – Growth Scheme</i> Nil (Previous year 29,69,462) Units (29,69,462 Units redeemed during the year)	–	30.00
Current Investments		
<i>Birla Sun Life Mutual Fund “Birla Cash Plus” – Growth Scheme</i> 19,59,025 (Previous year Nil) Units (19,59,025 Units purchased during the year)	31.81	–
<i>Birla Sun Life Mutual Fund “Birla Cash Plus” – Dividend Scheme</i> Nil (Previous year 48,69,742) Units (48,69,742 Units redeemed during the year)	–	59.02
<i>DSP Merrill Lynch Mutual Fund “DSP Liquidity Fund” – Growth Scheme</i> 48,21,901 (Previous year Nil) Units (48,21,901 Units purchased during the year)	70.75	–
<i>HDFC Mutual Fund “HDFC Short Term Plan” – Growth Scheme</i> Nil (Previous Year Nil) Units (1,70,33,856 Units purchased & redeemed during the year)	–	–
<i>HSBC Mutual Fund “HSBC Short Term Plan” – Growth Scheme</i> Nil (Previous Year Nil) Units (50,00,000 Units purchased & redeemed during the year)	–	–
<i>Prudential ICICI Mutual Fund “Prudential ICICI Short Term Plan” – Growth Scheme</i> Nil (Previous Year Nil) Units (2,83,72,626 Units purchased & redeemed during the year)	–	–

Schedules To The Accounts

		Rupees in million	
		2003	2002
F Investments – contd.			
<i>Prudential ICICI Mutual Fund “Prudential ICICI Liquid Plan” – Growth Scheme</i>			
Nil (Previous Year Nil) Units (1,47,79,161 Units purchased & redeemed during the year)			
		–	–
<i>Prudential ICICI Mutual Fund “Prudential ICICI FMP” – Growth Scheme</i>			
Nil (Previous Year Nil) Units (44,72,072 Units purchased & redeemed during the year)			
		–	–
<i>Standard Chartered Mutual Fund “Grindlays Cash Fund” – Growth Scheme</i>			
Nil (Previous Year Nil) Units (6,96,30,718 Units purchased & redeemed during the year)			
		–	–
<i>Standard Chartered Mutual Fund “Grindlays Short Term Plan” – Growth Scheme</i>			
Nil (Previous Year Nil) Units (1,48,69,174 Units purchased & redeemed during the year)			
		–	–
		<u>1265.94</u>	<u>1437.03</u>
Aggregate of Unquoted Investments at	- Book Value	Rs.1265.94 million	(Previous year Rs.1407.03 million)
Aggregate of Quoted Investments at	- Book Value	NIL	(Previous year Rs. 30.00 million)
	- Market Value	NIL	(Previous year Rs. 36.97 million)

		Rupees in million	
		2003	2002
G Inventories			
[As valued by the Management & certified by Cost Auditors. Schedule S – Note 1 (v)]			
Raw Materials		2529.12	1372.57
Work-in-Process		742.04	697.02
Finished Goods		<u>2621.22</u>	<u>1893.23</u>
		<u>5892.38</u>	<u>3962.82</u>

Rupees in million

	2003	2002
H Sundry Debtors		
Over Six Months		
Considered Good	311.84	193.84
Considered Doubtful	0.33	2.68
	<u>312.17</u>	<u>196.52</u>
Less: Provision for Doubtful Debts	0.33	2.68
	<u>311.84</u>	<u>193.84</u>
Others		
Considered Good	3241.82	2353.21
	<u>3553.66</u>	<u>2547.05</u>

Rupees in million

	2003	2002
I Cash & Bank Balances		
Cash in hand	6.36	3.30
Balances with Scheduled Banks in Current Accounts	34.70	67.24
Fixed Deposits with Banks	90.10	85.20
	<u>131.16</u>	<u>155.74</u>

Rupees in million

	2003	2002
J Other Current Assets		
Unsecured (Considered good)		
Interest accrued on Inter-corporate Loans, Government Securities & Deposits	7.66	16.92
Export Incentives Receivable	17.74	18.00
	<u>25.40</u>	<u>34.92</u>

