

Cipla

Seventy-Third Annual Report 2008-2009

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.40 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

R.S. Bharucha & Co.

R.G.N. Price & Co.

Registered Office

Mumbai Central, Mumbai 400 008

Website

www.cipla.com

NOTICE

NOTICE is hereby given that the SEVENTY-THIRD 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, 26th August 2009 at 3.00 p.m. to transact the following business:

1. To consider and adopt the Balance Sheet as at 31st March 2009, 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 2009.
3. To appoint a Director in place of Mr. S.A.A. Pinto who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. V.C. Kotwal 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, Mumbai (the retiring Auditors) together with M/s. V. Sankar Aiyar & Co., Chartered Accountants, Mumbai, be and are hereby appointed as Joint Statutory Auditors of the Company to hold 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 be and are hereby authorised to appoint Auditors for the Company's branch office(s) (whether now or as may be established) in terms of section 228 of the Companies Act, 1956 in consultation with the Auditors of the Company to examine and audit the accounts for the financial year ended 2009-10 on 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 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any amendments thereto or re-enactment thereof) (the "Companies Act"), the relevant provisions of SEBI (Disclosure & Investor Protection) Guidelines, 2000, as amended from time to time, (the "SEBI DIP Guidelines"), the provisions of the Foreign Exchange Management Act, 2000 ("FEMA"), Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended from time to time, the Foreign Exchange Management (Borrowing and Lending in Rupees) Regulations, 2000 and Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993 (the "1993 Scheme") as amended from time to time and such other statutes, notifications, clarifications, circulars, rules and regulations as may be applicable and relevant, as amended from time to time and issued by the Government of India (the "GOI"), the Reserve Bank of India (the "RBI"), the Foreign Investment Promotion Board (the "FIPB"), the Securities and Exchange Board of India (the "SEBI"), Stock Exchanges and any other appropriate authorities, institutions or bodies, as may be applicable and the enabling provisions of the Listing Agreements entered into by the Company with the stock exchanges on which the Securities of the Company are listed (the "Listing Agreements") and Memorandum and Articles of Association of the Company, and subject to such approvals, consents, permissions and sanctions, if any, of the GOI, RBI, FIPB, SEBI, Stock Exchanges and any other appropriate authorities, institutions or bodies, as may be necessary and subject to such conditions as may be prescribed/stipulated by any of them while granting such approvals, consents, permissions and sanctions which may be agreed/accepted to by the Board of Directors of the Company (hereinafter referred to as the "Board" which shall be deemed to include any committee thereof, constituted or to be constituted to exercise its powers), the Board may, in its absolute discretion, create, offer, issue and allot, in one or more tranches, in domestic and/or international markets, equity shares or warrants simultaneously with non-convertible debentures or foreign currency convertible bonds ("FCCBs") convertible into equity shares of the Company or American Depository Receipts or Global Depository Receipts represented by underlying equity shares of the Company or other securities exchangeable or convertible into equity shares of the Company (hereinafter referred to as "Securities"), for an amount upto Rs.1500 crore (Rupees One Thousand Five Hundred Crore only), inclusive of such premium, as may be finalised by the Board, at such price

NOTICE *contd.*

being not less than the price determined in accordance with the applicable Guidelines/Regulations issued by SEBI or the Ministry of Finance or the RBI and such issue and allotment to be made on such terms and conditions as may be decided by the Board at the time of issue or allotment of the Securities.

RESOLVED FURTHER THAT if any issue of Securities is made by way of a qualified institutions placement in terms of Chapter XIII-A of the SEBI DIP Guidelines (hereinafter referred to as "Specified Securities" within the meaning of SEBI DIP Guidelines), the Specified Securities, or any combination of Specified Securities as may be decided by the Board, issued for such purpose, shall be completed within twelve months from the date of this resolution or such other time as may be allowed under the SEBI DIP Guidelines from time to time at such price being not less than the price determined in accordance with the pricing formula provided under Chapter XIII-A of the SEBI DIP Guidelines and the Specified Securities shall not be eligible to be sold for a period of twelve months from the date of allotment, except on a recognised stock exchange, or except as may be permitted from time to time under the SEBI DIP Guidelines.

RESOLVED FURTHER THAT the relevant date for the purpose of pricing of the Securities proposed to be issued in accordance with SEBI DIP Guidelines or the 1993 Scheme, shall be determined by the Board in compliance with applicable law, pursuant to the receipt of shareholders' approval in terms of section 81(1A) and other applicable provisions, if any, of the Companies Act and other applicable laws, regulations and guidelines in relation to the proposed issue of the Specified Securities, through a qualified institutions placement in accordance with Chapter XIII-A of the SEBI DIP Guidelines as amended from time to time or the proposed issue of other Securities in accordance with the 1993 Scheme as amended from time to time, as mentioned in the resolution above.

RESOLVED FURTHER THAT in the event that where Securities which are convertible into equity shares of the Company are issued under Chapter XIII-A of the SEBI DIP Guidelines or the 1993 Scheme, the relevant date for the purpose of pricing of the Securities, shall be the meeting in which the Board decides to open the issue of the Specified Securities subsequent to the receipt of shareholders' approval in terms of section 81(1A) and other applicable provisions, if any, of the Companies Act and other applicable laws, regulations and guidelines in relation to the proposed issue of Specified Securities by way of a qualified institutions placement in accordance with the SEBI DIP Guidelines or in accordance with the 1993 Scheme, and which shall be subject to any amendments to the SEBI DIP Guidelines or the 1993 Scheme as mentioned above OR the date on which the holder of such Specified Securities, which are convertible into or exchangeable with the equity shares, becomes entitled to apply for the equity shares against such Specified Securities.

RESOLVED FURTHER THAT the consent of the Company be and is hereby granted in terms of section 293(1)(a) and other applicable provisions, if any, of the Companies Act and subject to all necessary approvals to the Board to secure, if necessary, all or any of the Securities or Specified Securities to be issued, by the creation of a mortgage and/or charge on all or any of the Company's immovable, movable and/or intangible assets, both present and future in such form and manner and on such terms as may be deemed fit and appropriate by the Board.

RESOLVED FURTHER THAT the issue to the holders of the Securities or Specified Securities shall be, *inter alia*, subject to the following terms and conditions:

- i. the Securities or Specified Securities to be so created, offered, issued and allotted shall be subject to the provisions of the Memorandum and Articles of Association of the Company; and
- ii. the equity shares proposed to be issued through the qualified institutions placement in accordance with the SEBI DIP Guidelines or in the form of American Depository Receipts or Global Depository Receipts reflecting underlying equity shares of the Company or FCCBs convertible into equity shares of the Company, and allotment of equity shares upon conversion of any Securities referred to above, shall rank *pari-passu* with the then existing equity shares of the Company in all respects including dividend.

RESOLVED FURTHER THAT without prejudice to the generality of the above, subject to applicable laws, approvals, consents, permissions, if any, of any governmental body, authority or regulatory institution including any conditions as may be prescribed/stipulated in granting such approvals or permissions by such governmental authority or regulatory institution, the aforesaid Securities may have such features and attributes or any terms or combination of terms that provide for the tradability and free transferability thereof in accordance with the prevailing practices in the capital markets including but not limited to the terms and conditions for issue of additional Securities and the Board subject to applicable laws, regulations and guidelines, be and is hereby

NOTICE *contd.*

authorised in its absolute discretion in such manner as it may deem fit, to dispose of such Securities that are not subscribed.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolutions, the Board be and is hereby authorised to do all such acts, deeds, matters and things including but not limited to finalisation and approval of the preliminary as well as final offer document(s), determining the form and manner of the issue, including the class of investors to whom the Securities are to be issued and allotted, number of Securities to be allotted, issue price, face value, execution of various transaction documents, creation of mortgage/charge in accordance with section 293(1)(a) of the Companies Act, in respect of any Securities as may be required either on *pari-passu* basis or otherwise as it may in its absolute discretion deem fit and to settle all questions, difficulties or doubts that may arise in regard to the issue, offer or allotment of Securities or Specified Securities and utilisation of the issue proceeds as it may in its absolute discretion deem fit without being required to seek further consent or approval of the members or otherwise to the end and intent that the members shall be deemed to have given their approval thereto expressly by the authority of this resolution.

RESOLVED FURTHER THAT the Board be and is hereby authorised to appoint such consultants, lead managers, underwriters, guarantors, depositories, custodians, registrars, share transfer agents, escrow banks, stabilizing agents, trustees, bankers, lawyers and any other advisors, professionals and intermediaries and all such agencies as may be involved or concerned in such offerings of Securities or Specified Securities and to remunerate them by way of commission, brokerage, fees or the like and to enter into and execute all contracts, agreements, arrangements/MoUs/documents with such agencies as may be required or desirable in connection with the issue of Securities including the listing of the Securities, if any, on any stock exchanges in India and outside India.

RESOLVED FURTHER THAT the Board be and is hereby authorised to form a committee or delegate all or any of its powers to any committee of directors of the Company to give effect to the aforesaid resolutions and is authorised to take such steps and to do all such acts, deeds, matters and things and accept any alteration(s) or modification(s) as they may deem fit and proper and give such directions as may be necessary to settle any question or difficulty that may arise in regard to issue and allotment of Securities or Specified Securities including but not limited to:

- a. Approving the offer document and filing the same with any authority or persons as may be required;
- b. Approving the issue price, the number of Securities to be allotted, the basis of allocation and allotment of Securities;
- c. Affixing the Common Seal of the Company on any agreement(s)/document(s) as may be required to be executed in connection with the above, in the presence of any Director of the Company and persons authorised who shall sign the same in token thereof;
- d. Arranging the delivery and execution of all contracts, agreements and all other documents, deeds and instruments as may be required or desirable in connection with the issue of Securities by the Company;
- e. Seeking, if required, the consent of the Company's lenders, parties with whom the Company has entered into various commercial and other agreements, all concerned government and regulatory authorities in or outside India, and any other consents that may be required in connection with the issue and allotment of the Securities;
- f. Taking decision to open the issue, decide bid opening and closing date;
- g. Opening such bank accounts and demat accounts as may be required for the transaction(s);
- h. Do all such acts, deeds, matters and things and execute all such other documents and pay all such fees, as it may, in its absolute discretion, deem necessary or desirable for the purpose of the transaction(s);
- i. Making all such necessary applications with the appropriate authorities and make the necessary regulatory filings in this regard;
- j. Making applications for listing of the Securities of the Company on one or more stock exchange(s) and to execute and to deliver or arrange the delivery of the listing agreement(s) or equivalent documentation to the concerned stock exchange(s); and
- k. Authorising or delegating all or any of the powers herein above conferred to any or more persons, if need be".

By Order of the Board of Directors

Mumbai, 29th July 2009

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 Wednesday, 12th August 2009 to Wednesday, 26th August 2009, both days inclusive.
4. The dividend for the year ended 31st March 2009 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 August 2009. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by National Securities Depositories 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 holding shares in demat mode may please note that, the bank details as furnished by the respective Depositories to the Company will be used for the purpose of distribution of dividend through Electronic Clearing Service (ECS) as directed by the Stock Exchanges. In the absence of ECS facility, the bank account details, if available, will be printed on the dividend warrants. Members holding shares in demat mode must give instructions regarding bank accounts in which they wish to receive dividend, to their Depository Participants. The Company or the Share Transfer Agents will not act on any direct request from these members for change/deletion in such bank details.
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 have also mandated that for securities market transactions 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.

NOTICE *contd.*

8. All unclaimed dividends upto the financial year ended 31st March 1995 have been transferred to the General Revenue Account of the Central Government. Members who have not encashed the dividend warrants for the said period(s) are requested to claim the amount from the Registrar of Companies, Maharashtra, CGO Complex, CBD Belapur, Navi Mumbai-400 614, by submitting an application in Form No.II.

Consequent to the amendment of the Companies Act, 1956, dividends that remain unclaimed for a period of seven years shall be transferred to Investor Education and Protection Fund (IEPF). Accordingly, unclaimed dividends from the financial year ended 31st March 1996 till 31st March 2001 have been transferred by the Company to IEPF.

Members may note that unclaimed dividend for the financial year ended 31st March 2002 shall become due for transfer to IEPF on 6th October 2009. 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 2002, 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 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 the physical form can nominate a person in respect of all the shares held by them singly or jointly. Members who hold shares in single name are advised, in their own interest, to avail of the nomination facility by filling Form 2B in duplicate 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 29th JULY 2009

Item No. 6

The resolution contained in the business of the Notice relates to a proposal by the Company to create, offer, issue and allot equity shares and warrants simultaneously with non-convertible debentures (the "Specified Securities") to Qualified Institutional Buyers as defined under the SEBI DIP Guidelines (the "QIBs"). The resolution also includes a proposal to issue other Securities including foreign currency convertible bonds which are convertible into equity shares, American Depository Receipts and Global Depository Receipts reflected by underlying equity shares of the Company or other securities convertible into equity shares of the Company in compliance with the applicable law.

The proposed Special Resolution seeks to empower the Board of Directors of the Company (hereinafter referred to as the "Board") to undertake a qualified institutions placement in terms of Chapter XIII-A of the SEBI DIP Guidelines to QIBs or issue foreign currency convertible bonds which are convertible into equity shares, American Depository Receipts and Global Depository Receipts reflecting underlying equity shares or any other convertible instrument under Chapter XIII-A or otherwise convertible into equity shares of the Company upto an amount of Rs.1500 crore.

Objects of the Issue

The Company has decided to improve its long term capital position in order to allow it to pursue organic growth opportunities, strengthen its working capital position and potentially to retire some of its existing debt. To achieve this, the Company will need to issue Securities or Specified Securities in the domestic or international markets, as contemplated in the resolution and as has been decided by the Board.

Pricing

The pricing of the Specified Securities to be issued to QIBs pursuant to Chapter XIII-A of the SEBI DIP Guidelines shall be freely determined subject to such prices not being less than the price as calculated in accordance with the said guidelines.

The pricing of foreign currency convertible bonds which are convertible into equity shares, American Depository Receipts and Global Depository Receipts to be issued by the Company will comply with the applicable pricing provisions issued by the Ministry of Finance and the Reserve Bank of India.

The pricing of any other instrument convertible into equity shares of the Company shall be in compliance with the applicable law.

Instrument and Terms and Conditions

The detailed terms and conditions of the Issue as and when made will be determined by the Board in consultation with the Merchant Bankers, Lead Managers, Advisors and such other authority or authorities as may be required to be consulted by the Company considering the prevailing market conditions and other relevant factors.

The proposed resolution seeks to give the Board or a Committee thereof, powers to issue Specified Securities or foreign currency convertible bonds which are convertible into equity shares or American Depository Receipts and Global Depository Receipts in one or more tranche or tranches, at such time or times, at such price or prices and to such person(s) including institutions, incorporated bodies and/or individuals or otherwise as the Board in its absolute discretion deem fit. The detailed terms and conditions for the offer will be determined by the Board in consultation

NOTICE *contd.*

with the Advisors, Lead Managers, Underwriters and such other authority or authorities as may be required to be consulted by the Company considering the prevailing market conditions and other relevant factors.

The issue/allotment would be subject to the availability of regulatory approvals, if any.

Since the resolution proposed in the business of the Notice results in the issue of shares of the Company otherwise than to the members of the Company, the consent of the shareholders is being sought pursuant to the provisions of section 81(1A) and other applicable provisions of the Companies Act, 1956 and in terms of the provisions of the Listing Agreements executed by the Company with the stock exchanges where the equity shares of the Company are listed.

Section 81(1A) of the Companies Act, 1956 and the relevant clause of the Listing Agreement with the stock exchanges where the equity shares of the Company are listed provides, *inter alia*, that when it is proposed to increase the issued capital of the Company by allotment of further shares, such further shares shall be offered to the existing shareholders of such company in the manner laid down in section 81, unless the shareholders in a general meeting decide otherwise. The Listing Agreements entered into by the Company with the various stock exchanges also provide that the Company shall issue or offer in the first instance all Specified Securities to the existing equity shareholders, unless the members decide otherwise. This resolution seeks the consent and authorisation of the members, to the Board, to make the proposed issue of Specified Securities in accordance with the terms of the issue.

For reasons aforesaid, an enabling resolution is proposed for consideration of the shareholders to give adequate flexibility and discretion to the Board to finalise the terms of the issue of Specified Securities.

The Special Resolution as set out under item no. 6, if passed, will have effect of allowing the Board to issue and allot Specified Securities to QIBs, who may or may not be the existing shareholders of the Company in the manner as set out in the resolution.

The Board believes that the issue of Specified Securities to investors who are not the shareholders of the Company is in the interest of the Company and therefore recommends the resolution for your approval.

The said resolution also enables the Board to create mortgage/charge on the property/assets of the Company in respect of any debt securities offered by the Company to the QIBs.

None of the directors of the Company is concerned or interested in the aforesaid resolution except to the extent their shareholding is affected.

By Order of the Board of Directors

Mumbai, 29th July 2009

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. Mr. S.A.A. Pinto

Mr. S.A.A. Pinto is an M.A. in Economics from Madras University and LL.B. from Bombay University and an Advocate of the Bombay High Court. He joined the Board of Directors of the Company in 1983.

He was part of the team in the then Grindlays Bank which set up the first merchant banking unit in India in 1968. He became its first Indian Director in 1973. In 1982, he set up a financial services consultancy with Mr. Uday Kotak and in 1985 they established a financial services company which later changed its name to Kotak Mahindra Bank Limited of which Mr. Pinto was a Director until his resignation in June 2003.

