

Cipla

**Seventy-Second Annual Report
2007-2008**

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. 44 lakhs. This amount is being donated to the Cipla Cancer and AIDS Foundation/Cipla Public Charitable Trust.

CONTENTS

| | |
|---|----|
| Notice | 2 |
| Directors' Report | 10 |
| Annexure to the Directors' Report | 18 |
| Report on Corporate Governance | 22 |
| Auditors' Report | 31 |
| Annexure to the Auditors' Report | 32 |
| Balance Sheet | 34 |
| Profit and Loss Account | 35 |
| Schedules to the Accounts | 36 |
| Cash Flow Statement | 59 |

CONTENTS *contd.*

| | |
|--|-------------------|
| Statement pursuant to section 212 | 61 |
| Balance Sheet Abstract and Company's General Business Profile | 62 |
| Auditors' Report (Consolidated) | 63 |
| Balance Sheet (Consolidated)..... | 64 |
| Profit and Loss Account (Consolidated) | 65 |
| Schedules to the Accounts (Consolidated) | 66 |
| Cash Flow Statement (Consolidated)..... | 87 |
| Attendance Slip/Form of Proxy | End of Report |
| Ten-Year Highlights | Inside Back Cover |

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-SECOND ANNUAL GENERAL MEETING of CIPLA LIMITED will be held at Amar Gian Grover Auditorium, Lala Lajpat Rai Marg, Haji Ali, Mumbai-400 034, on Thursday, 28th August 2008 at 3.00 p.m. to transact the following business:

1. To consider and adopt the Balance Sheet as at 31st March 2008, 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 2008.
3. To appoint a Director in place of Mr. M.R. Raghavan who retires by rotation and being eligible, offers himself for re-appointment.
4. To consider and, if thought fit, to pass, with or without modifications, the following resolution, as an Ordinary Resolution:

“RESOLVED THAT M/s. R. S. Bharucha & Co., Chartered Accountants, Mumbai and M/s. R.G.N. Price & Co., Chartered Accountants, Mumbai be and are hereby re-appointed as Auditors 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 agreed to between the Board of Directors and/or Audit Committee of the Company and the respective auditors and that the Board of Directors and/or Audit Committee of the Company be and are hereby authorised to fix the remuneration as aforesaid.

RESOLVED FURTHER THAT the Board of Directors/Audit Committee be and are hereby authorised to appoint auditors for the Company's branch office(s) (whether now or as may be established) in terms of section 228 of the Companies Act, 1956 in consultation with the auditors to examine and audit the accounts for the financial year 2008-09 on such remuneration, terms and conditions as the Board of Directors and/or Audit Committee may deem fit”

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass, with or without modifications, the following resolution, as an Ordinary Resolution:

“RESOLVED THAT Mr. Pankaj B. Patel, appointed as a Director of the Company in Casual Vacancy with effect from 5th March 2008 and holding office upto this Annual General Meeting in terms of the provisions of section 262(2) of the Companies Act, 1956 be and is hereby appointed, as a Director of the Company, liable to retire by rotation”.

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

“RESOLVED THAT subject to the approval of the Central Government and in pursuance of sections 269, 309, 198 and other applicable provisions of the Companies Act, 1956 (the Act), the Company in general meeting hereby approves, ratifies and confirms the re-appointment of Dr. Y.K. Hamied as Managing Director of the Company for a further period of five years commencing on 1st August 2008 and ending on 31st July 2013 with the benefit of continuity of service subject to the remuneration not exceeding the limits laid down under sections 198 and 309 of the Act and on mutually agreed terms and conditions stated hereunder and also as set out in the letter of appointment dated 18th July 2008 issued by the Company constituting the contract of re-appointment which contract be and is hereby approved, ratified and confirmed:

- A. Salary: Rs. 5,00,000 p.m. with liberty to the Board of Directors to sanction such increase as it may in its absolute discretion determine from time to time provided that the salary does not exceed Rs. 15,00,000 p.m. during the tenure.
- B. Accommodation: Rent free furnished accommodation or 60% of the salary as house rent allowance in lieu of accommodation. The appointee shall also be eligible for maintenance of accommodation including furniture, fixtures and furnishings and reimbursement of expenses incurred on gas, electricity and water.

NOTICE *contd.*

- C. Perquisites: The appointee shall be entitled to perquisites, allowances, benefits, facilities and amenities (collectively called "perquisites") such as medical reimbursement, leave travel assistance/allowance, membership fees of clubs, hospitalisation and accident insurance and any other perquisites as per the policy/rules of the Company in force or as may be approved by the Board from time to time.

In addition to the above, the appointee shall also be entitled to the following benefits as per policy/rules of the Company in force or as may be approved by the Board from time to time:

(i) Company maintained car(s) with driver(s) or cash equivalent thereof; (ii) Telecommunication facilities at residence; (iii) Company's contribution to Provident Fund and Superannuation Fund; (iv) Payment of gratuity and other retiral benefits and (v) Encashment of leave.

- D. Commission: The appointee shall also be entitled to, in addition to the aforesaid salary and perquisites, commission as may be fixed by the Board after profits of the Company are ascertained each year subject to minimum of Rs. 1,00,00,000 each year so however the overall remuneration for all the managerial personnel does not exceed the limits prescribed under sections 198 and 309 of the Act and Schedule XIII as may be applicable from time to time with liberty to pay such commission in one or more installments entirely at the discretion of the Board.
- E. The total remuneration including perquisites shall not exceed the limits specified in Schedule XIII to the Act.
- F. The Board is authorised to fix actual remuneration and revise it from time to time within the aforesaid ceilings.
- G. If in any financial year during the currency of tenure of the appointee, the Company has no profits or its profits are inadequate, the appointee shall be entitled to minimum remuneration by way of basic salary, perquisites and allowances not exceeding the ceiling limit specified under para 1 of section II, Part II of Schedule XIII to the Act and in addition thereto, he shall also be eligible to the perquisites and allowances not exceeding the limits specified under para 2 of section II, Part II of Schedule XIII to the Act or such other limits as may be specified by the Central Government from time to time as minimum remuneration.
- H. This appointment as Managing Director is liable for termination by either party giving three months' notice in writing to the other.