Schedules To The Accounts

Rupees in million

	2003	2002
K Loans & Advances		
Unsecured (Considered good, unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received		
Considered Good	880.44	739.63
Considered Doubtful	0.76	0.79
	<u>881.20</u>	<u>740.42</u>
Less: Provision for Doubtful Advances	0.76	0.79
	<u>880.44</u>	<u>739.63</u>
Balance with Central Excise Department	346.15	197.35
Dues from Staff	29.89	23.09
Sundry Deposits	49.33	50.53
Advance Taxes & TDS	1947.94	1857.34
Inter-corporate Loans	41.44	105.24
Sales Tax Receivable	13.20	31.75
	<u>3308.39</u>	<u>3004.93</u>

Rupees in million

	2003	2002
L Current Liabilities & Provisions		
Current Liabilities		
Sundry Creditors [†]	2042.47	1489.74
Trade Deposits from Customers	39.42	39.68
Unclaimed Dividend*	23.30	19.56
Advances Received	130.40	113.35
Unclaimed Preference Share Capital	0.10	0.10
Other Liabilities	<u>1354.02</u>	<u>807.56</u>
	3589.71	2469.99
Provisions		
Leave Encashment	12.00	10.06
Provision for Taxation	1687.90	1601.00
Provision for Dividend	599.72	419.81
Tax on Dividend	<u>76.84</u>	<u>—</u>
	<u>2376.46</u>	<u>2030.87</u>
	5966.17	4500.86

[†] Includes Rs. 802.40 million (Previous year Rs. 879.34 million) due to SSI units (as disclosed by the parties). Listed below are SSI units having outstandings for more than 30 days. Okasa Pvt. Ltd., ZXR Industries Pvt. Ltd., Okasa Pharma Pvt. Ltd., Jay Precision Products Pvt. Ltd., Mediorals Laboratories Pvt. Ltd., Meditab Specialities Pvt. Ltd., Medispray Laboratories Pvt. Ltd., Jupiter Remedies Pvt. Ltd., Golden Cross Pharma Pvt. Ltd., Intermed Pharma Pvt. Ltd., XAL Engineering (India) Pvt. Ltd.

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

Rupees in million

	2003	2002
M Deferred Tax Liabilities		
Deferred Tax Liabilities arising on account of:		
Depreciation	522.26	368.11
Export Incentives	39.70	29.25
	<u>561.96</u>	<u>397.36</u>

Rupees in million

	2003	2002
N Miscellaneous Expenditure		
[To the extent not written off or adjusted]		
Share Issue Expenses	0.99	1.65
	<u>0.99</u>	<u>1.65</u>

Rupees in million

	2003	2002
O Other Income		
Profit on sale of Investments (Net)	99.02	82.02
Profit on sale of Fixed Assets (Net)	5.11	–
Export Incentives	160.93	120.86
Dividend	0.15	32.23
Interest (includes tax deducted at source Rs.5.11 million; Previous year Rs.17.13 million)	68.01	113.08
Lease Rentals	2.41	3.04
Rent (includes tax deducted at source Rs.0.38 million; Previous year Rs.0.36 million)	1.98	2.12
Exchange Gain (Net)	24.89	1.12
Miscellaneous Income	58.32	49.97
Technical Know-how Fees	68.96	25.83
Provision for Doubtful Debts written back	2.35	–
	<u>492.13</u>	<u>430.27</u>

Schedules To The Accounts

Rupees in million

	2003	2002
P Material Cost		
Consumption of Materials		
Opening Stock	1372.57	1014.26
<i>Add:</i> Purchases	<u>6395.52</u>	<u>4504.77</u>
	7768.09	5519.03
<i>Less:</i> Closing Stock	<u>2529.12</u>	<u>1372.57</u>
	5238.97	4146.46
Finished goods Purchased	2689.84	2761.12
(Increase)/Decrease in Stocks of		
Work-in-Process & Finished Goods		
Opening Stock		
Work-in-Process	697.02	415.83
Finished Goods	<u>1893.23</u>	<u>1323.50</u>
	2590.25	1739.33
<i>Less:</i> Closing Stock		
Work-in-Process	742.04	697.02
Finished Goods	<u>2621.22</u>	<u>1893.23</u>
	3363.26	2590.25
	(773.01)	(850.92)
	<u>7155.80</u>	<u>6056.66</u>

Rupees in million

	2003	2002
Q Employee Cost		
Salaries, Wages, Bonus, etc.	638.79	544.13
Provident & other Funds	32.27	29.50
Staff Gratuity	13.70	11.98
Staff Welfare	47.93	46.73
Leave Encashment	<u>1.94</u>	<u>0.20</u>
	<u>734.63</u>	<u>632.54</u>