Nature of expertise in specific functional areas

Industrial Relations, Corporate Law and Merchant Banking.

He is the Chairman of the Audit Committee, Shareholders'/Investors' Grievance Committee and member of the Share Committee of the Company. He does not hold directorship in any other Company.

He is not related to any other Director of the Company.

As on the date of this Notice, he holds 6,19,150 Equity Shares of Rs.2 each in the Company.

B. Mr. V.C. Kotwal

Mr. V.C. Kotwal is a senior advocate of Bombay High Court. He joined the Board of Directors of the Company in the year 1989.

He is a Science & Law graduate from Bombay University. He has been in the legal profession since the year 1961 and has been designated as Senior Advocate since the year 1983.

Nature of expertise in specific functional areas

Civil Law, Commercial Law, Admiralty & Shipping Litigation and Arbitration.

He is not related to any other Director of the Company.

He does not hold directorship in any other Company. He does not hold any Equity Share in the Company.

By Order of the Board of Directors

Mumbai, 29th July 2009

Mital Sanghvi
Company Secretary

DIRECTORS' REPORT

The Directors take pleasure in presenting the Seventy-Third Annual Report of the Company and Audited Accounts for the year ended 31st March 2009.

Financial Summary

Year ended 31 st March 2008		Year ended 31 st March 2009	Increase over previous year (%)
4,429	Sales and other income	5,388	22
838	Profit before tax	901	8
702	Profit after tax	777	11
390	Surplus brought forward from last balance sheet	510	
1,092	Profit available for appropriation	1,287	
	Appropriations:		
156	Dividend	156	
26	Tax on dividend	26	
400	Transfer to general reserve	150	
510	Surplus carried forward	955	

Rupees in crore

Dividend

The Directors recommend a dividend of Rs.2 per share on 77,72,91,357 equity shares of Rs.2 each for the year 2008-09 amounting to Rs.155.46 crore.

Management Review: 2008-09

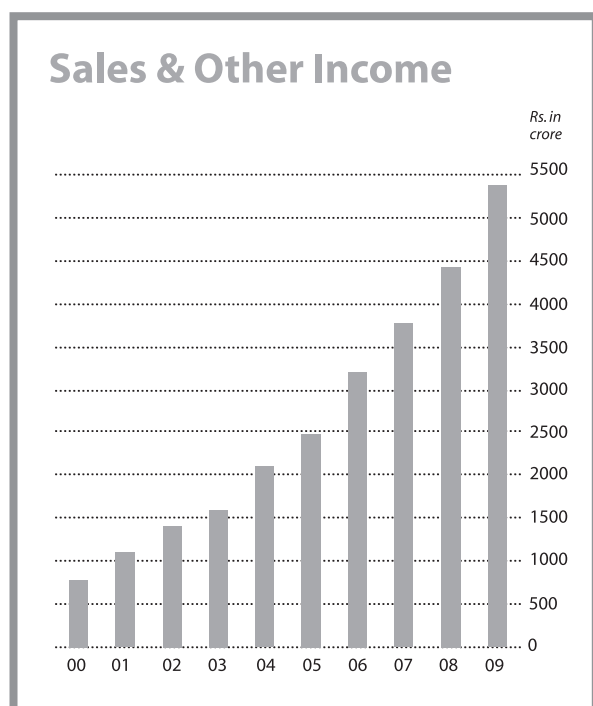
Industry Structure and Development

The world economy has witnessed an unprecedented economic crisis causing severe recessionary trends in various countries. Several nations have made co-ordinated and concerted efforts to provide the necessary impetus for the revival of the economy. However, it is to be seen how effective these measures will be to restore the global economy to normalcy.

Compared to other economies, India has been somewhat stable. However, certain sectors were badly affected and the GDP estimates had to be scaled down. The government has taken some proactive steps to control the situation, but sentiments remain gloomy. With the recent elections ensuring continuity in government, it is hoped that revival of the economy will be on top of the agenda in the months to come.

DIRECTORS' REPORT *contd.*

The Indian pharmaceutical industry remained less affected compared to other sectors and, according to ORG-IMS, registered a growth of more than 10 per cent. While exports grew by more than 30 per cent due to the depreciating rupee (as per figures compiled by Pharmexcil), there were challenges like falling liquidity in the global market, adverse currency fluctuations and increasing competition in various markets, including the USA.



Performance Review

The Company's turnover recorded a 22 per cent growth and crossed the Rs.5000 crore milestone. While exports grew by 30 per cent, the domestic sales grew by 15 per cent. Notably, technical fees fetched Rs.218 crore, marking a significant 42 per cent growth over the previous year. However, forward contracts entered into to hedge the Company's foreign exchange business had an impact on net profit growth. According to ORG-IMS, Cipla remained the leader in the domestic market, as on 31st March 2009.

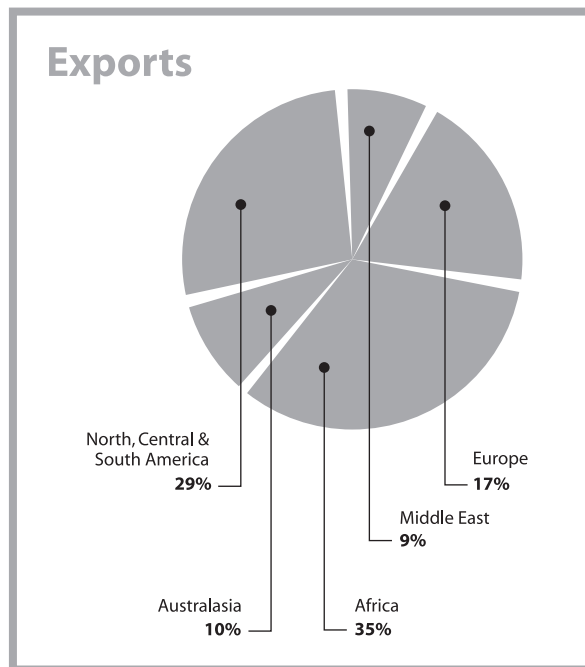
Products

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

- Abamune L (abacavir and lamivudine tablets) – new NRTI combination for HIV/AIDS
- Aprepit (aprepitant capsules) – new antiemetic for prevention of nausea and vomiting in cancer chemotherapy
- Atavir (atazanavir sulphate capsules) – once-daily PI for HIV/AIDS
- Bondria (ibandronate tablets and injection) – for osteoporosis and metastatic bone diseases
- Cold Spray (azelastine and budesonide spray) – combination spray for allergic rhinitis
- Corvela (ranolazine tablets) – new antianginal and antischaemic agent
- Crisanta LS (drospironone and ethinyl estradiol tablets) – new oral contraceptive pill
- Desirox (deferasirox tablets) – new iron chelator for thalassaemia
- Doxotec (doxophylline tablets) – new xanthine bronchodilator
- Erlocip (erlotinib tablets) – new agent for the treatment of non-small cell lung cancer and pancreatic cancer
- Gefticip (gefitinib tablets) – for advanced and metastatic lung cancer
- IF 1 (olopatadine eye drops) – topical antihistamine for allergic conjunctivitis
- Influvac (influenza vaccine) – for influenza prophylaxis

DIRECTORS' REPORT *contd.*

- Intiflo (eptifibatide injection) – new antiplatelet drug for acute coronary syndrome
- Maxiflo (formoterol and fluticasone inhaler) – combination controller therapy for asthma and COPD
- Melfan (melphalan tablets) – broad spectrum anticancer agent
- MTP Kit (misoprostol and mifepristone tablets) – single kit for medical termination of pregnancy
- Nebicip (nebivolol tablets) – double-action cardioselective beta blocker for hypertension
- Nicotex (nicotine polacrilex chewing gum) – nicotine replacement therapy for smoking cessation
- Oncodox Peg (pegylated liposomal doxorubicin injection) – liposome-encapsulated anticancer agent
- Phosome (liposomal amphotericin B injection) – lyophilized antifungal formulation
- Pruflox (prulifloxacin tablets) – new quinolone antibacterial for urinary tract infections
- Rabicip Fast (rabeprazole sodium tablets) – fast-acting PPI for acid related disorders
- Retilone (triamcinolone acetonide injection) – intravitreal therapy for severe eye inflammation
- Seroflo Autohaler (salmeterol and fluticasone inhaler) – world's first ICS-LABA combination in a breath-actuated metered dose inhaler for asthma and COPD
- Trioday (tenofovir, lamivudine and efavirenz tablets) – new once-a-day triple-drug fixed dose combination pill for HIV/AIDS
- Triohale Multi-haler (tiotropium, formoterol and ciclesonide inhaler) – first triple-drug multi-haler for COPD
- Tugain (minoxidil gel) – new gel formulation for hair growth
- Valgan (valganciclovir tablets) – new antiviral for cytomegalovirus infections
- Voritek (voriconazole tablets and injection) – broad-spectrum antifungal for serious fungal infections
- Xylistin (colisthemethate sodium injection) – injectable antibiotic for resistant infections



The Company had entered into an agreement with Avesthagen Limited to develop and manufacture bio-therapeutic products. However, the agreed milestones could not be achieved despite extended timelines and the agreement has been terminated.

DIRECTORS' REPORT *contd.*

INFRASTRUCTURE

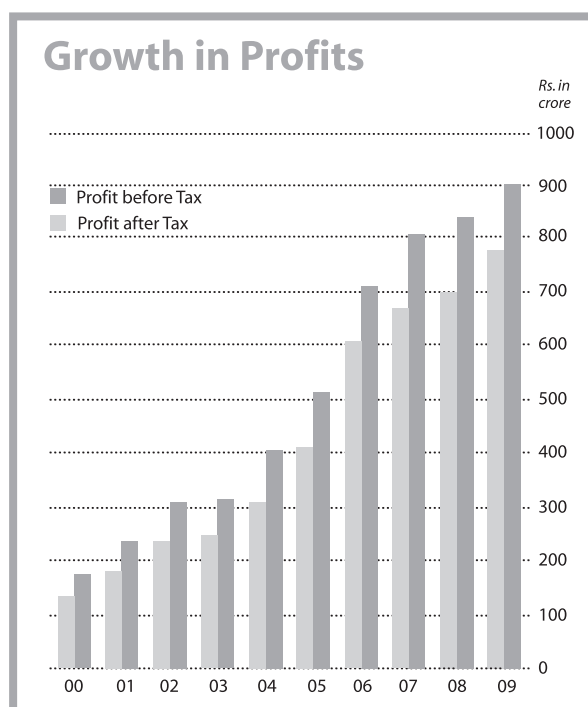
Manufacturing Facilities

Over the last three years, the Company has invested about Rs.1900 crore in fixed assets. This major expansion programme will help meet the increasing demands of domestic and international business and to sustain growth. It will also help take advantage of taxation and other fiscal benefits.

The construction work at the Company's Rs.750 crore Special Economic Zone (SEZ) project for pharmaceutical formulations, at Indore, Madhya Pradesh, is in full swing. 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. During the current year, the Company proposes to take validation batches for these dosage forms and commercial production is expected to commence in the subsequent year.

Cipla's Rs.310 crore project in Sikkim for the manufacture of formulations including capsules, tablets, nasal sprays, inhalers, eyedrops and respules commenced commercial production during the year.

Work at the Company's SEZ project at Kerim, Goa remained suspended due to the stop-work order issued by the State Government. The Company has received a communication dated 11th July 2008 from the government revoking the 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.



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.

Safety and Environment Care

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

As always, the Company kept up high standards of occupational health, safety and environment preservation practices at all its manufacturing units.

DIRECTORS' REPORT *contd.*

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.

Internal Control Systems

The Company's internal control procedures are tailored to match the organisation's pace of growth and increasing complexity of operations. These ensure compliance with various policies, practices and statutes. Cipla's internal audit team carries out extensive audits throughout the year, across all functional areas and submits its reports to the Audit Committee of the Board of Directors.

Human Resources

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

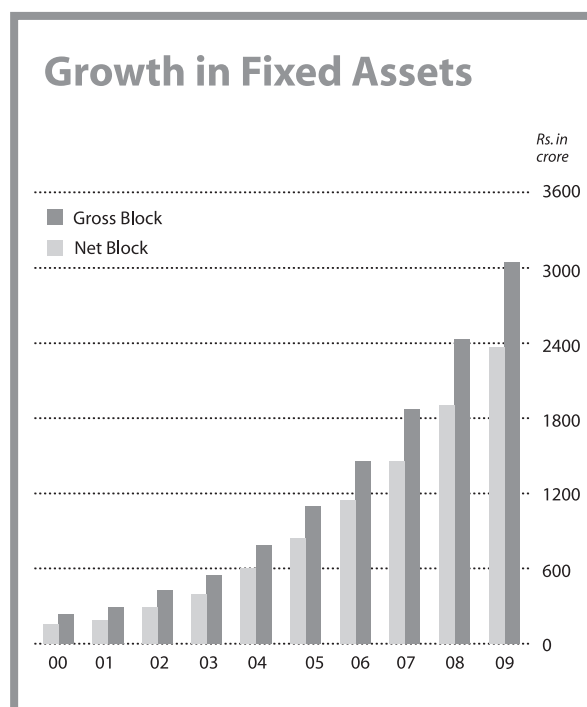
THREATS, RISKS, CONCERNS

Patents

Following the change in the patent laws in March 2005, product patents have been brought into force with effect from January 1995. As expected, this has triggered a series of litigations. Cipla too has challenged some of these cases involving both pre-grant and post-grant patents, as it believes that these patents have no merit.

The recent global outbreak of swine flu and the subsequent concerns about availability of medicines to combat the epidemic has vindicated our oft-repeated stand on intellectual property laws. When it comes to saving lives, the destiny of the world cannot be left to one or two companies. It is necessary for all countries to modify their intellectual property laws to ensure availability of essential and life-saving drugs. This is possible only by introducing a permanent compulsory licensing system for all drugs, whereby a suitable royalty on net sales should be paid to the inventor and patent holder.

Cipla has always been appealing to the Indian government to modify its intellectual property laws to safeguard Indian consumers from monopoly. The Indian government should adopt a pragmatic compulsory licensing system. This is the only possible way to make drugs available for the healthcare needs of our large population, at affordable prices. Recently, as reported in the media, pharmaceutical drugs of certain Indian companies were labelled as counterfeit drugs and some of these products are being detained at international airports for no valid reason. Thankfully, the Government of India has intervened in this matter to ensure that the interest of exporters from India is not affected. The ultimate sufferers in this attack will be the people who need the drugs, especially those from the lower economic strata. Drug companies and regulatory authorities must keep aside vested interests, recognise ground realities and work together to resolve such issues.



DIRECTORS' REPORT *contd.*

Drug Pricing

The drug pricing policy has not been announced for more than five years. It is hoped the present government will address this issue with some sense of urgency. The government must take the lead and announce a policy which is fair, transparent and against monopoly. We have always maintained that free and open competition is the best way to control drug prices.

As stated earlier, Cipla is willing to share its pharmaceutical technology with the government of India, free of charge, so that the public sector pharmaceutical undertakings can also manufacture and market all vital and life-saving drugs at economical prices.

OPPORTUNITIES

Domestic Markets

Cipla is a leading player in the domestic market with a major share in many therapeutic segments. The Company offers the widest range across various dosage forms in these segments. It is the market leader in several critical areas like respiratory and HIV. It has state-of-the-art manufacturing facilities and an extensive distribution network. The "Cipla" name enjoys a high reputation among the Indian medical fraternity. The Company will continue to capitalise on these strengths and exploit all opportunities in the domestic market.

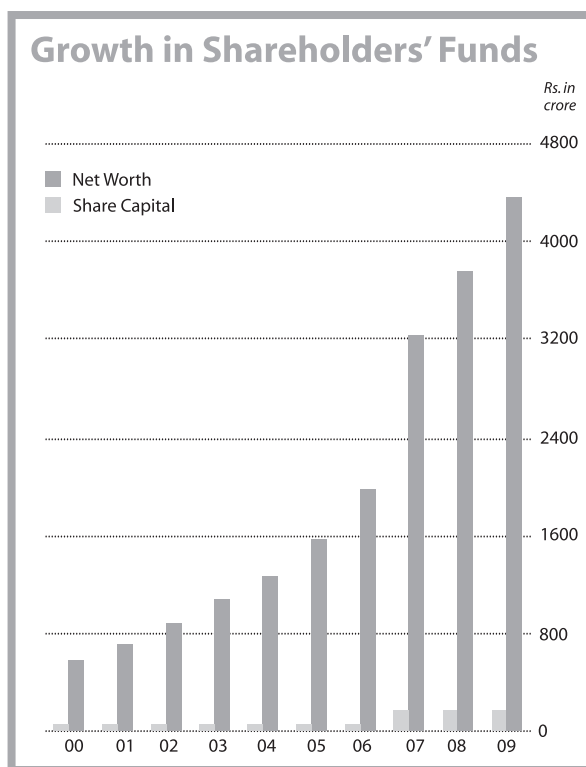
International Markets

Cipla exports to more than 180 countries worldwide and more than half its turnover comes from its international operations. With over 5700 product registrations worldwide, the Company continues to leverage its strategic partnerships to expand sales and increase market share overseas. Its partnership and agency arrangements continue to create and exploit opportunities across the world.