RESOLVED FURTHER THAT in the event of the approval of the Central Government stipulating any changes with respect to the payment of remuneration to the appointee, the Board of Directors of the Company be and is hereby authorised to vary the remuneration in accordance therewith to the extent and in the manner as may be agreed to by the appointee"

7. To consider and, if thought fit, to pass, with or without modifications, the following resolution, as an Ordinary Resolution:

"RESOLVED THAT in pursuance of sections 269, 309, 198, Schedule XIII and other applicable provisions of the Companies Act, 1956 (the Act) the Company in general meeting hereby approves, ratifies and confirms the re-appointment of Mr. M. K. Hamied as Joint Managing Director of the Company for a further period of five years commencing on 1st August 2008 and ending on 31st July 2013 with benefit of continuity of service subject to the remuneration not exceeding the limits laid down under sections 198 and 309 of the Act and on mutually agreed terms and conditions stated hereunder and also as set out in the letter of appointment dated 18th July 2008 issued by the Company constituting the contract of re-appointment which contract be and is hereby approved, ratified and confirmed:

- A. Salary: Rs. 5,00,000 p.m. with liberty to the Board of Directors to sanction such increase as it may in its absolute discretion determine from time to time provided that the salary does not exceed Rs.15,00,000 p.m. during the tenure.
- B. Accommodation: Rent-free furnished accommodation or 60% of the salary as house rent allowance in lieu of accommodation. The appointee shall also be eligible for maintenance of accommodation

NOTICE *contd.*

including furniture, fixtures and furnishings and reimbursement of expenses incurred on gas, electricity and water.

- C. Perquisites: The appointee shall be entitled to perquisites, allowances, benefits, facilities and amenities (collectively called "perquisites") such as medical reimbursement, leave travel assistance/allowance, membership fees of clubs, hospitalisation and accident insurance and any other perquisites as per the policy/rules of the Company in force or as may be approved by the Board from time to time.

In addition to the above, the appointee shall also be entitled to the following benefits as per policy/rules of the Company in force or as may be approved by the Board from time to time:

(i) Company maintained car(s) with driver(s) or cash equivalent thereof; (ii) Telecommunication facilities at residence; (iii) Company's contribution to Provident Fund and Superannuation Fund; (iv) Payment of gratuity and other retiral benefits and (v) Encashment of leave.

- D. Commission: The appointee shall also be entitled to, in addition to the aforesaid salary and perquisites, commission as may be fixed by the Board after profits of the Company are ascertained each year subject to minimum of Rs. 1,00,00,000 each year so however the overall remuneration for all the managerial personnel does not exceed the limits prescribed under sections 198 and 309 of the Act and Schedule XIII as may be applicable from time to time with liberty to pay such commission in one or more installments entirely at the discretion of the Board.
- E. The Board is authorised to fix actual remuneration and revise it from time to time within the aforesaid ceilings.
- F. If in any financial year during the currency of tenure of the appointee, the Company has no profits or its profits are inadequate, the appointee shall be entitled to minimum remuneration by way of basic salary, perquisites and allowances not exceeding the ceiling limit specified under para 1 of section II, Part II of Schedule XIII to the Act and in addition thereto, he shall also be eligible to the perquisites and allowances not exceeding the limits specified under para 2 of section II, Part II of Schedule XIII to the Act or such other limits as may be specified by the Central Government from time to time as minimum remuneration.
- G. This appointment as Joint Managing Director is liable for termination by either party by giving three months' notice in writing to the other'.

By Order of the Board of Directors

Mumbai, 18th July 2008

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 Thursday, 14th August 2008 to Thursday, 28th August 2008, both days inclusive.
4. The dividend for the year ended 31st March 2008 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 28th August 2008. 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. All dividends unclaimed 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, dividends unclaimed from the financial year ended 31st March 1996 till the financial year ended 31st March 2000 have been transferred by the Company to IEPF.

Members may note that unclaimed dividend for the financial year 2000-01 shall become due for transfer to IEPF on 5th October 2008. Members should 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 2000-01, 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.

NOTICE *contd.*

8. The face value of shares have been sub-divided from Rs.10 to Rs. 2 in the year 2004. Shareholders who have not yet exchanged share certificates of Rs.10 face value are requested to surrender their old certificates to Karvy Computershare Private Limited at the address stated above for exchange with new certificates of Rs. 2 face value.
9. 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 Company's 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.
10. As required under Clause 49 VI(A) of the Listing Agreement, the relevant information in respect of the Director 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 18th JULY 2008

Item No. 5

Mr. Pankaj B. Patel was appointed as a Director with effect from 5th March 2008 by the Board of Directors of the Company to fill-in the Casual Vacancy caused by the resignation of Dr. M.K. Gurjar. In terms of the provisions of section 262(2) of the Companies Act, 1956, Mr. Pankaj B. Patel holds office of Director upto this Annual General Meeting. The Company has received a notice in writing from some Members of the Company proposing his appointment as a Director under the provisions of section 257 of the Companies Act, 1956 along with requisite deposit.

Mr. Pankaj B. Patel is a science and law graduate from Bombay University. He is an eminent lawyer practising in the field of industrial relations for nearly 20 years.

He is not related to any other Director of the Company. He does not hold directorship of any other Company. He does not hold any share in the Company.

The Board considers that his wide and varied experience would indeed strengthen and benefit the functioning of the Company.

Item No. 6

Dr. Y.K. Hamied, is a highly qualified and eminent chemist. Having obtained a Doctorate in chemistry from Cambridge University, he has done research work under Lord Todd FCS, a Nobel Laureate. He joined the Company at the age of 24 years as an officer-in-charge of research and development in 1960. He was appointed its Managing Director in 1976 and became its Chairman in 1989. He is well-respected for his vast and varied experience of 48 years not only in India but also internationally. Dr. Y.K. Hamied has played the lead role in formulating the Company's strategy and has also been actively involved in research and development.