	Rupees in million	
	2003	2002
R Other Expenses		
Stores & Spares	263.67	168.09
Power & Fuel	225.41	163.52
Rent	91.56	46.22
Rates & Taxes	17.80	45.15
Insurance	45.59	32.95
Repairs & Maintenance		
Machinery	114.01	65.43
Buildings	136.41	161.98
Others	69.50	69.53
Printing & Stationery	51.38	42.12
Conveyance & Vehicle Expenses	24.86	20.63
Remuneration to Auditors		
Audit Fees	0.90	0.80
Tax Audit Fees	0.15	0.03
Cost Audit Fees	0.32	0.16
Professional Fees	129.63	72.97
Telephone, Postage & Telegram	65.39	65.82
Selling Expenses	508.45	558.35
Freight & Forwarding	129.87	111.40
Travelling Expenses	94.32	72.75
Donations	1.71	6.73
Commission on Sales	532.83	492.50
Bank & Other Financial Charges	27.67	18.52
Directors' Sitting Fees	0.33	0.30
Miscellaneous Expenses	120.82	121.67
Share Issue Expenses written off	0.66	0.66
Bad Debts written off	0.54	31.88
Loss on Sale of Fixed Assets (Net)	—	1.82
	<u>2653.78</u>	<u>2371.98</u>

S 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 or construction or other amounts substituted for historical costs on revaluation less accumulated depreciation.

iii. Lease Accounting

Lease Income is recognised based on the internal rate of return method over the period of lease.

iv. 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.5000 each have been written off entirely in the year of acquisition.
- e. Cost of leasehold land is written off over the period of lease.
- f. Leased out assets are depreciated over the primary period of lease. Accordingly, while the statutory depreciation on such assets is provided for on Straight Line Method as per Schedule XIV of the Companies Act, 1956, the difference is adjusted through Lease Equalisation Charge/Reserve and Lease Terminal Adjustment Account.

v. Inventories

Inventories are stated at lower of weighted average cost (excluding recoverable taxes) and net realisable value.

vi. Foreign exchange transactions

Foreign currency assets and liabilities covered by forward contracts are stated at the forward contract rates while those not covered by forward contracts are restated at rates ruling at the year end. Exchange differences relating to fixed assets are adjusted in the cost of the asset. Any other exchange difference is dealt with in the Profit and Loss Account. In respect of other transactions covered by forward contracts, the difference between the contract rate and the spot rate on the date of the transaction is recognised in the Profit and Loss Account over the period of the contract.

vii. Retirement benefits

- a. The Company contributes to a Gratuity Fund which has taken up a Group Policy with Life Insurance Corporation of India for future payments of gratuities to employees.
- b. The Company provides for Leave Encashment Benefit on the basis of actuarial valuation.

viii. Research and Development

Revenue expenditure on Research & Development is charged against profit for the year in which it is incurred. Capital expenditure on Research & Development is shown as addition to Fixed Assets. Details of expenditure incurred during the year are disclosed in the Annexure to the Directors' Report.

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.

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.

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.254.69 million (Previous year Rs.262.55 million).

4. Contingent Liabilities

- i. Guarantees given by banks on behalf of the Company Rs.44.86 million (Previous year Rs.27.17 million).
- ii. Letters of Credit Rs.147.48 million (Previous year Rs.14.36 million).
- iii. Claims against the Company not acknowledged as debts:
 - a. Income Tax, Sales Tax and Excise Duty Rs.169.28 million (Previous year Rs.189.77 million). Of the above, Rs.59.40 million represents claims where the Income Tax Department has filed appeals before the appellate authorities.
 - b. Others Rs.2.09 million (Previous year Rs.2.03 million).
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.54.56 million 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, claiming that an amount of Rs.2072.39 million along with interest due thereon is payable on account of overcharging in respect of Salbutamol, Theophylline, Ciprofloxacin, Cloxacillin, Norfloxacin, Cefadroxil, Trimethoprim and Sulphamethoxazole formulations under the Drugs (Prices Control) Order, 1995.

In response to a writ petition filed by the Company against the aforesaid show cause notices, the Hon'ble High Court of Mumbai has upheld the Company's contentions and held that the

drugs Norfloxacin, Ciprofloxacin, Theophylline, Salbutamol and Cloxacillin cannot be included under price control and consequently has quashed the above show cause notices. The Government of India had filed an appeal in the Supreme Court of India. The same has been heard fully by the Hon'ble Supreme Court of India and the judgement is awaited. No stay has been granted on the order passed by the Hon'ble High Court of Mumbai. 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 & Development. The said challenge is pending in the Hon'ble High Court of Mumbai, which has granted interlocutory orders regarding the same.