The Company also continues to provide technical know-how to overseas partners by leveraging its research and development capabilities.

COMMUNITY CARE

The Cipla Palliative Care and Training Centre in Pune continues to provide care to terminally ill cancer patients. As of date, the Centre has provided comfort and solace to more than 6000 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.



DIRECTORS' REPORT *contd.*

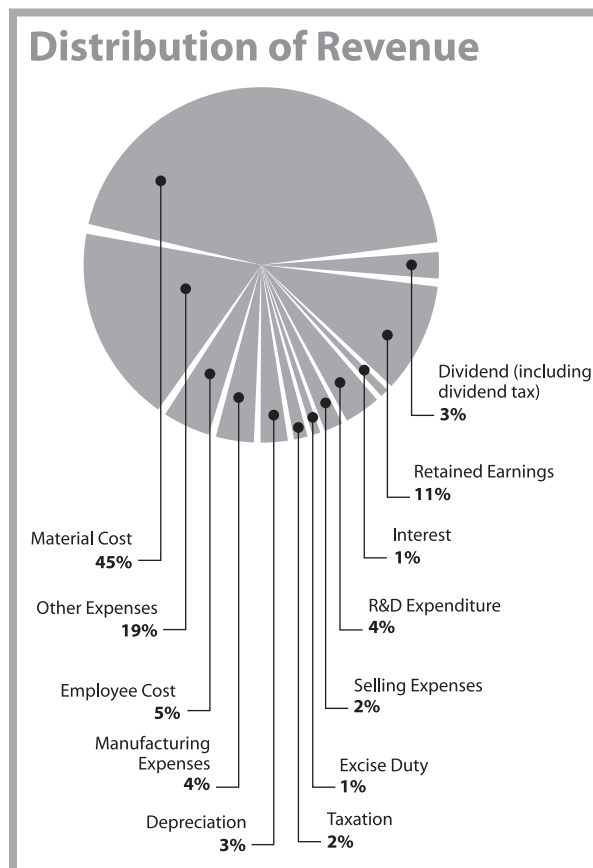
In addition, the Company continued to support the promotion of education and community welfare, both directly and through its charitable trusts.

CORPORATE MATTERS

Responsibility Statement

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

- i. followed applicable accounting standards in the preparation of the annual accounts;
- ii. selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of the affairs of the Company at the end of the financial year ended 31st March 2009 and of the profit or loss 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 Company

As per the exemption order no. 47/160/2009-CL-III dated 31st March 2009, passed by 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 by the investor of the Company. These documents will also be available for inspection by any investor at the registered office of the Company.

Corporate Governance

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

DIRECTORS' REPORT *contd.*

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

Mr. S. A. A. Pinto and Mr. V.C. Kotwal retire by rotation and, being eligible, offer themselves for re-appointment.

The Company has received the approval of the Central Government for re-appointment of Dr. Y.K. Hamied as Managing Director.

Auditors

Messrs. R.G.N. Price & Co., auditors of the Company, retire at the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment. Messrs. R.S. Bharucha & Co. have informed the Company that they do not seek re-appointment as statutory auditors due to other pressing engagements. Your Directors wish to place on record their appreciation of the services rendered by Messrs. R.S. Bharucha & Co. as statutory auditors of the Company for more than 50 years.

The Board, on recommendation of the Audit Committee, proposes the appointment of Messrs. V. Sankar Aiyar & Co. as joint auditors along with Messrs. R.G.N. Price & Co.

On behalf of the Board,

Mumbai, 15th July 2009

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. Maintained the power factor to unity.
 - ii. Temperature based automation of Cooling Tower Fans.
 - iii. Installed Lighting Energy Saver Panel in various factories.
 - iv. 40 TR chilled water plants removed and load diverted on Utility YORK chiller in nasal spray department.
 - v. Supervisory Control & Data Acquisition (SCADA) system installed at several factories to monitor and correct various parameters like current, power factor and actual power consumption.
 - vi. Installation of booster pump in PSG.
 - vii. Conversion of Delta connected ventilation system motors to Star connection.
 - viii. Building Management System for control and tracking of air handling systems of efficient operations.
 - ix. Installation of lighting transformer for total lighting.
 - x. Reducing speed of secondary cooling water pump and installing booster pump for water system.
 - xi. Installed two (170 TR * 2) energy efficient chillers replacing old reciprocating type chiller.
 - xii. Fork lift dynamo fixed instead of battery charger.
- 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.*

		2009	2008
A. Power and Fuel Consumption			
1. Electricity			
a. Purchased			
Units	kwh	112381314	106299389
Total amount	Rs. in crore	76.51	68.57
Rate/Unit	Rs.	6.81	6.45
b. Own generation			
i. Through diesel generator			
Units	kwh	21368800	18904155
Units per litre of diesel oil	kwh	3.35	3.84
Cost/Unit	Rs.	10.05	7.53
ii. Through steam turbine/generator			
		-	-
2. Others/Internal generation			
Light diesel oil/diesel oil/furnace oil			
Quantity	kl	13479	11061
Total cost	Rs. in crore	40.51	28.55
Average rate	Rs./kl	30054	25811
B. Consumption per Unit of Production			
1. Electricity			
Bulk drugs	(kwh/mt)	73554	53541
2. Light diesel oil/diesel oil/furnace oil			
Bulk drugs	(kl/mt)	4.53	3.61

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	16.00
b. Recurring	235.50
Total	<u>251.50</u>

The total R&D expenditure as a percentage of total turnover is 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, initiative taken to increase exports, development of new export markets for products and services and export plans:

Exports for the year amounting to Rs.2743 crore posted a growth of more than 30 per cent. Exports constituted more than 50 per cent of total turnover. In addition, the Company earned Rs.217 crore towards Technical Know-how/Fees.

During the year, there has been a significant increase in overall exports. The Company continues to leverage on its strategic marketing alliances and partnerships in more than 180 countries. The depreciation of the Rupee against the US Dollar also contributed towards this growth. Exports has always been a thrust area for the Company and one of our key strategies is to keep expanding our international business by offering a wide range of products and services across the globe.
2. Total foreign exchange used and earned:

During the year, the foreign exchange outgo was Rs.1413 crore and the earnings in foreign exchange was Rs.2960 crore. Details of the same have been given in Notes 15 to 17 in Schedule S to the Accounts.

On behalf of the Board,

Mumbai, 15th July 2009

Y. K. Hamied
Chairman & Managing Director

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 and it is its endeavour 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 2009 is as follows:

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

- Five board meetings were held during the year 2008-09. The dates on which the meetings were held are as follows: 25th April 2008; 18th July 2008; 28th August 2008; 22nd October 2008 and 22nd January 2009.
- 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 (being a director as on the date of the Directors' Report) are given below:

Name of the Director	Category of Directorship	No. of Board Meetings Attended	Last AGM Attended	No. of other Directorships held in Indian Public Companies	No. of other Committee Memberships
Dr. Y.K. Hamied	Executive	4	Yes	Nil	Nil
Mr. M.K. Hamied	- do -	5	Yes	Nil	Nil
Mr. Amar Lulla	- do -	5	Yes	1	3
Dr. H.R. Manchanda	Non-Executive/ Independent	5	Yes	Nil	Nil
Mr. S.A.A. Pinto	- do -	5	Yes	Nil	Nil
Mr. Ramesh Shroff	- do -	5	Yes	2	Nil
Mr. V.C. Kotwal	- do -	4	Yes	Nil	Nil
Mr. M.R. Raghavan	- do -	5	Yes	Nil	Nil
Mr. Pankaj Patel	- do -	5	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 2009, 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.

REPORT ON CORPORATE GOVERNANCE *contd.*

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 Audit Committee, as and when necessary. The Company Secretary acts as Secretary to the Committee. The Committee discharges such duties and functions generally indicated in Clause 49 of the Listing Agreement with the Stock Exchanges and 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 25th April 2008; 18th July 2008; 22nd October 2008; 22nd January 2009 and 13th March 2009 during the year 2008-09 (April to March) whereat all the members were present.

d. Remuneration to Directors

- The details of remuneration paid to Executive Directors during the year 2008-09 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	47.00	750.00	32.75	0.03
Mr. M.K. Hamied	46.00	700.00	32.63	5.52
Mr. Amar Lulla	18.00	1200.00	12.30	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 employees.

- Sitting fees to Non-Executive Directors during the year 2008-09 are given below:

Non-Executive Directors	Sitting Fees (Rs. in lakhs)
Dr. H.R. Manchanda	3.20
Mr. Ramesh Shroff	1.10
Mr. S.A.A. Pinto	3.90
Mr. V.C. Kotwal	0.40
Mr. M.R. Raghavan	1.00
Mr. Pankaj Patel	0.60

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

- During the year, Rs.100 lakhs was placed by Mr. Ramesh Shroff as deposit with the Company. Interest accrued on the said deposit till 31st March 2009 is Rs.2.74 lakhs. The amount outstanding as on 31st March 2009 is Rs.102.46 lakhs (Net of TDS).

REPORT ON CORPORATE GOVERNANCE *contd.*

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 year 2008-09, the Committee met on 25th April 2008; 18th July 2008; 22nd October 2008 and 22nd January 2009 whereat all members were present.
- The 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, 32 investor grievances were received and all of them have been resolved.

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 last Annual General Meeting of the Company held on 28th August 2008.
- No resolution was passed through postal ballot during the financial year ended 31st March 2009.

g. Disclosures

- The Company has not entered into any transaction of material nature with the Promoters, the Directors or the Management, their subsidiaries or relatives, etc. that may have any potential conflict with the interests of the Company.
- The Company has complied with the requirements of the Stock Exchanges, SEBI and other statutory authorities on all matters related to capital markets during the last three years. There were neither any penalties imposed nor any strictures passed on the Company by the Stock Exchanges, SEBI or any other statutory authority in the absence of any non-compliance.

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.

REPORT ON CORPORATE GOVERNANCE *contd.*

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, 26th August 2009 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
- Adoption of Quarterly Results for the Quarter Ending : 3rd/4th week of
30th June 2009 July 2009
30th September 2009 October 2009
31st December 2009 January 2010
31st March 2010 April 2010
- Date of Book Closure : 12th August 2009 to 26th August 2009 (both days inclusive)
- Dividend Payment Date : On or before 25th September 2009
- Listing on Stock Exchanges : Equity Shares: Bombay Stock Exchange Limited and National Stock Exchange of India Limited
Global Depositary Receipts (GDRs): Luxembourg Stock Exchange

REPORT ON CORPORATE GOVERNANCE *contd.*

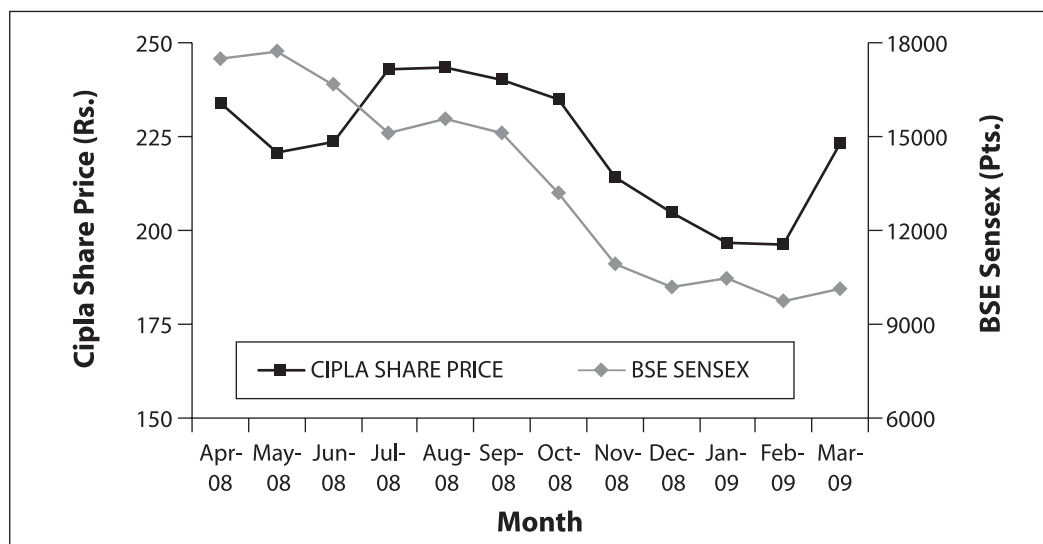
The Company has paid the requisite annual listing fees to the above stock exchanges for the financial year 2009-10.

- 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 2008-09 are given below. The Company's market capitalisation is included in the computation of S&P CNX NIFTY Index.

Year (2008-09)	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	233.80	210.15	5948780	233.60	205.75	19146243
May	220.90	196.20	5267737	220.90	197.00	19911408
June	223.80	200.00	10874755	224.00	200.00	25683591
July	243.00	202.25	7617740	244.95	202.10	28651060
August	243.55	216.85	6081725	244.40	217.00	19785512
September	240.00	210.00	9482339	240.20	210.35	28030519
October	235.00	146.40	4917837	235.00	145.00	33800063
November	214.25	162.00	4811443	210.50	162.40	22049491
December	204.95	174.10	4100928	205.00	174.35	28148036
January	196.70	171.60	3660033	196.70	171.35	23089560
February	196.35	185.35	2120659	196.50	185.15	23159901
March	223.00	188.30	4078495	223.90	186.50	23661482

REPORT ON CORPORATE GOVERNANCE *contd.*

- Performance in comparison to BSE SENSEX–Year 2008-09



- 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.

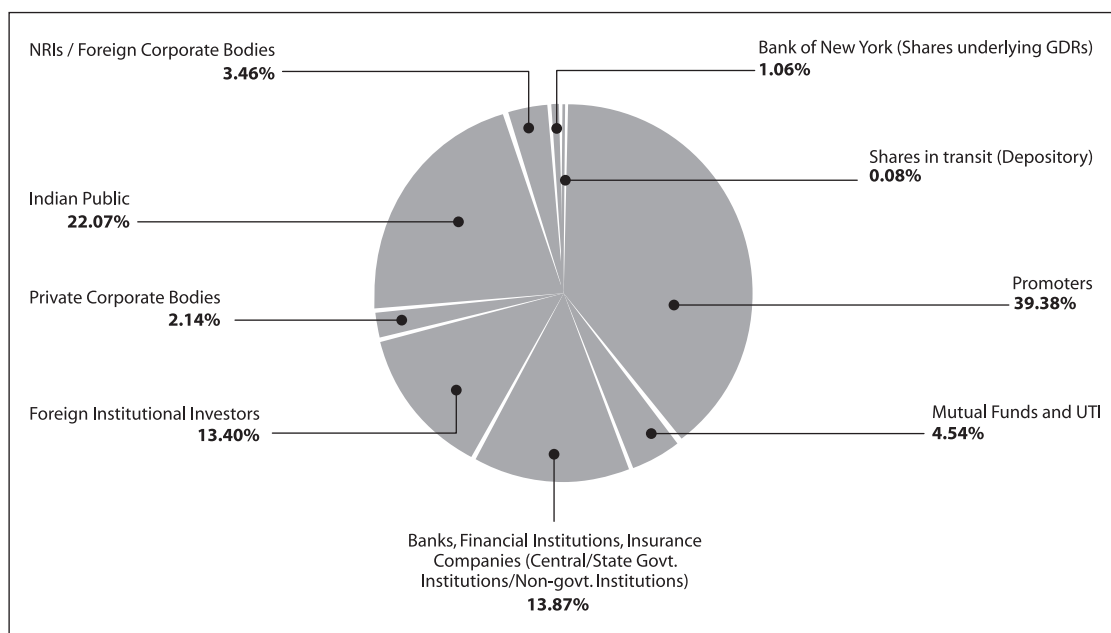
REPORT ON CORPORATE GOVERNANCE *contd.*

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 Practising Company Secretary are filed with the Stock Exchanges.

- Distribution of shareholding as on 31st March 2009
(Class-wise distribution of Equity Shares)

Shareholding	No. of Folios	% of Total	No. of Shares	% of Total
1-2500	167395	97.39	27381434	3.52
2501-5000	1457	0.85	5436063	0.70
5001-10000	883	0.51	6550913	0.84
10001-15000	502	0.29	6198109	0.80
15001-20000	224	0.13	3986826	0.51
20001-25000	202	0.12	4589007	0.59
25001-50000	387	0.23	14313627	1.84
Above 50000	829	0.48	708835378	91.20
Total	171879	100.00	777291357	100.00
Physical Mode	1897	1.10	115410862	14.85
Electronic Mode	169982	98.90	661880495	85.15

- Shareholding Pattern as on 31st March 2009



REPORT ON CORPORATE GOVERNANCE *contd.*

- Dematerialisation of Shares and Liquidity

As on 31st March 2009, 85 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 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 2009, 82,65,222 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 July 2009

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 2009. I have to the best of my knowledge and belief obtained all the information and explanations, which were necessary for the purpose of certification.

