

Cipla

Seventy-Fourth Annual Report

2009-2010

As in the past, Cipla has made a special effort to produce this report at a low cost, without compromising its quality or contents leading to a saving of Rs.41 lakhs. This amount has been donated to Cipla Public Charitable Trust.

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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

Mr. V.C. Kotwal

Dr. H.R. Manchanda

Mr. S.A.A. Pinto

Mr. M.R. Raghavan

Mr. Ramesh Shroff

Mr. Pankaj Patel

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

V. Sankar Aiyar & 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-FOURTH ANNUAL GENERAL MEETING of CIPLA LIMITED will be held at Amar Gian Grover Auditorium, Lala Lajpat Rai Marg, Haji Ali, Mumbai-400 034, on Wednesday, 25th August 2010 at 3.00 p.m. to transact the following business:

1. To consider and adopt the Balance Sheet as at 31st March 2010, the Profit and Loss Account for the year ended on that date together with the schedules annexed thereto as well as the reports of the Board of Directors and Auditors thereon.
2. To declare Dividend for the year ended 31st March 2010.
3. To appoint a Director in place of Dr.H.R. Manchanda who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr.Ramesh Shroff who retires by rotation and being eligible, offers himself for re-appointment.
5. To consider and, if thought fit, to pass, with or without modifications, the following resolution, as an Ordinary Resolution:

“RESOLVED THAT M/s. R.G.N. Price & Co., Chartered Accountants (Firm Reg. No. 002785S), together with M/s. V. Sankar Aiyar & Co., Chartered Accountants (Firm Reg. No. 109208W), be and are hereby re-appointed as Joint Statutory Auditors of the Company to hold the office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting upon such remuneration, taxes and out of pocket expenses, as may be fixed by the Board of Directors of the Company in mutual consultation with the Auditors.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is 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 Auditors of the Company to examine and audit the accounts for the financial year ending on 31st March 2011 upon such remuneration, terms and conditions as the Board of Directors may deem fit”

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass, with or without modifications, the following resolution, as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of section 314 and other applicable provisions, if any of the Companies Act, 1956 (including any amendments thereto or re-enactment thereof for the time being in force), the Company in general meeting hereby accords its consent to the holding of office or place of profit as a member of management team by Mr. Kamil Hamied, a relative of Mr. M.K. Hamied, Joint Managing Director of the Company, with effect from 14th July 2010 on a monthly salary not exceeding Rs.50,000/- (inclusive of all allowances and perquisites).

RESOLVED FURTHER THAT pursuant to the provisions of section 314 read with Director’s Relatives (Office or Place of Profit) Rules, 2003 and other applicable provisions, if any of the Companies Act, 1956 (including any amendments thereto or re-enactment thereof for the time being in force) and as approved by the Selection

NOTICE *contd.*

Committee and Board of Directors of the Company ("Board") and subject to the approval of Central Government, the Company in general meeting hereby accords its prior consent to the holding of office or place of profit under the Company through the appointment of Mr. Kamil Hamied, a relative of Mr. M. K. Hamied, Joint Managing Director of the Company as a member of management team for a period of five years with effect from 26th August 2010 subject to the payment of monthly salary (inclusive of all allowances and perquisites), during the period of appointment, being not less than Rs.2,00,000/- and not more than Rs.8,00,000/- as may be and in the manner finalised by the Board in consultation with the appointee.

RESOLVED FURTHER THAT the Board be and is hereby authorised to represent the Company before the Central Government and to agree to or accept any variations in the terms of the appointment as may be suggested by the Central Government.

AND RESOLVED FURTHER THAT the Board be and is hereby further authorised to do all such acts, deeds and things and execute all such documents, instruments and writings as may be required and to delegate all or any of its powers herein conferred to any Committee of Directors or any Director or Officer to give effect to the resolution hereof."

By Order of the Board of Directors

Mumbai, 13th July 2010

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 Explanatory Statement pursuant to section 173 of the Companies Act, 1956 is annexed hereunder and forms part of the Notice.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday, 27th July 2010 to Friday, 30th July 2010, both days inclusive.
4. The dividend for the year ended 31st March 2010 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 26th July 2010. 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 Depository Limited and Central Depository Services (India) Limited.
5. 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) to the Share Transfer Agents of the Company at the following address:

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

6. Members may please note that as per Securities and Exchange Board of India (SEBI) directive, remittance of dividend through Electronic Clearing Service (ECS) is replaced with National Electronic Clearing Service (NECS) with effect from 1st October 2009. To avail NECS facility, members holding shares in demat mode are requested to update their new bank details post implementation of Core Banking Solutions (CBS) in which they wish to receive dividend with their respective Depositories. The Company or the Share Transfer Agents will not act on any direct request from members holding shares in demat mode for change/updation/deletion in such bank details. Members holding shares in physical mode must give instructions regarding their new bank details in which they wish to receive dividend to the Company or the Share Transfer Agent. In the absence of NECS facility, the bank account details, if available, will be printed on the dividend warrants.
7. Members may please note that, Securities and Exchange Board of India (SEBI) has made Permanent Account Number (PAN) as the sole identification number for all participants transacting in the securities market, irrespective of the amount of such transactions. SEBI has also mandated that for securities market transactions

NOTICE *contd.*

and off market/private transactions involving transfer of shares in physical form, it shall be necessary for the transferee(s) to furnish copy of PAN card to the Company/Share Transfer Agents for registration of such transfer of shares.

Members may please note that, SEBI has also made it mandatory for submission of PAN in the following cases viz., (i) Deletion of name of the deceased shareholder(s) (ii) Transmission of shares to the legal heir(s) and (iii) Transposition of shares.

8. All unclaimed dividends up to 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 and Protection Fund (IEPF). Accordingly, unclaimed dividends from the financial year ended 31st March 1996 till 31st March 2002 have been transferred by the Company to IEPF.

Members may note that unclaimed dividend for the financial year ended 31st March 2003 shall become due for transfer to IEPF on 6th October 2010. Members should also note that any sum transferred to IEPF shall stand forfeited and no claim shall lie either against the IEPF or the Company. Those members, who have not encashed their dividends for the financial year ended 31st March 2003, are requested to claim it from the Share Transfer Agents immediately. Such of those members who have not so far claimed their dividend for the subsequent financial years are also advised to claim it from the Share Transfer Agents.

9. The face value of shares have been sub-divided from Rs.10 to Rs.2 per Equity Share in the year 2004. Members who have not yet exchanged share certificates of Rs.10 face value are requested to surrender their old certificates to Karvy Computershare Private Limited at the address stated above for exchange with new share certificates of Rs.2 face value.
10. Members who hold shares in 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 with the Share Transfer Agents which, on request will supply blank forms. Members holding shares in the dematerialised form may contact the Depository Participant for recording nomination in respect of their shares.
11. As required under Clause 49 of the Listing Agreement, the relevant information in respect of the Directors seeking re-appointment at the Annual General Meeting is enclosed as Annexure 1.

NOTICE *contd.*

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173 OF THE COMPANIES ACT, 1956 SETTING OUT ALL MATERIAL FACTS CONCERNING THE SPECIAL BUSINESS IN THE NOTICE DATED 13TH JULY 2010

Item No. 6

Mr. Kamil Hamied is the son of Mr. M. K. Hamied, Joint Managing Director and the nephew of Dr. Y. K. Hamied, Chairman and Managing Director of the Company.

Mr. Kamil Hamied has completed IB (International Baccalaureate) course from United World College, Singapore and holds the degree of Bachelor of Arts from New York University. Also, in the last five years, he has been involved in several assignments in the area of marketing of pharmaceutical products.

Subject to approval of the shareholders at the ensuing Annual General Meeting, he has been appointed by the Board of Directors of the Company to hold an office or place of profit as a member of management team with effect from 14th July 2010 on a monthly salary not exceeding Rs.50,000/- (inclusive of all allowances and perquisites).

Mr. Kamil Hamied's salary of Rs.50,000/- per month (inclusive of all allowances and perquisites) is not considered commensurate with the role and responsibilities meant to be handled by him. Hence, on recommendation of the Selection Committee, the Board of Directors of the Company has further proposed his appointment as a member of management team for a period of five years with effect from 26th August 2010 on a monthly salary (inclusive of all allowances and perquisites) being not less than Rs.2,00,000/- and not more than Rs.8,00,000/- to the extent and in the manner as may be decided within the aforesaid limits from time to time by the Board of Directors of the Company.

As per provisions of section 314 of the Companies Act, 1956 read with Director's Relatives (Office or Place of Profit) Rules, 2003, Mr. Kamil Hamied's appointment and payment of remuneration as such requires prior consent of the shareholders by way of special resolution and also the approval of the Central Government as envisaged in section 314 of the Companies Act, 1956 and Rules thereunder and hence this Special Resolution.

Except for Mr. M. K. Hamied and Dr. Y. K. Hamied, none of the other Directors of the Company are concerned or interested in the resolution.

By Order of the Board of Directors

Mumbai, 13th July 2010

Mital Sanghvi
Company Secretary

NOTICE *contd.*

ANNEXURE 1

RELEVANT INFORMATION IN RESPECT OF THE DIRECTORS SEEKING RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING AS REQUIRED UNDER CLAUSE 49 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 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 The 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.

Dr. H.R. Manchanda joined the Board of Directors of the Company in 1983.

He is a member of Shareholders'/Investors' Grievance Committee and Share 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.

Nature of expertise in specific functional areas

Corporate Laws,Taxation and Civil Suits.

Mr. Ramesh Shroff joined the Board of Directors of the Company in 1987. He is a member of the Audit Committee of the Company.

He also holds Directorship of Sadhana Nitrochem Limited. As on the date of this Notice, he holds 250 equity shares of Rs.2 each in the Company.

By Order of the Board of Directors

Mumbai, 13th July 2010

Mital Sanghvi
Company Secretary

DIRECTORS' REPORT

Congratulations to all Cipla shareholders on the occasion of the Diamond Jubilee of your Company. Thanks to your continuing support, the strong backing of the medical community and the untiring efforts of the entire team of employees and associates, Cipla has completed a remarkable 75 years.

When the first Cipla products were ready for the market in September 1937, *The Sunday Standard* predicted that "with intelligent direction and skillful production, (Cipla) bids fair to establish a great reputation in the East". Indeed, the Company's reputation has gone beyond the East. From a quiet beginning, today Cipla is well known internationally by doctors and patients alike, in most countries across the globe.

The Directors take pleasure in presenting the Seventy-Fourth Annual Report of the Company and Audited Accounts for the year ended 31st March 2010.

Financial Summary

Year ended 31 st March 2009		Year ended 31 st March 2010	Increase over previous year (%)
5,377	Sales and other income	5,765	7
901	Profit before tax	1,325	47
777	Profit after tax	1,081	39
510	Surplus brought forward from last balance sheet	955	
1,287	Profit available for appropriation	2,036	
156	Appropriations: Dividend	160	
26	Tax on dividend	27	
150	Transfer to general reserve	150	
955	Surplus carried forward	1,699	

Rupees in crore

SHARE CAPITAL

Following the approval accorded by the members at the Annual General Meeting held on 26th August 2009, the Company has, in September 2009, raised Rs.675.99 crore through an issue of 2,56,30,000 equity shares of Rs.2 each issued at a price of Rs.263.75 (including premium of Rs.261.75) under Qualified Institutions Placement (QIP). These shares have been listed on Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE). Consequently, the paid-up equity share capital of the Company stands increased to Rs.160.58 crore.

DIVIDEND

The Directors recommend a dividend of Rs.2 per share on 80,29,21,357 equity shares of Rs.2 each for the year 2009-10 amounting to Rs.160.58 crore.

MANAGEMENT REVIEW: 2009-10

Industry Structure and Development

During the year, positive signs had begun to emerge in many countries, signifying recovery from the general recession and economic crisis. However, there is high uncertainty, with one crisis or the other, particularly in

DIRECTORS' REPORT *contd.*

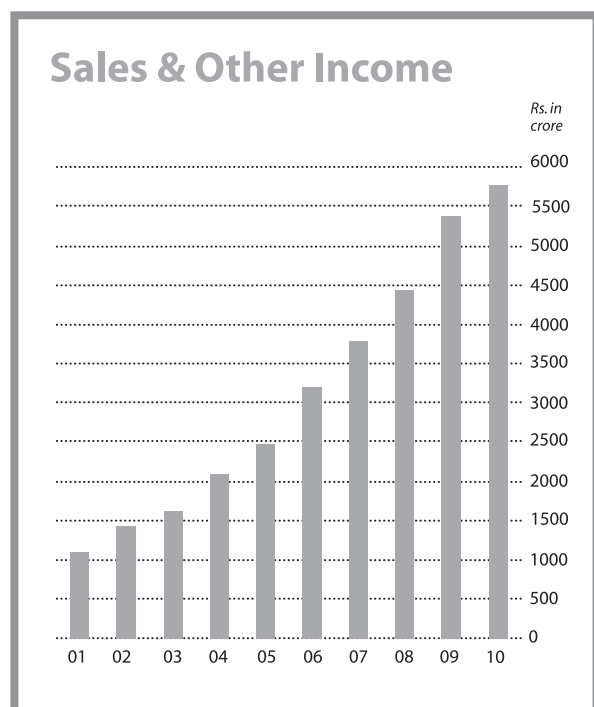
Europe, affecting overall sentiments. The developed nations will need to take the initiative to pull the rest of the world back to normalcy.

The recovery of the Indian economy seems to be on track with GDP predicted to grow to higher levels. Industrial recovery has also gathered momentum in recent months. The government is expected to adopt a gradual approach while withdrawing policy stimulus measures so that the recovery is not hampered.

The Indian pharmaceutical industry maintained its momentum and registered a growth of about 18 per cent, according to ORG-IMS statistics.

The dynamics of the Indian pharmaceutical industry is undergoing significant changes. Multinational corporations are working to entrench themselves as evidenced by the recent buyouts of the domestic business of major Indian pharmaceutical organisations. In the coming years, the industry may witness a significant shift and a consolidation phase. All the major players are trying to reach out to emerging rural markets in order to expand their reach.

According to a recent report, the Indian healthcare services industry, which primarily includes hospitals, is growing at an unprecedented rate of 16 per cent and is already one of the largest service sectors in the country. The Indian pharmaceutical industry will need to realign its strategies to cater to this segment.



Performance Review

The Company achieved an overall growth of about 8 per cent in turnover during the year. Domestic growth was steady at 10 per cent. According to ORG-IMS, Cipla remained the leader in the domestic market, as on 31st March 2010 with a market share of 5.38 per cent. However, growth in formulation exports was affected due to various factors including non-availability of important raw materials, lower tender business in anti-retrovirals and unfavourable movements in foreign exchange rate.

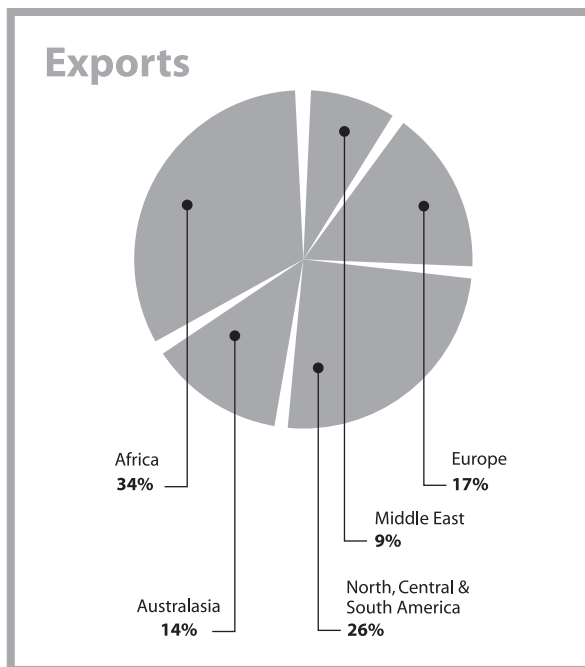
Products

The Company introduced many new drugs and formulations during the year. Some of the significant introductions were:

- Advent Forte (amoxicillin and clavulanic acid syrup) – combination antibiotic for difficult infections
- Antiflu (oseltamivir capsules and syrup) – first oral drug for bird flu
- Bosentas (bosentan tablets) – first specific therapy for pulmonary arterial hypertension
- Cinmove (cinitapride tablets) – new anti-motility drug for gastrointestinal disorders
- Clearnoz NS (sodium chloride nasal spray) – saline spray for dry nose
- Creslip (telmisartan and atorvastatin tablets) – novel combination therapy for hypertension with coexisting lipid disorders

DIRECTORS' REPORT *contd.*

- Daruvir (darunavir ethanolate tablets) – new PI booster drug for HIV/AIDS
- Foratec (arformoterol tartrate respules) – first long-acting nebulized bronchodilator
- Furamist (fluticasone furoate nasal spray) – new once-daily preventer therapy for allergic rhinitis
- Furamist AZ (fluticasone furoate and azelastine nasal spray) – novel once-daily combination nasal spray for allergic rhinitis
- IF2 (olopatadine tablets) – new drug for allergies
- Infunor (noradrenaline injection) – life-saving therapy for septic shock and severe hypotension
- Junior Lanzol (lansoprazole suspension) – new acid controller liquid for children
- Lenmid (lenalidomide capsules) – new drug for transfusion-dependent anaemia and multiple myeloma
- Nestacort (deflazacort tablets) – new steroid for organ transplant therapy
- Nicotex (nicotine polacrilex sugarfree gum) – smoking cessation aid
- Nova Plus (pregabalin, mecobalamin and alpha lipoic acid capsules) – triple combination drug therapy for neuropathic pain
- Nova SR (pregabalin sustained release tablets) – once-daily treatment for neuropathic pain
- Nutrimune (antioxidant tablets) – supportive therapy for HIV/AIDS
- Pazflo (pazufloxacin injection) – third generation quinolone antibacterial
- Prandial (voglibose mouth dissolving tablets) – novel drug for diabetes
- Pulmopres (tadalafil tablets) – for pulmonary hypertension
- Rixmin (rifaximin tablets) – new antibiotic for gastrointestinal infections
- Rosulip (rosuvastatin tablets) – new drug for cholesterol and lipid disorders
- Starpill (atorvastatin, atenolol, aspirin and losartan tablets) – polypill therapy for cardiovascular disease
- Ston1B₆ (potassium citrate, magnesium citrate and vitamin B₆ oral solution) – for prevention of recurrence of urinary stones
- Triexer (glimepiride, pioglitazone and metformin extended release tablets) – triple combination therapy for diabetes
- Tripill (metformin extended release, glimepiride and atorvastatin tablets) – triple combination therapy for diabetes with coexisting dyslipidemia



DIRECTORS' REPORT *contd.*

- Tugain (minoxidil foam) – for hair loss and baldness treatment
- Vesigard (darifenacin tablets) – new therapy for overactive urinary bladder
- Xgain (volumizing shampoo) – pH balanced volumizing shampoo
- Zolmist (zolmitriptan nasal spray) – new migraine therapy

Among other developments, during the year, Cipla sold its intellectual property rights and technical know-how of “i-pill”, an emergency contraceptive brand, to Piramal Healthcare Limited, for the territory of India, at an aggregate consideration of Rs.95 crore.

Cipla has entered into a strategic alliance with Stempeutics Research Pvt. Ltd., promoted by the Manipal Group, for the marketing rights of stem-cell-based products being developed by Stempeutics. Cipla is sponsoring up to Rs.50 crore, in the initial phase, for research and development of these products.

Manufacturing Facilities

In April 2010, the Company commenced commercial production of pharmaceutical formulations at its Special Economic Zone (SEZ) project, at Indore, Madhya Pradesh. This project includes facilities for the manufacture of aerosols, respules, liquid orals, pre-filled syringes (PFS), nasal sprays, large volume parenterals (LVP), eye drops, tablets and capsules. The total investment for this project is about Rs.900 crore.

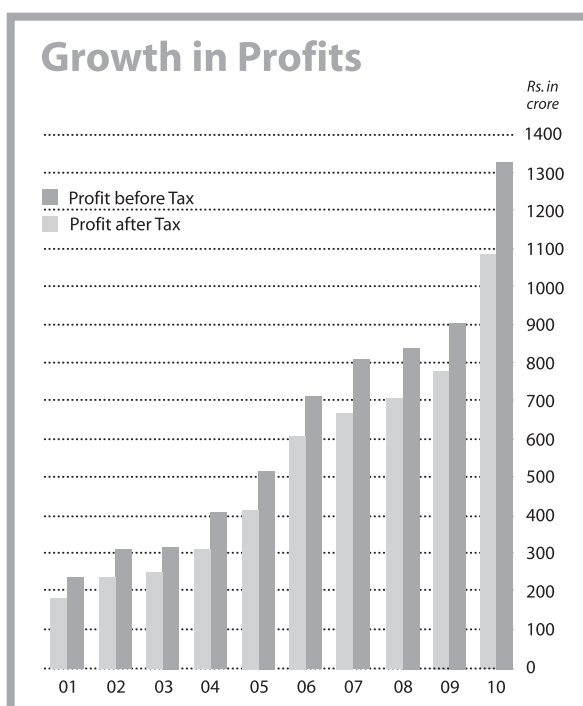
The Company is investing about Rs.250 crore in a new R&D and administration facility at Vikhroli, Mumbai.

Cipla is setting up API facilities at Bengaluru for anti-cancer products. The Company is upgrading its API facilities at Patalganga to scale-up production. The total investment for these two projects is estimated to be about Rs.200 crore.

In May 2010, Cipla acquired an undertaking for Rs.30.64 crore, by way of a slump sale arrangement. The undertaking has a manufacturing facility, approved by US FDA and WHO, for APIs and intermediates. It is located at Kurkumbh (Pune district).