The Company has also filed in the Hon'ble High Court of Karnataka, a writ petition challenging the notifications fixing the prices in respect of formulations of Salbutamol, Theophylline, Ciprofloxacin and Norfloxacin. The Hon'ble High Court of Karnataka has also granted interlocutory injunction against the Government in respect of the said drugs. 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.

7. The net difference in foreign exchange credited to the Profit and Loss Account is Rs. 23.39 million (Previous year Rs. 36.96 million).

8. Capacities and Actual Production

Class of Goods	Unit	Installed Capacity		Actual Production	
		2003	2002	2003	2002
Bulk Drugs (including Malts)	Tonne	2101.0	2101.0	609.6	701.2
Tablets & Capsules	Million	6975.0	5100.0	7224.1	4466.0
Liquids	Kilolitre	3280.0	3280.0	4395.0	4293.6
Creams	Tonne	100.0	100.0	423.4	356.9
Aerosols/Inhalation Devices	Thousand	33600.0	32880.0	27416.4	19147.2
Injections/Sterile Solutions	Kilolitre	652.0	652.0	622.6	551.8
Agrochemicals	Tonne	50.0	50.0	–	–
Others	Million	–	–	0.2	–

- Notes: i. The installed capacity is as certified by the Management and not verified by the auditors, this being a technical matter. The increase in installed capacity is on account of new facilities set up at Verna, Goa.
- ii. Actual production includes production at loan licensee locations.
- iii. Actual production includes production of goods captively consumed.

9. Purchases of each class of Finished Goods

		Rupees in million			
Class of Goods	Unit	2003		2002	
		Qty.	Value	Qty.	Value
Bulk Drugs (including Malts)	Tonne	249.3	511.83	194.3	331.93
Tablets & Capsules	Million	1713.0	1563.76	1962.3	1975.23
Liquids	Kilolitre	1803.0	315.70	1302.3	218.57
Creams	Tonne	73.4	50.55	31.5	23.45
Aerosols/Inhalation Devices	Thousand	1248.1	45.82	1212.5	42.42
Injections/Sterile Solutions	Kilolitre	497.8	180.07	143.2	136.64
Others			22.11		32.88
			2689.84		2761.12

10. Sales of each class of Finished Goods

		Rupees in million			
Class of Goods	Unit	2003		2002	
		Qty.	Value	Qty.	Value
Bulk Drugs (including Malts)	Tonne	613.8	2922.21	644.5	3366.11
Tablets & Capsules	Million	7251.1	8721.13	6159.1	7404.03
Liquids	Kilolitre	5609.4	805.67	4831.7	713.62
Creams	Tonne	393.7	292.24	364.6	255.95
Aerosols/Inhalation Devices	Thousand	27398.2	1821.97	19599.2	1330.74
Injections/Sterile Solutions	Kilolitre	846.5	876.31	647.7	745.12
Others			58.38		42.85
			15497.91		13858.42

11. Closing Stock of each class of Finished Goods

		Rupees in million			
Class of Goods	Unit	2003		2002	
		Qty.	Value	Qty.	Value
Bulk Drugs (including Malts)	Tonne	146.3	704.14	144.3	572.00
Tablets & Capsules	Million	2536.7	1294.44	976.8	908.62
Liquids	Kilolitre	1555.9	197.30	1205.5	135.90
Creams	Tonne	142.7	58.48	67.8	37.40
Aerosols/Inhalation Devices	Thousand	2342.0	140.72	1861.0	95.87
Injections/Sterile Solutions	Kilolitre	379.9	196.44	144.9	110.69
Others			29.70		32.75
			2621.22		1893.23

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

Schedules To The Accounts

12. Consumption of Raw and Packing Materials

Class of Goods	2003		2002	
	Value	%	Value	%
Purchased indigenously	3947.13	66	3067.87	65
Imported by the Company	2003.08	34	1655.31	35
	<u>5950.21</u>	<u>100</u>	<u>4723.18</u>	<u>100</u>
Less: Recoverable duties (included in the above cost)	711.24		576.72	
Total consumption	5238.97		4146.46	