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

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

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

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

Mumbai, 15th July 2009

AUDITORS' REPORT TO THE MEMBERS OF CIPLA LIMITED

1. We have audited the attached Balance Sheet of Cipla Limited as at 31st March 2009 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 2009 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 2009, 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 2009;
 - ii. In the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - iii. In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

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

M.R. Amin
Partner
Membership No. 114010
Mumbai, 15th July 2009

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

R. Rangarajan
Partner
Membership No. 41883
Mumbai, 15th July 2009

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 not granted any loans, secured or unsecured to companies, firms or other parties listed in the Register maintained under section 301 of the Companies Act, 1956. Therefore, requirements of clauses (iii-b), (iii-c) and (iii-d) of paragraph 4 of the Order are not applicable to the Company.
 - b. The Company has taken loans from three parties covered in the Register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.68.64 crore and the year-end balance of loans taken from such parties was Rs.68.64 crore.
 - c. In our opinion, the rate of interest and other terms and conditions on which the loans referred in point 3b above have been taken are not, *prima facie*, prejudicial to the interest of the Company.
 - d. The loans referred to in point 3b above are due for repayment along with interest in the next financial year and no interest was payable on such deposits during the year. The Company has provided for the interest payable on the loans upto 31st March 2009. Hence, there was no default in repayment of the loans or the interest payable on such loans.
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 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

ANNEXURE TO THE AUDITORS' REPORT *contd.*

or agreements 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 accepted deposits 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 accepted by the Company.
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.
 - b. According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty and Excise Duty were in arrears as at 31st March 2009 for a period of more than six months from the date they became payable.
 - c. According to the information and explanations given to us and based on the records of the Company examined by us, as on 31st March 2009, 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 2009 and the forum where these disputes are pending are as follows:

Name of the statute	Nature of dues	Financial years to which the matter pertains	Forum where the dispute is pending	Amount Rs. in crore
The Central Excise Act, 1944	Excise Duty	1999-00 to 2007-08	CESTAT/ Commissioner (Appeals)	39.45
State Sales Tax Acts	Sales Tax	2001-02 to 2008-09	State Sales Tax Tribunal	0.49

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.

ANNEXURE TO THE AUDITORS' REPORT *contd.*

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.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investment.
18. The Company has not made preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956.
19. The Company has not issued any debentures.
20. The Company has not raised any money through a public issue during the year.
21. 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 R.S. Bharucha & Co.,
Chartered Accountants

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

M.R. Amin
Partner
Membership No. 114010

R. Rangarajan
Partner
Membership No. 41883

Mumbai, 15th July 2009

Mumbai, 15th July 2009

BALANCE SHEET

Rupees in crore

As at 31 st March 2009	Schedule	2009	2008
Sources of Funds			
Shareholders' Funds			
Share Capital	A	155.46	155.46
Reserves & Surplus	B	<u>4195.29</u>	<u>3600.36</u>
		4350.75	3755.82
Loan Funds			
Secured Loans	C	2.79	14.09
Unsecured Loans	D	<u>937.45</u>	<u>526.36</u>
		940.24	540.45
Deferred Tax Liabilities			
	M	<u>164.15</u>	<u>149.15</u>
		5455.14	4445.42
Application of Funds			
Fixed Assets			
Gross Block	E	2693.29	2201.79
Less: Depreciation		<u>700.80</u>	<u>540.43</u>
Net Block		<u>1992.49</u>	<u>1661.36</u>
Capital Work-in-Progress		<u>366.32</u>	<u>233.12</u>
		2358.81	1894.48
Investments			
	F	81.32	94.75
Current Assets, Loans & Advances			
Inventories	G	1398.32	1120.49
Sundry Debtors	H	1837.15	1393.91
Cash & Bank Balances	I	53.00	79.28
Other Current Assets	J	23.45	34.49
Loans & Advances	K	<u>1107.65</u>	<u>1115.81</u>
		<u>4419.57</u>	<u>3743.98</u>
Less: Current Liabilities & Provisions			
Liabilities	L	1012.85	870.98
Provisions		<u>391.71</u>	<u>416.81</u>
		<u>1404.56</u>	<u>1287.79</u>
Net Current Assets		3015.01	2456.19
		5455.14	4445.42
Notes to the Accounts	S		

As per our report of even date

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

M.R. Amin
Partner
Membership No.114010

Mumbai, 15th July 2009

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

R.Rangarajan
Partner
Membership No. 41883

Y.K. Hamied
Chairman & Managing Director

M.K. Hamied
Amar Lulla
Joint Managing Directors

V.C. Kotwal
H.R. Manchanda
S.A.A. Pinto
Ramesh Shroff
Pankaj Patel
Directors

Mital Sanghvi
Company Secretary

Mumbai, 15th July 2009

PROFIT AND LOSS ACCOUNT

Rupees in crore

For the year ended 31 st March 2009	Schedule	2009	2008
Income			
Gross Sales		5021.64	4088.56
Less: Excise Duty		61.04	90.66
Net Sales		4960.60	3997.90
Other Income	N	366.17	340.31
		5326.77	4338.21
Expenditure			
Material Cost	O	2347.40	2042.71
Employee Cost	P	271.33	214.01
Manufacturing Expenses		239.12	194.07
Other Expenses	Q	1147.38	716.89
Research and Development Expenses	R	235.50	204.57
Interest - Fixed period		32.53	10.70
- Others		0.41	0.64
Depreciation		151.79	116.26
		4425.46	3499.85
Profit before Tax		901.31	838.36
Provision for Tax - Current Tax		101.00	94.00
- Deferred Tax		15.00	36.50
- Fringe Benefit Tax		8.50	6.43
Profit after Tax		776.81	701.43
Surplus brought forward from last Balance Sheet		509.90	390.35
Profit available for Appropriation		1286.71	1091.78
Appropriations			
Proposed Dividend		155.46	155.46
Tax on Dividend		26.42	26.42
Transferred to General Reserve		150.00	400.00
Surplus carried forward		954.83	509.90
		1286.71	1091.78
Basic and Diluted Earning per Share (Rs.) (Schedule S–Note 25)		9.99	9.02
Notes to the Accounts	S		

As per our report of even date

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

M.R. Amin
Partner
Membership No.114010

Mumbai, 15th July 2009

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

R. Rangarajan
Partner
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V.C. Kotwal
H.R. Manchanda
S.A.A. Pinto
Ramesh Shroff
Pankaj Patel
Directors

Mital Sanghvi
Company Secretary

Mumbai, 15th July 2009

SCHEDULES TO THE ACCOUNTS

	Rupees in crore	
	2009	2008
(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
	<u>175.00</u>	<u>175.00</u>
Issued		
77,82,94,752 Equity Shares of Rs.2 each (Previous year 77,82,94,752 Equity Shares of Rs.2 each)	155.66	155.66
	<u>155.66</u>	<u>155.66</u>
Subscribed & Paid-up		
77,72,91,357 Equity Shares of Rs.2 each (Previous year 77,72,91,357 Equity Shares of Rs.2 each)	155.46	155.46
	<u>155.46</u>	<u>155.46</u>
<i>Notes:</i> Of the above Equity Shares:		
i. 75,83,20,444 shares of Rs.2 each (Previous year 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.		

	Rupees in crore	
	2009	2008
(B) Reserves & Surplus		
Capital Reserve	0.08	0.08
Revaluation Reserve	8.97	8.97
Securities Premium Account	764.98	764.98
General Reserve		
As per last Balance Sheet	2316.43	1916.43
Add: Transferred from Profit and Loss Account	<u>150.00</u>	<u>400.00</u>
	2466.43	2316.43
Surplus in Profit & Loss Account	954.83	509.90
	<u>4195.29</u>	<u>3600.36</u>

SCHEDULES TO THE ACCOUNTS *contd.*

	Rupees in crore	
	2009	2008
(C) Secured Loans		
Amounts drawn against Cash and Export Credit Accounts with Banks (Secured by hypothecation of tangible movable assets and receivables)	2.79	14.09
	<u>2.79</u>	<u>14.09</u>

	Rupees in crore	
	2009	2008
(D) Unsecured Loans		
Fixed Deposits - Directors*	39.00	-
- Others*	29.29	-
Short Term Loans from Banks	863.97	521.01
Maharashtra Govt. Sales Tax Deferral	5.19	5.35
	<u>937.45</u>	<u>526.36</u>

- Notes:*
- i. A sum of Rs.932.61 crore (Previous year Rs.521.16 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

E Fixed Assets

ASSETS	GROSS BLOCK AT COST/REVALUATION			DEPRECIATION		NET BLOCK	
	As at 31.03.08	Additions	Deletions	As at 31.03.09	As at 31.03.09	As at 31.03.09	As at 31.03.08
Freehold Land	26.75	2.78	–	29.53	–	29.53	26.75
Leasehold Land	47.75	16.38	–	64.13	4.09	60.04	44.87
Buildings & Flats	450.27	93.78	1.43	542.62	82.37	460.25	383.29
Plant & Machinery	1600.43	385.71	15.63	1970.51	589.95	1380.56	1148.98
Furniture & Fixtures	69.58	9.14	0.02	78.70	21.65	57.05	52.76
Vehicles	7.01	1.34	0.55	7.80	2.74	5.06	4.71
Total	2201.79	509.13	17.63	2693.29	700.80	1992.49	1661.36
Previous Year	1799.71	406.20	4.12	2201.79	540.43		
Capital Work-in-Progress (At Cost)						366.32	233.12
Total						2358.81	1894.48

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 for Kurkumbh Rs.0.25 crore and for Sikkim Rs.61.24 crore (Previous year for Baddi Rs.0.30 crore).
- The above additions to fixed assets during the year includes Rs.16.00 crore (Previous year Rs.29.44 crore) used for Research and Development.

Rupees in crore

	2009	2008
F Investments		
Long Term Investments		
Government Securities		
<i>Unquoted</i>		
<i>National Savings Certificates</i>	0.03	0.03
Other Investments		
Trade		
<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

SCHEDULES TO THE ACCOUNTS *contd.*

	Rupees in crore	
	2009	2008
F Investments – contd.		
<i>In Subsidiary Company</i>		
1 (Previous year 1) Equity Share of AED 10,00,000 of Cipla FZE fully paid	1.27	1.27
Other than Trade		
<i>Bonds</i>		
<i>National Bank for Agriculture and Rural Development</i>		
Nil (Previous year 2,000) Capital Gains Bonds of Face Value Rs.10,000 each, fully paid (2,000 bonds redeemed during the year)	–	2.00
<i>National Housing Bank</i>		
Nil (Previous year 1,000) Capital Gains Bonds of Face Value Rs.10,000 each, fully paid (1,000 bonds redeemed during the year)	–	1.00
<i>Rural Electrification Corporation Limited</i>		
1,000 (Previous year 1,000) Non-convertible Redeemable Taxable Bonds - Series V of Face Value Rs.10,000 each, fully paid	1.00	1.00
Current Investments		
Mutual Funds		
<i>Birla Sun Life Mutual Fund “Birla Cash Plus” - Institutional Premium Daily Dividend Scheme</i>		
Nil (Previous year 2,54,34,491) units (31,99,96,448 units purchased and 34,54,30,939 units redeemed during the year)	–	25.48
<i>Baroda Pioneer Mutual Fund “Baroda Pioneer Liquid Fund” - Institutional Daily Dividend Plan</i>		
Nil (Previous year Nil) units (20,00,458 units purchased and redeemed during the year)	–	–
<i>Bharti AXA Mutual Fund “Bharti AXA Liquid Fund” - Institutional Plan Daily Dividend</i>		
Nil (Previous year Nil) units (3,00,538 units purchased and redeemed during the year)	–	–
<i>Bharti AXA Mutual Fund “Bharti AXA Liquid Fund” - Super Institutional Plan Daily Dividend</i>		
Nil (Previous year Nil) units (13,18,575 units purchased and redeemed during the year)	–	–
<i>DBS Chola Mutual Fund “Chola Liquid” - Institutional Daily Dividend Plan</i>		
Nil (Previous year Nil) units (6,60,07,182 units purchased and redeemed during the year)	–	–
<i>Deutsche Asset Management “DWS Insta Cash Plus Fund” - Institutional Plan Daily Dividend Scheme</i>		
Nil (Previous year Nil) units (15,51,91,177 units purchased and redeemed during the year)	–	–

SCHEDULES TO THE ACCOUNTS *contd.*

	Rupees in crore	
	2009	2008
F Investments – contd.		
<i>Deutsche Asset Management “DWS Insta Cash Plus Fund” - Super Institutional Plan Daily Dividend Scheme</i>		
Nil (Previous year Nil) units (16,82,25,412 units purchased and redeemed during the year)	-	-
<i>Deutsche Asset Management “DWS Insta Cash Plus Fund” - Super Institutional Plan Growth</i>		
1,62,06,975 (Previous year Nil) units (1,62,06,975 units purchased during the year)	18.50	-
<i>DSP Blackrock Mutual Fund “DSP Blackrock Liquidity Fund” - Institutional Plan Daily Dividend</i>		
Nil (Previous year Nil) units (9,53,551 units purchased and redeemed during the year)	-	-
<i>Franklin Templeton Mutual Fund “Templeton India Treasury Management Account” - Super Institutional Plan Daily Dividend</i>		
Nil (Previous year 2,61,116) units (18,32,215 units purchased and 20,93,331 units redeemed during the year)	-	26.12
<i>HDFC Mutual Fund “HDFC Cash Management” - Savings Plan Daily Dividend</i>		
Nil (Previous year Nil) units (6,19,69,347 units purchased and redeemed during the year)	-	-
<i>ING Vysya Mutual Fund “ING Vysya Liquid Fund” - Super Institutional Daily Dividend Scheme</i>		
Nil (Previous year 55,74,405) units (16,65,17,410 units purchased and 17,20,91,815 units redeemed during the year)	-	5.58
<i>JM Financial Mutual Fund “JM High Liquidity Fund” - Super Institutional Daily Dividend Scheme</i>		
Nil (Previous year 1,22,46,761) units (17,93,03,006 units purchased and 19,15,49,767 units redeemed during the year)	-	12.27
<i>JM Financial Mutual Fund “JM High Liquidity Fund” - Super Institutional Plan Growth</i>		
1,50,63,228 (Previous year Nil) units (1,50,63,228 units purchased during the year)	20.78	-
<i>JP Morgan Mutual Fund “JP Morgan India Liquid Fund” - Super Institutional Daily Dividend Plan</i>		
Nil (Previous year Nil) units (9,08,38,604 units purchased and redeemed during the year)	-	-

SCHEDULES TO THE ACCOUNTS *contd.*

	Rupees in crore	
	2009	2008
F Investments – contd.		
<i>Kotak Mahindra Mutual Fund “Kotak Liquid” - Institutional Premium Daily Dividend Scheme</i> Nil (Previous year Nil) units (10,11,28,731 units purchased and redeemed during the year)	–	–
<i>Lotus India Mutual Fund “Liquid Fund” - Institutional Plus Daily Dividend Scheme</i> Nil (Previous year Nil) units (4,36,26,108 units purchased and redeemed during the year)	–	–
<i>Principal Mutual Fund “Principal Cash Management Fund” - Institutional Premium Plan Growth</i> 27,67,580 (Previous year Nil) units (27,67,580 units purchased during the year)	3.80	–
<i>Principal Mutual Fund “Principal Cash Management Fund” - Institutional Premium Plan Daily Dividend Scheme</i> Nil (Previous year Nil) units (18,45,40,498 units purchased and redeemed during the year)	–	–
<i>Prudential ICICI Mutual Fund “Prudential ICICI Liquid Plan” - Super Institutional Daily Dividend Scheme</i> Nil (Previous year Nil) units (17,60,17,374 units purchased and redeemed during the year)	–	–
<i>Reliance Mutual Fund “Reliance Liquidity Fund” - Daily Dividend Reinvestment</i> Nil (Previous year Nil) units (9,20,58,588 units purchased and redeemed during the year)	–	–
<i>SBI Mutual Fund “Magnum Insta Cash Fund” - Daily Dividend Option</i> Nil (Previous year Nil) units (4,05,19,862 units purchased and redeemed during the year)	–	–
<i>Sundaram BNP Paribas Mutual Fund “Sundaram Money Fund” - Super Institutional Daily Dividend Scheme</i> Nil (Previous year Nil) units (24,58,75,754 units purchased and redeemed during the year)	–	–
<i>Sundaram BNP Paribas Mutual Fund “Sundaram Money Fund” - Super Institutional Growth</i> 73,61,863 (Previous year Nil) units (73,61,863 units purchased during the year)	13.69	–
<i>Tata Mutual Fund “Liquid Super High Investment Fund” - Daily Dividend Scheme</i> Nil (Previous year Nil) units (21,18,186 units purchased and redeemed during the year)	–	–

SCHEDULES TO THE ACCOUNTS *contd.*

	Rupees in crore	
	2009	2008
F Investments – contd.		
<i>Tata Mutual Fund “Liquid Super High Investment Fund” - Appreciation</i> 51,648 (Previous year Nil) units (51,648 units purchased during the year)	8.40	–
<i>UTI Mutual Fund “UTI Money Market Fund” - Daily Dividend Option Reinvestment</i> Nil (Previous year Nil) units (2,98,86,047 units purchased and redeemed during the year)	–	–
<i>UTI Mutual Fund “UTI Liquid Cash Plan” - Institutional Daily Income Scheme</i> Nil (Previous year 1,96,223) units (7,77,144 units purchased and 9,73,367 units redeemed during the year)	–	20.00
<i>UTI Mutual Fund “UTI Liquid Cash Plan” - Institutional Growth Option</i> 95,802 (Previous year Nil) units (95,802 units purchased during the year)	13.85	–
	81.32	94.75
Aggregate of Unquoted Investments at Book Value Rs.81.32 crore; (Previous year Rs.94.75 crore)		