The Company proposes to subscribe to the share capital of two biotechnology companies, located in India and Hong Kong, to obtain a 40 per cent and a 25 per cent share, respectively. The total investment will be about USD 65 million, in a phased manner, for setting up state-of-the-art facilities for biosimilar products in Goa and China.

Work at the Company's SEZ project at Kerim, Goa continues to be suspended due to the stop-work order issued by the State Government. The Company had received a communication dated 11th July 2008 from the State Government revoking its stop-work order, consequent to the filing of a petition by the developer of the SEZ against the order. The petition is currently pending before the Goa Bench of Bombay High Court.



DIRECTORS' REPORT *contd.*

Regulatory Approvals

Several dosage forms and APIs manufactured in the Company's plants continue to enjoy the approval of 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), Ministry of Health (Kingdom of Saudi Arabia), the Danish Medical Agency and the WHO.

Opportunities

Domestic Markets

Every year, Cipla continues to introduce new products and dosage forms that offer significant growth opportunities. Cipla has chalked out key marketing strategies to tap the potential offered by the Indian economy and the booming healthcare services industry. Given the Company's vast experience spanning a number of therapeutic categories and the wide range of its products in multiple dosage forms, Cipla is confident of also doing well in these market segments.

The Company will continue to leverage its brand value to capitalise on existing opportunities available through trade channels, including stockists, hospitals and other institutions.

International Markets

The Company has long-standing key alliances for product development and supply with large generic companies in the developed markets and has over 6,000 product registrations in more than 170 countries. Cipla exports to more than 170 countries worldwide and operates through low-risk, low-cost partnership arrangements. The large number of products in the registration pipeline will aid in increasing the Company's market share.

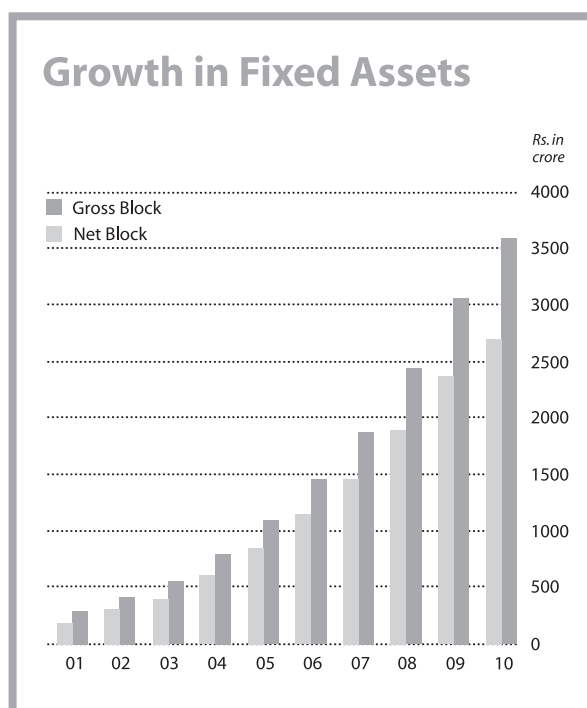
Cipla continues its focus on existing and new off-patent generic products in the developed markets. The Company identifies potential opportunities and works with its strategic partners to market generics when these products go off-patent. During the year, Cipla maintained its strategy of becoming the identified source of supply for third party generics companies, thus exploiting new opportunities for export of generics.

Income from technological consultancy services for the year was about Rs.154 crore. Technology transfer will continue to be a focus area for the Company.

Threats, Risks, Concerns

Patents

As expected, the Patent Bill 2005, which introduced product patents retrospectively from 1995, has given rise to a series of litigations between Cipla and many pharmaceutical companies, essentially multinationals. Cipla continues



DIRECTORS' REPORT *contd.*

to challenge many pre-grant applications and post-grant patents, which should not have been granted. India is under pressure to change its current patent laws to suit only multinational companies. Cipla and other like-minded organisations are fighting this as best as possible.

Apart from the above, the question of data exclusivity has as yet not been resolved. The definition of the term, "counterfeit", has also not been explained under the law. The word counterfeit should largely apply to sub-standard and spurious drugs. Many companies apply for frivolous patents and also multiple patenting of the same product. Certain export consignments of Indian pharmaceutical companies including Cipla, legally sent to Latin America and other countries, were stopped in transit at European airports on the ground that they did not fulfil European Intellectual Property Laws.

The Indian government should safeguard Indian consumers from a monopoly in healthcare. Time and again, Cipla has called for a pragmatic compulsory licensing system. In keeping with the guidelines of TRIPS, a country like India with its wide range of diseases and large population simply cannot afford monopoly. India's millions need access to all medicines at affordable prices.

In the light of these threats, Cipla is continuously fighting to safeguard the interest not only of the Company, but also of the country.

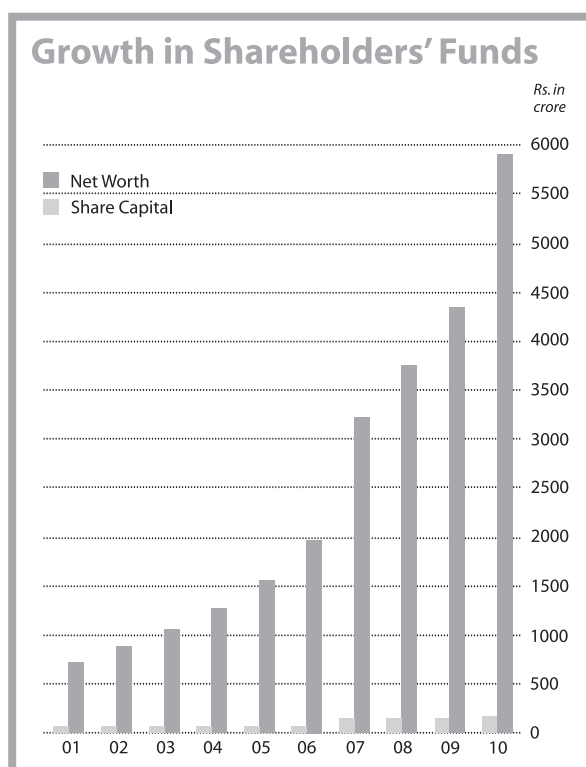
Drug Pricing

It is now well over 5 years since the government announced the drug pricing policy. This matter has to be approached with seriousness by the concerned authorities. At some time a policy should be announced, which is open and transparent. Cipla reiterates that open competition is the only way to control and reduce prices. Monopolies must be discouraged.

Two approaches have been suggested by Cipla. First, all imported patented drug formulations, where there is a monopoly, should be under price control. All drugs sold in India by more than five companies should be outside the purview of price control.

On several occasions, Cipla has approached the Indian government, offering to give technology free of charge to the public sector pharmaceutical undertakings, so that they can manufacture and market important life-saving drugs at economical prices. With both public and private sectors operating in the same segment, this would benefit the patients and the country. The government has now responded to our offer and has agreed to consider our proposal.

Cipla has some pending legal cases on account of alleged overcharging in respect of certain drugs under the Drug Price Control Order. The aggregate amount of the demand notices received is Rs.1157.12 crore (inclusive of interest). The Company has been legally advised that based on the directions given by the Supreme Court, there is no probability of the demand becoming payable by the Company. Hence, no provision is considered necessary in



DIRECTORS' REPORT *contd.*

respect of the aforesaid amount. However, any unfavourable outcome in these proceedings could have an adverse impact on the Company.

Regulatory Approvals

Our manufacturing facilities are monitored and approved by various regulatory authorities across the globe. These authorities have become more vigilant and strict with respect to compliance. Periodically, the US FDA conducts routine audits of all approved facilities and accordingly several of our plants including Goa, Patalganga, Kurkumbh and Bengaluru were inspected by the US FDA. Currently all facilities continue to be approved by the US FDA.

Exchange Rate Movements

More than 50 per cent of the Company's turnover is contributed by overseas business. During the year, the Indian rupee appreciated by more than 10 per cent vis-a-vis the US Dollar. Further, the Euro depreciated by about 10 per cent vis-a-vis the US Dollar during the last 2 months. Such severe fluctuations in foreign currency exchange rates can have a significant impact on the Company's operations and financial results.

Safety Measures

As always, the Company kept up high standards of occupational health and safety practices at all its manufacturing units. During the year, the Company reviewed the safety measures at its premises all over India.

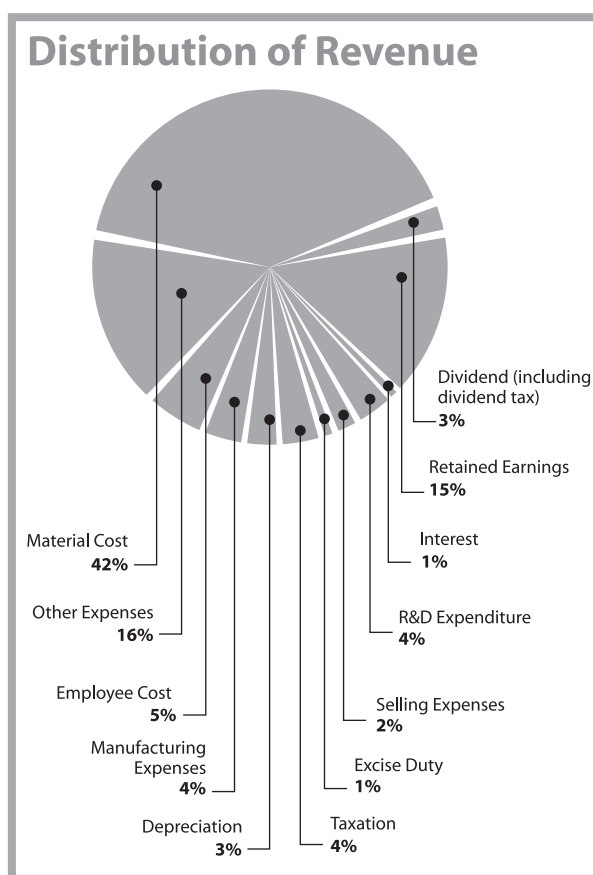
Various health and safety programmes were organised for villagers and school children living around the Company's units at Baddi (Himachal Pradesh), Patalganga (Maharashtra), Kurkumbh (Maharashtra), Verna (Goa), Bengaluru (Karnataka) and Kumrek (Sikkim).

Internal Control Systems

As always, the Company's internal control procedures are tuned to keep up with the organisation's pace of growth and increasing complexity of operations. These ensure compliance with various regulations. The internal 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

The leadership position attained by the Company over the years is largely due to the dedication and commitment of its people. The Company strives not only to impart adequate training but also to provide 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.



DIRECTORS' REPORT *contd.*

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

CORPORATE SOCIAL RESPONSIBILITY

Cipla Palliative Care and Training Centre in Pune continues to provide care to cancer patients. As of date, the Centre has provided comfort and solace to more than 6,600 patients. The focus is on reaching out to more and more cancer patients who need palliative care and on integrating palliative medicine with curative therapy.

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

As regards environment care, the Company continued to maintain modern, well-designed effluent treatment plants at its factories. Treated water from these "zero discharge" facilities is used for maintaining a green belt at all the locations. The Company regularly undertakes various innovative measures to conserve energy, reduce wastage and optimize consumption.

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 2010 and of the profit of the Company for that period;
- iii. taken proper and sufficient care for 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 Companies

As per the exemption order no. 47/307/2010-CL-III dated 22nd April 2010, passed by the Ministry of Corporate Affairs, Government of India under section 212(8) of the Companies Act, 1956, the audited financial statements of the subsidiary company viz. Cipla FZE have not been attached. The consolidated financial statements presented in this Annual Report include financial information of the subsidiary company. A statement under section 212(3), which contains information in terms of the exemption order, is also attached.

In terms of the aforesaid approval, the annual accounts of the subsidiary company and the related detailed information will be made available upon request. These documents will also be available for inspection by any member at the registered office of the Company.

In May 2010, the Company has set up a wholly-owned subsidiary, "Cipla Singapore Pte. Ltd.," in Singapore to aid logistics and distribution of the Company's export business.

In May 2010, Cipla acquired 100 per cent shareholding of a company for Rs.51.38 crore. This company has a state-of-the-art formulations manufacturing facility at Sikkim with capabilities to manufacture tablets, capsules, oral liquids, injections, dry syrup and ointments/creams. This, along with the acquisition of the undertaking of the API facility in Kurkumbh under the slump sale arrangement mentioned earlier, was done with an objective to

DIRECTORS' REPORT *contd.*

exercise control over operations of these facilities. Entities controlled by relatives of the promoters were major shareholders in the two units.

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.

By and large, your Company is already complying with the recommendations of Corporate Governance Voluntary Guidelines 2009 issued by the Ministry of Corporate Affairs.

Group

Pursuant to intimation from Promoters, persons constituting group coming within the definition of "group" for the purpose of Regulation 3(1)(e)(i) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, include Yusuf Hamied Trust and Farida Hamied Trust.

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 re-appointment. A brief resume of the said directors is provided in the Notice.

Auditors

Messrs.V.Sankar Aiyar & 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 re-appointment.

On behalf of the Board,

Mumbai, 15th June 2010

Y. K. Hamied
Chairman & Managing Director

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. Implemented chiller water close loop system at various factories.
 - ii. Diesel generator sets have been replaced with government power supply in Baddi factory during peak period resulting in cost reduction.
 - iii. Automated machines have been installed for changeover of nitrogen gas cylinders resulting in reduction of nitrogen wastage in Goa factory.
 - iv. Added new contact type stainless steel water level sensors in Indian duo rapid plant tank and electrically operated control valves installed to avoid overflow of water in Goa and Patalganga factories.
 - v. Lighting energy savers have been installed at various units which have led to significant savings in power usage.
 - vi. Motion sensors have been installed in Patalganga and Kurkumbh factories to reduce wastage of power.
 - vii. It is proposed to provide variable-frequency drive to reduce number of air changes per hour up to 6 (as defined in guidelines, minimum 6 air changes per hour for ISO8) in night shift as well as on holidays in Kurkumbh factory.
 - viii. Reduction in power bill achieved by maintaining power factor at acceptable levels at Patalganga factory.
 - ix. Air Handling Unit cum dehumidifier with direct expansion unit replaced by Air Handling Unit cum dehumidifier with chilled water coil in Patalganga factory, which has led to substantial saving in power consumption.
 - x. Energy efficient motors are installed at various factories.
 - xi. Energy saving through timer and temperature based operations of ventilation and Air Handling Units in Kurkumbh factory.
 - xii. Rain water harvesting at new store and shipper store terrace to reduce water consumption at Patalganga factory.
- 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.*

		2010	2009
A. Power and Fuel Consumption			
1. Electricity			
a. Purchased			
Units	kwh	91567258	112381314
Total amount	Rs. in crore	47.74	76.51
Rate/Unit	Rs.	5.21	6.81
b. Own generation			
i. Through diesel generator			
Units	kwh	57331785	21368800
Units per litre of diesel oil	kwh	4.16	3.35
Cost/Unit	Rs.	9.65	10.05
ii. Through steam turbine/generator		-	-
2. Others/Internal generation			
Light diesel oil/diesel oil/furnace oil			
Quantity	kl	21467	13479
Total cost	Rs. in crore	76.12	40.51
Average rate	Rs./kl	35459	30054
B. Consumption per Unit of Production			
1. Electricity			
Bulk drugs	(kwh/mt)	60374	73554
2. Light diesel oil/diesel oil/furnace oil			
Bulk drugs	(kl/mt)	4.76	4.53

It is not feasible to classify energy consumption data of 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.
- 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.

ANNEXURE TO THE DIRECTORS' REPORT *contd.*

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 drug delivery systems.
4. Expenditure on R&D:

	Rs. in crore
a. Capital	11.99
b. Recurring	250.69
Total	262.68

The total R&D expenditure as a percentage of total turnover is around 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 utilisation of indigenous raw materials.
 - v. Development of products for import substitution.

III. FOREIGN EXCHANGE EARNINGS AND OUTGO

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

Export sales were Rs.2901 crore for the financial year 2009-10. Exports constituted more than 50 per cent of total turnover. In addition, the Company earned Rs.154 crore towards technical know-how/fees. The Company continues to leverage on its strategic marketing alliances and partnerships in more than 170 countries.
2. Total foreign exchange used and earned:

During the year, the foreign exchange outgo was Rs.1202 crore and the earnings in foreign exchange was Rs.3058 crore. Details of the same have been given in Notes 15 to 17 in Schedule 5 to the Accounts.

On behalf of the Board,

Y. K. Hamied
Chairman & Managing Director

Mumbai, 15th June 2010

REPORT ON CORPORATE GOVERNANCE

(Pursuant to Clause 49 of the Listing Agreement with Stock Exchanges)

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. Its endeavour has always been to maximise the long term value to the shareholders of the Company. The Compliance Report on Corporate Governance herein signifies compliance of all mandatory requirements of Clause 49 of the Listing Agreement.

b. Board of Directors

- The composition of Board of Directors as on 31st March 2010 is as follows:

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

- Six Board Meetings were held during the financial year 2009-10. The dates on which the meetings were held are: 24th April 2009; 15th July 2009; 29th July 2009; 26th August 2009; 28th October 2009 and 28th January 2010.
- The information about 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 Indian public companies held by them as at 31st March 2010 is 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	5	Yes	Nil	Nil
Mr. M.K. Hamied	- do -	6	Yes	Nil	Nil
Mr. Amar Lulla	- do -	5	No	Nil	Nil
Dr. H.R. Manchanda	Non-Executive/ Independent	6	Yes	Nil	Nil
Mr. S.A.A. Pinto	- do -	5	Yes	Nil	Nil
Mr. Ramesh Shroff	- do -	6	Yes	1	Nil
Mr. V.C. Kotwal	- do -	6	Yes	Nil	Nil
Mr. M.R. Raghavan	- do -	4	Yes	Nil	Nil
Mr. Pankaj Patel	- do -	6	Yes	Nil	Nil

- None of the Directors is related to each other except for Dr. Y.K. Hamied and Mr. M.K. Hamied.
- Shareholding of Non-Executive Directors:
As on 31st March 2010, 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 in the share capital 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 of meetings of the Audit Committee, as and when necessary. The Company Secretary acts as Secretary to the Committee. The Committee discharges such duties and functions generally

REPORT ON CORPORATE GOVERNANCE *contd.*

indicated in Clause 49 of the Listing Agreement with the Stock Exchanges and also 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 24th April 2009; 15th July 2009; 29th July 2009; 28th October 2009 and 28th January 2010 during the year 2009-10 (April to March). The information about attendance of members at the Audit Committee meetings is as follows: Mr. S.A.A. Pinto attended four meetings; Mr. M.R. Raghavan attended three meetings and Mr. Ramesh Shroff attended all five meetings.

d. Remuneration to Directors

- The details of remuneration paid to Executive Directors during the financial year 2009-10 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	60.00	750.00	42.51	0.02
Mr. M.K. Hamied	60.00	700.00	44.19	7.20
Mr. Amar Lulla	18.00	1250.00	16.95	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:
- 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.
 - Presently, the Company does not have a scheme for grant of stock options either to the Executive Directors or to the employees.

- Sitting fees to Non-Executive Directors during the financial year 2009-10 are given below:

Non-Executive Directors	Sitting Fees (Rs. in lakhs)
Dr. H.R. Manchanda	2.70
Mr. Ramesh Shroff	1.10
Mr. S.A.A. Pinto	2.90
Mr. V.C. Kotwal	0.60
Mr. M.R. Raghavan	0.80
Mr. Pankaj Patel	0.60

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

- During the year, the Company repaid the deposit of Rs.100 lakhs placed by Mr. Ramesh Shroff on maturity along with gross interest thereon of Rs.12 lakhs.

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 to 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 financial year 2009-10, the Committee met on 24th April 2009; 29th July 2009; 28th October 2009 and 28th January 2010.
- Mr. Mital Sanghvi, Company Secretary acts as the Compliance Officer of the Company. The Company attends to the shareholders'/investors' grievances/correspondence expeditiously. During the year under review, 22 investor grievances were received and all of them have been resolved.

REPORT ON CORPORATE GOVERNANCE *contd.*

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.
- Special Resolution for appointment of Dr.Y.K. Hamied as the Managing Director of the Company for a further period of five years commencing 1st August 2008 and ending on 31st July 2013 was passed at the Annual General Meeting of the Company held on 28th August 2008.
- Special Resolution for further issuance of securities in the domestic and/or international markets was passed at the last Annual General Meeting of the Company held on 26th August 2009.
- No resolution was passed through postal ballot during the financial year ended 31st March 2010.

g. Disclosures

- During the financial year 2009-10, there were no materially significant transactions entered into between the Company and its Promoters, Directors or the management, subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large. Further details of related party transactions are presented in Note 21 in Schedule S to the Accounts.
- 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. In the absence of any non-compliance by the Company, there were neither any penalties imposed nor any strictures passed on the Company by the Stock Exchanges, SEBI or any other statutory authority.