Note: Figures as certified by the Management

13. Break up of Materials Consumed

Class of Goods	Unit	2003		2002	
		Qty.	Value	Qty.	Value
Purchased Bulk Drugs	Tonne	1581.9	2104.65	1038.2	1591.42
Solvents	Tonne	7432.8	342.32	7066.1	299.79
Capsules	Million	1009.9	79.56	638.6	60.69
Packing Materials			1583.46		1184.85
Others			1840.22		1586.43
(None of which individually account for more than 10% of the total consumption)			<u>5950.21</u>		<u>4723.18</u>
Less: Recoverable duties (included in the above cost)			711.24		576.72
Total consumption			5238.97		4146.46

Note: Figures as certified by the Management

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

	Rupees in million	
	2003	2002
Raw Materials/Packing Materials	2324.73	1374.03
Components & Spare Parts	30.07	71.09
Capital Goods	447.18	184.62

15. Expenditure in Foreign Currency

	Rupees in million	
	2003	2002
Other matters – Commission, Consultancy, Travelling, etc.	441.85	428.75

16. Earnings in Foreign Exchange

	Rupees in million	
	2003	2002
F.O.B. Value of Exports	5660.25	4941.73
Technical Know-how Fees	68.96	25.83

17. Managerial Remuneration

Managerial Remuneration under Section 198 of the Companies Act, 1956 paid or provided for during the year:

	Rupees in million	
	2003	2002
i. Salary and Allowances	5.70	5.70
ii. Commission	90.00	75.00
iii. Company's contribution to Provident Fund	0.68	0.68
iv. Approximate monetary value of other perquisites or benefits	2.19	2.54
	98.57	83.92

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.

18. Computation of Net Profit under Section 349 of the Companies Act, 1956

	Rupees in million	
		2003
Profit before taxation as per Profit & Loss Account		3124.94
Add: Managerial Remuneration	98.57	
Directors' Sitting Fees	0.33	
	<u>98.90</u>	3223.84
Less: Profit on Sale of Investments	99.02	
Profit on Sale of Fixed Assets	5.11	
	<u>104.13</u>	3119.71
Net Profit under Section 349 of the Companies Act, 1956		3119.71
Managerial remuneration permissible – maximum		311.97

19. 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. Relationships:

There are no related parties excepting the key management personnel namely – Dr. Y.K. Hamied, Mr. M.K. Hamied and Mr. Amar Lulla.

ii. Refer Note 17 for details of managerial remuneration.

20. Segment Information for the year ended 31st March 2003

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

	Rupees in million		
	India	Outside India	Total
Revenue by geographical market	10093.65	5729.21	15822.86
Carrying amount of segment assets	12190.87	2672.58	14863.45
Capital expenditure	1330.75	–	1330.75

Notes:

- a. The Segment Revenue in geographical segments considered for disclosure is 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 million
• Sales	15497.91
• Other income excluding interest, dividend income and profit on sale of investments	324.95
	15822.86

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

21. Basic/Diluted Earning per Share has been calculated by dividing net profit available for appropriation for the year by 5,99,72,349 equity shares of nominal value of Rs. 10 each, outstanding as on 31st March 2003.

In terms of our report of even date

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

D.R. Bharucha
Partner

Mumbai, 28th July 2003

Y.K. Hamied
Chairman & Managing Director

M.K. Hamied
Amar Lulla
Joint Managing Directors

H.R. Manchanda
S.A.A. Pinto
M.R. Raghavan
Ramesh Shroff
Directors

Mital Sanghvi
Dy. Company Secretary

Mumbai, 28th July 2003

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
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 Loans

 Application of Funds Net Fixed Assets

 Investments

 Net Current Assets*

 Misc. Expenditure

 Accumulated Losses

* Net of Deferred Tax Liabilities

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

 Turnover

 Total Expenditure

 Profit/(Loss) Before Tax

 Profit/(Loss) After Tax

 Earning 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)

 Production Description

 Item Code No. (ITC Code)

 Product Description

 Item Code No. (ITC Code)