SCHEDULES TO THE ACCOUNTS *contd.*

	Rupees in crore	
	2009	2008
G Inventories		
[As valued by the Management & certified by Cost Auditors. Schedule S–Note 1(iv)]		
Raw Materials	797.20	632.92
Work-in-Process	156.43	152.64
Finished Goods	444.69	334.93
	<u>1398.32</u>	<u>1120.49</u>

	Rupees in crore	
	2009	2008
H Sundry Debtors		
Unsecured		
Over Six Months		
- Considered Good	464.46	282.42
- Considered Doubtful	45.06	10.86
	<u>509.52</u>	<u>293.28</u>
Less: Provision for Doubtful Debts	45.06	10.86
	<u>464.46</u>	<u>282.42</u>
Others		
- Considered Good	1372.69	1111.49
	<u>1837.15</u>	<u>1393.91</u>

SCHEDULES TO THE ACCOUNTS *contd.*

	Rupees in crore	
	2009	2008
I Cash & Bank Balances		
Cash in hand	0.79	0.74
Balances with Scheduled Banks in Current Accounts	49.91	69.94
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.19.69 crore; Previous year Rs.13.66 crore)	2.11	8.44
- Bank Melli Iran, Dubai, U.A.E. (maximum amount outstanding at any time during the year - Rs. 0.03 crore; Previous year Rs.Nil)	0.03	-
Fixed Deposits with Banks	0.16	0.16
	<u>53.00</u>	<u>79.28</u>

	Rupees in crore	
	2009	2008
J Other Current Assets		
Unsecured (Considered good, unless otherwise stated)		
Interest accrued on Inter-corporate Loans, Government Securities & Deposits:		
- Considered Good	4.18	0.81
- Considered Doubtful	0.46	0.46
	<u>4.64</u>	<u>1.27</u>
Less: Provision for Doubtful Interest	0.46	0.46
	<u>4.18</u>	<u>0.81</u>
Export Incentives Receivable	19.25	33.67
Rent and Lease Rentals Receivable	0.02	0.01
	<u>23.45</u>	<u>34.49</u>

SCHEDULES TO THE ACCOUNTS *contd.*

		Rupees in crore	
		2009	2008
(K) Loans & Advances			
Unsecured (Considered good, unless otherwise stated)			
Advances recoverable in cash or in kind or for value to be received:			
- Considered Good	415.73		374.24
- Considered Doubtful	0.07		0.34
	<u>415.80</u>		<u>374.58</u>
Less: Provision for Doubtful Advances	<u>0.07</u>		<u>0.34</u>
		415.73	374.24
Excise Advance Receivable		46.14	41.43
Balance with Central Excise Department		227.50	149.92
Dues from Staff		8.43	6.52
Sundry Deposits		11.01	9.94
Advance Tax & TDS		283.08	348.59
Sales Tax Receivable		26.31	16.09
Loan to Subsidiary Company*			
* includes interest accrued and due Rs.0.73 crore; (Previous year Rs.0.70 crore)		17.76	13.53
Inter-corporate Loans:			
- Considered Good	71.69		155.55
- Considered Doubtful	1.13		1.13
	<u>72.82</u>		<u>156.68</u>
Less: Provision for Doubtful Loans	<u>1.13</u>		<u>1.13</u>
		71.69	155.55
		1107.65	1115.81

SCHEDULES TO THE ACCOUNTS *contd.*

	Rupees in crore	
	2009	2008
(L) Current Liabilities & Provisions		
Liabilities		
Sundry Creditors:		
- Micro and Small Enterprises [#]	0.79	-
- Others	455.84	533.51
Trade Deposits from Customers	21.30	20.63
Unclaimed Dividend*	9.20	8.25
Advances Received	142.88	74.43
Unclaimed Preference Share Capital	0.01	0.01
Interest Accrued but not due	3.55	1.27
Other Liabilities	<u>379.28</u>	<u>232.88</u>
	1012.85	870.98
Provisions		
Employee Cost	14.83	19.18
Provision for Taxation	195.00	215.75
Provision for Dividend	155.46	155.46
Tax on Dividend	<u>26.42</u>	<u>26.42</u>
	391.71	416.81
	<u>1404.56</u>	<u>1287.79</u>
<i>Notes:</i> i. * There are no amounts due and outstanding to be credited to Investor Education & Protection Fund.		
ii. [#] Refer Schedule S–Note 23.		

	Rupees in crore	
	2009	2008
(M) Deferred Tax Liabilities		
Deferred Tax Liabilities arising on account of:		
Depreciation	157.61	137.70
Export Incentives	6.54	11.45
	<u>164.15</u>	<u>149.15</u>

SCHEDULES TO THE ACCOUNTS *contd.*

	Rupees in crore	
	2009	2008
(N) Other Income		
Profit on sale of Investments (Net)	0.07	0.01
Profit on sale of Fixed Assets (Net)	–	1.10
Technical Know-how/Fees	217.75	153.39
Export Incentives	55.94	52.00
Dividend	8.62	10.75
Interest (includes tax deducted at source Rs.2.51 crore; Previous year Rs.1.41 crore)	15.13	8.37
Rent (includes tax deducted at source Rs.0.21 crore; Previous year Rs.0.20 crore)	2.02	1.29
Insurance Claims	2.36	1.82
Exchange Gain (Net)	–	67.08
Miscellaneous Income	64.28	44.50
	366.17	340.31

SCHEDULES TO THE ACCOUNTS *contd.*

	Rupees in crore	
	2009	2008
(O) Material Cost		
Consumption of Raw & Packing Materials		
Opening Stock	632.92	532.40
Add: Purchases	2037.19	1725.66
	<u>2670.11</u>	<u>2258.06</u>
Less: Closing Stock	<u>797.20</u>	<u>632.92</u>
	1872.91	1625.14
Finished Goods Purchased	588.04	458.94
(Increase)/Decrease in Stock of Work-in-Process & Finished Goods		
Opening Stock		
– Work-in-Process	152.64	139.36
– Finished Goods	334.93	306.84
	<u>487.57</u>	<u>446.20</u>
Less: Closing Stock		
– Work-in-Process	156.43	152.64
– Finished Goods	444.69	334.93
	<u>601.12</u>	<u>487.57</u>
	(113.55)	(41.37)
	2347.40	2042.71

	Rupees in crore	
	2009	2008
(P) Employee Cost		
Salaries, Wages, Bonus, etc.	230.32	179.47
Provident & other Funds	13.67	11.17
Staff Gratuity	2.89	3.48
Staff Welfare	21.34	15.33
Leave Encashment	3.11	4.56
	<u>271.33</u>	<u>214.01</u>

SCHEDULES TO THE ACCOUNTS *contd.*

	Rupees in crore	
	2009	2008
Q Other Expenses		
Stores & Spares	52.16	48.52
Power & Fuel	91.71	74.69
Rent	7.65	3.98
Rates & Taxes	8.93	6.53
Insurance	3.85	11.63
Repairs & Maintenance		
Machinery	23.53	15.28
Buildings	37.30	33.76
Others	12.23	13.22
Printing & Stationery	16.55	13.55
Conveyance & Vehicle Expenses	8.52	8.86
Remuneration to Auditors (including service tax, where applicable)		
Audit Fees	0.30	0.27
Tax Audit Fees	0.02	0.02
Cost Audit Fees	0.04	0.03
Other Services	0.01	0.01
Professional Fees	79.81	64.95
Telephone, Postage & Telegram	18.34	16.73
Selling Expenses	108.57	91.15
Freight & Forwarding	47.19	31.66
Travelling Expenses	72.77	66.81
Donations	1.16	0.76
Commission on Sales	219.83	159.40
Bank & Other Financial Charges	19.29	6.17
Directors' Sitting Fees	0.10	0.09
Miscellaneous Expenses	49.96	37.06
Provision for Doubtful Debts	33.95	10.55
Bad Debts written off	1.62	1.21
Exchange Loss (Net)	228.37	-
Loss on sale/discard of Fixed Assets (Net)	3.62	-
	1147.38	716.89

SCHEDULES TO THE ACCOUNTS *contd.*

	Rupees in crore	
	2009	2008
(R) Research & Development Expenses		
Material Cost	29.55	26.43
Employee Cost	45.62	41.43
Laboratory Expenses	27.49	20.05
Power & Fuel	28.66	22.20
Repairs & Maintenance	19.65	19.27
Professional Fees	14.40	15.29
Research Clinical Trials & Research Grants	23.32	21.71
Depreciation	18.81	14.42
Printing & Stationery	1.96	2.29
Travelling Expenses	3.29	2.26
Other Research & Development Expenses	22.75	19.22
	235.50	204.57
<i>Note:</i> In addition to an amount of Rs.114.30 crore (Previous year Rs.97.28 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 Notes to the Accounts

1. Significant Accounting Policies

i. Basis of Accounting

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

ii. Fixed Assets

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

iii. Depreciation

- a. 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.
- b. 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.
- c. Cost of leasehold land including premium is written off over the period of lease.

iv. Inventories

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

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

Cost of inventories is computed on weighted average basis.

v. Foreign Exchange Transactions

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. Foreign currency monetary assets & liabilities and forward contracts are restated at year end exchange rates. Exchange differences 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 for the year.

vi. Retirement Benefits

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

SCHEDULES TO THE ACCOUNTS *contd.*

vii. Research and Development

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

viii. Expenditure on Regulatory Approvals

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

ix. Investments

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

x. Revenue Recognition

The Company recognises sales at the point of despatch of goods to the customers. Royalty, technical know-how/fees and licensing income are recognised as revenue, when earned, in accordance with the terms of the relevant agreements.

xi. Income Tax

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

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

xii. Impairment of Assets

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

xiii. 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.

xiv. 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. Initial direct costs are recognised immediately as an expense.

SCHEDULES TO THE ACCOUNTS *contd.*

xv. Provisions, Contingent Liabilities and Contingent Assets

The Company creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation at the Balance Sheet date. Such provisions are not discounted to their present value.

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 possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

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.316.83 crore (Previous year Rs.433.67 crore).

4. Contingent Liabilities

- i. Guarantees given by banks on behalf of the Company Rs.34.52 crore (Previous year Rs.52.64 crore).
- ii. Letters of credit Rs.37.80 crore (Previous year Rs.52.82 crore).
- iii. Technical know-how/fees Rs.44.05 crore (Previous year Rs.1.15 crore) pending completion of certain obligations.
- iv. Claims against the Company not acknowledged as debts:
 - a. Income Tax - Rs.Nil (Previous year Rs.73.57 crore).
 - b. Excise Duty/Service Tax Rs.44.90 crore (Previous year Rs.40.84 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.0.50 crore (Previous year Rs.Nil).
 - d. Others Rs.2.31 crore (Previous year Rs.2.02 crore).
5. The Government of India has served demand notices in March 1995 and May 1995 on the Company in respect of six bulk drugs, claiming that an amount of Rs.5.46 crore along with interest due thereon is payable into the DPEA under the Drugs (Prices Control) Order, 1979 on account of alleged unintended benefit enjoyed by the Company. The Company has filed its replies to the notices and has contended that no amount is payable into the DPEA under the Drugs (Prices Control) Order, 1979.
6. The Government of India (NPPA) has served show cause notices on the Company on account of overcharging in respect of Salbutamol, Theophylline, Ciprofloxacin, Cloxacillin, Norfloxacin, Cefadroxil, Trimethoprim and Sulphamethoxazole formulations under the Drugs (Prices Control) Order, 1995. The aggregate demand of the show cause notices received upto July 2003 amounted to Rs.360.75 crore.

In response to the writ petition filed by the Company against the aforesaid show cause notices, the Hon'ble High Court of Bombay had upheld the Company's contentions and held that the drugs Norfloxacin, Ciprofloxacin, Theophylline, Salbutamol and Cloxacillin cannot be included under price control and consequently had quashed

SCHEDULES TO THE ACCOUNTS *contd.*

the above show cause notices. The Government of India had filed an appeal in the Supreme Court of India. The Hon'ble Supreme Court of India by its order dated 1st August 2003 laid down the principles for interpretation of the Drug Policy and has remanded the matter to the Hon'ble High Court of Bombay where the petitions are now pending. The Hon'ble Supreme Court of India had also given liberty to the NPPA to recover 50 per cent of the allegedly overcharged amount. In addition, the Company's writ petition has also challenged the wrongful withholding by the government of the exemption to Salbutamol manufactured by the Company on the grounds of Research and Development. The said challenge is pending in the Hon'ble High Court of Bombay, which has granted interlocutory orders regarding the same.

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

The Company had not deposited the amount demanded, as in another petition challenging the Price Fixation notifications of formulations of Salbutamol, Norfloxacin, Ciprofloxacin and Theophylline, the Karnataka High Court had granted an interim stay against the government. Subsequently, in separate proceedings on the same basis as before the Karnataka High Court, the Allahabad High Court had ruled that the prices fixed by the government in respect of the said drugs were *ultra vires*, illegal and void. On an appeal filed by the government against this ruling, the Supreme Court stayed the judgment of the Allahabad High Court but directed that no prosecution should be launched or coercive action taken against the Company for recovery, till the appeal was finally decided. The Company has, subsequently, in April 2007 received demand notices for the entire 100 per cent of the aforesaid amount along with interest, aggregating Rs.748.27 crore - contrary to the orders of the Supreme Court. In addition, during the financial year 2007-08, the Company has received from the government further demand notices inclusive of interest for Rs.362.12 crore which according to them was allegedly overcharged by the Company for the period upto March 2007 in respect of the aforesaid drugs. Further, the Company has in March 2008 received a demand notice from the government for an amount of Rs.0.32 crore inclusive of interest, allegedly overcharged in respect of the drug Doxycycline. In July 2009, the Company has received demand notices for an amount of Rs.64.39 crore including interest in respect of the drug Salbutamol upto June 2009 and an amount of Rs.2.19 crore (including interest of Rs.0.74 crore upto June 2009) in respect of the drug Norfloxacin for the period October 2005 to March 2006. The Company has received legal advice that none of these demand notices of the government is tenable or sustainable.

7. The net difference in foreign exchange debited to the Profit and Loss Account is Rs.228.37 crore (Previous year credit Rs.67.08 crore).

8. Expenditure on Research & Development

	Rupees in crore	
	2009	2008
Capital Expenditure	16.00	29.44
Revenue Expenditure charged to Profit and Loss Account	235.50	204.57
	251.50	234.01

Of the above, capital expenditure of Rs.14.87 crore (Previous year Rs.26.50 crore) and revenue expenditure of Rs.114.30 crore (Previous year Rs.97.28 crore) are eligible for weighted deduction under section 35(2AB) of the Income Tax Act, 1961. The eligible revenue expenditure includes Employee Cost Rs.25.24 crore (Previous year Rs.18.57 crore), Raw Materials & Consumables Rs.29.96 crore (Previous year Rs.23.44 crore), Clinical Trials & Research Grants Rs.22.86 crore (Previous year Rs.21.71 crore) and other expenditure Rs.36.24 crore (Previous year Rs.33.56 crore).

SCHEDULES TO THE ACCOUNTS *contd.*

9. Capacities and Actual Production

Class of Goods	Unit	Installed Capacity		Actual Production	
		2009	2008	2009	2008
Bulk Drugs (including Malts)	Tonne	1866.1	1783.0	960.1	1031.7
Tablets & Capsules	Million	16662.4	12840.7	16119.2	13986.5
Liquids	Kilolitre	1346.4	1334.4	8432.0	7998.9
Creams	Tonne	861.3	714.6	851.9	624.8
Aerosols/Inhalation Devices	Thousand	96030.0	70860.0	61195.8	54327.4
Injections/Sterile Solutions	Kilolitre	1168.0	958.0	2222.5	2473.5
Others		–	–	480.3	268.8

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

10. Purchases of each class of Finished Goods

Class of Goods	Unit	Rupees in crore			
		2009		2008	
		Qty.	Value	Qty.	Value
Bulk Drugs (including Malts)	Tonne	1092.5	94.58	1797.9	90.27
Tablets & Capsules	Million	2101.0	216.74	2178.2	201.63
Liquids	Kilolitre	5513.8	68.14	3232.2	50.04
Creams	Tonne	357.7	11.00	336.1	11.59
Aerosols/Inhalation Devices	Thousand	9992.4	39.20	6418.4	22.26
Injections/Sterile Solutions	Kilolitre	380.8	47.12	1237.7	31.43
Others		–	111.26	–	51.72
			588.04		458.94

11. Sales of each class of Finished Goods

Class of Goods	Unit	Rupees in crore			
		2009		2008	
		Qty.	Value	Qty.	Value
Bulk Drugs (including Malts)	Tonne	1869.0	597.21	2300.4	582.87
Tablets & Capsules	Million	17938.4	2879.78	15842.2	2310.75
Liquids	Kilolitre	13808.6	300.54	10454.8	210.15
Creams	Tonne	1226.4	89.55	1032.1	66.57
Aerosols/Inhalation Devices	Thousand	68073.4	503.83	59865.9	443.78
Injections/Sterile Solutions	Kilolitre	2616.0	436.76	3744.3	356.94
Others		–	213.97	–	117.50
			5021.64		4088.56

SCHEDULES TO THE ACCOUNTS *contd.*

12. Closing Stock of each class of Finished Goods

		Rupees in crore			
Class of Goods	Unit	2009		2008	
		Qty.	Value	Qty.	Value
Bulk Drugs (including Malts)	Tonne	262.9	127.12	274.9	81.72
Tablets & Capsules	Million	2336.3	198.42	2124.6	154.61
Liquids	Kilolitre	1887.5	26.61	1901.5	28.15
Creams	Tonne	191.9	7.67	204.2	6.81
Aerosols/Inhalation Devices	Thousand	6685.7	34.05	4153.1	21.69
Injections/Sterile Solutions	Kilolitre	425.7	43.65	537.6	38.86
Others		–	7.17	–	3.09
			444.69		334.93

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.