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 has declared that the Board Members and Senior Management have affirmed compliance with the Code of Conduct of the Company.

i. CEO and CFO Certification

- The CEO and CFO of the Company have certified positively to the Board on the matters specified 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
 - vii. Mint
- The annual/half-yearly/quarterly results and other official news releases 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 : Wednesday, 25th August 2010 at 3.00 p.m.
Amar Gian Grover Auditorium,
Lala Lajpat Rai Marg, Haji Ali,
Mumbai-400 034
- Financial Calendar : 1st day of April to 31st day of March in the next calendar year

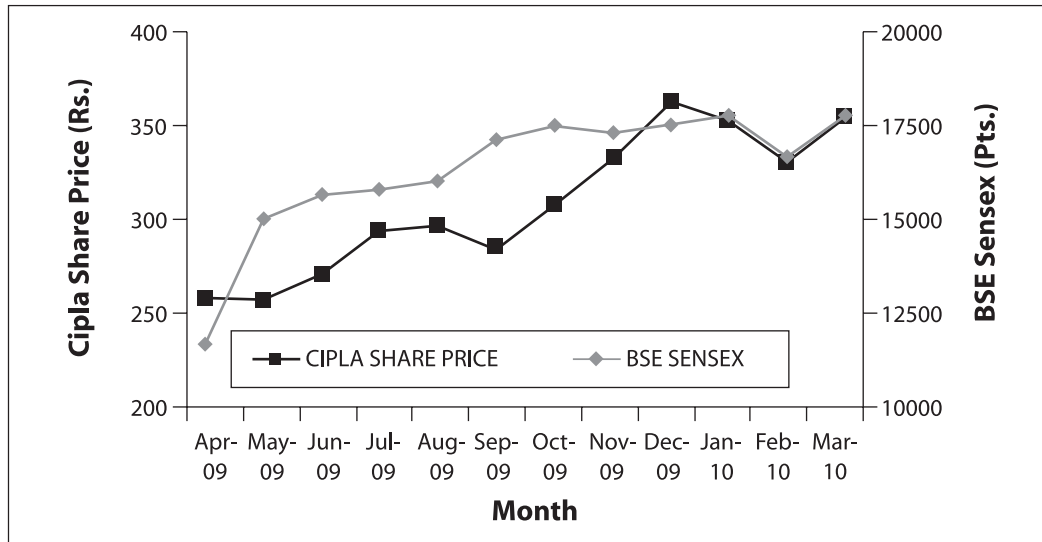
REPORT ON CORPORATE GOVERNANCE *contd.*

- Adoption of Quarterly Results for the Quarter Ending (tentative) : 4th week of
 30th June 2010 July 2010
 30th September 2010 October 2010
 31st December 2010 January 2011
 31st March 2011 April 2011
- Date of Book Closure : 27th July 2010 to 30th July 2010 (both days inclusive)
- Dividend Payment Date : On or before 24th September 2010
- 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 2010-11.
- 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 2009-10 are given below. The Company's market capitalisation is included in the computation of BSE Sensex and S&P CNX NIFTY Index.

Year (2009-10)	Bombay Stock Exchange Limited (BSE)			National Stock Exchange of India Limited (NSE)		
	High (Rs.)	Low (Rs.)	Number of Shares Traded	High (Rs.)	Low (Rs.)	Number of Shares Traded
April	255.50	210.00	6247767	256.90	211.00	34866995
May	254.90	211.10	5674624	256.00	203.95	28118311
June	269.00	217.05	10210162	269.50	216.80	39429408
July	292.00	239.55	7131400	292.00	240.00	35339468
August	295.30	251.00	9893968	295.40	251.00	37779721
September	282.30	254.50	5151643	290.00	253.10	27553403
October	306.80	265.00	10033908	307.40	267.10	38695578
November	331.80	274.20	9514254	331.90	274.25	35226024
December	363.00	317.00	11230105	363.50	315.10	46247790
January	352.80	304.00	5609081	358.40	303.00	26492092
February	329.80	302.50	2721731	329.90	301.80	17244139
March	354.50	311.35	4115718	354.85	311.00	24877722

REPORT ON CORPORATE GOVERNANCE *contd.*

- Performance in comparison to BSE SENSEX–Year 2009-10



- Address for Correspondence

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

Share Transfer Agents : Karvy Computershare Private Limited
(Unit: Cipla Limited)
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

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

- 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, Karvy Computershare Private Limited, have adequate infrastructure to process the above matters.

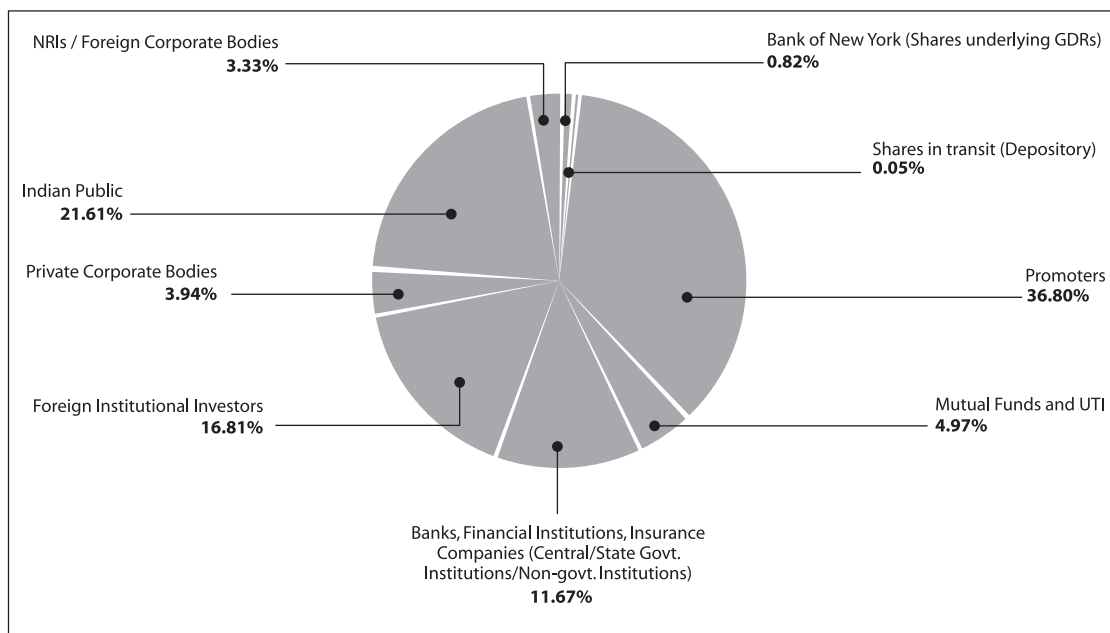
REPORT ON CORPORATE GOVERNANCE *contd.*

A predetermined process cycle at regular interval ensures transfer of shares (in physical form) within the stipulated time limit. In compliance with the requirement of Listing Agreement, periodic certificates issued by a Practising Company Secretary are filed with the Stock Exchanges.

- Distribution of shareholding as on 31st March 2010
(Class-wise distribution of Equity Shares)

Shareholding	No. of Folios	% of Total	No. of Shares	% of Total
1-2500	149253	97.09	24756774	3.08
2501-5000	1459	0.95	5419207	0.68
5001-10000	927	0.60	6882163	0.86
10001-15000	494	0.32	6126670	0.76
15001-20000	212	0.14	3779096	0.47
20001-25000	195	0.13	4426723	0.55
25001-50000	388	0.25	14292295	1.78
Above 50000	803	0.52	737238429	91.82
Total	153731	100.00	802921357	100.00
Physical Mode	1787	1.16	112767677	14.04
Electronic Mode	151944	98.84	690153680	85.96

- Shareholding Pattern as on 31st March 2010



REPORT ON CORPORATE GOVERNANCE *contd.*

- Dematerialisation of Shares and Liquidity

As on 31st March 2010, about 86 per cent of the share capital was held in demat mode.

As to the liquidity, 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

The GDRs are listed on Luxembourg Stock Exchange and the underlying Equity Shares are listed on Bombay Stock Exchange Limited and National Stock Exchange of India Limited. Each GDR represents one underlying Equity Share of the Company.

As on 31st March 2010, 65,86,043 GDRs were outstanding.

The Company has not issued any American Depository Receipts/Warrants or any convertible instruments.

- Plant Locations

- i. Virgonagar, Old Madras Road,
Bengaluru – 560 049, Karnataka
- ii. Bommasandra-Jigani Link Road,
Industrial Area, KIADB 4th Phase,
Bengaluru – 560 099, Karnataka
- iii. MIDC, Patalganga – 410 220,
Dist.: Raigad, Maharashtra
- iv. MIDC Industrial Area,
Kurkumbh – 413 802,
Daund, Dist.: Pune, Maharashtra
- v. Verna Industrial Estate,
Verna – 403 722,
Salcette, Goa
- vi. Village Malpur Upper, P.O. Bhud,
Nalagarh, Baddi – 173 205,
Dist.: Solan, Himachal Pradesh
- vii. Village Kumrek,
P. O. Rangpoo – 737 132,
East District, Sikkim
- viii. I S E Z, Phase II,
Sector III, Pharma Zone,
P.O. Pithampur – 454 774,
Dist.: Dhar, Madhya Pradesh

On behalf of the Board,

Mumbai, 15th June 2010

Y. K. Hamied
Chairman & Managing Director

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 2010. 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 has been 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.

Bipin S. Acharya
Practising Company Secretary
FCS: 424 CP: 8

Mumbai, 15th June 2010

AUDITORS' REPORT TO THE MEMBERS OF CIPLA LIMITED

1. We have audited the attached Balance Sheet of Cipla Limited as at 31st March 2010 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 the 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, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, 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 in paragraph 3 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 of the Company as on 31st March 2010 and taken on record by the Board of Directors of the Company, we report that none of the Directors is disqualified as on 31st March 2010, 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 financial statements, together with the notes thereto, 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 2010;
 - 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 V. Sankar Aiyar & Co.,
Chartered Accountants
Firm Reg. No. 109208W

V. Mohan
Partner
Membership No. 17748
Mumbai, 15th June 2010

For R.G.N. Price & Co.,
Chartered Accountants
Firm Reg. No. 002785S

R. Rangarajan
Partner
Membership No. 41883
Mumbai, 15th June 2010

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 has 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 done 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. On the basis of our examination of the inventory records, in our opinion, the Company has maintained proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to the book records were not material and have been properly dealt with in the books of account.
3.
 - a. As informed to us, the Company has granted unsecured loan to one company listed in the Register maintained under section 301 of the Companies Act, 1956 having maximum balance of Rs.69.21 crore during the year and closing balance of Rs.69.21 crore as on 31st March 2010.
 - b. Based on the information and explanations provided to us, the rate of interest and other terms and conditions of the aforesaid unsecured loan is *prima facie* not prejudicial to the interest of the Company.
 - c. Based on the information and explanations provided to us, since the said loan is repayable on demand, principal has been regularly repaid as and when demanded. Receipt of interest has also been regular during the year.
 - d. There is no overdue amount in excess of Rs.1 lakh in respect of loans granted to companies, firms or other parties listed in the Register maintained under section 301 of the Companies Act, 1956.
 - e. During the year, the Company has not taken any loans from parties covered in the Register maintained under section 301 of the Companies Act, 1956. During the year, the Company has repaid loans taken from three parties covered in the Register maintained under section 301 of the Companies Act, 1956 which has a maximum balance of Rs.72.68 crore.
 - f. In our opinion, the rate of interest and other terms and conditions on which the loans referred in point 3.e. above have been taken are not, *prima facie*, prejudicial to the interest of the Company.
 - g. The loans along with interest have been repaid during the year. Until the time of repayment, payment of interest and principal, if any, has been regular.
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. Further, on the basis of our

ANNEXURE TO THE AUDITORS' REPORT *contd.*

examination of the books and records of the Company, and according to the information and explanations given to us during the course of audit, no major weakness has been noticed in these internal control systems.

5. a. In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the Register required to be maintained under that section.
- b. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or agreements and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices, which are reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has repaid all deposits accepted from public and has not accepted any fresh deposits during the year under section 58A of the Companies Act, 1956. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 58A and other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits repaid.
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 information and explanations provided to us and the records of the Company examined by us, in our opinion, the Company was regular in depositing 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. There were no undisputed dues that were outstanding as at 31st March 2010 for a period of more than six months from the date they became payable.
- b. According to the information and explanations given to us and based on the records of the Company examined by us, as on 31st March 2010, there were no dues in respect of Income Tax, Wealth Tax, Service Tax, Customs Duty and Cess that have not been deposited with the appropriate authorities on account of dispute.

The particulars of dues towards Excise Duty and Sales Tax that have not been deposited on account of dispute as at 31st March 2010 and the forum where these disputes are pending are as follows:

Name of the statute	Nature of dues	Years to which the matter pertains	Forum where the dispute is pending	Amount Rs. in crore
The Central Excise Act, 1944	Excise Duty	2000 to 2010	CESTAT/ Commissioner (Appeals)	47.80
State Sales Tax Acts	Sales Tax	2001 to 2007	State Sales Tax Tribunal	0.86

ANNEXURE TO THE AUDITORS' REPORT *contd.*

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. In our opinion, the Company is not a chit fund or a nidhi mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable 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. Accordingly, the provisions of clause 4(xvi) of the Order are not applicable to the Company.
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 of securities during the year and therefore verification of the end use of money does not arise. However, during the year the Company has allotted 2,56,30,000 equity shares of Rs.2 each under Qualified Institutions Placement (Refer Note 26 of Schedule S on Significant Accounting Policies and Notes to the Accounts).
21. During the course of our examination of the books of account and records of the Company, and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported by the Company during the year.

For V. Sankar Aiyar & Co.,
Chartered Accountants
Firm Reg. No. 109208W

For R.G.N. Price & Co.,
Chartered Accountants
Firm Reg. No. 002785S

V. Mohan
Partner
Membership No. 17748

R. Rangarajan
Partner
Membership No. 41883

Mumbai, 15th June 2010

Mumbai, 15th June 2010

BALANCE SHEET

Rupees in crore

As at 31 st March 2010	Schedule		2010	2009
Sources of Funds				
Shareholders' Funds				
Share Capital	A	160.58		155.46
Reserves & Surplus	B	<u>5753.51</u>	5914.09	<u>4195.29</u>
				4350.75
Loan Funds				
Secured Loans	C	0.41		2.79
Unsecured Loans	D	<u>4.66</u>	5.07	<u>937.45</u>
				940.24
Deferred Tax Liabilities				
	M		179.15	164.15
			6098.31	<u>5455.14</u>
Application of Funds				
Fixed Assets				
Gross Block	E	2895.44		2693.29
Less: Depreciation		<u>884.27</u>		<u>700.80</u>
Net Block		2011.17		1992.49
Capital Work-in-Progress		<u>684.24</u>	2695.41	<u>366.32</u>
				2358.81
Investments				
	F		265.10	81.32
Current Assets, Loans & Advances				
Inventories	G	1512.58		1398.32
Sundry Debtors	H	1552.71		1837.15
Cash & Bank Balances	I	60.84		53.00
Other Current Assets	J	57.82		23.45
Loans & Advances	K	<u>1168.18</u>		<u>912.65</u>
		4352.13		4224.57
Less: Current Liabilities & Provisions				
Liabilities	L	997.96		1012.85
Provisions		<u>216.37</u>		<u>196.71</u>
		1214.33		1209.56
Net Current Assets				
			3137.80	<u>3015.01</u>
			6098.31	<u>5455.14</u>
Significant Accounting Policies & Notes to the Accounts				
	S			
As per our report of even date				
For V.Sankar Aiyar & Co., Chartered Accountants Firm Reg. No. 109208W V. Mohan Partner Membership No. 17748 Mumbai, 15 th June 2010	For R.G.N. Price & Co., Chartered Accountants Firm Reg. No. 002785S R. Rangarajan Partner Membership No. 41883	Y.K. Hamied Chairman & Managing Director M.K. Hamied Joint Managing Director H.R. Manchanda M. R. Raghavan Ramesh Shroff Pankaj Patel Directors	S. Radhakrishnan Chief Financial Officer Mital Sanghvi Company Secretary	Mumbai, 15 th June 2010

PROFIT AND LOSS ACCOUNT

Rupees in crore

For the year ended 31 st March 2010	Schedule	2010	2009
Income			
Gross Sales		5411.68	5021.64
Less: Excise Duty		52.16	61.04
Net Sales		5359.52	4960.60
Other Income	N	353.72	355.22
		5713.24	5315.82
Expenditure			
Material Cost	O	2452.98	2347.40
Employee Cost	P	318.87	271.33
Manufacturing Expenses		231.05	222.60
Other Expenses	Q	1041.46	1152.95
Research & Development Expenses	R	250.69	235.50
Interest - Fixed period		22.09	32.53
- Others		0.86	0.41
(includes interest paid to Managing Director Rs.3.13 crore; Previous year Rs.1.58 crore)			
Depreciation		165.25	151.79
		4483.25	4414.51
Profit before Exceptional Item & Tax		1229.99	901.31
Exceptional Item being sale of brand and other related rights (Schedule S-Note 25)		95.00	-
Profit before Tax		1324.99	901.31
Provision for Tax - Current Tax		228.50	101.00
- Deferred Tax		15.00	15.00
- Fringe Benefit Tax		-	8.50
Profit after Tax		1081.49	776.81
Surplus brought forward from last Balance Sheet		954.83	509.90
Profit available for Appropriation		2036.32	1286.71
Appropriations			
Proposed Dividend		160.58	155.46
Tax on Dividend		26.67	26.42
Transferred to General Reserve		150.00	150.00
Surplus carried forward		1699.07	954.83
		2036.32	1286.71
Basic and Diluted Earning per Share (Rs.) - Before Exceptional Item		12.49	9.99
Basic and Diluted Earning per Share (Rs.) - After Exceptional Item (Schedule S-Note 27)		13.69	9.99
Face value per share (Rs.)		2.00	2.00
Significant Accounting Policies & Notes to the Accounts	S		
As per our report of even date		Y.K.Hamied <i>Chairman & Managing Director</i>	S.Radhakrishnan <i>Chief Financial Officer</i>
For V.Sankar Aiyar & Co., <i>Chartered Accountants</i> Firm Reg. No. 109208W	For R.G.N. Price & Co., <i>Chartered Accountants</i> Firm Reg. No. 002785S	M.K. Hamied <i>Joint Managing Director</i>	
V. Mohan <i>Partner</i> Membership No. 17748	R. Rangarajan <i>Partner</i> Membership No. 41883	H.R. Manchanda M.R. Raghavan Ramesh Shroff Pankaj Patel <i>Directors</i>	Mital Sanghvi <i>Company Secretary</i>
Mumbai, 15 th June 2010			Mumbai, 15 th June 2010

SCHEDULES TO THE ACCOUNTS

		Rupees in crore	
		2010	2009
(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			
80,39,24,752 Equity Shares of Rs.2 each			
(Previous year 77,82,94,752 Equity Shares of Rs.2 each)		160.78	155.66
		160.78	155.66
Subscribed & Paid-up			
80,29,21,357 Equity Shares of Rs.2 each			
(Previous year 77,72,91,357 Equity Shares of Rs.2 each)		160.58	155.46
		160.58	155.46
<i>Notes: Of the above Equity Shares:</i>			
i. 75,83,20,444 shares of Rs.2 each were allotted as fully paid-up Bonus Shares by capitalisation of General Reserve and Securities Premium Account.			
ii. 8,488 shares of Rs.2 each were issued for consideration other than cash pursuant to the Scheme of Arrangement in September 2004.			
iii. 2,56,30,000 shares of Rs.2 each were allotted pursuant to Qualified Institutions Placement (QIP) in September 2009.			

		Rupees in crore	
		2010	2009
(B) Reserves & Surplus			
Capital Reserve		0.08	0.08
Revaluation Reserve		8.97	8.97
Securities Premium Account			
As per last Balance Sheet		764.98	
Add: Premium on QIP issue		670.87	
		1435.85	
Less: Expenses on QIP issue		6.89	
		1428.96	764.98
General Reserve			
As per last Balance Sheet		2466.43	2316.43
Add: Transferred from Profit and Loss Account		150.00	150.00
		2616.43	2466.43
Surplus in Profit & Loss Account		1699.07	954.83
		5753.51	4195.29

SCHEDULES TO THE ACCOUNTS *contd.*

	Rupees in crore	
	2010	2009
C Secured Loans		
Amounts drawn against Cash and Export Credit Accounts with Banks (Secured against receivable and movable assets including stock, both present and future)	0.41	2.79
	0.41	2.79

	Rupees in crore	
	2010	2009
D Unsecured Loans		
Fixed Deposits - Directors*	-	39.00
- Others*	-	29.29
Short Term Loans from Banks	-	863.97
Other Loans - Maharashtra Govt. Sales Tax Deferral	4.66	5.19
	4.66	937.45
<i>Notes:</i> i. A sum of Rs.0.83 crore (Previous year Rs.932.61 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.		