For his distinguished service and contributions to the pharmaceutical industry, Dr. Y.K. Hamied was awarded the Padma Bhushan, one of the highest civilian awards in India in the year 2005.

The predominant position which the Company occupies in the pharmaceutical industry today is due to his very advanced and specialised knowledge in the field of chemistry coupled with his wide and varied experience in that field. The Directors consider it to be in the interest of the Company to continue to avail the services of Dr. Y.K. Hamied as its Managing Director.

At the Annual General Meeting of the Company held on 10th September 2003, the members had approved the appointment of Dr. Y. K. Hamied as Managing Director of the Company and payment of remuneration for a period of five years commencing from 1st August 2003. The Central Government had given its approval to the re-appointment and remuneration vide its letter no. 1/300/2003-CL.VII dated 18th December 2003 .

The Board of Directors of the Company at their meeting held on 18th July 2008 has re-appointed Dr. Y.K. Hamied as Managing Director on the terms and conditions stipulated in the resolution under item no. 6.

Dr. Y.K. Hamied is a non-resident and his re-appointment requires the approval of the Central Government. However, the remuneration proposed and the terms and conditions of his appointment are well within the limits prescribed under Schedule XIII to the Companies Act, 1956. The contents of text of the special resolution are self-explanatory in so far as terms and conditions of re-appointment are concerned and may be treated, for the purposes of section 302 of the Act, as an abstract of the contract between the Company and the Managing Director.

Item No. 7

Mr. M.K. Hamied has been working as a Whole-time Director of the Company with effect from 15th December 1983. He was redesignated as Joint Managing Director effective from 6th December 2000. He is a science graduate from Bombay University. Mr. M.K. Hamied, along with the other Joint Managing Director of the Company is in charge of day-to-day management of the Company with special focus on domestic pharmaceutical markets. He has vast and varied experience in all functions of the Company including production, technical areas,

NOTICE *contd.*

quality management and general administration.

At the Board Meeting held on 28th July 2003, Mr. M.K. Hamied was re-appointed as Joint Managing Director of the Company at remuneration and for the period of five years commencing from 1st August 2003, which was approved by the shareholders at the Annual General Meeting of the Company held on 10th September 2003.

The Board of Directors of the Company at their meeting held on 18th July 2008 has re-appointed Mr. M.K. Hamied as Joint Managing Director on the terms and conditions stipulated in the ordinary resolution under item no. 7.

The ordinary resolution empowers payment of remuneration within the ceiling laid down under Schedule XIII as in force at present. The contents of text of the ordinary resolution are self-explanatory in so far as terms and conditions of re-appointment are concerned and may, for the purpose of section 302 of the Act, be treated as an abstract of the contract between the Company and the Joint Managing Director.

MEMORANDUM OF INTEREST

No Director except Mr. Pankaj B. Patel is in any way concerned or interested in the resolution at item no. 5 relating to his appointment.

Dr. Y.K. Hamied and Mr. M.K. Hamied are related to each other. To that extent they can be regarded as concerned or interested in the resolutions at item nos. 6 and 7 relating to their re-appointment.

Except as stated above, none of the Directors can be regarded as concerned or interested in any of the above proposals other than to the extent of their shareholdings in Cipla Limited.

INSPECTION OF DOCUMENTS

Copies of the letters dated 18th July 2008 issued to Dr. Y.K. Hamied and Mr. M.K. Hamied and approval letter of Central Government no. 1/300/2003-CL.VII dated 18th December 2003 are available for inspection at the Registered Office of the Company between 10.00 a.m to 12.30 p.m. on all working days up to the ensuing date of the Annual General Meeting.

By Order of the Board of Directors

Mumbai, 18th July 2008

Mital Sanghvi
Company Secretary

NOTICE *contd.*

ANNEXURE 1

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

Mr. M.R. Raghavan

Mr. M.R. Raghavan is a leading Chartered Accountant. He has done his Bachelor of Science (Mathematics and Statistics) and is a Fellow member of the Institute of Chartered Accountants of India. He joined the Board of Directors of the Company in the year 2002.

On the social front, he has significantly contributed on child education since 1980 and is currently involved in pioneering projects in rural areas.

Nature of expertise in specific functional areas

He is a practising Chartered Accountant since qualification. His areas of specialisation include computer-aided management systems and compliance reporting. He is an expert in the field of Computer Aided Management Systems (CAMS) and has designed computer systems for various large and medium business houses in India and abroad in a wide variety of operational areas.

He is a member of Audit Committee and Limited Review Report Committee of the Company. He does not hold directorship of any other company.

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

He does not hold any share in the Company.

By Order of the Board of Directors

Mumbai, 18th July 2008

Mital Sanghvi
Company Secretary

DIRECTORS' REPORT

The Directors take pleasure in presenting the Seventy-Second Annual Report of the Company and Audited Accounts for the year ended 31st March 2008.

Financial Summary

| Year ended 31 st March 2007 | | Year ended 31 st March 2008 | Increase over previous year (%) |
|---|--|---|------------------------------------|
| 3,764 | Sales and other income | 4,429 | 18 |
| 911 | Gross profit before depreciation and tax | 969 | 6 |
| 668 | Net profit for the year | 702 | 5 |
| 304 | Surplus brought forward from last balance sheet | 390 | |
| 972 | Profit available for appropriation | 1,092 | |
| | Appropriations: | | |
| 156 | Dividend | 156 | |
| 26 | Tax on dividend | 26 | |
| 400 | Transfer to general reserve | 400 | |
| 390 | Surplus carried forward | 510 | |

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 2007-08 amounting to Rs. 155.46 crore.