13. Consumption of Raw and Packing Materials

		Rupees in crore			
Class of Goods		2009		2008	
		Value	%	Value	%
Purchased indigenously		1137.43	57	1100.81	64
Imported by the Company		845.45	43	631.02	36
		1982.88	100	1731.83	100
<i>Less:</i> Recoverable duties (included in the above cost)		109.97		106.69	
Total consumption (Net of Cenvat)		1872.91		1625.14	

Note: Figures as certified by the management.

14. Break-up of Materials Consumed

		Rupees in crore			
Class of Goods	Unit	2009		2008	
		Qty.	Value	Qty.	Value
Purchased Bulk Drugs	Tonne	3447.7	776.56	3001.5	639.61
Solvents	Tonne	16960.1	73.41	15788.5	68.19
Capsules	Million	2752.5	27.84	2681.5	25.14
Packing Materials			461.25		383.94
Others (None of which individually accounts for more than 10 per cent of the total consumption)			643.82		614.95
			1982.88		1731.83
<i>Less:</i> Recoverable duties (included in the above cost)			109.97		106.69
Total consumption (Net of Cenvat)			1872.91		1625.14

Note: Figures as certified by the management.

SCHEDULES TO THE ACCOUNTS *contd.*

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

	Rupees in crore	
	2009	2008
Raw Materials/Packing Materials	963.79	724.27
Components & Spare Parts	19.43	19.35
Capital Goods	256.80	202.93

16. Expenditure in Foreign Currency

	Rupees in crore	
	2009	2008
Legal and Professional Charges	16.27	15.42
Other matters – Commission, Travelling, etc.	156.93	108.42

17. Earnings in Foreign Exchange

	Rupees in crore	
	2009	2008
F.O.B. Value of Exports	2742.69	2101.74
Technical Know-how/Fees	217.45	153.39
Others	0.02	0.08

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

Nature of Instrument	Currency	Cross Currency	2009 Amount (equivalent Rupees in crore)	2008 Amount (equivalent Rupees in crore)
Forward contracts - Sold	USD	INR	624.05	1737.48
Forward contracts - Bought	USD	EUR	–	5.93
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	–
Foreign currency derivative options - Sold	USD	INR	–	15.05
Open foreign exchange exposures:				
- Receivables			1071.29	107.77
- Payables			344.22	263.20
- Loans			–	510.81

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

SCHEDULES TO THE ACCOUNTS *contd.*

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	
	2009	2008
i. Salary and Allowances	1.78	0.91
ii. Commission	26.50	26.50
iii. Company's contribution to Provident Fund	0.08	0.07
iv. Approximate monetary value of other perquisites or benefits	0.11	0.06
	28.47	27.54

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

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

	Rupees in crore	
		2009
Profit before Tax as per Profit & Loss Account		901.31
<i>Add:</i> Managerial Remuneration	28.47	
Directors' Sitting Fees	0.10	
Provision for Doubtful Debts	33.95	62.52
		963.83
<i>Less:</i> Profit on sale of Investments		0.07
Net Profit under section 349 of the Companies Act, 1956		963.76
Commission to Executive Directors (as determined by the Board of Directors)		26.50

21. Related Party Disclosures

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

- i. The related parties are as under:
 - a. Key management personnel, namely – Dr. Y.K. Hamied, Mr. M.K. Hamied & Mr. Amar Lulla.
 - b. Subsidiary Company – Cipla FZE, U.A.E.
 - c. Five charitable trusts namely – Cipla Public Charitable Trust, Hamied Foundation, Dr. Y.K. Hamied Foundation, Yusuf & Farida Foundation and Cipla Cancer and AIDS Foundation.
 - d. Golden Temple Pharma Private Limited.
- ii. Donation given to Cipla Public Charitable Trust Rs.0.43 crore (Previous year Rs.0.05 crore) and Cipla Cancer and AIDS Foundation Rs.0.04 crore (Previous year Rs.0.64 crore).
- iii. Refer Note 19 for details of managerial remuneration.

SCHEDULES TO THE ACCOUNTS *contd.*

- iv. During the year, Rs.38.00 crore was placed by Dr. Y.K. Hamied as deposit with the Company. Interest accrued on the said deposit till 31st March 2009 is Rs.1.58 crore. The amount outstanding as on 31st March 2009 is Rs.39.04 crore (Net of TDS).
- v. During the year, the Company has given loans of Rs.Nil (Previous year Rs.12.83 crore) to its subsidiary, Cipla FZE, U.A.E. and has provided interest of Rs.0.73 crore (Previous year Rs.0.70 crore) for the same. The amount outstanding as on 31st March 2009 is Rs.17.76 crore (Previous year Rs.13.53 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	
	2009	2008	2009	2008	2009	2008
Gross revenue by geographical market	2347.91	2153.51	3016.08	2255.13	5363.99	4408.64
Less: Excise duty	61.04	90.66	-	-	61.04	90.66
Net revenue by geographical market	2286.87	2062.85	3016.08	2255.13	5302.95	4317.98
Carrying amount of segment assets	4618.62	3920.90	1741.48	1180.06	6360.10	5100.96
Capital expenditure	714.09	617.39	0.99	0.86	715.08	618.25

- 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

	2009	2008
• Sales (Net of Excise duty)	4960.60	3997.90
• Other income excluding interest, dividend and profit on sale of investments & fixed assets	342.35	320.08
	5302.95	4317.98

- 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
	2009
i. The principal amount and the interest due thereon remaining unpaid to Suppliers	
a. Principal	0.79
b. Interest due thereon	-
ii. a. The delayed payments of principal amount 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 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 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.

SCHEDULES TO THE ACCOUNTS *contd.*

- 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	
	2009	2008
Employees' Pension Scheme	5.93	5.62
Provident Fund	7.43	5.49
	13.36	11.11

c. Disclosures for defined benefit plans based on actuarial reports

	Rupees in crore	
	2009 Gratuity (Funded Plan)	2008 Gratuity (Funded Plan)
i. Change in defined benefit obligation		
Opening defined benefit obligation	17.89	14.56
Interest cost	1.59	1.24
Current service cost	2.61	1.71
Actuarial (gain)/loss on obligations	(0.24)	1.81
Benefit paid	(1.27)	(1.43)
Liability at the end of the year	20.58	17.89
ii. Change in fair value of assets		
Opening fair value of plan assets	14.21	11.55
Expected return on plan assets	1.24	1.09
Actuarial gain/(loss)	(0.17)	0.19
Contributions by employer	1.90	2.81
Benefits paid	(1.27)	(1.43)
Closing fair value of plan assets	15.91	14.21
iii. Amount recognised in Balance Sheet		
Present value of obligations as at year end	20.58	17.89
Fair value of plan assets as at year end	(15.91)	(14.21)
Net (asset)/liability recognised	4.67	3.68
iv. Expenses recognised in Profit and Loss Account		
Current service cost	2.61	1.71
Interest on defined benefit obligation	1.59	1.24
Expected return on plan assets	(1.24)	(1.09)
Net actuarial (gain)/loss recognised in the current year	(0.07)	1.62
Total expense recognised in Profit and Loss Account	2.89	3.48

SCHEDULES TO THE ACCOUNTS *contd.*

	Rupees in crore	
	2009 Gratuity (Funded Plan)	2008 Gratuity (Funded Plan)
v. Actual return on plan assets		
Expected return on plan assets	1.24	1.09
Actuarial gain/(loss) on plan assets	(0.17)	0.19
Actual return on plan assets	<u>1.07</u>	<u>1.28</u>
vi. Asset information		
Insurer managed funds	100%	100%
vii. Principal actuarial assumptions used		
Discounted rate (per annum)	7.75%	8.00%
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	20.58	17.89
Plan assets	(15.91)	(14.21)
Deficit	<u>4.67</u>	<u>3.68</u>
Experience adjustment on plan liabilities - (gain)/loss	(2.46)	-
Experience adjustment on plan assets - gain/(loss)	(0.17)	-
ix. Expected employer's contribution for the next year	<u>3.46</u>	4.01

25. Basic and Diluted Earning per Share has been calculated by dividing net profit after tax for the year by 77,72,91,357 equity shares of nominal value of Rs.2 each, being the weighted average number of equity shares outstanding during the year.

As per our report of even date

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

M.R. Amin
Partner
Membership No.114010
Mumbai, 15th July 2009

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

R. Rangarajan
Partner
Membership No. 41883

Y.K. Hamied
Chairman & Managing Director

M.K. Hamied
Amar Lulla
Joint Managing Directors

V.C. Kotwal
H.R. Manchanda
S.A.A. Pinto
Ramesh Shroff
Pankaj Patel
Directors

Mital Sanghvi
Company Secretary

Mumbai, 15th July 2009

CASH FLOW STATEMENT

		Rupees in crore	
For the year ended 31 st March 2009		2009	2008
(A) Cash Flow from Operating Activities			
Net profit before tax		901.31	838.36
Adjustments for:			
Depreciation	170.60		130.68
Interest expense	32.94		11.34
Interest expense allocated to Research & Development expenses	1.02		0.35
Unrealised foreign exchange (gains)/losses (Net)	28.92		(28.75)
Provision for doubtful debts and advances	33.95		10.55
Interest income	(15.13)		(8.37)
Dividend income	(8.62)		(10.75)
Profit on sale of investments (Net)	(0.07)		(0.01)
(Profit)/loss on sale/discard of fixed assets (Net)	3.62		(1.10)
Lease rental income	(0.96)		(0.39)
		246.27	103.55
Operating profit before working capital changes		1147.58	941.91
Adjustments for:			
Increase in trade payables and other liabilities	10.99		311.12
Increase in inventories	(277.83)		(141.89)
Increase in trade and other receivables	(442.72)		(559.96)
		(709.56)	(390.73)
Cash generated from operations		438.02	551.18
Direct taxes paid (Net)		(64.75)	(170.98)
Net cash from operating activities	(A)	373.27	380.20
(B) Cash Flow from Investing Activities			
Purchase of fixed assets/Capital work-in-progress		(703.19)	(565.84)
Sale of fixed assets		3.39	3.05
Purchase of other investments		(3041.25)	(1776.51)
Sale of investments		3054.74	1799.57
Interest income		15.13	8.37
Dividend income		8.62	10.75
Lease rental income		0.96	0.39
Loan to subsidiary		-	(13.53)
Short term deposits (given)/repaid (Net)		83.13	(153.50)
Net cash used in investing activities	(B)	(578.47)	(687.25)

CASH FLOW STATEMENT *contd.*

		Rupees in crore	
		2009	2008
(C) Cash Flow from Financing Activities			
Proceeds from long term & other borrowings		927.23	566.80
Repayment of long term & other borrowings		(532.47)	(118.39)
Interest expense		(33.96)	(11.69)
Dividend paid		(155.46)	(155.46)
Tax on dividend		(26.42)	(26.42)
Net cash from financing activities	(C)	178.92	254.84
Net decrease in cash and cash equivalents	(A)+(B)+(C)	(26.28)	(52.21)
Cash and Cash Equivalents as at the beginning of the year		79.28	131.49
Cash and Cash Equivalents as at the end of the year		53.00	79.28

- 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.9.21 crore (Previous year Rs.8.25 crore) on account of unclaimed dividend, which are not available for use by the Company.

As per our report of even date

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

M.R. Amin
Partner
Membership No.114010
Mumbai, 15th July 2009

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

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Partner
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Amar Lulla
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V.C. Kotwal
H.R. Manchanda
S.A.A. Pinto
Ramesh Shroff
Pankaj Patel
Directors

Mital Sanghvi
Company Secretary

Mumbai, 15th July 2009

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 2009
No. of Equity Shares held by Cipla Limited in the subsidiary as at 31 st March 2009	1 Equity Share of AED 10,00,000 fully paid
Extent of interest of Cipla Limited in the capital of the subsidiary company	100%
Net aggregate amount of profit/(loss) of the subsidiary so far as it concerns to the members of Cipla Limited as it is not dealt with the Company's accounts for the year ended 31 st March 2009 of the subsidiary	(AED 1,894,656) (Rs. 2.61 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 2009 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 2009

Rupees in crore

PARTICULARS

Capital	1.38
Reserves	(2.92)
Total Assets	16.10
Total Liabilities	17.64
Investments	Nil
Total Income	Rs. 4,245
Profit/(loss) before Tax	(2.61)
Profit/(loss) after Tax	(2.61)
Proposed Dividend	Nil

Note: Exchange rate considered as on 31st March 2009: 1AED = Rs.13.764

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Amar Lulla
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Pankaj Patel
Directors

Mital Sanghvi
Company Secretary
Mumbai, 15th July 2009

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.

State Code

Balance Sheet Date
Date Month Year

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

Public Issue

Rights Issue

Bonus Issue

Private Placements

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

Total Liabilities

Total Assets

Sources of Funds

Paid-up Capital

Reserves and Surplus

Secured Loans

Unsecured Loans

Deferred Tax Liabilities

Application of Funds

Net Fixed Assets

Investments

Net Current Assets

Misc. Expenditure

Accumulated Losses

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

Gross Turnover

Total Expenditure

+ - Profit/(Loss) Before Tax

+ - Profit/(Loss) After Tax

Earning Per Share (in Rs.)

Dividend Rate (%)

V. Generic Names of Three Principal Products/Services of 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 2009, 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.16.10 crore as at 31st March 2009 and the total revenues of Rs.Nil and the related cash outflow 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 reports 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", issued by the Institute of Chartered Accountants of India and 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 2009;
 - 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 R.S. Bharucha & Co.,
Chartered Accountants

M.R. Amin
Partner
Membership No. 114010
Mumbai, 15th July 2009

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

R. Rangarajan
Partner
Membership No. 41883
Mumbai, 15th July 2009

CONSOLIDATED BALANCE SHEET

Rupees in crore

As at 31 st March 2009	Schedule	2009	2008
Sources of Funds			
Shareholders' Funds			
Share Capital	A	155.46	155.46
Reserves & Surplus	B	<u>4192.34</u>	<u>3599.71</u>
		4347.80	3755.17
Loan Funds			
Secured Loans	C	2.79	14.09
Unsecured Loans	D	<u>937.45</u>	<u>526.36</u>
		940.24	540.45
Deferred Tax Liabilities			
	M	<u>164.15</u>	<u>149.15</u>
		5452.19	4444.77
Application of Funds			
Fixed Assets			
Gross Block	E	2693.29	2201.79
Less: Depreciation		<u>700.80</u>	<u>540.43</u>
Net Block		<u>1992.49</u>	<u>1661.36</u>
Capital Work-in-Progress		<u>366.32</u>	<u>233.12</u>
		2358.81	1894.48
Investments			
	F	80.05	93.48
Current Assets, Loans & Advances			
Inventories	G	1398.32	1120.49
Sundry Debtors	H	1852.86	1406.49
Cash & Bank Balances	I	53.39	79.70
Other Current Assets	J	23.45	34.49
Loans & Advances	K	<u>1089.89</u>	<u>1103.44</u>
		4417.91	3744.61
Less: Current Liabilities & Provisions			
Liabilities	L	1012.87	870.99
Provisions		<u>391.71</u>	<u>416.81</u>
		1404.58	1287.80
Net Current Assets			
		3013.33	2456.81
		5452.19	4444.77
Notes to the Accounts			
	S		

As per our report of even date

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

M.R. Amin
Partner
Membership No.114010

Mumbai, 15th July 2009

For R.G.N. Price & Co.,
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Pankaj Patel
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Mital Sanghvi
Company Secretary

Mumbai, 15th July 2009

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Rupees in crore

For the year ended 31 st March 2009	Schedule	2009	2008
Income			
Gross Sales		5021.64	4101.04
Less : Excise Duty		<u>61.04</u>	<u>90.66</u>
Net Sales		4960.60	4010.38
Other Income	N	365.44	<u>339.28</u>
		5326.04	4349.66
Expenditure			
Material Cost	O	2347.40	2054.39
Employee Cost	P	271.38	214.01
Manufacturing Expenses		239.12	194.07
Other Expenses	Q	1151.07	717.05
Research & Development Expenses	R	235.50	204.57
Interest - Fixed period		32.53	10.70
- Others		0.41	0.64
Depreciation		151.79	<u>116.26</u>
		4429.20	3511.69
Profit before Prior Period Item & Tax		896.84	837.97
Prior Period Item		1.32	-
Provision for Tax - Current Tax		101.00	94.00
- Deferred Tax		15.00	36.50
- Fringe Benefit Tax		8.50	<u>6.43</u>
Profit after Tax		771.02	701.04
Surplus brought forward from last Balance Sheet		509.25	<u>390.09</u>
Profit available for Appropriation		1280.27	1091.13
Appropriations			
Proposed Dividend		155.46	155.46
Tax on Dividend		26.42	26.42
Transferred to General Reserve		150.00	400.00
Surplus carried forward		948.39	<u>509.25</u>
		1280.27	1091.13
Basic and Diluted Earning per Share (Rs.)		9.92	9.02
(Schedule S–Note 14)			
Notes to the Accounts	S		

As per our report of even date

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

M.R. Amin
Partner
Membership No.114010

Mumbai, 15th July 2009

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

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Pankaj Patel
Directors

Mital Sanghvi
Company Secretary

Mumbai, 15th July 2009

SCHEDULES TO THE CONSOLIDATED ACCOUNTS

	Rupees in crore	
	2009	2008
(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
	<u>175.00</u>	<u>175.00</u>
Issued		
77,82,94,752 Equity Shares of Rs.2 each (Previous year 77,82,94,752 Equity Shares of Rs.2 each)	155.66	155.66
	<u>155.66</u>	<u>155.66</u>
Subscribed & Paid-up		
77,72,91,357 Equity Shares of Rs.2 each (Previous year 77,72,91,357 Equity Shares of Rs.2 each)	155.46	155.46
	<u>155.46</u>	<u>155.46</u>
<i>Notes:</i> Of the above Equity Shares:		
i. 75,83,20,444 shares of Rs.2 each (Previous year 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.		