SCHEDULES TO THE ACCOUNTS *contd.*

Rupees in crore

ASSETS	GROSS BLOCK AT COST/REVALUATION			DEPRECIATION		NET BLOCK	
	As at 01.04.09	Additions	Deletions	Up to 31.03.09	For the Year 09-10	Up to 31.03.10	As at 31.03.09
Freehold Land	29.53	0.48	-	-	-	-	29.53
Leasehold Land	64.13	7.47	-	4.09	1.81	5.90	60.04
Buildings & Flats	542.62	28.02	0.96	82.37	17.17	99.33	460.25
Plant & Machinery	1970.51	169.55	7.43	589.95	162.73	748.99	1380.56
Furniture & Fixtures	78.70	5.22	-	21.65	5.45	27.10	57.05
Vehicles	7.80	0.65	0.85	2.74	0.68	2.95	5.06
Total	2693.29	211.39	9.24	700.80	187.84	884.27	1992.49
Previous year	2201.79	509.13	17.63	540.43	170.60	700.80	
Capital Work-in-Progress (At Cost)							
Total							366.32
							2358.81

E Fixed Assets

- Notes:
- The gross value of Buildings & Flats includes the cost of shares in Co-operative Housing Societies.
 - The above additions is net of government grants Rs.Nil for current year (Previous year for Kurkumbh Rs.0.25 crore and for Sikkim Rs.61.24 crore)
 - The above additions to fixed assets during the year includes Rs.11.99 crore (Previous year Rs.16.00 crore) used for Research and Development

SCHEDULES TO THE ACCOUNTS *contd.*

	Rupees in crore	
	2010	2009
F Investments		
Long Term Investments		
Government Securities		
<i>Unquoted</i>		
National Savings Certificates - Rs.39,000 (Previous Year Rs.2,80,000)	0.00	0.03
Trade Investments		
<i>Unquoted</i>		
<i>The Saraswat Co-operative Bank Limited</i>		
1,000 Equity Shares of Rs.10 each, fully paid - Rs.10,000 (Previous year - Rs.10,000)	0.00	0.00
<i>In Subsidiary Company</i>		
15 (Previous year 1) Equity Shares of AED 10,00,000 each of Cipla FZE fully paid (14 Equity Shares purchased during the year)	18.69	1.27
Other Investments		
<i>Bonds</i>		
<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 Savings Fund" - Institutional Premium Growth</i>		
1,23,33,999 (Previous year Nil) units (1,23,33,999 units purchased during the year)	21.56	-
<i>Baroda Pioneer Mutual Fund "Baroda Pioneer Treasury Advantage Fund" - Growth</i>		
2,92,02,494 (Previous year Nil) units (2,92,02,494 units purchased during the year)	30.28	-
<i>Deutsche Asset Management "DWS Ultra Short Term Fund" - Institutional Plan Growth</i>		
92,38,329 (Previous year Nil) units (92,38,329 units purchased during the year)	10.00	-
<i>Deutsche Asset Management "DWS Insta Cash Plus Fund" - Super Institutional Plan Growth</i>		
Nil (Previous year 1,62,06,975) units (83,75,700 units purchased and 2,45,82,675 units redeemed during the year)	-	18.50
<i>Fidelity Mutual Fund "Fidelity Ultra Short Term Debt Fund" - Institutional Growth Scheme</i>		
34,78,557 (Previous year Nil) units (34,78,557 units purchased during the year)	4.00	-
<i>Franklin Templeton Mutual Fund "Templeton India Ultra Short Bond Fund" - Super Institutional Plan Growth</i>		
1,68,98,423 (Previous year Nil) units (1,68,98,423 units purchased during the year)	20.01	-
<i>ICICI Prudential Mutual Fund "ICICI Prudential Ultra Short Term Plan Super Premium" - Growth</i>		
1,93,82,409 (Previous year Nil) units (1,93,82,409 units purchased during the year)	20.02	-

SCHEDULES TO THE ACCOUNTS *contd.*

	Rupees in crore	
	2010	2009
F Investments – contd.		
<i>IDFC Mutual Fund “IDFC Money Manager Fund” - TP - Super Institutional Plan C Growth</i> 1,74,44,407 (Previous year Nil) units (2,20,24,714 units purchased and 45,80,307 units redeemed during the year)	19.04	–
<i>JM Financial Mutual Fund “JM High Liquidity Fund” - Super Institutional Plan Growth</i> Nil (Previous year 1,50,63,228) units (1,50,63,228 units redeemed during the year)	–	20.78
<i>JP Morgan Mutual Fund “JP Morgan India Treasury Fund” - Super Institutional Growth Plan</i> 41,67,888 (Previous year Nil) units (41,67,888 units purchased during the year)	5.00	–
<i>L&T Mutual Fund “L&T Freedom Income Short Term Fund” - Institutional Cumulative</i> 53,95,585 (Previous year Nil) units (53,95,585 units purchased during the year)	8.00	–
<i>Principal Mutual Fund “Principal Cash Management Fund” - Institutional Premium Plan Growth</i> 90,83,798 (Previous year 27,67,580) units (90,83,798 units purchased and 27,67,580 units redeemed during the year)	13.02	3.80
<i>Reliance Mutual Fund “Reliance Money Manager Fund” - Institutional Option Growth Plan</i> 1,59,582 (Previous year Nil) units (1,59,582 units purchased during the year)	20.02	–
<i>Religare Mutual Fund “Religare Ultra Short Term Fund” - Institutional Growth</i> 1,02,83,518 (Previous year Nil) units (1,81,82,163 units purchased and 78,98,645 units redeemed during the year)	13.02	–
<i>SBI Mutual Fund “SBI Premier Liquid Fund” - Institutional Growth</i> 13,67,961 (Previous year Nil) units (13,67,961 units purchased during the year)	2.00	–
<i>Sundaram BNP Paribas Mutual Fund “Sundaram Money Fund” - Super Institutional Growth</i> Nil (Previous year 73,61,863) units (73,61,863 units redeemed during the year)	–	13.69
<i>Tata Mutual Fund “Tata Liquid Super High Investment Fund” - Appreciation</i> Nil (Previous year 51,648) units (51,648 units redeemed during the year)	–	8.40
<i>Tata Mutual Fund “Tata Treasury Manager SHIP” - Growth</i> 1,80,252 (Previous year Nil) units (1,80,252 units purchased during the year)	18.87	–
<i>Taurus Mutual Fund “Taurus Ultra Short Bond Fund” - Super Institutional Growth</i> 2,08,827 (Previous year Nil) units (2,08,827 units purchased during the year)	22.51	–
<i>UTI Mutual Fund “UTI Money Market Fund” - Institutional Growth Plan</i> 1,75,149 (Previous year Nil) units (2,23,634 units purchased and 48,485 units redeemed during the year)	18.06	–
<i>UTI Mutual Fund “UTI Liquid Cash Plan” - Institutional Growth Option</i> Nil (Previous year 95,802) units (95,802 units redeemed during the year)	–	13.85
	265.10	81.32
Aggregate of Unquoted Investments at Book Value Rs.265.10 crore; (Previous year Rs.81.32 crore)		

SCHEDULES TO THE ACCOUNTS *contd.*

Investments purchased and sold during the year 2009-10	Nos. in lakhs	Cost Rupees in crore
F Investments		
Mutual Funds		
Birla Sun Life Mutual Fund "Birla Cash Plus" - Institutional Premium Daily Dividend Scheme	7143.52	715.75
Birla Sun Life Mutual Fund "Birla Savings Fund" - Institutional Premium Daily Dividend Scheme	1121.22	112.20
Baroda Pioneer Mutual Fund "Baroda Pioneer Liquid Fund" - Institutional Daily Dividend Plan	1356.54	135.74
Baroda Pioneer Mutual Fund "Baroda Pioneer Treasury Advantage Fund" - Institutional Daily Dividend Plan	604.72	60.53
Bharti AXA Mutual Fund "Bharti AXA Treasury Advantage Fund" - Institutional Plan Daily Dividend	8.74	87.37
Bharti AXA Mutual Fund "Bharti AXA Liquid Fund" - Super Institutional Plan Daily Dividend	8.73	87.26
DBS Chola Mutual Fund "Chola Liquid" - Institutional Daily Dividend Plan	2619.95	264.79
DBS Chola Mutual Fund "Chola Freedom Income STP" - Institutional Daily Dividend Plan	551.14	55.97
Deutsche Asset Management "DWS Ultra Short Term Fund" - Institutional Plan Daily Dividend Scheme	626.27	62.74
Deutsche Asset Management "DWS Insta Cash Plus Fund" - Super Institutional Plan Daily Dividend Scheme	2789.64	279.81
Fidelity Mutual Fund "Fidelity Cash Fund" - Institutional Growth Scheme	32.02	4.00
Fortis Mutual Fund "Fortis Overnight Fund" - Institutional Plus Daily Dividend	1255.34	125.57
Fortis Mutual Fund "Fortis Money Plus Fund" - Institutional Daily Dividend	1160.38	116.07
Franklin Templeton Mutual Fund "Templeton India Treasury Management Account" - Super Institutional Plan Daily Dividend	42.90	429.28
Franklin Templeton Mutual Fund "Templeton India Ultra Short Bond Fund" - Super Institutional Plan Daily Dividend	1873.72	187.59
HDFC Mutual Fund "HDFC Cash Management" - Savings Plan Daily Dividend	4492.27	477.82
HDFC Mutual Fund "HDFC Cash Management" - Treasury Advantage Plan Wholesale Daily Dividend	1159.60	116.33
HDFC Mutual Fund "HDFC Floating Rate Income" - Short Term Plan Wholesale Daily Dividend	846.88	85.37
ING Vysya Mutual Fund "ING Vysya Liquid Fund" - Super Institutional Daily Dividend Scheme	226.99	22.71
IDFC Mutual Fund "IDFC Cash Fund" - Super Institutional Plan C Daily Dividend	1929.92	193.04
IDFC Mutual Fund "IDFC Money Manager Fund" - TP - Super Institutional Plan C Daily Dividend	1652.29	165.25

SCHEDULES TO THE ACCOUNTS *contd.*

	Nos. in lakhs	Cost Rupees in crore
F Investments – contd.		
ICICI Prudential Mutual Fund "ICICI Prudential Liquid Plan" - Super Institutional Daily Dividend Scheme	1375.92	368.12
ICICI Prudential Mutual Fund "ICICI Prudential Flexible Income Plan Premium" - Daily Dividend	940.60	164.52
ICICI Prudential Mutual Fund "ICICI Prudential Ultra Short Term Plan Super Premium" - Daily Dividend	1041.19	104.34
JM Financial Mutual Fund "JM High Liquidity Fund" - Super Institutional Daily Dividend Scheme	3306.49	331.19
JM Financial Mutual Fund "JM Money Manager Fund" - Super Plus Plan Daily Dividend	1465.03	146.58
JP Morgan Mutual Fund "JP Morgan India Liquid Fund" - Super Institutional Daily Dividend Plan	4479.81	448.33
JP Morgan Mutual Fund "JP Morgan India Liquid Fund" - Super Institutional Growth Plan	42.05	5.00
JP Morgan Mutual Fund "JP Morgan India Treasury Fund" - Super Institutional Daily Dividend Plan	1306.02	130.72
Kotak Mahindra Mutual Fund "Kotak Liquid" - Institutional Premium Daily Dividend Scheme	3460.10	423.10
Kotak Mahindra Mutual Fund "Kotak Floater Long Term" - Daily Dividend	1175.56	118.49
L&T Mutual Fund "L&T Liquid" - Super Institutional Plan Cumulative	63.25	8.00
Principal Mutual Fund "Principal Cash Management Fund" - Institutional Premium Plan Daily Dividend Scheme	1732.75	173.29
Reliance Mutual Fund "Reliance Money Manager Fund" - Institutional Option Daily Dividend Plan	11.19	112.07
Reliance Mutual Fund "Reliance Liquidity Fund" - Daily Dividend Reinvestment	2985.05	298.60
Religare Mutual Fund "Religare Liquid Fund" - Super Institutional Daily Dividend	1193.95	119.47
Religare Mutual Fund "Religare Ultra Short Term Fund" - Institutional Daily Dividend	983.15	98.47
Sundaram BNP Paribas Mutual Fund "Sundaram Money Fund" - Super Institutional Daily Dividend Scheme	2490.78	251.45
Sundaram BNP Paribas Mutual Fund "Sundaram Ultra Short Term Fund" - Super Institutional Dividend Reinvestment Daily	623.37	62.57
Tata Mutual Fund "Tata Liquid Super High Investment Fund" - Daily Dividend Scheme	36.20	403.41
Tata Mutual Fund "Tata Floater Fund" - Daily Dividend	648.49	65.08
Tata Mutual Fund "Tata Treasury Manager SHIP" - Daily Dividend	10.60	107.08
Taurus Mutual Fund "Taurus Liquid Fund" - Super Institutional Daily Dividend	807.50	123.73
Taurus Mutual Fund "Taurus Ultra Short Bond Fund" - Super Institutional Daily Dividend Plan	598.43	87.04
UTI Mutual Fund "UTI Money Market Fund" - Institutional Daily Dividend Option	118.86	281.20
UTI Mutual Fund "UTI Liquid Cash Plan" - Institutional Daily Income Scheme	24.02	244.91
UTI Mutual Fund "UTI Treasury Advantage Fund" - Institutional Plan Daily Dividend Option	15.19	151.94

SCHEDULES TO THE ACCOUNTS *contd.*

Rupees in crore		
	2010	2009
G Inventories		
[As valued by the Management & certified by Cost Auditors. Schedule S–Note 1(v)]		
Raw & Packing Materials	727.37	797.20
Work-in-Process	161.45	156.43
Finished Goods	623.76	444.69
	1512.58	1398.32

Rupees in crore		
	2010	2009
H Sundry Debtors		
Unsecured		
Over Six Months		
- Considered Good	408.05	464.46
- Considered Doubtful	83.61	45.06
	491.66	509.52
<i>Less: Provision for Doubtful Debts</i>	83.61	45.06
	408.05	464.46
Others		
- Considered Good	1144.66	1372.69
	1552.71	1837.15

SCHEDULES TO THE ACCOUNTS *contd.*

	Rupees in crore	
	2010	2009
I Cash & Bank Balances		
Cash in hand	1.26	0.79
Balances with Scheduled Banks in Current Accounts	54.36	49.91
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.16.70 crore; Previous year Rs.19.69 crore)	4.67	2.11
- Bank Melli Iran, Dubai, U.A.E. (maximum amount outstanding at any time during the year - Rs.0.03 crore; Previous year Rs.0.03 crore)	0.03	0.03
Fixed Deposits with Scheduled Banks	0.52	0.16
Fixed Deposits with Non-scheduled Banks*	0.00	0.00
*Goa Urban Co-operative Bank Rs.17,204; (Previous year Rs.17,204) (maximum amount outstanding at any time during the year Rs.17,204; Previous year Rs.17,204)		
	60.84	53.00

	Rupees in crore	
	2010	2009
J Other Current Assets		
Unsecured (Considered good, unless otherwise stated)		
Interest accrued on Inter-corporate Loans, Government Securities & Deposits		
- Considered Good	4.70	4.18
- Considered Doubtful	0.46	0.46
	5.16	4.64
Less: Provision for Doubtful Interest	0.46	0.46
	4.70	4.18
Export Incentives Receivable	53.10	19.25
Rent and Lease Rentals Receivable	0.02	0.02
	57.82	23.45

SCHEDULES TO THE ACCOUNTS *contd.*

		Rupees in crore	
		2010	2009
K Loans & Advances			
Unsecured (Considered good, unless otherwise stated)			
Advances recoverable in cash or in kind or for value to be received			
- Considered Good	620.84		415.73
- Considered Doubtful	0.07		0.07
	<u>620.91</u>		<u>415.80</u>
Less: Provision for Doubtful Advances	<u>0.07</u>		<u>0.07</u>
		620.84	415.73
Excise Advance Receivable		40.68	46.14
Balance with Central Excise Department		272.76	227.50
Dues from Staff		8.20	8.43
Sundry Deposits		14.74	11.01
Advance Tax & TDS (Net of Provision for Tax Rs.1131.29; Previous year Rs.902.79)		115.35	88.08
Sales Tax Receivable		30.26	26.31
Loan to Subsidiary*		-	17.76
*includes interest accrued and due Rs.Nil; (Previous year Rs.0.73 crore) Maximum amount outstanding during the year Rs.17.76 crore; (Previous year Rs.17.76 crore)			
Inter-corporate Loans			
- Considered Good	65.35		71.69
- Considered Doubtful	2.25		1.13
	<u>67.60</u>		<u>72.82</u>
Less: Provision for Doubtful Loans	<u>2.25</u>		<u>1.13</u>
		65.35	71.69
		1168.18	912.65

SCHEDULES TO THE ACCOUNTS *contd.*

	Rupees in crore	
	2010	2009
L Current Liabilities & Provisions		
Liabilities		
Sundry Creditors		
- Micro and Small Enterprises [#]	0.19	0.79
- Others	805.42	756.62
Trade Deposits from Customers	21.69	21.30
Unclaimed Dividend*	8.76	9.20
Advances Received	77.58	142.88
Unclaimed Preference Share Capital	0.01	0.01
Interest Accrued but not due	–	3.55
Employee Dues	26.74	8.97
Other Liabilities	57.57	69.53
	997.96	1012.85
Provisions		
Provision for Dividend	160.58	155.46
Tax on Dividend	26.67	26.42
Employee Benefits	29.12	14.83
	216.37	196.71
	1214.33	1209.56
Notes: i. [#] Refer Schedule S–Note 23.		
ii. * There are no amounts due and outstanding to be credited to Investor Education & Protection Fund.		

	Rupees in crore	
	2010	2009
M Deferred Tax Liabilities		
Deferred Tax Liabilities arising on account of:		
Depreciation	179.15	157.61
Export Incentives	–	6.54
	179.15	164.15

SCHEDULES TO THE ACCOUNTS *contd.*

	Rupees in crore	
	2010	2009
N Other Income		
Profit on sale of Current Investments (Net)	0.10	0.07
Technical Know-how/Fees	153.76	217.75
Export Incentives	92.41	55.94
Income from Processing Fees	19.22	11.78
Dividend (includes dividend on account of Trade Investments Rs.2,000; Previous year Rs.1,500)	9.35	8.62
Interest* (Tax deducted at source Rs.2.15 crore; Previous year Rs.2.51 crore) *does not include any interest on Trade Investments	18.60	15.13
Rent (Tax deducted at source Rs.0.28 crore; Previous year Rs.0.21 crore)	1.55	2.02
Insurance Claims	1.34	2.36
Miscellaneous Income	45.49	41.55
Sundry Balances written back	11.90	–
	353.72	355.22

	Rupees in crore	
	2010	2009
O Material Cost		
Consumption of Raw & Packing Materials		
Opening Stock	797.20	632.92
Add: Purchases	1945.58	2037.19
	<u>2742.78</u>	<u>2670.11</u>
Less: Closing Stock	<u>727.37</u>	<u>797.20</u>
	2015.41	1872.91
Finished Goods Purchased	621.66	588.04
(Increase)/Decrease in Stock of Work-in-Process & Finished Goods		
Opening Stock		
– Work-in-Process	156.43	152.64
– Finished Goods	444.69	334.93
	<u>601.12</u>	<u>487.57</u>
Less: Closing Stock		
– Work-in-Process	161.45	156.43
– Finished Goods	623.76	444.69
	<u>785.21</u>	<u>601.12</u>
	(184.09)	(113.55)
	2452.98	2347.40

SCHEDULES TO THE ACCOUNTS *contd.*

	Rupees in crore	
	2010	2009
P Employee Cost		
Salaries, Wages, Bonus, etc.	276.55	230.32
Provident & other Funds	13.62	13.67
Staff Gratuity	2.06	2.89
Staff Welfare	16.63	21.34
Leave Encashment	10.01	3.11
	318.87	271.33

	Rupees in crore	
	2010	2009
Q Other Expenses		
Stores & Spares	50.47	52.16
Power & Fuel	92.15	91.71
Rent	9.99	7.65
Rates & Taxes	4.74	8.93
Insurance	4.53	3.85
Repairs & Maintenance		
- Machinery	28.62	23.53
- Buildings	33.06	37.30
- Others	9.51	12.23
Printing & Stationery	19.63	16.55
Conveyance & Vehicle Expenses	10.43	8.52
Remuneration to Auditors (including service tax, where applicable)		
- Audit Fees	0.43	0.30
- Cost Audit Fees	0.03	0.04
- Other Certification*	0.06	0.01
*fees paid to auditors for QIP related certification charged to Securities Premium Account Rs.0.24 crore; (Previous year Rs.Nil)		
Professional Fees	47.80	28.31
Telephone, Postage & Telegram	20.22	18.34
Sales Promotion Expenses	113.08	108.57
Freight & Forwarding	44.31	47.19
Travelling Expenses	83.55	72.77
Donations	0.82	1.16
Commission on Sales	169.09	183.39
Bank & Other Financial Charges	5.35	19.29
Directors' Sitting Fees	0.08	0.10
Miscellaneous Expenses	46.92	49.96
Provision for Doubtful Debts	39.68	33.95
Bad Debts written off	36.98	1.62
Exchange Loss (Net)	63.89	228.37
Loss on sale/discard of Fixed Assets (Net)	1.05	3.62
Contractual Services	104.99	93.53
	1041.46	1152.95

SCHEDULES TO THE ACCOUNTS *contd.*

	Rupees in crore	
	2010	2009
R Research & Development Expenses		
Material Consumed	29.03	29.55
Employee Cost	52.21	45.62
Laboratory Expenses	24.05	27.49
Power & Fuel	30.24	28.66
Repairs & Maintenance	19.51	19.65
Professional Fees	17.48	14.40
Research Clinical Trials & Research Grants	25.09	23.32
Depreciation	22.59	18.81
Printing & Stationery	2.17	1.96
Travelling Expenses	2.50	3.29
Other Research & Development Expenses*	25.82	22.75
*includes audit fees Rs.0.01 crore; (Previous year Rs.0.01 crore)		
	<u>250.69</u>	<u>235.50</u>
<i>Note:</i> In addition to an amount of Rs.126.90 crore (Previous year Rs.114.30 crore) of revenue expenditure being eligible for weighted deduction under section 35(2AB) of the Income Tax Act, 1961, the above schedule includes expenditure allocated from other cost centres to the extent the same are incurred for Research & Development activity (Refer Schedule S-Note 8).		