 Product Description

Cash Flow Statement

Rupees in million

For the year ended 31st March 2003	2003	2002
A Cash Flow from Operating Activities		
Net profit before tax and extraordinary items	3124.94	3093.64
Adjustments for:		
Depreciation	283.56	212.78
Miscellaneous expenditure written off	0.66	0.66
Interest paid	17.17	21.00
Unrealised foreign exchange gains	(3.74)	(10.56)
Interest received	(68.01)	(113.08)
Dividend Income	(0.15)	(32.23)
Profit on sale of investments	(99.02)	(82.02)
Profit/Loss on sale of fixed assets	(5.11)	1.82
Brokerage received	(5.85)	(7.84)
Lease rent received (net of lease equalisation charge)	(2.41)	(3.04)
	<u>117.10</u>	<u>(12.51)</u>
Operating profit before working capital changes	3242.04	3081.13
Adjustments for:		
Trade payables and other liabilities	1122.25	799.90
Inventories	(1929.56)	(1209.23)
Trade and other receivables	(1270.61)	(1422.03)
	<u>(2077.92)</u>	<u>(1831.36)</u>
Cash generated from operations	1164.12	1249.77
Interest paid	(17.17)	(21.00)
Direct taxes paid	(486.60)	(548.21)
	<u>(503.77)</u>	<u>(569.21)</u>
Net cash from operating activities (A)	660.35	680.56
B Cash Flow from Investing Activities		
Purchase of fixed assets/Capital work-in-progress	(1350.89)	(1374.36)
Sale of fixed assets	76.90	34.47
Purchase of investments	(2178.42)	(1915.84)
Sale of investments	2448.53	2790.09
Interest received	68.01	113.08
Dividend received	0.15	32.23
Brokerage received	5.85	7.84
Lease rent received (Gross)	12.69	14.11
Short-term deposits made with other corporates	63.80	(75.60)
Cash flow before extraordinary items	(853.38)	(373.98)
EXTRAORDINARY ITEM		
Adjustment for lease equalisation reserve	(20.73)	(9.98)
Net cash used in investing activities (B)	(874.11)	(383.96)

Rupees in million		
	2003	2002
C Cash Flow from Financing Activities		
Proceeds from long term & other borrowings	608.99	98.39
Dividend paid	(419.81)	(269.88)
Tax on dividend	–	(27.52)
Net cash from/(used in) financing activities	189.18	(199.01)
Net increase/(decrease) in cash and cash equivalents	(A)+(B)+(C)	97.59
Cash and cash equivalents as at 31.03.2002 (Opening Balance)	155.74	58.15
Cash and cash equivalents as at 31.03.2003 (Closing Balance)	131.16	155.74

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

In terms of our report of even date

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

D.R. Bharucha
Partner

Mumbai, 28th July 2003

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Mumbai, 28th July 2003

Ten Years' Highlights

Rupees in million

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Gross Sales & Other Income	15990.04	14288.69	10856.17	7913.85	6451.53	5410.22	4779.42	3661.55	3029.92	2518.31
Profit before Tax	3124.94	3093.64	2375.70	1726.59	1544.50	1349.71	1027.46	374.58	305.71	194.17
Profit after Tax	2477.44	2351.14	1790.70	1330.59	1149.50	1019.71	707.46	289.58	248.21	146.17
Dividend	599.72	419.81	269.88	177.85	149.93	109.95	69.97	24.39	18.65	9.94
Tax on Dividend	76.84	–	27.52	19.58	16.49	10.99	6.99	–	–	–
Retained Earnings	1800.88	1656.47*	1493.30	1133.16	983.08	898.77	630.50	265.19	266.71*	136.23
Gross Block	5458.18	4205.73	2878.63	2460.77	2164.87	1837.59	1596.14	1393.56	1240.96	1046.82
Net Block	3998.83	2994.33	1871.80	1617.52	1448.93	1224.94	1066.67	944.08	864.61	734.83
Investments	1265.94	1437.03	2229.26	1949.95	1404.05	728.19	305.42	32.34	32.28	31.12
Net Current Assets	6382.86†	4807.24†	3383.69	2380.45	2103.63	1871.77	1587.04	2145.08	1078.97	788.64
Miscellaneous Expenditure	0.99	1.65	2.31	2.97	3.63	4.29	4.95	5.72	1.29	–
Total Assets	11648.62	9240.25	7487.06	5950.89	4960.24	3829.19	2964.08	3127.22	1977.15	1554.59
Share Capital	599.72	599.72	599.72	599.72	199.91	199.91	199.91	199.91	186.47	31.08
Reserves	10101.07	8301.69	6646.89	5155.45	4424.17	3443.39	2547.17	1919.51	770.83	663.01
Net Worth	10700.79	8901.41	7246.61	5755.17	4624.08	3643.30	2747.08	2119.42	957.30	694.09
Borrowings	947.83	338.84	240.45	195.72	336.16	185.89	217.00	1007.80	1019.85	860.50
Total Liabilities	11648.62	9240.25	7487.06	5950.89	4960.24	3829.19	2964.08	3127.22	1977.15	1554.59

* Includes adjustments of earlier years

† Includes Deferred Tax Liabilities