	Rupees in crore	
	2009	2008
(B) Reserves & Surplus		
Capital Reserve	0.08	0.08
Revaluation Reserve	8.97	8.97
Securities Premium Account	764.98	764.98
General Reserve		
As per last Balance Sheet	2316.43	1916.43
Add: Transferred from Profit and Loss Account	<u>150.00</u>	<u>400.00</u>
	2466.43	2316.43
Surplus in Profit & Loss Account	948.39	509.25
Foreign Currency Translation Reserve	3.49	-
	<u>4192.34</u>	<u>3599.71</u>

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

	Rupees in crore	
	2009	2008
(C) Secured Loans		
Amounts drawn against Cash and Export Credit Accounts with Banks (Secured by hypothecation of tangible movable assets and receivables)	2.79	14.09
	<u>2.79</u>	<u>14.09</u>

	Rupees in crore	
	2009	2008
(D) Unsecured Loans		
Fixed Deposits - Directors*	39.00	-
- Others*	29.29	-
Short term loans from Banks	863.97	521.01
Maharashtra Govt. Sales Tax Deferral	5.19	5.35
	<u>937.45</u>	<u>526.36</u>
<i>Notes:</i>		
i. A sum of Rs.932.61crore (Previous year Rs.521.16 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

ASSETS	GROSS BLOCK AT COST/REVALUATION			DEPRECIATION		NET BLOCK	
	As at 31.03.08	Additions	Deletions	As at 31.03.09	As at 31.03.09	As at 31.03.09	As at 31.03.08
Freehold Land	26.75	2.78	–	29.53	–	29.53	26.75
Leasehold Land	47.75	16.38	–	64.13	4.09	60.04	44.87
Buildings & Flats	450.27	93.78	1.43	542.62	82.37	460.25	383.29
Plant & Machinery	1600.43	385.71	15.63	1970.51	589.95	1380.56	1148.98
Furniture & Fixtures	69.58	9.14	0.02	78.70	21.65	57.05	52.76
Vehicles	7.01	1.34	0.55	7.80	2.74	5.06	4.71
Total	2201.79	509.13	17.63	2693.29	700.80	1992.49	1661.36
Previous Year	1799.71	406.20	4.12	2201.79	540.43		
Capital Work-in-Progress (At Cost)						366.32	233.12
Total						2358.81	1894.48

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 for Kurkumbh Rs.0.25 crore and for Sikkim Rs.61.24 crore (Previous year for Baddi Rs.0.30 crore).
- The above additions to fixed assets during the year includes Rs.16.00 crore (Previous year Rs.29.44 crore) used for Research and Development.

Rupees in crore

	2009	2008
F Investments		
Long Term Investments		
Government Securities		
<i>Unquoted</i>		
<i>National Savings Certificates</i>	0.03	0.03
Other Investments		
Trade		
<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

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

	Rupees in crore	
	2009	2008
F Investments – contd.		
Other than Trade		
<i>Bonds</i>		
<i>National Bank for Agriculture and Rural Development</i>		
Nil (Previous year 2,000) Capital Gains Bonds of Face Value Rs.10,000 each, fully paid (2,000 bonds redeemed during the year)	–	2.00
<i>National Housing Bank</i>		
Nil (Previous year 1,000) Capital Gains Bonds of Face Value Rs.10,000 each, fully paid (1,000 bonds redeemed during the year)	–	1.00
<i>Rural Electrification Corporation Limited</i>		
1,000 (Previous year 1,000) Non-convertible Redeemable Taxable Bonds - Series V of Face Value Rs.10,000 each, fully paid	1.00	1.00
Current Investments		
Mutual Funds		
<i>Birla Sun Life Mutual Fund “Birla Cash Plus” - Institutional Premium Daily Dividend Scheme</i>		
Nil (Previous year 2,54,34,491) units (31,99,96,448 units purchased and 34,54,30,939 units redeemed during the year)	–	25.48
<i>Baroda Pioneer Mutual Fund “Baroda Pioneer Liquid Fund” - Institutional Daily Dividend Plan</i>		
Nil (Previous year Nil) units (20,00,458 units purchased and redeemed during the year)	–	–
<i>Bharti AXA Mutual Fund “Bharti AXA Liquid Fund” - Institutional Plan Daily Dividend</i>		
Nil (Previous year Nil) units (3,00,538 units purchased and redeemed during the year)	–	–
<i>Bharti AXA Mutual Fund “Bharti AXA Liquid Fund” - Super Institutional Plan Daily Dividend</i>		
Nil (Previous year Nil) units (13,18,575 units purchased and redeemed during the year)	–	–
<i>DBS Chola Mutual Fund “Chola Liquid” - Institutional Daily Dividend Plan</i>		
Nil (Previous year Nil) units (6,60,07,182 units purchased and redeemed during the year)	–	–
<i>Deutsche Asset Management “DWS Insta Cash Plus Fund” - Institutional Plan Daily Dividend Scheme</i>		
Nil (Previous year Nil) units (15,51,91,177 units purchased and redeemed during the year)	–	–
<i>Deutsche Asset Management “DWS Insta Cash Plus Fund” - Super Institutional Plan Daily Dividend Scheme</i>		
Nil (Previous year Nil) units (16,82,25,412 units purchased and redeemed during the year)	–	–

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

	Rupees in crore	
	2009	2008
F Investments – contd.		
<i>Deutsche Asset Management “DWS Insta Cash Plus Fund” - Super Institutional Plan Growth</i> 1,62,06,975 (Previous year Nil) units (1,62,06,975 units purchased during the year)	18.50	–
<i>DSP Blackrock Mutual Fund “DSP Blackrock Liquidity Fund” - Institutional Plan Daily Dividend</i> Nil (Previous year Nil) units (9,53,551 units purchased and redeemed during the year)	–	–
<i>Franklin Templeton Mutual Fund “Templeton India Treasury Management Account” - Super Institutional Plan Daily Dividend</i> Nil (Previous year 2,61,116) units (18,32,215 units purchased and 20,93,331 units redeemed during the year)	–	26.12
<i>HDFC Mutual Fund “HDFC Cash Management” - Savings Plan Daily Dividend</i> Nil (Previous year Nil) units (6,19,69,347 units purchased and redeemed during the year)	–	–
<i>ING Vysya Mutual Fund “ING Vysya Liquid Fund” - Super Institutional Daily Dividend Scheme</i> Nil (Previous year 55,74,405) units (16,65,17,410 units purchased and 17,20,91,815 units redeemed during the year)	–	5.58
<i>JM Financial Mutual Fund “JM High Liquidity Fund” - Super Institutional Daily Dividend Scheme</i> Nil (Previous year 1,22,46,761) units (17,93,03,006 units purchased and 19,15,49,767 units redeemed during the year)	–	12.27
<i>JM Financial Mutual Fund “JM High Liquidity Fund” - Super Institutional Plan Growth</i> 1,50,63,228 (Previous year Nil) units (1,50,63,228 units purchased during the year)	20.78	–
<i>JP Morgan Mutual Fund “JP Morgan India Liquid Fund” - Super Institutional Daily Dividend Plan</i> Nil (Previous year Nil) units (9,08,38,604 units purchased and redeemed during the year)	–	–
<i>Kotak Mahindra Mutual Fund “Kotak Liquid” - Institutional Premium Daily Dividend Scheme</i> Nil (Previous year Nil) units (10,11,28,731 units purchased and redeemed during the year)	–	–
<i>Lotus India Mutual Fund “Liquid Fund” - Institutional Plus Daily Dividend Scheme</i> Nil (Previous year Nil) units (4,36,26,108 units purchased and redeemed during the year)	–	–
<i>Principal Mutual Fund “Principal Cash Management Fund” - Institutional Premium Plan Growth</i> 27,67,580 (Previous year Nil) units (27,67,580 units purchased during the year)	3.80	–

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

	Rupees in crore	
	2009	2008
F Investments – contd.		
<i>Principal Mutual Fund “Principal Cash Management Fund” - Institutional Premium Plan Daily Dividend Scheme</i>		
Nil (Previous year Nil) units (18,45,40,498 units purchased and redeemed during the year)	-	-
<i>Prudential ICICI Mutual Fund “Prudential ICICI Liquid Plan” - Super Institutional Daily Dividend Scheme</i>		
Nil (Previous year Nil) units (17,60,17,374 units purchased and redeemed during the year)	-	-
<i>Reliance Mutual Fund “Reliance Liquidity Fund” - Daily Dividend Reinvestment</i>		
Nil (Previous year Nil) units (9,20,58,588 units purchased and redeemed during the year)	-	-
<i>SBI Mutual Fund “Magnum Insta Cash Fund” - Daily Dividend Option</i>		
Nil (Previous year Nil) units (4,05,19,862 units purchased and redeemed during the year)	-	-
<i>Sundaram BNP Paribas Mutual Fund “Sundaram Money Fund” - Super Institutional Daily Dividend Scheme</i>		
Nil (Previous year Nil) units (24,58,75,754 units purchased and redeemed during the year)	-	-
<i>Sundaram BNP Paribas Mutual Fund “Sundaram Money Fund” - Super Institutional Growth</i>		
73,61,863 (Previous year Nil) units (73,61,863 units purchased during the year)	13.69	-
<i>Tata Mutual Fund “Liquid Super High Investment Fund” - Daily Dividend Scheme</i>		
Nil (Previous year Nil) units (21,18,186 units purchased and redeemed during the year)	-	-
<i>Tata Mutual Fund “Liquid Super High Investment Fund” - Appreciation</i>		
51,648 (Previous year Nil) units (51,648 units purchased during the year)	8.40	-
<i>UTI Mutual Fund “UTI Money Market Fund” - Daily Dividend Option Reinvestment</i>		
Nil (Previous year Nil) units (2,98,86,047 units purchased and redeemed during the year)	-	-
<i>UTI Mutual Fund “UTI Liquid Cash Plan” - Institutional Daily Income Scheme</i>		
Nil (Previous year 1,96,223) units (7,77,144 units purchased and 9,73,367 units redeemed during the year)	-	20.00
<i>UTI Mutual Fund “UTI Liquid Cash Plan” - Institutional Growth Option</i>		
95,802 (Previous year Nil) units (95,802 units purchased during the year)	13.85	-
	80.05	93.48
Aggregate of Unquoted Investments at Book Value Rs.80.05 crore; (Previous year Rs.93.48 crore)		

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

	Rupees in crore	
	2009	2008
(G) Inventories		
[As valued by the Management & certified by Cost Auditors. Schedule S-Note 1(v)]		
Raw Materials	797.20	632.92
Work-in-Process	156.43	152.64
Finished Goods	444.69	334.93
	<u>1398.32</u>	<u>1120.49</u>

	Rupees in crore	
	2009	2008
(H) Sundry Debtors		
Unsecured		
Over Six Months		
- Considered Good	480.16	282.42
- Considered Doubtful	45.06	10.86
	<u>525.22</u>	<u>293.28</u>
Less: Provision for Doubtful Debts	45.06	10.86
	<u>480.16</u>	<u>282.42</u>
Others		
- Considered Good	1372.70	1124.07
	<u>1852.86</u>	<u>1406.49</u>

	Rupees in crore	
	2009	2008
(I) Cash & Bank Balances		
Cash in hand	0.79	0.74
Balances with Scheduled Banks in Current Accounts	50.30	70.36
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.19.69 crore; Previous year Rs.13.66 crore)	2.11	8.44
- Bank Melli Iran, Dubai, U.A.E. (maximum amount outstanding at any time during the year - Rs.0.03 crore; Previous year Rs.Nil)	0.03	-
Fixed Deposits with Banks	0.16	0.16
	<u>53.39</u>	<u>79.70</u>

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

	Rupees in crore	
	2009	2008
J Other Current Assets		
Unsecured (Considered good, unless otherwise stated)		
Interest accrued on Inter-corporate Loans, Government Securities & Deposits :		
- Considered Good	4.18	0.81
- Considered Doubtful	0.46	0.46
	<u>4.64</u>	<u>1.27</u>
Less: Provision for Doubtful Interest	<u>0.46</u>	<u>0.46</u>
	4.18	0.81
Export Incentives Receivable	19.25	33.67
Rent and Lease Rentals Receivable	0.02	0.01
	<u>23.45</u>	<u>34.49</u>

	Rupees in crore	
	2009	2008
K Loans & Advances		
Unsecured (Considered good, unless otherwise stated)		
Advances recoverable in cash or in kind: or for value to be received:		
- Considered Good	415.73	375.40
- Considered Doubtful	0.07	0.34
	<u>415.80</u>	<u>375.74</u>
Less: Provision for Doubtful Advances	<u>0.07</u>	<u>0.34</u>
	415.73	375.40
Excise Advance receivable	46.14	41.43
Balance with Central Excise Department	227.50	149.92
Dues from Staff	8.43	6.52
Sundry Deposits	11.01	9.94
Advance Tax & TDS	283.08	348.59
Sales Tax Receivable	26.31	16.09
Inter-corporate Loans:		
- Considered Good	71.69	155.55
- Considered Doubtful	1.13	1.13
	<u>72.82</u>	<u>156.68</u>
Less: Provision for Doubtful Loans	<u>1.13</u>	<u>1.13</u>
	71.69	155.55
	<u>1089.89</u>	<u>1103.44</u>

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

Rupees in crore

	2009	2008
L Current Liabilities & Provisions		
Liabilities		
Sundry Creditors:		
- Micro and Small Enterprises [#]	0.79	-
- Others	455.85	533.51
Trade Deposits from Customers	21.30	20.63
Unclaimed Dividend*	9.20	8.25
Advances Received	142.88	74.43
Unclaimed Preference Share Capital	0.01	0.01
Interest Accrued but not due	3.55	1.27
Other Liabilities	379.29	232.89
	1012.87	870.99
Provisions		
Employee Cost	14.83	19.18
Provision for Taxation	195.00	215.75
Provision for Dividend	155.46	155.46
Tax on Dividend	26.42	26.42
	391.71	416.81
	1404.58	1287.80
<i>Notes:</i> i. * There are no amounts due and outstanding to be credited to Investor Education & Protection Fund.		
ii. [#] Refer Schedule S–Note 12		

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

	Rupees in crore	
	2009	2008
(M) Deferred Tax Liabilities		
Deferred Tax Liabilities arising on account of:		
Depreciation	157.61	137.70
Export Incentives	6.54	11.45
	<u>164.15</u>	<u>149.15</u>

	Rupees in crore	
	2009	2008
(N) Other Income		
Profit on sale of Investments (Net)	0.07	0.01
Profit on sale of Fixed Assets (Net)	-	1.10
Technical Know-how/Fees	217.75	153.39
Export Incentives	55.94	52.00
Dividend	8.62	10.75
Interest (includes tax deducted at source Rs.2.51 crore; Previous year Rs.1.41 crore)	14.40	7.68
Rent (includes tax deducted at source Rs.0.21 crore; Previous year Rs.0.20 crore)	2.02	1.29
Insurance Claims	2.36	1.82
Exchange Gain (Net)	-	66.74
Miscellaneous Income	64.28	44.50
	<u>365.44</u>	<u>339.28</u>

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

	Rupees in crore	
	2009	2008
O Material Cost		
Consumption of Raw & Packing Materials		
Opening Stock	632.92	532.40
Add: Purchases	<u>2037.19</u>	<u>1725.66</u>
	2670.11	2258.06
Less: Closing Stock	<u>797.20</u>	<u>632.92</u>
	1872.91	1625.14
Finished Goods Purchased	588.04	470.62
(Increase)/Decrease in Stock of Work-in-Process & Finished Goods		
Opening Stock		
- Work-in-Process	152.64	139.36
- Finished Goods	<u>334.93</u>	<u>306.84</u>
	487.57	446.20
Less: Closing Stock		
- Work-in-Process	156.43	152.64
- Finished Goods	<u>444.69</u>	<u>334.93</u>
	<u>601.12</u>	<u>487.57</u>
	(113.55)	(41.37)
	<u>2347.40</u>	<u>2054.39</u>

	Rupees in crore	
	2009	2008
P Employee Cost		
Salaries, Wages, Bonus, etc.	230.37	179.47
Provident & other Funds	13.67	11.17
Staff Gratuity	2.89	3.48
Staff Welfare	21.34	15.33
Leave Encashment	3.11	4.56
	<u>271.38</u>	<u>214.01</u>

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

	Rupees in crore	
	2009	2008
Q Other Expenses		
Stores & Spares	52.16	48.52
Power & Fuel	91.71	74.69
Rent	7.69	4.09
Rates & Taxes	8.93	6.53
Insurance	3.85	11.63
Repairs & Maintenance		
Machinery	23.53	15.28
Buildings	37.30	33.76
Others	12.23	13.22
Printing & Stationery	16.55	13.55
Conveyance & Vehicle Expenses	8.52	8.86
Remuneration to Auditors (including service tax, where applicable)		
Audit Fees	0.30	0.27
Tax Audit Fees	0.02	0.02
Cost Audit Fees	0.04	0.03
Other Services	0.02	0.03
Professional Fees	79.81	64.95
Telephone, Postage & Telegram	18.34	16.74
Selling Expenses	108.57	91.15
Freight & Forwarding	47.19	31.66
Travelling Expenses	72.77	66.81
Donations	1.16	0.76
Commission on Sales	219.83	159.40
Bank & Other Financial Charges	19.29	6.18
Directors' Sitting Fees	0.10	0.09
Miscellaneous Expenses	49.98	37.07
Provision for Doubtful Debts	33.95	10.55
Bad Debts written off	1.62	1.21
Exchange Loss (Net)	231.99	-
Loss on sale/discard of Fixed Assets (Net)	3.62	-
	1151.07	717.05

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

	Rupees in crore	
	2009	2008
(R) Research & Development Expenses		
Material Cost	29.55	26.43
Employee Cost	45.62	41.43
Laboratory Expenses	27.49	20.05
Power & Fuel	28.66	22.20
Repairs & Maintenance	19.65	19.27
Professional Fees	14.40	15.29
Research Clinical Trials & Research Grants	23.32	21.71
Depreciation	18.81	14.42
Printing & Stationery	1.96	2.29
Travelling Expenses	3.29	2.26
Other Research & Development Expenses	22.75	19.22
	<u>235.50</u>	<u>204.57</u>
<i>Note:</i> In addition to an amount of Rs.114.30 crore (Previous year Rs.97.28 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 Notes to the Accounts

1. Significant Accounting Policies

i. Basis of Accounting

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

ii. Principles of Consolidation

The consolidated financial statements relate to Cipla Limited (the 'Company') and its wholly owned subsidiary. 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 unrealised 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 31 st March 2009	% ownership interest as at 31 st March 2008
Cipla FZE	United Arab Emirates	100%	100%

iii. 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.

iv. Depreciation

- a. 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.
- b. 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.
- c. Cost of leasehold land including premium is written off over the 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.