SCHEDULES TO THE ACCOUNTS *contd.*

S Significant Accounting Policies & Notes to the Accounts

1. Significant Accounting Policies

i. Basis of Accounting

The financial statements are prepared under the historical cost convention on accrual basis in accordance with the Companies (Accounting Standards) Rules, 2006 issued under sub section (3C) of section 211 of the Companies Act, 1956.

ii. Use of Estimates

The preparation of financial statements requires the management of the Company to make estimates and assumptions that affect the reported balance of assets and liabilities, revenue and expenses and disclosures relating to the contingent liabilities. The management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates. Any revision of accounting estimates is recognised prospectively in the current and future periods.

iii. Fixed Assets

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

iv. Depreciation

Depreciation on fixed assets is provided on the Straight Line Method at the rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956.

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.

Cost of leasehold land including premium is amortised over the primary period of lease.

v. 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 raw material, labour, conversion costs and other costs incurred in bringing the inventories to their present location and condition.

Cost of finished goods includes excise duty.

Cost of inventories is computed on weighted average basis.

vi. 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 arising on the settlement of foreign currency monetary items or on reporting Company's foreign currency monetary items at rates different from those at which they were initially recorded during the year or reported in the previous financial statements, are recognised as income or expense in the year in which they arise.

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 of the year.

vii. Employee Benefits

Liability on account of short term employee benefits is recognised on an undiscounted and accrual basis during the period when the employee renders service/vesting period of the benefit.

Post retirement contribution plans such as Provident Fund are charged to Profit and Loss Account of the year when the contributions to the respective funds accrue.

SCHEDULES TO THE ACCOUNTS *contd.*

Post retirement benefit plans such as gratuity and leave encashment are determined on actuarial valuation made by an independent actuary as at the Balance Sheet date. Actuarial gains and losses are recognised immediately in the Profit and Loss Account.

viii. Research and Development

Revenue expenditure on Research and Development is recognised as expense in the year in which it is incurred.

Capital expenditure on Research and Development is shown as addition to Fixed Assets.

ix. Expenditure on Regulatory Approvals

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

x. Investments

Long term investments are stated at cost, less any provision for diminution (other than temporary) in value. Current investments are stated at lower of cost and fair value.

xi. Revenue Recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Revenue from sale of goods is recognised when significant risks and rewards of ownership of the goods have been passed to the buyer, which ordinarily coincides with despatch of goods to customers. Revenues are recorded at invoice value, net of sales tax, returns and trade discounts.

Revenue from rendering of services are recognised on completion of services.

Benefits on account of entitlement of export incentives is recognised as and when the right to receive is established.

Fees from technical services are recognised as and when the right to receive such income is established as per terms and conditions of relevant agreement.

Interest income is recognised on time proportion basis.

Dividend income is recognised when the right to receive is established.

xii. Income Tax

Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the provisions of local Income Tax Laws as applicable to the financial year.

Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income of the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date.

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.

xiii. 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.

xiv. Government Grants

Capital subsidy/Government grants are accounted for where it is reasonably certain that the ultimate collection will be made.

Capital subsidy/Government grants related to specific depreciable assets are shown as deduction from the gross value of the asset concerned in arriving at its book value. The grant/subsidy is thus recognised

SCHEDULES TO THE ACCOUNTS *contd.*

in the Profit and Loss Statement over the useful life of such depreciable assets by way of a reduced depreciation charge.

xv. Borrowing Costs

Borrowing costs attributable to acquisition and/or construction of qualifying assets are capitalised as a part of the cost of such assets, up to the date such assets are ready for their intended use.

Other financing/borrowing costs are charged to Profit and Loss Account.

xvi. Provisions and Contingent Liabilities

A provision is recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

xvii. Earning Per Share

Basic earning per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earning per share, the net profit attributable to equity shareholders and the weighted average number of shares outstanding are adjusted for the effect of all dilutive potential equity shares from the exercise of options on unissued share capital. The number of equity shares is the aggregate of the weighted average number of equity shares and the weighted average number of equity shares which would be issued on the conversion of all the dilutive potential equity shares into equity shares.

Notes to the Accounts

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.255.75 crore (Previous year Rs.316.83 crore).
4. **Contingent Liabilities**
 - i. Financial and performance guarantees given by banks on behalf of the Company - Rs.63.72 crore (Previous year Rs.34.52 crore).
 - ii. Letters of credit issued by banks on behalf of the Company - Rs.42.60 crore (Previous year Rs.37.80 crore).
 - iii. Refund of Technical Know-how/fees on account of non compliance of certain obligations as per respective agreements - Rs.15.38 crore (Previous year Rs.44.05 crore).
 - iv. Claims against the Company not acknowledged as debts:
 - a. Income Tax - Rs.115.35 crore (Previous year Rs.Nil).
The above Rs.115.35 crore represents claims where the Company has filed appeals and expects a favourable outcome, based on decisions in earlier assessment years.
 - b. Excise Duty/Service Tax - Rs.47.80 crore (Previous year Rs.44.90 crore).
The above represents claims where, based on decisions in earlier years, the Company is of the opinion that the demand is not sustainable.
 - c. Sales Tax - Rs.0.86 crore (Previous year Rs.0.50 crore).
 - d. Others - Rs.4.11 crore (Previous year Rs.2.31 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

SCHEDULES TO THE ACCOUNTS *contd.*

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. In 2003, the Company received notice of demand from the National Pharmaceutical Pricing Authority, Government of India on account of alleged overcharging in respect of certain drugs under the Drug Price Control Order. This was contested before the jurisdictional High Courts wherein it was held in favour of the Company.

The orders were challenged before the Hon'ble Supreme Court by the Government. The Hon'ble Supreme Court by separate orders restored the matter to the jurisdictional High Court for interpreting the Drug Policy on the basis of directions and principles laid down by them and also restrained the Government from taking any coercive action against the Company. The Company has been legally advised that on the basis of these orders there is no probability of demand crystallising. Hence, no provision is considered necessary in respect of notice of demand aggregating to Rs.1157.12 crore (inclusive of interest) for the period July 1995 to April 2009.

7. The net difference in foreign exchange debited to the Profit and Loss Account is Rs.63.89 crore (Previous year Rs.228.37 crore).

8. Expenditure on Research & Development

	Rupees in crore	
	2010	2009
Capital Expenditure	11.99	16.00
Revenue Expenditure charged to Profit and Loss Account	250.69	235.50
	262.68	251.50

Of the above, capital expenditure of Rs.11.99 crore (Previous year Rs.14.87 crore) and revenue expenditure of Rs.126.90 crore (Previous year Rs.114.30 crore) are eligible for weighted deduction under section 35(2AB) of the Income Tax Act, 1961. The eligible revenue expenditure includes employee cost Rs.33.86 crore (Previous year Rs.27.73 crore), raw materials & consumables Rs.25.23 crore (Previous year Rs.29.96 crore), clinical trials & research grants Rs.24.75 crore (Previous year Rs.22.86 crore) and other expenditure Rs.43.06 crore (Previous year Rs.33.75 crore).

9. Capacities and Actual Production

Class of Goods	Unit	Installed Capacity		Actual Production	
		2010	2009	2010	2009
Bulk Drugs (including Malts)	Tonne	1866.1	1866.1	1316.9	960.1
Tablets & Capsules	Million	16662.4	16662.4	16632.9	16119.2
Liquids	Kilolitre	1346.4	1346.4	8600.9	8432.0
Creams	Tonne	861.3	861.3	1021.7	851.9
Aerosols/Inhalation Devices	Thousand	96030.0	96030.0	53387.5	61195.8
Injections/Sterile Solutions	Kilolitre	1168.0	1168.0	2204.0	2222.5
Others		-	-	440.4	480.3

- 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	2010		2009	
		Qty.	Value	Qty.	Value
Bulk Drugs (including Malts)	Tonne	1085.8	115.41	1092.5	94.58
Tablets & Capsules	Million	2490.0	236.07	2101.0	216.74
Liquids	Kilolitre	5464.0	86.53	5513.8	68.14
Creams	Tonne	685.0	29.54	357.7	11.00
Aerosols/Inhalation Devices	Thousand	6043.8	23.93	9992.4	39.20
Injections/Sterile Solutions	Kilolitre	416.8	70.43	380.8	47.12
Others		–	59.75	–	111.26
			621.66		588.04

11. Sales of each class of Finished Goods

Rupees in crore

Class of Goods	Unit	2010		2009	
		Qty.	Value	Qty.	Value
Bulk Drugs (including Malts)	Tonne	1930.0	669.97	1869.0	597.21
Tablets & Capsules	Million	17909.8	3202.23	17938.4	2879.78
Liquids	Kilolitre	13689.5	306.30	13808.6	300.54
Creams	Tonne	1525.2	113.77	1226.4	89.55
Aerosols/Inhalation Devices	Thousand	59137.4	475.40	68073.4	503.83
Injections/Sterile Solutions	Kilolitre	2511.6	525.85	2616.0	436.76
Others		–	118.16	–	213.97
			5411.68		5021.64

12. Closing Stock of each class of Finished Goods

Rupees in crore

Class of Goods	Unit	2010		2009	
		Qty.	Value	Qty.	Value
Bulk Drugs (including Malts)	Tonne	278.3	159.83	262.9	127.12
Tablets & Capsules	Million	3263.4	306.29	2336.3	198.42
Liquids	Kilolitre	2066.9	38.13	1887.5	26.61
Creams	Tonne	347.1	16.92	191.9	7.67
Aerosols/Inhalation Devices	Thousand	6519.6	29.42	6685.7	34.05
Injections/Sterile Solutions	Kilolitre	552.9	62.05	425.7	43.65
Others		–	11.12	–	7.17
			623.76		444.69

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

Class of Goods	2010		2009	
	Value	%	Value	%
Purchased indigenously	1187.31	56	1137.43	57
Imported	927.26	44	845.45	43
	2114.57	100	1982.88	100
<i>Less: Recoverable duties</i> (included in the above cost)	99.16		109.97	
Total Consumption (Net of Cenvat)	2015.41		1872.91	

Note: Figures as certified by the management.

14. Break-up of Materials Consumed

Class of Goods	Unit	2010		2009	
		Qty.	Value	Qty.	Value
Purchased Bulk Drugs	Tonne	4298.5	909.59	3447.7	776.56
Intermediates	Tonne	580.4	307.55	582.2	263.27
Solvents	Tonne	18679.4	78.56	16960.1	73.41
Capsules	Million	3166.7	27.06	2752.5	27.84
Packing Materials			465.27		461.25
Others (None of which individually account for more than 10 per cent of the total consumption)			326.54		380.55
			2114.57		1982.88
<i>Less: Recoverable duties</i> (included in the above cost)			99.16		109.97
Total Consumption (Net of Cenvat)			2015.41		1872.91

Note: Figures as certified by the management.

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

	Rupees in crore	
	2010	2009
Raw Materials/Packing Materials	846.14	963.79
Components & Spare Parts	27.46	19.43
Capital Goods	167.23	256.80

16. Expenditure in Foreign Currency

	Rupees in crore	
	2010	2009
Legal and Professional Charges	27.09	16.27
Royalties	–	3.32
Other matters – Commission, Travelling, etc.	134.23	207.33

SCHEDULES TO THE ACCOUNTS *contd.*

17. Earnings in Foreign Exchange

	Rupees in crore	
	2010	2009
F.O.B. Value of Exports	2900.58	2742.69
Technical Know-how/Fees	153.76	217.45
Others	3.34	0.02

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

			Amount (equivalent Rupees in crore)	
Nature of Instrument	Currency	Cross Currency	2010	2009
			Forward contracts - Sold	USD
Forward contracts - Bought	USD	INR	-	748.75
Forward contracts - Bought	JPY	USD	-	43.81
Forward contracts - Bought	JPY	INR	-	51.92
Forward contracts - Bought	CAD	USD	-	24.81
Unhedged foreign exchange exposures				
- Receivables			620.58	1071.29
- Payables			264.85	344.22

Note: The Company uses forward contracts/derivatives for hedging purposes 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	
	2010	2009
i. Salary and Allowances	2.21	1.78
ii. Commission	27.00	26.50
iii. Company's contribution to Provident Fund	0.09	0.08
iv. Approximate monetary value of other perquisites or benefits	0.21	0.11
	29.51	28.47

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.

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

	Rupees in crore	
		2010
Profit before Tax as per Profit & Loss Account		1324.99
Add: Managerial Remuneration	29.51	
Directors' Sitting Fees	0.08	
Provisions for Doubtful Debts	39.68	
		69.27
		1394.26
Less: Profit on sale of Investments		0.10
Less: Sale of brand and other related rights		95.00
Net Profit under section 349 of the Companies Act, 1956		1299.16
Commission to Executive Directors (as determined by the Board of Directors)		27.00

SCHEDULES TO THE ACCOUNTS *contd.*

21. Related Party Disclosures

- i. The related parties are as under:
 - a. Subsidiary Company – Cipla FZE, U.A.E.
 - b. Key Management Personnel -
 1. Dr.Y.K.Hamied – Chairman and Managing Director
 2. Mr.M.K.Hamied – Joint Managing Director
 3. Mr.Amar Lulla – Joint Managing Director
 - c. Entities over which Key Management Personnel exercise significant influence - Cipla Public Charitable Trust, Cipla Cancer & Aids Foundation, Goldencross Pharma Pvt. Ltd.*, Mediorals Laboratories Pvt. Ltd.*, Medispray Laboratories Pvt. Ltd.*, Advanced Remedies Pvt. Ltd.* (* w.e.f. 1st March 2010)
- ii. Transactions with related parties:

Rupees in crore

Particulars	Subsidiary		Key Management Personnel		Entities over which Key Management Personnel exercise significant influence		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Receipts								
- Interest	0.19	0.73			0.55		0.74	0.73
- Others					0.00*		0.00*	
Loan Repayment	17.76						17.76	
Capital Contribution	17.42						17.42	
Loans Given					5.82		5.82	
Remuneration Paid			29.51	28.47			29.51	28.47
Deposits Repaid			38.00				38.00	
Interest Paid			3.13	1.58			3.13	1.58
Purchase of Materials/ Finished Goods					23.65		23.65	
Services Availed					3.85		3.85	
Donations Given					0.40	0.47	0.40	0.47
Balances at end of the year								
- Outstanding Payables				39.58	28.55		28.55	39.58
- Outstanding Receivables		17.76			69.21		69.21	17.76

* Rs.20,040

Disclosures in respect of material related party transactions during the year :

- a. Receipts include interest received from Cipla FZE Rs.0.19 crore (Previous year Rs.0.73 crore) and Goldencross Pharma Pvt. Ltd. Rs.0.55 crore (Previous year Rs.Nil).
- b. Loan repayment from Cipla FZE Rs.17.76 crore (Previous year Rs.Nil).
- c. Capital contribution into Cipla FZE Rs.17.42 crore (Previous year Rs.Nil).
- d. Loans given to Goldencross Pharma Pvt. Ltd. Rs.5.82 crore (Previous year Rs.Nil).
- e. Remuneration paid to Dr.Y.K.Hamied Rs.8.53 crore (Previous year Rs.8.30 crore), Mr.M.K.Hamied Rs.8.11 crore (Previous year Rs.7.84 crore) and Mr.Amar Lulla Rs.12.87 crore (Previous year Rs.12.33 crore).

SCHEDULES TO THE ACCOUNTS *contd.*

- f. Deposit repaid to Dr. Y. K. Hamied Rs.38.00 crore (Previous year Rs.Nil).
- g. Interest paid to Dr. Y. K. Hamied Rs.3.13 crore (Previous year Rs.1.58 crore).
- h. Purchase of materials/finished goods include Goldencross Pharma Pvt. Ltd. Rs.18.45 crore (Previous year Rs.Nil) and Medispray Laboratories Pvt. Ltd. Rs.4.88 crore (Previous year Rs.Nil).
- i. Services availed from Goldencross Pharma Pvt. Ltd. Rs.1.04 crore (Previous year Rs.Nil), Mediorals Laboratories Pvt. Ltd. Rs.0.94 crore (Previous year Rs.Nil), Medispray Laboratories Pvt. Ltd. Rs.0.84 crore (Previous year Rs.Nil) and Advanced Remedies Pvt. Ltd. Rs.1.03 crore (Previous year Rs. Nil).
- j. Donations made to Cipla Public Charitable Trust Rs. 0.40 crore (Previous year Rs. 0.47 crore).
- k. Outstanding payables as on 31st March 2010 include Goldencross Pharma Pvt. Ltd. Rs.3.90 crore (Previous year Rs. Nil), Medispray Laboratories Pvt. Ltd. Rs.13.60 crore (Previous year Rs.Nil), Advanced Remedies Pvt. Ltd. Rs.8.89 crore (Previous year Rs.Nil), and Dr. Y.K. Hamied Rs.Nil (Previous year Rs.39.58 crore).
- l. Outstanding receivables as on 31st March 2010 include Goldencross Pharma Pvt. Ltd. Rs.69.21 crore (Previous year Rs.Nil), Cipla FZE Rs.Nil (Previous year Rs.17.76 crore).

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	
	2010	2009	2010	2009	2010	2009
Gross revenue by geographical market	2511.10	2278.95	2900.58	2742.69	5411.68	5021.64
Less: Excise duty	52.16	61.04	–	–	52.16	61.04
Net revenue by geographical market	2458.94	2217.91	2900.58	2742.69	5359.52	4960.60
a. Export Incentives & Technical Know-how/Fees	–	–	246.17	273.69	246.17	273.69
b. Other Revenue	79.50	57.71	–	–	79.50	57.71
Segment revenue	2538.44	2275.62	3146.75	3016.38	5685.19	5292.00
Carrying amount of segment assets	5291.95	4618.62	1521.70	1741.48	6813.65	6360.10
Carrying amount of other unallocated assets					563.40	418.28
Capital expenditure	529.29	642.18	0.02	0.15	529.31	642.33

- 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

	2010	2009
Sales (Net of Excise Duty)	5359.52	4960.60
Other income excluding interest, dividend income and profit on sale of investments & fixed assets	325.67	331.40
	5685.19	5292.00

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

SCHEDULES TO THE ACCOUNTS *contd.*

23. The Company has identified Micro, Small and Medium Enterprises on the basis of information made available during the year by the respective suppliers or vendors of the Company.

Disclosures as required by the Micro, Small and Medium Enterprises Development Act, 2006 are as under:

Rupees in crore

	2010	2009
i. The principal amount and the interest due thereon remaining unpaid to Suppliers		
a. Principal	0.19	0.79
b. Interest due thereon	–	–
ii. a. The delayed payments of principal paid beyond the appointed date during the entire accounting year	–	–
b. Interest actually paid under section 16 of the Micro, Small and Medium Enterprises Development Act, 2006	–	–
iii. a. Normal interest accrued during the year, for all the delayed payments, as per the agreed terms	–	–
b. Normal interest payable for the period of delay in making payment, as per the agreed terms	–	–
iv. a. Total interest accrued during the year	–	–
b. Total interest accrued during the year and remaining unpaid	–	–

24. Employee Benefits

The Company has with effect from 1st April 2007, adopted Accounting Standard 15, Employee Benefits (revised 2005), issued by the Institute of Chartered Accountants of India (the 'revised AS-15').

i. Short Term Employee Benefits

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. Benefits such as salaries, wages, short term compensated absences, etc. and the expected cost of bonus, ex-gratia are recognised in the period in which the employee renders the related service.

ii. Long Term Employee Benefits

The disclosures as per the revised AS-15 are as under:

a. Brief description of the plans

The Company's defined contribution plan is Employees' Pension Scheme (under the provisions of Employees' Provident Funds and Miscellaneous Provisions Act, 1952) since the Company has no further obligation beyond making the contributions.

The Company has two schemes for long term benefits namely, Provident Fund and Gratuity:

- The Provident Fund plan, a funded scheme is operated by Company's Provident Fund Trust, which is recognised by the Income Tax authorities and administered through trustees/ appropriate authorities. The Guidance note on implementing the revised AS-15, Employee Benefits (revised 2005) issued by Accounting Standards Board (ASB) states benefit involving employer-established provident funds, which require interest shortfalls to be recompensed, are to be considered as defined benefit plans. Pending the issuance of the guidance note from the Actuarial Society of India, the Company's actuary has expressed an inability, to reliably measure provident fund liabilities. Accordingly, the Company is unable to present the related information.
- The Company provides for gratuity, a defined benefit plan based on actuarial valuation as of the Balance Sheet date, based upon which, the Company contributes all the ascertained liabilities to the Insurer Managed Funds.

The employees of the Company are also entitled to leave encashment and compensated absences as per the Company's policy.