Management Review: 2007-08

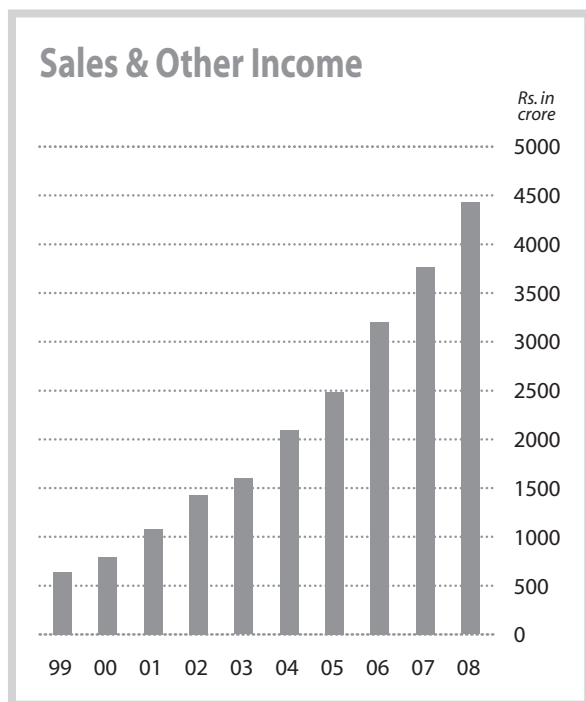
Industry Structure and Development

The Indian economy continued to perform well in the current year. The actual growth was around 9 per cent. However, inflation is now the biggest concern and there are all the signs of a slowdown in industrial growth.

The present period is critical, for both India and the world economy. This is because of mounting problems like the impact of sub-prime losses, spiralling oil prices and a slowdown in the economy worldwide.

DIRECTORS' REPORT *contd.*

Overall, this has been a satisfactory year for the Indian pharmaceutical industry. The total domestic market grew by 15 per cent according to ORG-IMS statistics. However, exports were hit by an appreciating rupee and declining margins. As the U.S. dollar begins to pick up strength, it is hoped that the pressure on export will ease in the near term.



Performance Review

The Company's turnover at Rs. 4429 crore crossed the USD 1 billion mark for the first time. In spite of a sluggish start in the first quarter, the overall turnover (including other income) of the Company grew by 18 per cent. Although, the export figure was reduced by the appreciating rupee, total exports recorded a healthy growth of 18 per cent and domestic sales grew by 13 per cent. Notably, earnings on account of technology fees crossed Rs. 150 crore.

On the domestic front, the Company's continued emphasis on expansion and greater market penetration contributed to its growth. During the year, Cipla was ranked number one in India in terms of domestic market share by ORG-IMS (MAT March 2008).

Awards

The Company received two honours during the year from the Forbes Magazine, Asia. Cipla was named the Best Pharmaceutical Company and also the Most Profitable Company overall among those "Under a Billion in the Region's Top 200 Small and Mid Size companies."

Products

The Company is focused in developing new formulations for existing and new drug substances. Some of the significant introductions during the year were:

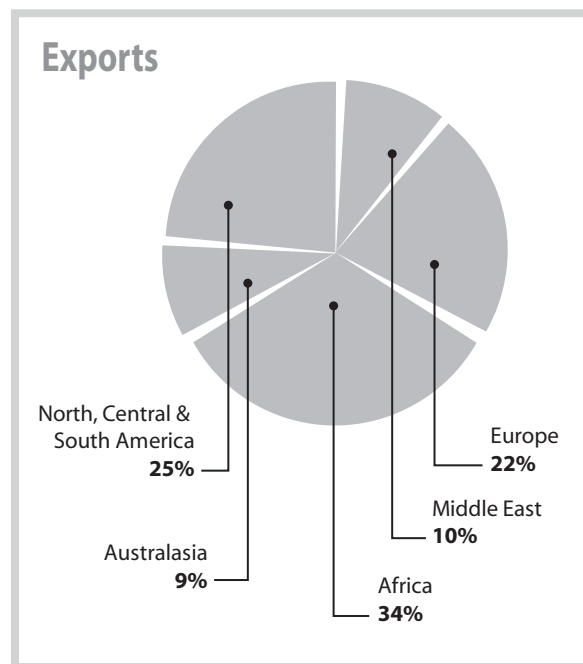
- Ritomune (ritonavir tablets) – new antiretroviral for booster therapy in HIV/AIDS
- Adlube (lubricating eye ointment with white petrolatum and mineral oil) – for dry eye
- Olmecip (olmesartan tablets) – new angiotensin blocker for hypertension
- Ston 1 (potassium citrate and magnesium citrate solution) – for urinary stones
- Nova (pregabalin capsules) – for neuropathic pain

DIRECTORS' REPORT *contd.*

- Riomont (rimonabant tablets) – for obesity management
- Imicrit (imipenem-cilastatin intravenous injection) – broad-spectrum combination antibiotic for serious infections
- Fullform (beclomethasone dipropionate and formoterol fumarate inhaler/rotacaps) – combination therapy for asthma control
- Junior Lanzol (lansoprazole orally disintegrating tablets) – for reflux oesophagitis in children
- Amlopres-NB (amlodipine and nebivolol tablets) – new beta-blocker combination therapy for hypertension
- Fit Eye (antioxidant tablets) – for eye protection
- Alfusin-D (alfuzosin hydrochloride and dutasteride tablets) – new combination therapy for prostate enlargement
- EG1 (gemifloxacin mesylate tablets) – new quinolone antibacterial
- Enclex (enoxaparin pre-filled injection) – anticoagulant for deep vein thrombosis
- Assurans (sildenafil tablets) – for pulmonary hypertension
- Crisanta (drospirenone and ethinyl estradiol tablets) – latest oral contraceptive pill
- Ciclospray (ciclesonide aqueous nasal spray) – new steroid spray for allergic rhinitis
- Vanlid (vancomycin hydrochloride capsules) – for treatment of enterocolitis
- Zordox (doxofylline tablets) – new oral bronchodilator for asthma and COPD
- Ceftorin (cefditoren pivoxil tablets) – advanced cephalosporin antibiotic
- Levorid-AX (levocetirizine and ambroxol capsules) – non-sedating cough expectorant
- Triohale (tiotropium bromide, formoterol fumarate and ciclesonide inhaler) – first triple-drug combination inhaler for COPD
- Ziprax-CL (cefixime and clavulanic acid tablets) – new combination for resistant infection.