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

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

Cost of inventories is computed on weighted average basis.

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 for 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.

vii. Retirement Benefits

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

viii. 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.

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 permanent diminution in value. Current investments are stated at lower of cost and fair value.

xi. Revenue Recognition

The Company recognises sales at the point of despatch of goods to the customers. Royalty, technical know-how/fees and licensing income are recognised as revenue, when earned, in accordance with the terms of the relevant agreements.

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

xii. Income Tax

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

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

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 in 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. Initial direct costs are recognised immediately as an expense.

xvi. Provisions, Contingent Liabilities and Contingent Assets

The Company creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation at the Balance Sheet date. Such provisions are not discounted to their present value.

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 possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

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

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

3. Estimated amount of contracts remaining to be executed on Capital Account and not provided for (net of advances) Rs.316.83 crore (Previous year Rs.433.67 crore).

4. Contingent Liabilities

- i. Guarantees given by banks on behalf of the Company Rs.34.52 crore (Previous year Rs.52.64 crore).
- ii. Letters of credit Rs.37.80 crore (Previous year Rs.52.82 crore).
- iii. Technical know-how/fees Rs. 44.05 crore (Previous year Rs.1.15 crore) pending completion of certain obligations.
- iv. Claims against the Company not acknowledged as debts:
 - a. Income Tax – Rs.Nil (Previous year Rs.73.57 crore).
 - b. Excise Duty/Service Tax Rs.44.90 crore (Previous year Rs. 40.84 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.0.50 crore (Previous year Rs.Nil).
 - d. Others Rs.2.31 crore (Previous year Rs.2.02 crore).

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

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

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

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

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

The Company had not deposited the amount demanded, as in another petition challenging the Price Fixation notifications of formulations of Salbutamol, Norfloxacin, Ciprofloxacin and Theophylline, the Karnataka High Court had granted an interim stay against the Government. Subsequently, in separate proceedings on the same basis as before the Karnataka High Court, the Allahabad High Court had ruled that the prices fixed by the Government in respect of the said drugs were *ultra vires*, illegal and void. On an appeal filed by the government against this ruling, the Supreme Court stayed the judgment of the Allahabad High Court but directed that no prosecution should be launched or coercive action taken against the Company for recovery, till the appeal was finally decided. The Company has, subsequently, in April 2007 received demand notices for the entire 100 per cent of the aforesaid amount along with interest, aggregating Rs. 748.27 crore - contrary to the orders of the Supreme Court. In addition during the financial year 2007-08, the Company has received from the Government further demand notices inclusive of interest for Rs. 362.12 crore which according to them was allegedly overcharged by the Company for the period upto March 2007 in respect of the aforesaid drugs. Further, the Company has in March 2008 received a demand notice from the government for an amount of Rs. 0.32 crore inclusive of interest, allegedly overcharged in respect of the drug Doxycycline. In July 2009, the Company has received demand notices for an amount of Rs. 64.39 crore including interest in respect of the drug Salbutamol upto June 2009 and an amount of Rs. 2.19 crore (including interest of Rs. 0.74 crore upto June 2009) in respect of the drug Norfloxacin for the period October 2005 to March 2006. The Company has received legal advice that none of these demand notices of the Government is tenable or sustainable.

7. The net difference in foreign exchange debited to the Profit and Loss Account is Rs. 231.99 crore (Previous year credit Rs. 66.74 crore).

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

Nature of Instrument	Currency	Cross Currency	2009 Amount (equivalent Rupees in crore)	2008 Amount (equivalent Rupees in crore)
Forward contracts - Sold	USD	INR	624.05	1737.48
Forward contracts - Bought	USD	EUR	-	5.93
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	-
Foreign currency derivative options - Sold	USD	INR	-	15.05
Open foreign exchange exposures:				
- Receivables			1087.00	107.77
- Payables			344.23	263.20
- Loans			-	510.81

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

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

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	
	2009	2008
i. Salary and Allowances	1.78	0.91
ii. Commission	26.50	26.50
iii. Company's contribution to Provident Fund	0.08	0.07
iv. Approximate monetary value of other perquisites or benefits	0.11	0.06
	28.47	27.54

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

10. Related Party Disclosures

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

- i. The related parties are as under:
 - a. Key management personnel, namely – Dr. Y.K. Hamied, Mr. M.K. Hamied & Mr. Amar Lulla.
 - b. Five Charitable trusts namely – Cipla Public Charitable Trust, Hamied Foundation, Dr. Y. K. Hamied Foundation, Yusuf & Farida Foundation and Cipla Cancer and AIDS Foundation.
 - c. Golden Temple Pharma Pvt. Ltd.
- ii. Donation given to Cipla Public Charitable Trust Rs.0.43 crore (Previous year Rs.0.05 crore) and Cipla Cancer and AIDS Foundation Rs.0.04 crore (Previous year Rs.0.64 crore).
- iii. Refer Note 9 for details of managerial remuneration.
- iv. During the year, Rs.38.00 crore was placed by Dr. Y. K. Hamied as deposit with the Company. Interest accrued on the said deposit till 31st March 2009 is Rs.1.58 crore. The amount outstanding as on 31st March 2009 is Rs.39.04 crore (Net of TDS).

11. Segment Information

- i. Information about primary business segments:

The Company is exclusively in the pharmaceutical business segment.

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

ii. Information about secondary business segments:

Rupees in crore

	India		Outside India		Total	
	2009	2008	2009	2008	2009	2008
Gross revenue by geographical market	2347.91	2153.16	3016.08	2267.62	5363.99	4420.78
Less: Excise duty	61.04	90.66	–	–	61.04	90.66
Net revenue by geographical market	2286.87	2062.50	3016.08	2267.62	5302.95	4330.12
Carrying amount of segment assets	4617.88	3908.54	1758.32	1193.06	6376.20	5101.60
Capital expenditure	714.09	617.39	0.99	0.86	715.08	618.25

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

	2009	2008
• Sales (Net of Excise Duty)	4960.60	4010.38
• Other income excluding interest, dividend and profit on sale of investments & fixed assets	342.35	319.74
	5302.95	4330.12

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

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.

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

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

	Rupees in crore
	2009
i. The principal amount and the interest due thereon remaining unpaid to Suppliers	
a. Principal	0.79
b. Interest due thereon	-
ii. a. The delayed payments of principal amount 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 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.

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

- 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	
	2009	2008
Employees' Pension Scheme	5.93	5.62
Provident Fund	7.43	5.49
	13.36	11.11

c. Disclosures for defined benefit plans based on actuarial reports

	Rupees in crore	
	2009 Gratuity (Funded Plan)	2008 Gratuity (Funded Plan)
i. Change in defined benefit obligation		
Opening defined benefit obligation	17.89	14.56
Interest cost	1.59	1.24
Current service cost	2.61	1.71
Actuarial (gain)/loss on obligations	(0.24)	1.81
Benefit paid	(1.27)	(1.43)
Liability at the end of the year	20.58	17.89
ii. Change in fair value of assets		
Opening fair value of plan assets	14.21	11.55
Expected return on plan assets	1.24	1.09
Actuarial gain/(loss)	(0.17)	0.19
Contributions by employer	1.90	2.81
Benefits paid	(1.27)	(1.43)
Closing fair value of plan assets	15.91	14.21
iii. Amount recognised in Balance Sheet		
Present value of obligations as at year end	20.58	17.89
Fair value of plan assets as at year end	(15.91)	(14.21)
Net (asset)/liability recognised	4.67	3.68
iv. Expenses recognised in Profit and Loss Account		
Current service cost	2.61	1.71
Interest on defined benefit obligation	1.59	1.24
Expected return on plan assets	(1.24)	(1.09)
Net actuarial (gain)/loss recognised in the current year	(0.07)	1.62
Total expense recognised in Profit and Loss Account	2.89	3.48

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

	Rupees in crore	
	2009 Gratuity (Funded Plan)	2008 Gratuity (Funded Plan)
v. Actual return on plan assets		
Expected return on plan assets	1.24	1.09
Actuarial gain/(loss) on plan assets	(0.17)	0.19
Actual return on plan assets	<u>1.07</u>	<u>1.28</u>
vi. Asset information		
Insurer managed funds	100%	100%
vii. Principal actuarial assumptions used		
Discounted rate (per annum)	7.75%	8.00%
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	20.58	17.89
Plan assets	(15.91)	(14.21)
Deficit	<u>4.67</u>	<u>3.68</u>
Experience adjustment on Plan Liabilities - (gain)/loss	(2.46)	-
Experience adjustment on Plan Assets - gain/(loss)	(0.17)	-
ix. Expected employer's contribution for the next year	3.46	4.01

14. Basic and Diluted Earning per Share has been calculated by dividing net profit after tax for the year by 77,72,91,357 equity shares of nominal value of Rs.2 each, being the weighted average number of equity shares outstanding during the year.

As per our report of even date

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

M.R. Amin
Partner
Membership No.114010

Mumbai, 15th July 2009

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

R. Rangarajan
Partner
Membership No. 41883

Y.K. Hamied
Chairman & Managing Director

M.K. Hamied
Amar Lulla
Joint Managing Directors

V.C. Kotwal
H.R. Manchanda
S.A.A. Pinto
Ramesh Shroff
Pankaj Patel
Directors

Mital Sanghvi
Company Secretary

Mumbai, 15th July 2009

CONSOLIDATED CASH FLOW STATEMENT

Rupees in crore

For the year ended 31 st March 2009	2009	2008
(A) Cash Flow from Operating Activities		
Net profit before tax & prior period item	896.84	837.97
Adjustments for:		
Depreciation	170.60	130.68
Interest expense	32.94	11.34
Interest expense allocated to Research & Development expenses	1.02	0.36
Unrealised foreign exchange (gains)/losses (Net)	35.58	(28.52)
Provision for doubtful debts and advances	33.95	10.55
Interest income	(14.40)	(7.68)
Dividend income	(8.62)	(10.75)
Profit on sale of investments (Net)	(0.07)	(0.01)
(Profit)/loss on sale/discard of fixed assets (Net)	3.62	(1.10)
Lease rental income	(0.96)	(0.39)
	253.66	104.48
Operating profit before working capital changes	1150.50	942.45
Adjustments for:		
Increase in trade payables and other liabilities	11.30	311.12
Increase in inventories	(277.83)	(141.89)
Increase in trade and other receivables	(444.66)	(573.70)
	(711.19)	(404.47)
Cash generated from operations	439.31	537.98
Direct taxes paid (Net)	(64.75)	(170.98)
Cash flow before prior period items	374.56	367.00
Prior period item	(1.32)	–
Net cash from operating activities	(A) 373.24	367.00
(B) Cash Flow from Investing Activities		
Purchase of fixed assets/Capital work-in-progress	(703.19)	(565.84)
Sale of fixed assets	3.39	3.05
Purchase of other investments	(3041.25)	(1776.51)
Sale of investments	3054.74	1799.57
Interest income	14.40	7.68
Dividend income	8.62	10.75
Lease rental income	0.96	0.39
Short term deposits (given)/repaid (Net)	83.86	(153.50)
Net cash used in investing activities	(B) (578.47)	(674.41)

CONSOLIDATED CASH FLOW STATEMENT *contd.*

Rupees in crore

	2009	2008
(C) Cash Flow from Financing Activities		
Proceeds from long term & other borrowings	927.23	566.80
Repayment of long term & other borrowings	(532.47)	(118.39)
Interest expense	(33.96)	(11.70)
Dividend paid	(155.46)	(155.46)
Tax on dividend	(26.42)	(26.42)
Net cash from financing activities	(C) 178.92	254.83
Net decrease in cash and cash equivalents	(A)+(B)+(C) (26.31)	(52.58)
Cash and Cash Equivalents as at the beginning of the year	79.70	132.28
Cash and Cash Equivalents as at the end of the year	53.39	79.70

- Notes:*
- 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.
 - Cash and Cash Equivalents represent cash & bank balances and fixed deposits with banks.
 - Cash and Cash Equivalents includes Rs.9.21 crore (Previous year Rs.8.25 crore) on account of unclaimed dividend, which are not available for use by the Company.

As per our report of even date

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

M.R. Amin
Partner
Membership No.114010
Mumbai, 15th July 2009

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

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S.A.A. Pinto
Ramesh Shroff
Pankaj Patel
Directors

Mital Sanghvi
Company Secretary

Mumbai, 15th July 2009

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-Third Annual General Meeting of the Company at Amar Gian Grover Auditorium, Lala Lajpat Rai Marg, Haji Ali, Mumbai-400 034 on Wednesday, 26th August 2009.

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-Third Annual General Meeting of the Company to be held on Wednesday, 26th August 2009 at 3.00 p.m. and at any adjournment thereof.

Signed this _____ day of _____ 2009.

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

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Sales & Other Income	5326.77	4338.21	3763.72	3207.95	2482.87	2090.99	1599.00	1428.87	1085.62	791.39
Profit before Tax	901.31	838.36	807.98	709.85	514.61	404.09	312.49	309.36	237.57	172.66
Profit after Tax	776.81	701.43	668.03	607.64	409.61	306.69	247.74	235.11	179.07	133.06
Dividend	155.46	155.46	155.46	155.46	104.96	89.96	59.97	41.98	26.99	17.79
Tax on Dividend	26.42	26.42	26.42	21.80	14.95	11.53	7.68	–	2.75	1.96
Retained Earnings	594.93	519.55	486.15	430.38	289.70	194.11*	180.09	165.65*	149.33	113.31
Application of Funds										
Gross Block	3059.61	2434.91	1872.90	1453.68	1092.63	796.80	545.82	420.57	287.86	246.08
Net Block	2358.81	1894.48	1461.26	1143.62	844.87	603.57	399.88	299.43	187.18	161.74
Investments	81.32	94.75	117.80	22.43	18.30	180.37	126.59	143.70	222.93	195.00
Net Current Assets	3015.01	2456.19	1893.42	1384.08	970.60	756.64	694.48	520.46	338.37	238.05
Miscellaneous Expenditure	–	–	–	–	–	–	0.10	0.17	0.23	0.30
Total	5455.14	4445.42	3472.48	2550.13	1833.77	1540.58	1221.05	963.76	748.71	595.09
Sources of Funds										
Share Capital	155.46	155.46	155.46	59.97	59.97	59.97	59.97	59.97	59.97	59.97
Reserves	4195.29	3600.36	3080.81	1923.30	1493.66	1204.08	1010.10	830.17	664.69	515.55
Net Worth	4350.75	3755.82	3236.27	1983.27	1553.63	1264.05	1070.07	890.14	724.66	575.52
Borrowings	940.24	540.45	123.56	468.91	191.20	210.58	94.78	33.88	24.05	19.57
Deferred Tax Liabilities	164.15	149.15	112.65	97.95	88.94	65.95	56.20	39.74	–	–
Total	5455.14	4445.42	3472.48	2550.13	1833.77	1540.58	1221.05	963.76	748.71	595.09

*After adjustments of earlier years

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