SCHEDULES TO THE ACCOUNTS *contd.*

b. Charge to Profit and Loss Account based on contributions

	Rupees in crore	
	2010	2009
Employees' Pension Scheme	6.62	5.93
Provident Fund	9.37	7.43
	15.99	13.36

c. Disclosures for defined benefit plans based on actuarial reports

	Rupees in crore	
	2010 Gratuity (Funded Plan)	2009 Gratuity (Funded Plan)
i. Change in defined benefit obligation		
Opening defined benefit obligation	20.58	17.89
Interest cost	1.75	1.59
Current service cost	4.09	2.61
Actuarial (gain)/loss on obligations	2.27	(0.24)
Benefits paid	(2.55)	(1.27)
Liability at the end of the year	26.14	20.58
ii. Change in fair value of assets		
Opening fair value of plan assets	15.91	14.21
Expected return on plan assets	1.67	1.24
Actuarial gain/(loss)	0.57	(0.17)
Contributions by employer	2.49	1.90
Transfer of plan assets	3.75	-
Benefits paid	(2.55)	(1.27)
Closing fair value of plan assets	21.84	15.91
iii. Amount recognised in Balance Sheet		
Present value of obligations as at year end	26.14	20.58
Fair value of plan assets as at year end	(21.84)	(15.91)
Net (asset)/liability recognised	4.30	4.67
iv. Expenses recognised in Profit and Loss Account		
Current service cost	4.09	2.61
Interest on defined benefit obligation	1.75	1.59
Expected return on plan assets	(1.67)	(1.24)
Net actuarial (gain)/loss recognised in the current year	1.70	(0.07)
Transfer of plan assets	(3.75)	-
Total expense recognised in Profit and Loss Account	2.12	2.89

SCHEDULES TO THE ACCOUNTS *contd.*

	Rupees in crore	
	2010 Gratuity (Funded Plan)	2009 Gratuity (Funded Plan)
v. Actual return on plan assets		
Expected return on plan assets	1.67	1.24
Actuarial gain/(loss) on plan assets	0.57	(0.17)
Actual return on plan assets	2.24	1.07
vi. Asset information		
Insurer managed funds	100%	100%
vii. Principal actuarial assumptions used		
Discounted rate (per annum)	8.00%	7.75%
Expected rate of return on plan assets (per annum)	8.00%	8.00%
The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in employment market		
viii. Experience adjustments		
Defined benefit obligation	26.14	20.58
Plan assets	(21.84)	(15.91)
Deficit	4.30	4.67
Experience adjustment on plan liabilities - (gain)/loss	2.61	(2.46)
Experience adjustment on plan assets - gain/(loss)	0.57	(0.17)
ix. Expected employer's contribution for the next year	7.03	3.46

25. During the year, the Company sold its intellectual property rights and technical know-how of "i-pill", an emergency contraceptive brand, to Piramal Healthcare Limited for the territory of India at an aggregate consideration of Rs.95 crore.

26. The shareholders in the Annual General Meeting held on 26th August 2009 approved the raising of long term funds by way of Qualified Institutions Placement (QIPs) in terms of Chapter VIII of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009. In pursuance thereof, the Company has raised Rs.675.99 crore from Qualified Institutional Buyers (QIBs) and 2,56,30,000 equity shares having face value of Rs.2 each at a premium of Rs.261.75 per equity share, were issued and allotted to the investors on 29th September 2009. The funds thus raised have been used as per the terms of the issue.

SCHEDULES TO THE ACCOUNTS *contd.*

27. Basic and Diluted Earning per Share has been computed as under:

	Rupees in crore	
	2010	2009
Profit After Tax - Before Exceptional Item	986.49	776.81
Weighted Average No. of Shares Outstanding	79,01,41,467	77,72,91,357
Basic/Diluted EPS - Before Exceptional Item	Rs.12.49	Rs.9.99
Profit After Tax - After Exceptional Item	1081.49	776.81
Weighted Average No. of Shares outstanding	79,01,41,467	77,72,91,357
Basic/Diluted EPS - After Exceptional Item	Rs.13.69	Rs.9.99
Face value per share	Rs.2.00	Rs.2.00

As per our report of even date

For V.Sankar Aiyar & Co.,
Chartered Accountants
Firm Reg. No. 109208W

V. Mohan
Partner
Membership No. 17748

Mumbai, 15th June 2010

For R.G.N. Price & Co.,
Chartered Accountants
Firm Reg. No. 0027855

R. Rangarajan
Partner
Membership No. 41883

Y.K. Hamied
Chairman & Managing Director

M.K. Hamied
Joint Managing Director

H.R. Manchanda
M. R. Raghavan
Ramesh Shroff
Pankaj Patel
Directors

S. Radhakrishnan
Chief Financial Officer

Mital Sanghvi
Company Secretary

Mumbai, 15th June 2010

CASH FLOW STATEMENT

		Rupees in crore	
For the year ended 31 st March 2010		2010	2009
(A) Cash Flow from Operating Activities			
Net profit before tax		1324.99	901.31
Adjustments for:			
Depreciation	187.84		170.60
Interest expense	22.95		32.94
Interest expense allocated to Research & Development expenses	0.71		1.02
Sale of brand and other related rights	(95.00)		–
Unrealised foreign exchange losses (Net)	20.38		28.92
Provision for doubtful debts and advances	39.68		33.95
Interest income	(18.60)		(15.13)
Dividend income	(9.35)		(8.62)
Profit on sale of investments (Net)	(0.10)		(0.07)
Loss on sale/discard of fixed assets (Net)	1.05		3.62
Rent income	(1.55)		(2.02)
		148.01	245.21
Operating profit before working capital changes		1473.00	1146.52
Adjustments for:			
Increase in trade payables and other liabilities	30.79		10.99
Increase in inventories	(114.26)		(277.83)
Increase in trade and other receivables	(92.08)		(439.34)
		(175.55)	(706.18)
Cash generated from operations		1297.45	440.34
Direct taxes paid (Net)		(255.77)	(64.75)
Net cash from operating activities	(A)	1041.68	375.59
(B) Cash Flow from Investing Activities			
Purchase of fixed assets/Capital work-in-progress		(529.31)	(703.19)
Sale of fixed assets		3.81	3.39
Investment in subsidiary		(17.42)	–
Purchase of other investments		(8886.57)	(3041.25)
Sale of other investments		8720.31	3054.74
Sale of brand and other related rights		95.00	–
Interest received		18.08	11.77
Dividend received		9.35	8.62
Rent received		1.55	2.00
Loans repaid by subsidiary		17.76	–
Short term deposits repaid (Net)		5.21	83.13
Net cash used in investing activities	(B)	(562.23)	(580.79)

CASH FLOW STATEMENT *contd.*

		Rupees in crore	
		2010	2009
(C) Cash Flow from Financing Activities			
Proceeds from QIP issue		675.99	–
Expenses incurred on QIP issue		(6.89)	–
Proceeds from long term & other borrowings		462.27	927.23
Repayment of long term & other borrowings		(1397.44)	(532.47)
Interest expense		(23.66)	(33.96)
Dividend paid		(155.46)	(155.46)
Tax on dividend		(26.42)	(26.42)
Net cash (used in)/from financing activities	(C)	(471.61)	178.92
Net increase/(decrease) in cash and cash equivalents	(A)+(B)+(C)	7.84	(26.28)
Cash and Cash Equivalents as at the beginning of the year		53.00	79.28
Cash and Cash Equivalents as at the end of the year		60.84	53.00

- Notes: i. The above Cash Flow Statement has been prepared under the "Indirect Method" set out in AS-3, issued by the Institute of Chartered Accountants of India.
- ii. Cash and Cash Equivalents represent cash & bank balances and fixed deposits with banks.
- iii. Cash and Cash Equivalents includes Rs.8.76 crore (Previous year Rs.9.21 crore) on account of unclaimed dividend, which are not available for use by the Company.

As per our report of even date

For V.Sankar Aiyar & Co.,
Chartered Accountants
Firm Reg. No. 109208W

V. Mohan
Partner
Membership No. 17748

Mumbai, 15th June 2010

For R.G.N. Price & Co.,
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Directors

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Chief Financial Officer

Mital Sanghvi
Company Secretary

Mumbai, 15th June 2010

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

PARTICULARS

Financial year of the subsidiary company ended on	31 st March 2010
No. of Equity Shares held by Cipla Limited in the subsidiary as at 31 st March 2010	15 Equity Shares of AED 10,00,000 each 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 2010 of the subsidiary	(AED 4,35,552) (Rs.0.57 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 2010 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 2010

Rupees in crore

PARTICULARS

Capital	18.29
Reserves	(3.12)
Total Assets	15.19
Total Liabilities	0.02
Investments	Nil
Total Income	0.01
Loss before Taxation	(0.57)
Loss after Taxation	(0.57)
Proposed Dividend	Nil

Note: Exchange rate considered as on 31st March 2010: 1 AED = Rs.12.196

Y.K. Hamied
Chairman & Managing Director

M.K. Hamied
Joint Managing Director

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M. R. Raghavan
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S. Radhakrishnan
Chief Financial Officer

Mital Sanghvi
Company Secretary

Mumbai, 15th June 2010

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

Bonus Issue

GDR Issue

Rights Issue

Private Placements

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

Total Liabilities

Sources of Funds

Paid-up Capital

Secured Loans

Deferred Tax Liabilities

Application of Funds

Net Fixed Assets

Net Current Assets

Accumulated Losses

Total Assets

Reserves and Surplus

Unsecured Loans

Investments

Misc. Expenditure

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

Gross Turnover

+ - Profit/(Loss) Before Tax

Earning Per Share (in Rs.)

.

Total Expenditure

+ - Profit/(Loss) After Tax

Dividend Rate (%)

V. Generic Names of Three Principal Products/Services of 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

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF CIPLA LIMITED AND ITS SUBSIDIARY

1. We have audited the attached consolidated Balance Sheet of Cipla Limited and its subsidiary (collectively referred to as the Group), as at 31st March 2010, and also the consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of Cipla Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. 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. We did not audit the financial statements of the subsidiary, whose financial statements reflect the total assets of Rs.15.19 crore as at 31st March 2010 and Nil revenue and the related cash flows for the year ended on that date as considered in the consolidated financial statements. These financial statements and other information of the subsidiary have been audited by the other auditor whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiary, is based solely on the report of the other auditor.
4. We report that the consolidated financial statements have been prepared by Cipla Limited's management in accordance with the requirements of Accounting Standard 21, "Consolidated Financial Statements", notified by the Companies (Accounting Standards) Rules, 2006.
5. Based on our audit and on consideration of the report of other auditor on separate financial statements and on the other financial information of the components, in our opinion and to the best of our information and according to the explanation given to us, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a. In the case of the consolidated Balance Sheet, of the state of affairs of the Group as at 31st March 2010;
 - b. In the case of the consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
 - c. In the case of the consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For V. Sankar Aiyar & Co.,
Chartered Accountants
Firm Reg. No. 109208W

V. Mohan
Partner
Membership No. 17748
Mumbai, 15th June 2010

For R.G.N. Price & Co.,
Chartered Accountants
Firm Reg. No. 002785S

R. Rangarajan
Partner
Membership No. 41883
Mumbai, 15th June 2010

CONSOLIDATED BALANCE SHEET

Rupees in crore

As at 31 st March 2010	Schedule	2010	2009
Sources of Funds			
Shareholders' Funds			
Share Capital	A	160.58	155.46
Reserves & Surplus	B	5749.99	4192.34
		5910.57	4347.80
Loan Funds			
Secured Loans	C	0.41	2.79
Unsecured Loans	D	4.66	937.45
		5.07	940.24
Deferred Tax Liabilities			
	M	179.15	164.15
		6094.79	5452.19
Application of Funds			
Fixed Assets			
	E		
Gross Block		2897.26	2693.29
Less: Depreciation		886.09	700.80
Net Block		2011.17	1992.49
Capital Work-in-Progress		684.24	366.32
		2695.41	2358.81
Investments			
	F	246.41	80.05
Current Assets, Loans & Advances			
Inventories	G	1512.58	1398.32
Sundry Debtors	H	1566.63	1852.86
Cash & Bank Balances	I	62.06	53.39
Other Current Assets	J	57.82	23.45
Loans & Advances	K	1168.22	894.89
		4367.31	4222.91
Less: Current Liabilities & Provisions			
Liabilities	L	997.97	1012.87
Provisions		216.37	196.71
		1214.34	1209.58
Net Current Assets			
		3152.97	3013.33
		6094.79	5452.19
Significant Accounting Policies & Notes to the Accounts			
	S		

As per our report of even date

For V.Sankar Aiyar & Co.,
Chartered Accountants
Firm Reg. No. 109208W

V. Mohan
Partner
Membership No. 17748

Mumbai, 15th June 2010

For R.G.N. Price & Co.,
Chartered Accountants
Firm Reg. No. 002785S

R. Rangarajan
Partner
Membership No. 41883

Y.K. Hamied
Chairman & Managing Director

M.K. Hamied
Joint Managing Director

H.R. Manchanda
M. R. Raghavan
Ramesh Shroff
Pankaj Patel
Directors

S. Radhakrishnan
Chief Financial Officer

Mital Sanghvi
Company Secretary

Mumbai, 15th June 2010

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Rupees in crore

For the year ended 31 st March 2010	Schedule	2010	2009
Income			
Gross Sales		5411.68	5021.64
Less: Excise Duty		<u>52.16</u>	<u>61.04</u>
Net Sales		5359.52	4960.60
Other Income	N	353.50	<u>354.49</u>
		5713.02	5315.09
Expenditure			
Material Cost	O	2452.98	2347.40
Employee Cost	P	319.10	271.38
Manufacturing Expenses		231.05	222.60
Other Expenses	Q	1038.09	1156.64
Research & Development Expenses	R	250.69	235.50
Interest - Fixed period		22.09	32.53
- Others		0.86	0.41
(includes interest paid to Managing Director Rs.3.13 crore; Previous year Rs.1.58 crore)			
Depreciation/Impairment		167.07	<u>151.79</u>
		4481.93	4418.25
Profit before Prior Period Item, Exceptional Item & Tax		1231.09	896.84
Prior Period Item (Net)		-	<u>1.32</u>
Profit before Exceptional Item & Tax		1231.09	895.52
Exceptional Item being sale of brand and other related rights (Schedule S-Note 14)		95.00	-
Profit before Tax		1326.09	895.52
Provision for Tax - Current Tax		228.50	101.00
- Deferred Tax		15.00	15.00
- Fringe Benefit Tax		-	<u>8.50</u>
Profit after Tax		1082.59	771.02
Surplus brought forward from last Balance Sheet		948.39	<u>509.25</u>
Profit available for Appropriation		2030.98	1280.27
Appropriations			
Proposed Dividend		160.58	155.46
Tax on Dividend		26.67	26.42
Transferred to General Reserve		150.00	150.00
Surplus carried forward		1693.73	<u>948.39</u>
		2030.98	1280.27
Basic and Diluted Earning per Share (Rs.) - Before Exceptional Item		13.70	9.92
Basic and Diluted Earning per Share (Rs.) - After Exceptional Item (Schedule S-Note 16)		12.50	9.92
Face value per share (Rs.)		2.00	2.00
Significant Accounting Policies & Notes to the Accounts	S		
As per our report of even date			
For V.Sankar Aiyar & Co., Chartered Accountants Firm Reg. No. 109208W	For R.G.N. Price & Co., Chartered Accountants Firm Reg. No. 002785S	Y.K.Hamied Chairman & Managing Director	S.Radhakrishnan Chief Financial Officer
V. Mohan Partner Membership No. 17748	R. Rangarajan Partner Membership No. 41883	M.K. Hamied Joint Managing Director	Mital Sanghvi Company Secretary
Mumbai, 15 th June 2010		H.R. Manchanda M. R. Raghavan Ramesh Shroff Pankaj Patel Directors	Mumbai, 15 th June 2010

SCHEDULES TO THE CONSOLIDATED ACCOUNTS

	Rupees in crore	
	2010	2009
(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		
80,39,24,752 Equity Shares of Rs.2 each (Previous year 77,82,94,752 Equity Shares of Rs.2 each)	160.78	155.66
	160.78	155.66
Subscribed & Paid-up		
80,29,21,357 Equity Shares of Rs.2 each (Previous year 77,72,91,357 Equity Shares of Rs.2 each)	160.58	155.46
	160.58	155.46
<i>Notes:</i> Of the above Equity Shares:		
i. 75,83,20,444 shares of Rs.2 each were allotted as fully paid-up Bonus Shares by capitalisation of General Reserve and Securities Premium Account.		
ii. 8,488 shares of Rs.2 each were issued for consideration other than cash pursuant to the Scheme of Arrangement in September 2004.		
iii. 2,56,30,000 shares of Rs.2 each were allotted pursuant to Qualified Institutions Placement (QIP) in September 2009.		

	Rupees in crore	
	2010	2009
(B) Reserves & Surplus		
Capital Reserve	0.08	0.08
Revaluation Reserve	8.97	8.97
Securities Premium Account		
As per last Balance Sheet	764.98	
Add: Premium on QIP issue	670.87	
	1435.85	
Less: Expenses on QIP issue	6.89	
	1428.96	764.98
General Reserve		
As per last Balance Sheet	2466.43	2316.43
Add: Transferred from Profit and Loss Account	150.00	150.00
	2616.43	2466.43
Surplus in Profit & Loss Account	1693.73	948.39
Add: Transfer to Goodwill on Consolidation	1.82	-
	1695.55	948.39
Foreign Currency Translation Reserve	0.00*	3.49
* (Rs.18,665.84)		
	5749.99	4192.34

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

	Rupees in crore	
	2010	2009
C Secured Loans		
Amounts drawn against Cash and Export Credit Accounts with Banks (Secured against receivable and movable assets including stock, both present and future)	0.41	2.79
	0.41	2.79

	Rupees in crore	
	2010	2009
D Unsecured Loans		
Fixed Deposits - Directors*	-	39.00
- Others*	-	29.29
Short Term Loans from Banks	-	863.97
Other Loans - Maharashtra Govt. Sales Tax Deferral	4.66	5.19
	4.66	937.45

- Notes: i. A sum of Rs.0.83 crore (Previous year Rs.932.61 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.

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

Rupees in crore

E Fixed Assets	GROSS BLOCK AT COST/REVALUATION				DEPRECIATION		NET BLOCK	
	As at 01.04.09	Additions	Deletions	As at 31.03.10	Up to 31.03.09	For the Year 09-10	Up to 31.03.10	As at 31.03.09
Freehold Land	29.53	0.48	-	30.01	-	-	-	29.53
Leasehold Land	64.13	7.47	-	71.60	4.09	1.81	5.90	60.04
Buildings & Flats	542.62	28.02	0.96	569.68	82.37	17.17	99.33	460.25
Plant & Machinery	1970.51	169.55	7.43	2132.63	589.95	162.73	748.99	1380.56
Furniture & Fixtures	78.70	5.22	-	83.92	21.65	5.45	27.10	57.05
Vehicles	7.80	0.65	0.85	7.60	2.74	0.68	2.95	5.06
Goodwill on Consolidation	-	1.82	-	1.82	-	1.82	-	-
Total	2693.29	213.21	9.24	2897.26	700.80	189.66	886.09	1992.49
Previous year	2201.79	509.13	17.63	2693.29	540.43	170.60	700.80	-
Capital Work-in-Progress (At Cost)	-	-	-	-	-	-	-	-
Total	684.24	2695.41	366.32	2695.41	2358.81	366.32	2358.81	2358.81

Notes:

- i. The gross value of Buildings & Flats includes the cost of shares in Co-operative Housing Societies.
- ii. The above additions is net of Government grants Rs.Nil for current year (Previous year for Kurkumbh Rs.0.25 crore and for Sikkim Rs.61.24 crore).
- iii. The above additions to fixed assets during the year includes Rs.1.99 crore (Previous year Rs.16.00 crore) used for Research and Development.