The Company continued to lay stress on introducing several new products and line extensions, along with new drug delivery systems.

During the current year, the Company successfully launched an oral emergency contraceptive pill under the brand name *i-pill* in the OTC segment.



DIRECTORS' REPORT *contd.*

INFRASTRUCTURE

Manufacturing Facilities

The Company's Rs. 250 crore project in Sikkim for manufacture of formulations including capsules, tablets, liquid orals, nasal spray, inhalers, injectables using form-fill-seal technology, etc. is nearing full completion. The Company has already commenced commercial production in some of these facilities in the first quarter of the current financial year.

Commercial production also commenced in January 2008 at the Rs. 100 crore new export oriented unit (EOU) for the manufacture of API's and intermediates at Kurkumbh.

The Company's Special Economic Zone (SEZ) project at Kerim, Goa continues to be suspended due to the stop-work order issued by the State Government. The Company has just received an order dated 11th July 2008 from the State Government revoking the stop-work order consequent to a petition filed by the developer of the SEZ against this order.

Construction work at the Company's SEZ project for pharmaceutical formulations, at Indore, Madhya Pradesh, is ongoing and will be completed in stages starting from 2009.

Regulatory Approvals

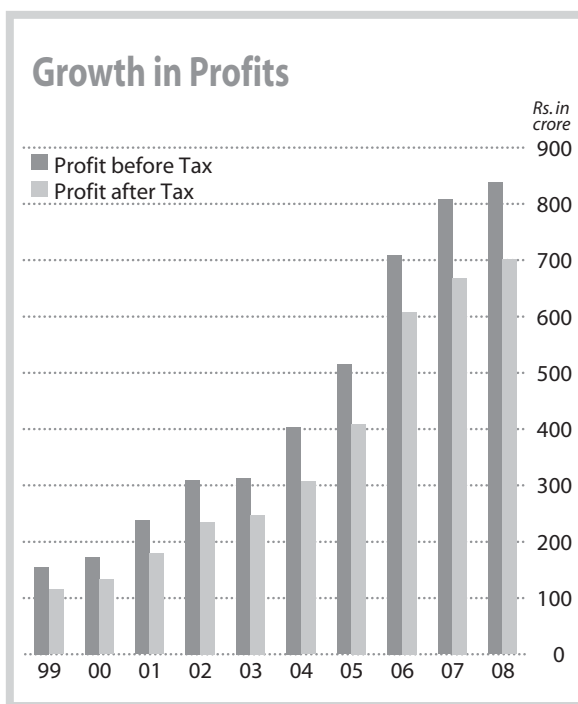
Several dosage forms and API's manufactured in the Company's plants continue to enjoy the approval of most major international regulatory agencies. These agencies include the US FDA, MHRA (UK), PIC (Germany), MCC (South Africa), TGA (Australia), Department of Health (Canada), ANVISA (Brazil), SIDC (Slovak Republic), 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 neighbouring villages and school children living around the Company's units at Baddi (Himachal Pradesh), Patalganga (Maharashtra), Kurkumbh (Maharashtra), Verna (Goa) and Bangalore (Karnataka).

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

In addition, the Kurkumbh, Bangalore and Patalganga plants have been certified for compliance with ISO 14001 and OHSAS 18001 standards. The Company continued to maintain its modern, well-designed effluent treatment plants at its factories. The "zero discharge" treated water is used for maintaining a green belt at all the locations.



DIRECTORS' REPORT *contd.*

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

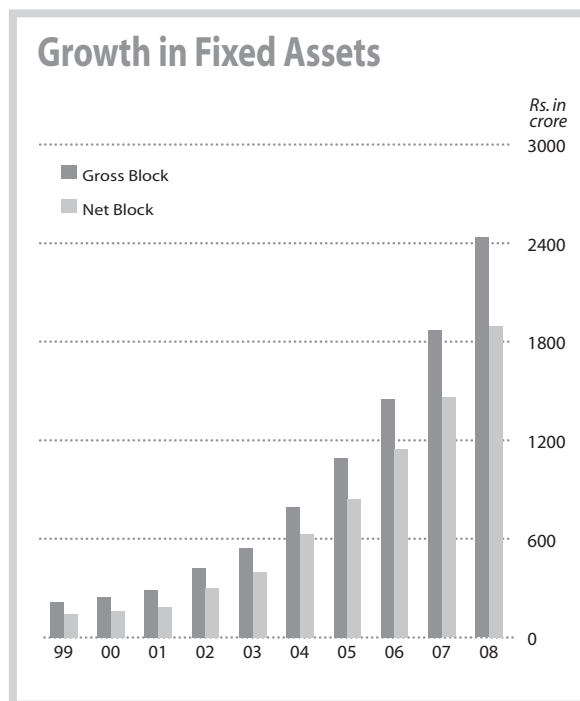
Patents

In a significant development, on 19th March 2008, the Delhi High Court rejected an injunction plea by Roche to prevent Cipla from manufacturing and selling generic versions of the anti-cancer drug erlotinib (Erlotinib, Cipla) in India. According to The Economic Times, "the Indian drug maker's generic version of Tarceva is priced at one-third the price of Tarceva and the HC rejected Roche appeal in public interest given the huge cost difference between the two drugs". This ruling vindicates Cipla's constant appeal to modify the patent laws of the country to safeguard the Indian consumer from monopolistic pricing by patent holders. Such disputes in the interpretation of the new patent laws are likely to remain a major area of concern to millions of patients in India. We remain hopeful that the government would pay heed and take the right steps in order to ensure that monopolistic forces do not prevail in the Indian market and essential as well as vital drugs remain within the reach of masses.

Drug Pricing

As always, the health of the domestic pharmaceutical industry is very much dependent on the government's drug pricing policy. We appeal to the Group of Ministers, which is reportedly considering the policy, to let free and fair competition rather than arbitrary drug control measures decide prices of essential drugs.

Cipla is at all times willing to extend all co-operation and support to the government to achieve this objective. The Company would like to reiterate that it 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.