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

	Rupees in crore	
	2010	2009
F Investments		
Long Term Investments		
Government Securities		
<i>Unquoted</i>		
National Savings Certificates - Rs.39,000 (Previous year Rs.2,80,000)	0.00	0.03
Trade Investments		
<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
Other Investments		
<i>Bonds</i>		
Rural Electrification Corporation Limited 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		
Birla Sun Life Mutual Fund "Birla Savings Fund" - Institutional Premium Growth 1,23,33,999 (Previous year Nil) units (1,23,33,999 units purchased during the year)	21.56	-
Baroda Pioneer Mutual Fund "Baroda Pioneer Treasury Advantage Fund" - Growth 2,92,02,494 (Previous year Nil) units (2,92,02,494 units purchased during the year)	30.28	-
Deutsche Asset Management "DWS Ultra Short Term Fund" - Institutional Plan Growth 92,38,329 (Previous year Nil) units (92,38,329 units purchased during the year)	10.00	-
Deutsche Asset Management "DWS Insta Cash Plus Fund" - Super Institutional Plan Growth Nil (Previous year 1,62,06,975) units (83,75,700 units purchased and 2,45,82,675 units redeemed during the year)	-	18.50
Fidelity Mutual Fund "Fidelity Ultra Short Term Debt Fund" - Institutional Growth Scheme 34,78,557 (Previous year Nil) units (34,78,557 units purchased during the year)	4.00	-
Franklin Templeton Mutual Fund "Templeton India Ultra Short Bond Fund" - Super Institutional Plan Growth 1,68,98,423 (Previous year Nil) units (1,68,98,423 units purchased during the year)	20.01	-
ICICI Prudential Mutual Fund "ICICI Prudential Ultra Short Term Plan Super Premium" - Growth 1,93,82,409 (Previous year Nil) units (1,93,82,409 units purchased during the year)	20.02	-
IDFC Mutual Fund "IDFC Money Manager Fund" - TP - Super Institutional Plan C Growth 1,74,44,407 (Previous year Nil) units (2,20,24,714 units purchased and 45,80,307 units redeemed during the year)	19.04	-

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

	Rupees in crore	
	2010	2009
F Investments – contd.		
<i>JM Financial Mutual Fund “JM High Liquidity Fund” - Super Institutional Plan Growth Nil (Previous year 1,50,63,228) units (1,50,63,228 units redeemed during the year)</i>	–	20.78
<i>JP Morgan Mutual Fund “JP Morgan India Treasury Fund” - Super Institutional Growth Plan 41,67,888 (Previous year Nil) units (41,67,888 units purchased during the year)</i>	5.00	–
<i>L&T Mutual Fund “L&T Freedom Income Short Term Fund” - Institutional Cumulative 53,95,585 (Previous year Nil) units (53,95,585 units purchased during the year)</i>	8.00	–
<i>Principal Mutual Fund “Principal Cash Management Fund” - Institutional Premium Plan Growth 90,83,798 (Previous year 27,67,580) units (90,83,798 units purchased and 27,67,580 units redeemed during the year)</i>	13.02	3.80
<i>Reliance Mutual Fund “Reliance Money Manager Fund” - Institutional Option Growth Plan 1,59,582 (Previous year Nil) units (1,59,582 units purchased during the year)</i>	20.02	–
<i>Religare Mutual Fund “Religare Ultra Short Term Fund” - Institutional Growth 1,02,83,518 (Previous year Nil) units (1,81,82,163 units purchased and 78,98,645 units redeemed during the year)</i>	13.02	–
<i>SBI Mutual Fund “SBI Premier Liquid Fund” - Institutional Growth 13,67,961 (Previous year Nil) units (13,67,961 units purchased during the year)</i>	2.00	–
<i>Sundaram BNP Paribas Mutual Fund “Sundaram Money Fund” - Super Institutional Growth Nil (Previous year 73,61,863) units (73,61,863 units redeemed during the year)</i>	–	13.69
<i>Tata Mutual Fund “Tata Liquid Super High Investment Fund” - Appreciation Nil (Previous year 51,648) units (51,648 units redeemed during the year)</i>	–	8.40
<i>Tata Mutual Fund “Tata Treasury Manager SHIP” - Growth 1,80,252 (Previous year Nil) units (1,80,252 units purchased during the year)</i>	18.87	–
<i>Taurus Mutual Fund “Taurus Ultra Short Bond Fund” - Super Institutional Growth 2,08,827 (Previous year Nil) units (2,08,827 units purchased during the year)</i>	22.51	–
<i>UTI Mutual Fund “UTI Money Market Fund” - Institutional Growth Plan 1,75,149 (Previous year Nil) units (2,23,634 units purchased and 48,485 units redeemed during the year)</i>	18.06	–
<i>UTI Mutual Fund “UTI Liquid Cash Plan” - Institutional Growth Option Nil (Previous year 95,802) units (95,802 units redeemed during the year)</i>	–	13.85
	246.41	80.05
Aggregate of Unquoted Investments at Book Value Rs.246.41 crore; (Previous year Rs.80.05 crore)		

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

Investments purchased and sold during the year 2009-10	Nos. in lakhs	Cost Rupees in crore
F Investments – contd.		
Mutual Funds		
Birla Sun Life Mutual Fund “Birla Cash Plus” - Institutional Premium Daily Dividend Scheme	7143.52	715.75
Birla Sun Life Mutual Fund “Birla Savings Fund” - Institutional Premium Daily Dividend Scheme	1121.22	112.20
Baroda Pioneer Mutual Fund “Baroda Pioneer Liquid Fund” - Institutional Daily Dividend Plan	1356.54	135.74
Baroda Pioneer Mutual Fund “Baroda Pioneer Treasury Advantage Fund” - Institutional Daily Dividend Plan	604.72	60.53
Bharti AXA Mutual Fund “Bharti AXA Treasury Advantage Fund” - Institutional Plan Daily Dividend	8.74	87.37
Bharti AXA Mutual Fund “Bharti AXA Liquid Fund” - Super Institutional Plan Daily Dividend	8.73	87.26
DBS Chola Mutual Fund “Chola Liquid” - Institutional Daily Dividend Plan	2619.95	264.79
DBS Chola Mutual Fund “Chola Freedom Income STP” - Institutional Daily Dividend Plan	551.14	55.97
Deutsche Asset Management “DWS Ultra Short Term Fund” - Institutional Plan Daily Dividend Scheme	626.27	62.74
Deutsche Asset Management “DWS Insta Cash Plus Fund” - Super Institutional Plan Daily Dividend Scheme	2789.64	279.81
Fidelity Mutual Fund “Fidelity Cash Fund” - Institutional Growth Scheme	32.02	4.00
Fortis Mutual Fund “Fortis Overnight Fund” - Institutional Plus Daily Dividend	1255.34	125.57
Fortis Mutual Fund “Fortis Money Plus Fund” - Institutional Daily Dividend	1160.38	116.07
Franklin Templeton Mutual Fund “Templeton India Treasury Management Account” - Super Institutional Plan Daily Dividend	42.90	429.28
Franklin Templeton Mutual Fund “Templeton India Ultra Short Bond Fund” - Super Institutional Plan Daily Dividend	1873.72	187.59
HDFC Mutual Fund “HDFC Cash Management” - Savings Plan Daily Dividend	4492.27	477.82
HDFC Mutual Fund “HDFC Cash Management” - Treasury Advantage Plan Wholesale Daily Dividend	1159.60	116.33
HDFC Mutual Fund “HDFC Floating Rate Income” - Short Term Plan Wholesale Daily Dividend	846.88	85.37
ING Vysya Mutual Fund “ING Vysya Liquid Fund” - Super Institutional Daily Dividend Scheme	226.99	22.71
IDFC Mutual Fund “IDFC Cash Fund” - Super Institutional Plan C Daily Dividend	1929.92	193.04
IDFC Mutual Fund “IDFC Money Manager Fund” - TP - Super Institutional Plan C Daily Dividend	1652.29	165.25
ICICI Prudential Mutual Fund “ICICI Prudential Liquid Plan” - Super Institutional Daily Dividend Scheme	1375.92	368.12

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

	Nos. in lakhs	Cost Rupees in crore
F Investments – contd.		
ICICI Prudential Mutual Fund “ICICI Prudential Flexible Income Plan Premium” - Daily Dividend	940.60	164.52
ICICI Prudential Mutual Fund “ICICI Prudential Ultra Short Term Plan Super Premium” - Daily Dividend	1041.19	104.34
JM Financial Mutual Fund “JM High Liquidity Fund” - Super Institutional Daily Dividend Scheme	3306.49	331.19
JM Financial Mutual Fund “JM Money Manager Fund” - Super Plus Plan Daily Dividend	1465.03	146.58
JP Morgan Mutual Fund “JP Morgan India Liquid Fund” - Super Institutional Daily Dividend Plan	4479.81	448.33
JP Morgan Mutual Fund “JP Morgan India Liquid Fund” - Super Institutional Growth Plan	42.05	5.00
JP Morgan Mutual Fund “JP Morgan India Treasury Fund” - Super Institutional Daily Dividend Plan	1306.02	130.72
Kotak Mahindra Mutual Fund “Kotak Liquid” - Institutional Premium Daily Dividend Scheme	3460.10	423.10
Kotak Mahindra Mutual Fund “Kotak Floater Long Term” - Daily Dividend	1175.56	118.49
L&T Mutual Fund “L&T Liquid” - Super Institutional Plan Cumulative	63.25	8.00
Principal Mutual Fund “Principal Cash Management Fund” - Institutional Premium Plan Daily Dividend Scheme	1732.75	173.29
Reliance Mutual Fund “Reliance Money Manager Fund” - Institutional Option Daily Dividend Plan	11.19	112.07
Reliance Mutual Fund “Reliance Liquidity Fund” - Daily Dividend Reinvestment	2985.05	298.60
Religare Mutual Fund “Religare Liquid Fund” - Super Institutional Daily Dividend	1193.95	119.47
Religare Mutual Fund “Religare Ultra Short Term Fund” - Institutional Daily Dividend	983.15	98.47
Sundaram BNP Paribas Mutual Fund “Sundaram Money Fund” - Super Institutional Daily Dividend Scheme	2490.78	251.45
Sundaram BNP Paribas Mutual Fund “Sundaram Ultra Short Term Fund” - Super Institutional Dividend Reinvestment Daily	623.37	62.57
Tata Mutual Fund “Tata Liquid Super High Investment Fund” - Daily Dividend Scheme	36.20	403.41
Tata Mutual Fund “Tata Floater Fund” - Daily Dividend	648.49	65.08
Tata Mutual Fund “Tata Treasury Manager SHIP” - Daily Dividend	10.60	107.08
Taurus Mutual Fund “Taurus Liquid Fund” - Super Institutional Daily Dividend	807.50	123.73
Taurus Mutual Fund “Taurus Ultra Short Bond Fund” - Super Institutional Daily Dividend Plan	598.43	87.04
UTI Mutual Fund “UTI Money Market Fund” - Institutional Daily Dividend Option	118.86	281.20
UTI Mutual Fund “UTI Liquid Cash Plan” - Institutional Daily Income Scheme	24.02	244.91
UTI Mutual Fund “UTI Treasury Advantage Fund” - Institutional Plan Daily Dividend Option	15.19	151.94

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

Rupees in crore		
	2010	2009
G Inventories		
[As valued by the Management & certified by Cost Auditors. Schedule S-Note 1(vi)]		
Raw & Packing Materials	727.37	797.20
Work-in-Process	161.45	156.43
Finished Goods	623.76	444.69
	<u>1512.58</u>	<u>1398.32</u>

Rupees in crore		
	2010	2009
H Sundry Debtors		
Unsecured		
Over Six Months		
- Considered Good	421.97	480.16
- Considered Doubtful	83.61	45.06
	505.58	525.22
Less: Provision for Doubtful Debts	83.61	45.06
	<u>421.97</u>	<u>480.16</u>
Others		
- Considered Good	1144.66	1372.70
	<u>1566.63</u>	<u>1852.86</u>

Rupees in crore		
	2010	2009
I Cash & Bank Balances		
Cash in hand	1.26	0.79
Balances with Scheduled Banks in Current Accounts	54.36	49.91
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.16.70 crore; Previous year Rs.19.69 crore);	5.89	2.50
- Bank Melli Iran, Dubai, U.A.E. (maximum amount outstanding at any time during the year - Rs.0.03 crore; Previous year Rs.0.03 crore)	0.03	0.03
Fixed Deposits with Scheduled Banks	0.52	0.16
Fixed Deposits with Non-scheduled Banks*	0.00	0.00
*Goa Urban Co-operative Bank Rs.17,204; (Previous year Rs.17,204) (maximum amount outstanding at any time during the year Rs.17,204; Previous year Rs.17,204)		
	<u>62.06</u>	<u>53.39</u>

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

	Rupees in crore	
	2010	2009
J Other Current Assets		
Unsecured (Considered good, unless otherwise stated)		
Interest accrued on Inter-corporate Loans, Government Securities & Deposits		
- Considered Good	4.70	4.18
- Considered Doubtful	0.46	0.46
	<u>5.16</u>	<u>4.64</u>
Less: Provision for Doubtful Interest	<u>0.46</u>	<u>0.46</u>
	4.70	4.18
Export Incentives Receivable	53.10	19.25
Rent and Lease Rentals Receivable	0.02	0.02
	<u>57.82</u>	<u>23.45</u>

	Rupees in crore	
	2010	2009
K Loans & Advances		
Unsecured (Considered good, unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received		
- Considered Good	620.88	415.73
- Considered Doubtful	0.07	0.07
	<u>620.95</u>	<u>415.80</u>
Less: Provision for Doubtful Advances	<u>0.07</u>	<u>0.07</u>
	620.88	415.73
Excise Advance Receivable	40.68	46.14
Balance with Central Excise Department	272.76	227.50
Dues from Staff	8.20	8.43
Sundry Deposits	14.74	11.01
Advance Tax & TDS (Net of Provision for Tax Rs.1131.29; Previous year Rs.902.79)	115.35	88.08
Sales Tax Receivable	30.26	26.31
Inter-corporate Loans		
- Considered Good	65.35	71.69
- Considered Doubtful	2.25	1.13
	<u>67.60</u>	<u>72.82</u>
Less: Provision for Doubtful Loans	<u>2.25</u>	<u>1.13</u>
	65.35	71.69
	<u>1168.22</u>	<u>894.89</u>

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

	Rupees in crore	
	2010	2009
L Current Liabilities & Provisions		
Liabilities		
Sundry Creditors		
- Micro and Small Enterprises #	0.19	0.79
- Others	805.43	756.64
Trade Deposits from Customers	21.69	21.30
Unclaimed Dividend*	8.76	9.20
Advances Received	77.58	142.88
Unclaimed Preference Share Capital	0.01	0.01
Interest Accrued but not due	-	3.55
Employee Dues	26.74	8.97
Other Liabilities	57.57	69.53
	997.97	1012.87
Provisions		
Provision for Dividend	160.58	155.46
Tax on Dividend	26.67	26.42
Employee Benefits	29.12	14.83
	216.37	196.71
	1214.34	1209.58
Notes: i. # Refer Schedule S-Note 12		
ii. * There are no amounts due and outstanding to be credited to Investor Education & Protection Fund.		

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

	Rupees in crore	
	2010	2009
(M) Deferred Tax Liabilities		
Deferred Tax Liabilities arising on account of:		
Depreciation	179.15	157.61
Export Incentives	-	6.54
	<u>179.15</u>	<u>164.15</u>

	Rupees in crore	
	2010	2009
(N) Other Income		
Profit on sale of Current Investments (Net)	0.10	0.07
Technical Know-how/Fees	153.76	217.75
Export Incentives	92.41	55.94
Income from Processing Fees	19.22	11.78
Dividend (includes dividend on account of Trade Investments Rs.2,000; Previous year Rs.1,500)	9.35	8.62
Interest* (Tax deducted at source Rs.2.15 crore; Previous year Rs.2.51 crore) * does not include any interest on Trade Investments	18.41	14.40
Rent (Tax deducted at source Rs.0.28 crore; Previous year Rs.0.21 crore)	1.55	2.02
Insurance Claims	1.34	2.36
Miscellaneous Income	45.49	41.55
Sundry Balances written back	11.87	-
	<u>353.50</u>	<u>354.49</u>

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

	Rupees in crore	
	2010	2009
O Material Cost		
Consumption of Raw & Packing Materials		
Opening Stock	797.20	632.92
Add: Purchases	1945.58	2037.19
	<u>2742.78</u>	<u>2670.11</u>
Less: Closing Stock	727.37	797.20
	2015.41	<u>1872.91</u>
Finished Goods Purchased	621.66	588.04
(Increase)/Decrease in Stock of Work-in-Process & Finished Goods		
Opening Stock		
- Work-in-Process	156.43	152.64
- Finished Goods	444.69	334.93
	<u>601.12</u>	<u>487.57</u>
Less: Closing Stock		
- Work-in-Process	161.45	156.43
- Finished Goods	623.76	444.69
	<u>785.21</u>	<u>601.12</u>
	(184.09)	<u>(113.55)</u>
	2452.98	<u>2347.40</u>

	Rupees in crore	
	2010	2009
P Employee Cost		
Salaries, Wages, Bonus, etc.	276.78	230.37
Provident & other Funds	13.62	13.67
Staff Gratuity	2.06	2.89
Staff Welfare	16.63	21.34
Leave Encashment	10.01	3.11
	319.10	<u>271.38</u>

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

	Rupees in crore	
	2010	2009
Q Other Expenses		
Stores & Spares	50.47	52.16
Power & Fuel	92.15	91.71
Rent	10.03	7.69
Rates & Taxes	4.74	8.93
Insurance	4.53	3.85
Repairs & Maintenance		
- Machinery	28.62	23.53
- Buildings	33.06	37.30
- Others	9.51	12.23
Printing & Stationery	19.63	16.55
Conveyance & Vehicle Expenses	10.43	8.52
Remuneration to Auditors (including service tax, where applicable)		
- Audit Fees	0.44	0.30
- Cost Audit Fees	0.03	0.04
- Other Certification*	0.06	0.02
*fees paid to auditors for QIP related certification charged to Securities Premium Account Rs.0.24 crore; (Previous year Rs.Nil)		
Professional Fees	47.80	28.31
Telephone, Postage & Telegram	20.22	18.34
Sales Promotion Expenses	113.08	108.57
Freight & Forwarding	44.31	47.19
Travelling Expenses	83.55	72.77
Donations	0.82	1.16
Commission on Sales	169.09	183.39
Bank & Other Financial Charges	5.35	19.29
Directors' Sitting Fees	0.08	0.10
Miscellaneous Expenses	47.00	49.98
Provision for Doubtful Debts	39.68	33.95
Bad Debts written off	36.98	1.62
Exchange Loss (Net)	60.39	231.99
Loss on sale/discard of Fixed Assets (Net)	1.05	3.62
Contractual Services	104.99	93.53
	1038.09	1156.64

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

	Rupees in crore	
	2010	2009
R Research & Development Expenses		
Material Consumed	29.03	29.55
Employee Cost	52.21	45.62
Laboratory Expenses	24.05	27.49
Power & Fuel	30.24	28.66
Repairs & Maintenance	19.51	19.65
Professional Fees	17.48	14.40
Research Clinical Trials & Research Grants	25.09	23.32
Depreciation	22.59	18.81
Printing & Stationery	2.17	1.96
Travelling Expenses	2.50	3.29
Other Research & Development Expenses*	25.82	22.75
*includes audit fees Rs.0.01 crore; (Previous year Rs.0.01 crore)		
	<u>250.69</u>	<u>235.50</u>
<i>Note:</i> In addition to an amount of Rs.126.90 crore (Previous year Rs.114.30 crore) of revenue expenditure being eligible for weighted deduction under section 35(2AB) of the Income Tax Act, 1961, the above schedule includes expenditure allocated from other cost centres to the extent the same are incurred for Research & Development activity.		

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

S Significant Accounting Policies & Notes to the Accounts

1. Significant Accounting Policies

i. Basis of Accounting

The consolidated financial statements are prepared under the historical cost convention on accrual basis in accordance with the Companies (Accounting Standards) Rules, 2006 issued under sub section (3C) of section 211 of the Companies Act, 1956.

ii. Use of Estimates

The preparation of financial statements requires the management of the Company to make estimates and assumptions that affect the reported balance of assets and liabilities, revenue and expenses and disclosures relating to the contingent liabilities. The management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates. Any revision of accounting estimates is recognised prospectively in the current and future periods.

iii. Principles of Consolidation

The consolidated financial statements relate to Cipla Limited (the 'Company') and its wholly owned subsidiary. The financial statements of the subsidiary company used in consolidation are drawn up to the same reporting date as of the Company.

The consolidated financial statements have been prepared on the following basis:

- a. The financial statements of the Company and its subsidiary have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses.
- b. The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner, as the Company's separate financial statements.
- c. The subsidiary considered in the consolidated financial statement is:

Name of the Company	Country of Incorporation	% ownership interest as at 31st March 2010	% ownership interest as at 31st March 2009
Cipla FZE	United Arab Emirates	100%	100%

iv. Fixed Assets

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

v. Depreciation

Depreciation on fixed assets is provided on the Straight Line Method at the rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956.

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.

Cost of leasehold land including premium is amortised over the primary period of lease.

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

vi. 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 Finished goods includes excise duty.

Cost of inventories is computed on weighted average basis.

vii. 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 arising on the settlement of foreign currency monetary items or on reporting Company's foreign currency monetary items at rates different from those at which they were initially recorded during the year or reported in the previous financial statements, are recognised as income or expense in the year in which they arise.

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 of the year.

In respect of the overseas subsidiary which is classified as non integral operation as per AS-11, all the assets and liabilities are translated using exchange rate prevailing at the Balance Sheet date and income/ expenditure are translated using average exchange rate prevailing during the reporting period. The resultant translation exchange gain/loss, have been disclosed as "Foreign Currency Translation Reserve" under Reserves and Surplus.

viii. Employee Benefits

Liability on account of short term employee benefits is recognised on an undiscounted basis, accrual basis during the period when the employee renders service/vesting period of the benefit.

Post retirement contribution plans such as Provident Fund are charged to Profit and Loss Account of the year when the contributions to the respective funds accrue.

Post retirement benefit plans such as gratuity and leave encashment are determined on actuarial valuation made by an independent actuary as at the Balance Sheet date. Actuarial gains and losses are recognised immediately in the Profit and Loss Account.

ix. 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.

x. Expenditure on Regulatory Approvals

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

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

xi. Investments

Long term investments are stated at cost, less any provision for diminution (other than temporary) in value. Current investments are stated at lower of cost and fair value.

xii. Revenue Recognition

Revenue is recognised to the extent that is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Revenue from sale of goods is recognised when significant risks and rewards of ownership of the goods have been passed to the buyer, which ordinarily coincides with despatch of goods to customers. Revenues are recorded at invoice value, net of sales tax, returns and trade discounts.

Revenue from rendering of services are recognised on completion of services.

Benefits on account of entitlement of export incentives is recognised as and when the right to receive is established.

Fees from technical services are recognised as and when the right to receive such income is established as per terms and conditions of relevant agreement.

Interest income is recognised on time proportion basis.

Dividend income is recognised when the right to receive is established.

xiii. Income Tax

Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the provisions of local Income Tax Laws as applicable to the financial year.

Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income of the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date.

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.

xiv. 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.

xv. Government Grants

Capital subsidy/Government grants are accounted for where it is reasonably certain that the ultimate collection will be made.

Capital subsidy/Government grants related to specific depreciable assets are shown as deduction from the gross value of the asset concerned in arriving at its book value. The grant/subsidy is thus recognised in the Profit and Loss statement over the useful life of such depreciable assets by way of a reduced depreciation charge.

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

xvi. Borrowing Costs

Borrowing costs attributable to acquisition and/or construction of qualifying assets are capitalised as a part of the cost of such assets, up to the date such assets are ready for their intended use.

Other financing/ borrowing costs are charged to Profit and Loss Account.

xvii. Provisions and Contingent Liabilities

A provision is recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

xviii. Goodwill

Goodwill represents the difference between the Company's share in the net worth of subsidiaries, and the cost of its investment at each point of time of making the investment in the subsidiaries. For this purpose, the Company's share of net worth is determined on the basis of the latest financial statements prior to the investment after making necessary adjustments for material events between the date of such financial statements and the date of respective investment. The Goodwill recorded in these financial statements has not been amortised, but instead evaluated for impairment whenever events or changes in circumstances indicate that its carrying amount may be impaired.