DIRECTORS' REPORT *contd.*

Rising Costs and Availability of Materials

The prices of many API's and input materials have risen significantly due to restriction in production by Chinese chemical manufacturers, rise in price of petroleum-based products, frequent shortages and general inflationary conditions. The Company is looking at alternative arrangements and has also increased its stock levels. However, the increased prices and shortages of materials will adversely affect production schedules and overall margins on all the Company's products.

OPPORTUNITIES

Domestic Markets

The Company has among the widest range of pharmaceutical products in its portfolio. A focused approach and increased marketing efforts, in recent years, has resulted in the growth of the Company. In the coming years, the Company would continue to build its reputation and strong brand equity in order to maintain its leadership position.

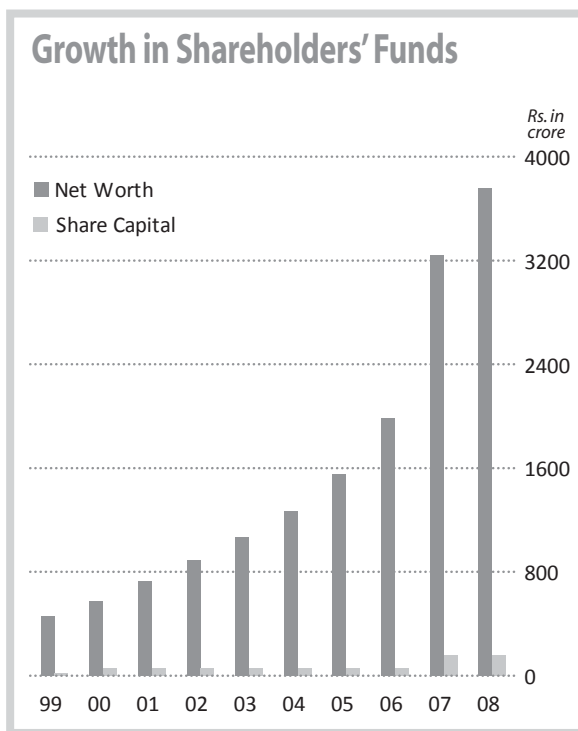
International Markets

The Company continues to lay emphasis on its overseas business. Almost 55 per cent of the overall income from operations comes from outside India. The Company works closely with all its overseas partners in over 180 countries to maintain its export growth. As on date, the Company has registered about 5500 products in various countries. Recently, a leading European advisory firm, after due research, ranked Cipla 14th among all pharmaceutical companies worldwide as a provider of access to medicines with a corporate social responsibility.

COMMUNITY CARE

The Company continues to work closely with several reputed non-profit organisations such as Drugs For Neglected Diseases Initiative, Médecins Sans Frontières and the Clinton Foundation in order to make drugs for malaria, HIV/AIDS and several neglected diseases available at affordable prices. Cipla also provides medicines to treat over a million poor, aged patients in slums and villages through Helpage India, the Umeed Foundation, etc. These initiatives are part of Cipla's endeavour to fulfil its corporate social responsibility.

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 nearly 5700 patients. The focus is on integrating palliative medicine with curative therapy.



DIRECTORS' REPORT *contd.*

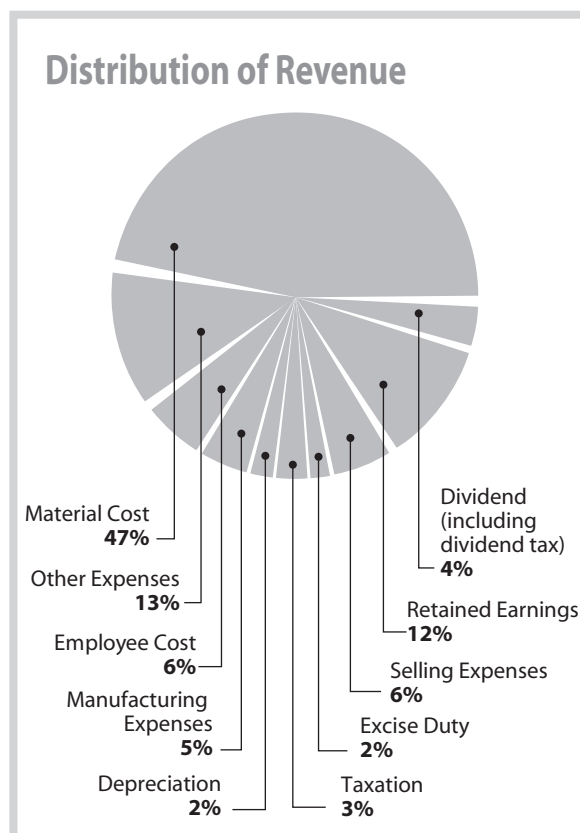
In addition, the Company continued to support the promotion of education and community welfare, both directly and through its charitable trusts.

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 affairs of the Company at the end of the financial year ended 31st March 2008 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. 47/90/2008-CL-III dated 29th February 2008, 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.

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.*

Fixed Deposits

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

Disclosure of Particulars

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

Directors

Subject to the approval of shareholders, Dr. Y. K. Hamied and Mr. M. K. Hamied were re-appointed by the Board of Directors as Managing Director and Joint Managing Director respectively for a period of five years with effect from 1st August 2008. As required under Schedule XIII to the Companies Act, 1956 an application will be made to the Central Government for the approval of re-appointment of Dr. Y. K. Hamied as Managing Director.

Mr. M.R. Raghavan retires by rotation and being eligible, offers himself for re-appointment.

Dr. M. K. Gurjar resigned from the Board of Directors effective 27th August 2007. The Directors place on record their appreciation of his contribution as a member of the Board. Mr. Pankaj Patel has been appointed as a Director of the Company effective 5th March 2008 to fill the casual vacancy caused by the resignation of Dr. M. K. Gurjar. Mr. Pankaj Patel holds office up to the date of the ensuing Annual General Meeting of the Company and being eligible, offers himself for re-appointment as a Director.