Notes to the Accounts

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.255.75 crore (Previous year Rs.316.83 crore).
4. **Contingent Liabilities**
 - i. Financial and performance guarantees given by banks on behalf of the Company - Rs.63.72 crore (Previous year Rs.34.52 crore).
 - ii. Letters of credit issued by banks on behalf of the Company - Rs.42.60 crore (Previous year Rs.37.80 crore).
 - iii. Refund of Technical Know-how/fees on account of non compliance of certain obligations as per respective agreements - Rs.15.38 crore (Previous year Rs.44.05 crore).
 - iv. Claims against the Company not acknowledged as debts:
 - a. Income Tax Rs.115.35 crore (Previous year Rs.Nil).

The above Rs.115.35 crore represents claims where the Company has filed appeals and expects a favourable outcome, based on decisions in earlier assessment years.
 - b. Excise Duty/Service Tax - Rs.47.80 crore (Previous year Rs.44.90 crore).

The above represents claims where, based on decisions in earlier years, the Company is of the opinion that the demand is not sustainable.
 - c. Sales Tax - Rs.0.86 crore (Previous year Rs.0.50 crore).
 - d. Others - Rs.4.11 crore (Previous year Rs.2.31 crore).

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

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. In 2003, the Company received notice of demand from the National Pharmaceutical Pricing Authority, Government of India on account of alleged overcharging in respect of certain drugs under the Drug Price Control Order. This was contested before the jurisdictional High Courts wherein it was held in favour of the Company.

The orders were challenged before the Hon'ble Supreme Court by the Government. The Hon'ble Supreme Court by separate orders restored the matter to the jurisdictional High Court for interpreting the Drug Policy on the basis of directions and principles laid down by them and also restrained the Government from taking any coercive action against the Company. The Company has been legally advised that on the basis of these orders there is no probability of demand crystallising. Hence, no provision is considered necessary in respect of notice of demand aggregating to Rs.1157.12 crore (inclusive of interest) for the period July 1995 to April 2009.

7. The net difference in foreign exchange debited to the Profit and Loss Account is Rs.60.39 crore (Previous year Rs.231.99 crore).

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

Nature of Instrument	Currency	Cross Currency	Amount (equivalent Rupees in crore)	
			2010	2009
Forward contracts - Sold	USD	INR	898.19	624.05
Forward contracts - Bought	USD	INR	-	748.75
Forward contracts - Bought	JPY	USD	-	43.81
Forward contracts - Bought	JPY	INR	-	51.92
Forward contracts - Bought	CAD	USD	-	24.81
Unhedged foreign exchange exposures				
- Receivables			635.77	1087.00
- Payables			264.87	344.23

Note: The Company uses forward contracts/derivatives for hedging purposes and/or reducing interest costs.

9. 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	
	2010	2009
i. Salary and Allowances	2.21	1.78
ii. Commission	27.00	26.50
iii. Company's contribution to Provident Fund	0.09	0.08
iv. Approximate monetary value of other perquisites or benefits	0.21	0.11
	29.51	28.47

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 CONSOLIDATED ACCOUNTS *contd.*

10. Related Party Disclosures

- i. The related parties are as under:
 - a. Key Management Personnel –
 1. Dr.Y.K.Hamied - Chairman and Managing Director
 2. Mr.M.K.Hamied - Joint Managing Director
 3. Mr.Amar Lulla - Joint Managing Director
 - b. Entities over which Key Management Personnel exercise significant influence – Cipla Public Charitable Trust, Cipla Cancer & AIDS Foundation, Goldencross Pharma Pvt.Ltd.*, Mediorals Laboratories Pvt.Ltd.*, Medispray Laboratories Pvt. Ltd.*, Advanced Remedies Pvt. Ltd.* (* w.e.f. 1st March 2010)
- ii. Transactions with related parties:

Rupees in crore

Particulars	Key Management Personnel		Entities over which Key Management Personnel exercise significant influence		Total	
	2010	2009	2010	2009	2010	2009
Receipts						
- Interest			0.55		0.55	0.00
- Others			0.00*		0.00*	
Loan Repayment						
Loans Given			5.82		5.82	
Remuneration Paid	29.51	28.47			29.51	28.47
Deposits Repaid	38.00				38.00	
Interest Paid	3.13	1.58			3.13	1.58
Purchase of Materials/ Finished Goods			23.65		23.65	
Services Aailed			3.85		3.85	
Donations Given			0.40	0.47	0.40	0.47
Balances at end of the year						
- Outstanding Payables		39.58	28.55		28.55	39.58
- Outstanding Receivables			69.21		69.21	

* Rs.20,040

Disclosures in respect of material related party transactions during the year:

- a. Receipts include interest received from Goldencross Pharma Pvt. Ltd. Rs.0.55 crore (Previous year Rs.Nil).
- b. Loans given to Goldencross Pharma Pvt. Ltd. Rs.5.82 crore (Previous year Rs.Nil).
- c. Remuneration paid to Dr.Y.K. Hamied Rs.8.53 crore (Previous year Rs.8.30 crore), Mr. M. K. Hamied Rs.8.11 crore (Previous year Rs.7.84 crore) and Mr. Amar Lulla Rs.12.87 crore (Previous year Rs.12.33 crore).
- d. Deposit repaid to Dr. Y.K. Hamied Rs.38.00 crore (Previous year Rs.Nil).
- e. Interest paid to Dr. Y.K. Hamied Rs.3.13 crore (Previous year Rs.1.58 crore).
- f. Purchase of materials/finished goods include Goldencross Pharma Pvt. Ltd. Rs.18.45 crore (Previous year Rs.Nil) and Medispray Laboratories Pvt. Ltd. Rs.4.89 crore (Previous year Rs.Nil).

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

- g. Services availed from Goldencross Pharma Pvt. Ltd. Rs.1.04 crore (Previous year Rs.Nil), Mediorals Laboratories Pvt. Ltd. Rs.0.94 crore (Previous year Rs.Nil), Medispray Laboratories Pvt. Ltd. Rs.0.84 crore (Previous year Rs.Nil) and Advanced Remedies Pvt. Ltd. Rs.1.03 crore (Previous year Rs.Nil).
- h. Donations made to Cipla Public Charitable Trust Rs.0.40 crore (Previous year Rs.0.47 crore).
- i. Outstanding payables as on 31st March 2010 include Goldencross Pharma Pvt. Ltd. Rs.3.90 crore (Previous year Rs.Nil), Medispray Laboratories Pvt. Ltd. Rs.13.60 crore (Previous year Rs.Nil), Advanced Remedies Pvt. Ltd. Rs.8.89 crore (Previous year Rs.Nil) and Dr. Y.K. Hamied Rs.Nil (Previous year Rs.39.58 crore).
- j. Outstanding receivables as on 31st March 2010 include Goldencross Pharma Pvt. Ltd. Rs.69.21 crore (Previous year Rs.Nil).

11. 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	
	2010	2009	2010	2009	2010	2009
Gross revenue by geographical market	2511.10	2278.95	2900.58	2742.69	5411.68	5021.64
Less: Excise duty	52.16	61.04	–	–	52.16	61.04
Net Revenue by geographical market	2458.94	2217.91	2900.58	2742.69	5359.52	4960.60
a. Export Incentives & Technical Know-how/Fees	–	–	246.17	273.69	246.17	273.69
b. Other revenue	79.47	57.71	–	–	79.47	57.71
Segment revenue	2538.41	2275.62	3146.75	3016.38	5685.16	5292.00
Carrying amount of segment assets	5293.21	4617.88	1535.62	1758.32	6828.83	6376.20
Carrying amount of other unallocated assets					563.40	400.52
Capital expenditure	529.29	642.18	0.02	0.15	529.31	642.33

- 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	
	2010	2009
Sales (Net of Excise Duty)	5359.52	4960.60
Other income excluding interest, dividend and profit on sale of investments & fixed assets	325.64	331.40
	5685.16	5292.00

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

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

12. The Company has identified Micro, Small and Medium Enterprises on the basis of information made available during the year by the respective suppliers or vendors of the Company.

Disclosures as required by the Micro, Small and Medium Enterprises Development Act, 2006 are as under:

	Rupees in crore	
	2010	2009
i. The principal amount and the interest due thereon remaining unpaid to Suppliers		
a. Principal	0.19	0.79
b. Interest due thereon	-	-
ii. a. The delayed payments of principal paid beyond the appointed date during the entire accounting year	-	-
b. Interest actually paid under section 16 of the Micro, Small and Medium Enterprises Development Act, 2006	-	-
iii. a. Normal interest accrued during the year, for all the delayed payments, as per the agreed terms	-	-
b. Normal interest payable for the period of delay in making payment, as per the agreed terms	-	-
iv. a. Total interest accrued during the year	-	-
b. Total interest accrued during the year and remaining unpaid	-	-

13. Employee Benefits

The Company has with effect from 1st April 2007, adopted Accounting Standard 15, Employee Benefits (revised 2005), issued by the Institute of Chartered Accountants of India (the 'revised AS-15').

i. Short Term Employee Benefits

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. Benefits such as salaries, wages, short term compensated absences, etc. and the expected cost of bonus, ex-gratia are recognised in the period in which the employee renders the related service.

ii. Long Term Employee Benefits

The disclosures as per the revised AS-15 are as under:

a. Brief description of the plans

The Company's defined contribution plan is Employees' Pension Scheme (under the provisions of Employees' Provident Funds and Miscellaneous Provisions Act, 1952) since the Company has no further obligation beyond making the contributions.

The Company has two schemes for long term benefits namely Provident Fund and Gratuity:

- The Provident Fund Plan, a funded scheme is operated by the Company's Provident Fund Trust, which is recognised by the Income Tax authorities and administered through trustees/appropriate authorities. The Guidance note on implementing the revised AS-15, Employee

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

Benefits (revised 2005) issued by Accounting Standards Board (ASB) states benefit involving employer-established provident funds, which require interest shortfalls to be recompensed, are to be considered as defined benefit plans. Pending the issuance of the guidance note from the Actuarial Society of India, the Company's actuary has expressed an inability, to reliably measure provident fund liabilities. Accordingly, the Company is unable to present the related information.

- The Company provides for gratuity, a defined benefit plan based on actuarial valuation as of the Balance Sheet date, based upon which, the Company contributes all the ascertained liabilities to the Insurer Managed Funds.

The employees of the Company are also entitled to leave encashment and compensated absences as per the Company's policy.

b. Charge to Profit and Loss Account based on contributions

	Rupees in crore	
	2010	2009
Employees' Pension Scheme	6.62	5.93
Provident Fund	9.37	7.43
	15.99	13.36

c. Disclosures for defined benefit plans based on actuarial reports

	Rupees in crore	
	2010 Gratuity (Funded Plan)	2009 Gratuity (Funded Plan)
i. Change in defined benefit obligation		
Opening defined benefit obligation	20.58	17.89
Interest cost	1.75	1.59
Current service cost	4.09	2.61
Actuarial (gain)/loss on obligations	2.27	(0.24)
Benefits paid	(2.55)	(1.27)
Liability at the end of the year	26.14	20.58
ii. Change in fair value of assets		
Opening fair value of plan assets	15.91	14.21
Expected return on plan assets	1.67	1.24
Actuarial gain/(loss)	0.57	(0.17)
Contributions by employer	2.49	1.90
Transfer of plan assets	3.75	-
Benefits paid	(2.55)	(1.27)
Closing fair value of plan assets	21.84	15.91

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

	Rupees in crore	
	2010 Gratuity (Funded Plan)	2009 Gratuity (Funded Plan)
iii. Amount recognised in Balance Sheet		
Present value of obligations as at year end	26.14	20.58
Fair value of plan assets as at year end	(21.84)	(15.91)
Net (asset)/liability recognised	4.30	4.67
iv. Expenses recognised in Profit and Loss Account		
Current service cost	4.09	2.61
Interest on defined benefit obligation	1.75	1.59
Expected return on plan assets	(1.67)	(1.24)
Net actuarial (gain)/loss recognised in the current year	1.70	(0.07)
Transfer of plan assets	(3.75)	–
Total expense recognised in Profit and Loss Account	2.12	2.89
v. Actual return on plan assets		
Expected return on plan assets	1.67	1.24
Actuarial gain/(loss) on plan assets	0.57	(0.17)
Actual return on plan assets	2.24	1.07
vi. Asset information		
Insurer managed funds	100%	100%
vii. Principal actuarial assumptions used		
Discounted rate (per annum)	8.00%	7.75%
Expected rate of return on plan assets (per annum)	8.00%	8.00%
The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in employment market		
viii. Experience adjustments		
Defined benefit obligation	26.14	20.58
Plan assets	(21.84)	(15.91)
Deficit	4.30	4.67
Experience adjustment on plan liabilities - (gain)/loss	2.61	(2.46)
Experience adjustment on plan assets - gain/(loss)	0.57	(0.17)
ix. Expected employer's contribution for the next year	7.03	3.46

14. During the year, the Company sold its Intellectual Property Rights and Technical Know-how of "i-pill", an emergency contraceptive brand, to Piramal Healthcare Limited for the territory of India at an aggregate consideration of Rs.95 crore.
15. The shareholders in the Annual General Meeting held on 26th August 2009 approved the raising of long term funds by way of Qualified Institutions Placement (QIPs) in terms of Chapter VIII of Securities and Exchange

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009. In pursuance thereof, the Company has raised Rs.675.99 crore from Qualified Institutional Buyers (QIBs) and 2,56,30,000 equity shares having face value of Rs.2 each at a premium of Rs.261.75 per equity share, were issued and allotted to the investors on 29th September 2009. The funds thus raised have been used as per the terms of the issue.

16. Basic and Diluted Earning per Share has been computed as under:

	Rupees in crore	
	2010	2009
Profit After Tax - Before Exceptional Item	987.59	771.02
Weighted Average No. of shares outstanding	79,01,41,467	77,72,91,357
Basic/Diluted EPS - Before Exceptional Item	Rs.12.50	Rs.9.92
Profit After Tax - After Exceptional Item	1082.59	771.02
Weighted Average No. of shares outstanding	79,01,41,467	77,72,91,357
Basic/Diluted EPS - After Exceptional Item	Rs.13.70	Rs.9.92
Face Value per share	Rs.2.00	Rs.2.00

As per our report of even date		Y.K.Hamied <i>Chairman & Managing Director</i>	
For V.Sankar Aiyar & Co., <i>Chartered Accountants</i> Firm Reg. No. 109208W	For R.G.N. Price & Co., <i>Chartered Accountants</i> Firm Reg. No. 002785S	M.K. Hamied <i>Joint Managing Director</i>	S. Radhakrishnan <i>Chief Financial Officer</i>
V. Mohan <i>Partner</i> Membership No. 17748	R. Rangarajan <i>Partner</i> Membership No. 41883	H.R. Manchanda M. R. Raghavan Ramesh Shroff Pankaj Patel <i>Directors</i>	Mital Sanghvi <i>Company Secretary</i>
Mumbai, 15 th June 2010		Mumbai, 15 th June 2010	

CONSOLIDATED CASH FLOW STATEMENT

		Rupees in crore	
For the year ended 31 st March 2010		2010	2009
(A) Cash Flow from Operating Activities			
Net profit before tax & prior period item		1326.09	896.84
Adjustments for:			
Depreciation	189.66		170.60
Interest expense	22.95		32.94
Interest expense allocated to Research & Development expenses	0.71		1.02
Sale of brand and other related rights	(95.00)		–
Unrealised foreign exchange losses (Net)	16.89		35.58
Provision for doubtful debts and advances	39.68		33.95
Interest income	(18.41)		(14.40)
Dividend income	(9.35)		(8.62)
Profit on sale of investments (Net)	(0.10)		(0.07)
Loss on sale/discard of fixed assets (Net)	1.05		3.62
Rent income	(1.55)		(2.02)
		146.53	252.60
Operating profit before working capital changes		1472.62	1149.44
Adjustments for:			
Increase in trade payables and other liabilities	30.77		11.30
Increase in inventories	(114.26)		(277.83)
Increase in trade and other receivables	(90.33)		(442.01)
		(173.82)	(708.54)
Cash generated from operations		1298.80	440.90
Direct taxes paid (Net)		(255.77)	(64.75)
Cash flow before prior period item		1043.03	376.15
Prior period item		–	(1.32)
Net cash from operating activities		(A) 1043.03	374.83
(B) Cash Flow from Investing Activities			
Purchase of fixed assets/Capital work-in-progress		(529.31)	(703.19)
Sale of fixed assets		3.81	3.39
Purchase of other investments		(8886.57)	(3041.25)
Sale of other investments		8720.31	3054.74
Sale of brand and other related rights		95.00	–
Interest received		17.90	11.77
Dividend received		9.35	8.62
Rent received		1.55	2.00
Short term deposits repaid (Net)		5.21	83.86
Net cash used in investing activities		(B) (562.75)	(580.06)

CONSOLIDATED CASH FLOW STATEMENT *contd.*

		Rupees in crore	
		2010	2009
(C) Cash Flow from Financing Activities			
Proceeds from QIP issue		675.99	–
Expenses incurred on QIP issue		(6.89)	–
Proceeds from long term & other borrowings		462.27	927.23
Repayment of long term & other borrowings		(1397.44)	(532.47)
Interest expense		(23.66)	(33.96)
Dividend paid		(155.46)	(155.46)
Tax on dividend		(26.42)	(26.42)
Net cash (used in)/from financing activities	(C)	(471.61)	178.92
Net increase/(decrease) in cash and cash equivalents	(A)+(B)+(C)	8.67	(26.31)
Cash and Cash Equivalents as at the beginning of the year		53.39	79.70
Cash and Cash Equivalents as at the end of the year		62.06	53.39

- Notes: i. The above Cash Flow Statement has been prepared under the "Indirect Method" set out in AS-3, issued by the Institute of Chartered Accountants of India.
- ii. Cash and Cash Equivalents represent cash & bank balances and fixed deposits with banks.
- iii. Cash and Cash Equivalents includes Rs.8.76 crore (Previous year Rs.9.21 crore) on account of unclaimed dividend, which are not available for use by the Company.

As per our report of even date

For V.Sankar Aiyar & Co.,
Chartered Accountants
Firm Reg. No. 109208W

V. Mohan
Partner
Membership No. 17748

Mumbai, 15th June 2010

For R.G.N. Price & Co.,
Chartered Accountants
Firm Reg. No. 0027855

R. Rangarajan
Partner
Membership No. 41883

Y.K. Hamied
Chairman & Managing Director

M.K. Hamied
Joint Managing Director

H.R. Manchanda
M. R. Raghavan
Ramesh Shroff
Pankaj Patel
Directors

S. Radhakrishnan
Chief Financial Officer

Mital Sanghvi
Company Secretary

Mumbai, 15th June 2010

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-Fourth Annual General Meeting of the Company at Amar Gian Grover Auditorium, Lala Lajpat Rai Marg, Haji Ali, Mumbai-400 034 on Wednesday, 25th August 2010.

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

of _____ or failing him

of _____ as

my/our proxy to vote for me/us and on my/our behalf at the Seventy-Fourth Annual General Meeting of the Company to be held on Wednesday, 25th August 2010 at 3.00 p.m. and at any adjournment thereof.

Signed this _____ day of _____ 2010.

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 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.

Affix
15 p.
Revenue
Stamp

Signature(s) of the
Shareholder(s)



TEN-YEAR HIGHLIGHTS

Rupees in crore

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Sales & Other Income	5713.24	5315.82	4338.21	3763.72	3207.95	2482.87	2090.99	1599.00	1428.87	1085.62
Profit before Tax	1324.99	901.31	838.36	807.98	709.85	514.61	404.09	312.49	309.36	237.57
Profit after Tax	1081.49	776.81	701.43	668.03	607.64	409.61	306.69	247.74	235.11	179.07
Dividend	160.58	155.46	155.46	155.46	155.46	104.96	89.96	59.97	41.98	26.99
Tax on Dividend	26.67	26.42	26.42	26.42	21.80	14.95	11.53	7.68	–	2.75
Retained Earnings	894.24	594.93	519.55	486.15	430.38	289.70	194.11*	180.09	165.65*	149.33
Application of Funds										
Gross Block	3579.68	3059.61	2434.91	1872.90	1453.68	1092.63	796.80	545.82	420.57	287.86
Net Block	2695.41	2358.81	1894.48	1461.26	1143.62	844.87	603.57	399.88	299.43	187.18
Investments	265.10	81.32	94.75	117.80	22.43	18.30	180.37	126.59	143.70	222.93
Net Current Assets	3137.80	3015.01	2456.19	1893.42	1384.08	970.60	756.64	694.48	520.46	338.37
Miscellaneous Expenditure	–	–	–	–	–	–	–	0.10	0.17	0.23
Total	6098.31	5455.14	4445.42	3472.48	2550.13	1833.77	1540.58	1221.05	963.76	748.71
Sources of Funds										
Share Capital	160.58	155.46	155.46	155.46	59.97	59.97	59.97	59.97	59.97	59.97
Reserves	5753.51	4195.29	3600.36	3080.81	1923.30	1493.66	1204.08	1010.10	830.17	664.69
Net Worth	5914.09	4350.75	3755.82	3236.27	1983.27	1553.63	1264.05	1070.07	890.14	724.66
Borrowings	5.07	940.24	540.45	123.56	468.91	191.20	210.58	94.78	33.88	24.05
Deferred Tax Liabilities	179.15	164.15	149.15	112.65	97.95	88.94	65.95	56.20	39.74	–
Total	6098.31	5455.14	4445.42	3472.48	2550.13	1833.77	1540.58	1221.05	963.76	748.71

* After adjustments of earlier years

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