A brief resume of the said Directors is provided in the Notice.

Auditors

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

On behalf of the Board,

Y. K. Hamied

Chairman & Managing Director

Mumbai, 18th July 2008

ANNEXURE TO THE DIRECTORS' REPORT

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

I. CONSERVATION OF ENERGY

- a. The Company is striving continuously to conserve energy by adopting innovative measures to reduce wastage and optimize consumption. Some of the specific measures undertaken are:
 - i. The Company has installed automatic power factor panels at Patalganga and Baddi to maintain target power factor round-the-clock leading to reduction in power usage.
 - ii. The Company has replaced V-belts with energy saving flat belts in compressors, air handling units and ventilation units leading to savings in power.
 - iii. The Company has replaced reciprocating compressor with variable frequency drive air compressor resulting in substantial savings in energy consumption.
 - iv. Building Management System has been extended to other plants in Goa to monitor and control service floors which has led to a significant savings in power usage.

- b. Impact of the above measures for reduction of energy consumption and consequent impact on the cost of production of goods:

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

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

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

ANNEXURE TO THE DIRECTORS' REPORT *contd.*

| | | 2008 | 2007 |
|---|--------------|------------------|-----------|
| A. Power and Fuel Consumption | | | |
| 1. Electricity | | | |
| a. Purchased | | | |
| Units | kwh | 106299389 | 105043123 |
| Total amount | Rs. in crore | 68.57 | 66.78 |
| Rate/Unit | Rs. | 6.45 | 6.36 |
| b. Own generation | | | |
| i. Through diesel generator | | | |
| Units | kwh | 18904155 | 7182674 |
| Units per litre of diesel oil | kwh | 3.84 | 3.81 |
| Cost/Unit | Rs. | 7.53 | 8.76 |
| ii. Through steam turbine/generator | | | |
| | | - | - |
| 2. Others/Internal generation | | | |
| Light diesel oil/diesel oil/furnace oil | | | |
| Quantity | kl | 11061 | 7069 |
| Total cost | Rs. in crore | 28.55 | 17.16 |
| Average rate | Rs./kl | 25811 | 24275 |

B. Consumption per Unit of Production

| | | | |
|--|----------|--------------|-------|
| 1. Electricity | | | |
| Bulk drugs | (kwh/mt) | 53541 | 67080 |
| 2. Light diesel oil/diesel oil/furnace oil | | | |
| Bulk drugs | (kl/mt) | 3.61 | 2.87 |

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.

ANNEXURE TO THE DIRECTORS' REPORT *contd.*

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

3. Future plan of action:

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

4. Expenditure on R&D:

| | Rs. in crore |
|--------------|---------------|
| a. Capital | 29.44 |
| b. Recurring | 202.86 |
| Total | <u>232.30</u> |

The total R&D expenditure as a percentage of total turnover is above 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.

ANNEXURE TO THE DIRECTORS' REPORT *contd.*

III. FOREIGN EXCHANGE EARNINGS AND OUTGO

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

At Rs. 2102 crore, exports registered a growth of 18 per cent and constituted more than 50 per cent of total sales. The Company earned Rs.153 crore towards Technical Know-how/Fees.

2. Total foreign exchange used and earned:

During the year, the foreign exchange outgo was Rs.1068 crore and the earnings in foreign exchange was Rs. 2255 crore. Details of the same have been given in Notes 15 to 17 in Schedule R to the Accounts.

On behalf of the Board,

Mumbai, 18th July 2008

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 2008 is as follows:

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

- Six board meetings were held during the year. The dates on which the meetings were held are as follows: 26th April 2007; 20th July 2007; 24th August 2007; 24th October 2007; 24th January 2008; 5th March 2008.
- The attendance of Directors at the board meetings and at the last Annual General Meeting and the number of other directorships and committee memberships in public companies (being a director as on the date of the Directors' Report) are given below:

| Name of the Director | Category of Directorship | No. of Board Meetings Attended | Last AGM Attended | No. of other Directorships held in Indian Public Companies | No. of other Committee Memberships |
|----------------------|-------------------------------|--------------------------------|-------------------|--|------------------------------------|
| Dr. Y.K. Hamied | Executive | 4 | Yes | Nil | Nil |
| Mr. M.K. Hamied | - do - | 6 | Yes | Nil | Nil |
| Mr. Amar Lulla | - do - | 6 | Yes | 1 | 3 |
| Dr. H.R. Manchanda | Non-Executive/ Independent | 6 | Yes | Nil | Nil |
| Mr. S.A.A. Pinto | - do - | 5 | Yes | Nil | Nil |
| Mr. Ramesh Shroff | - do - | 6 | Yes | 2 | Nil |
| Mr. V.C. Kotwal | - do - | 4 | Yes | Nil | Nil |
| Dr. M.K. Gurjar* | - do - | 1 | No | NA | NA |
| Mr. M.R. Raghavan | - do - | 5 | Yes | Nil | Nil |
| Mr. Pankaj Patel** | - do - | 1 | NA | Nil | Nil |

* Resigned w.e.f. 27th August 2007

** Appointed w.e.f. 5th March 2008

- 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 2008, Mr. S.A.A. Pinto, Dr. H.R. Manchanda and Mr. Ramesh Shroff – Non-Executive Directors held 6,19,150, 3,77,500 and 250 equity shares respectively of the Company. None of the other Non-Executive Directors hold any equity shares of the Company.

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 to the Audit Committee meetings, as and when necessary. The Company Secretary acts as Secretary to the Committee. The Committee discharges such duties and functions generally indicated in Clause 49 of the Listing Agreement with the Stock Exchanges and such other functions as may be specifically delegated to the Committee by the Board from time to time.

- Meetings and attendance during the year:

The meetings of the Audit Committee were held on 26th April 2007; 20th July 2007; 24th August 2007; 24th October 2007 and 24th January 2008 during the year 2007-08 (April to March) whereat all the members were present.

d. Remuneration to Directors

- The details of remuneration paid to Executive Directors during the year 2007-08 are given below:

| Executive Directors | Salary (Rs. in lakhs) | Commission (Rs. in lakhs) | Perquisites and Allowances (Rs. in lakhs) | Retiral Benefits* (Rs. in lakhs) |
|----------------------------|----------------------------------|--------------------------------------|--|---|
| Dr. Y.K. Hamied | 21.00 | 750.00 | 15.09 | 2.52 |
| Mr. M.K. Hamied | 18.00 | 700.00 | 13.03 | 2.16 |
| Mr. Amar Lulla | 18.00 | 1200.00 | 12.36 | 2.16 |

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

Notes: i. The agreement with each Executive Director is for a period of five years. Either party to the agreement is entitled to terminate the agreement by giving not less than three months' prior notice in writing to the other party.

- Presently, the Company does not have a scheme for grant of stock options either to the Executive Directors or employees.

REPORT ON CORPORATE GOVERNANCE *contd.*

- The details of payments to Non-Executive Directors during the year 2007-08 are given below:

| Non-Executive Directors | Sitting Fees (Rs.) |
|--------------------------------|---------------------------|
| Dr. H.R. Manchanda | 290000 |
| Mr. Ramesh Shroff | 110000 |
| Mr. S.A.A. Pinto | 350000 |
| Mr. V.C. Kotwal | 40000 |
| Dr. M.K. Gurjar | 10000 |
| Mr. M.R. Raghavan | 100000 |
| Mr. Pankaj Patel | 10000 |

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

e. Shareholders'/Investors' Grievance Committee

- The Company has a Shareholders'/Investors' Grievance Committee, which is headed by an independent Non-Executive Director – Mr. S.A.A. Pinto, to attend and address the grievances of the shareholders/ investors as and when received. The other members of the Committee are:

Mr. M.K. Hamied – Executive Director

Dr. H.R. Manchanda – Non-Executive Director

- During the year, the Committee met on 26th April 2007; 20th July 2007; 24th October 2007 and 24th January 2008 whereat all members were present.
- The Company Secretary acts as the Compliance Officer of the Company. The Company attends the shareholders'/investors'grievances/correspondence expeditiously. During the year under review, 42 investor complaints 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.
- No resolution was passed through postal ballot during the financial year ended 31st March 2008.

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 the capital markets during the last three years. There were no penalties imposed nor any strictures passed on the Company by the Stock Exchanges, SEBI or any other statutory authority relating to the above.

REPORT ON CORPORATE GOVERNANCE *contd.*

h. Code of Conduct

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

i. CEO/CFO Certification

- The CEO/CFO of the Company have certified positively to the Board on the matters specified under Clause 49(V) of the Listing Agreement.

j. Means of Communication

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

k. General Shareholder Information

- Date, Time and Venue of the AGM : Thursday, 28th August 2008 at 3.00 p.m.
Amar Gian Grover Auditorium,
Lala Lajpat Rai Marg, Haji Ali,
Mumbai-400 034
- Financial Calendar : April to March
- Adoption of Quarterly Results for the Quarter Ending : 3rd/4th week of
 - 30th June 2008 July 2008
 - 30th September 2008 October 2008
 - 31st December 2008 January 2009
 - 31st March 2009 April 2009
- Date of Book Closure : 14th August 2008 to 28th August 2008 (both days inclusive)
- Dividend Payment Date : On or before 27th September 2008

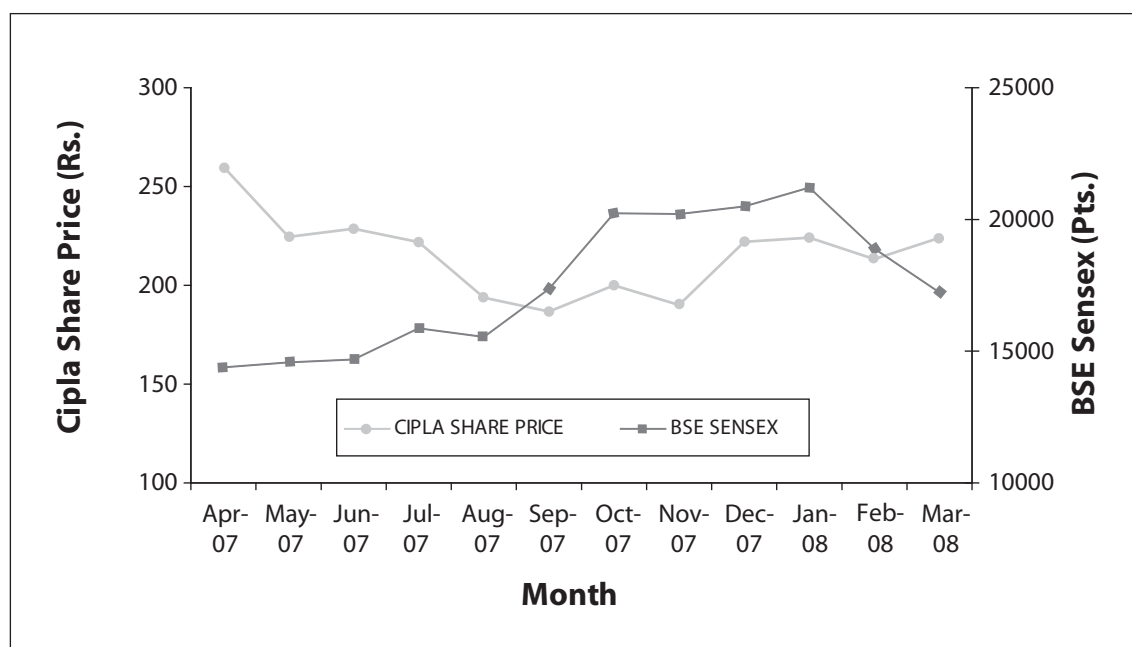
REPORT ON CORPORATE GOVERNANCE *contd.*

- Listing on Stock Exchanges : Equity Shares: Bombay Stock Exchange Limited and National Stock Exchange of India Limited
Global Depository Receipts (GDRs): Luxembourg Stock Exchange
The Company has paid the requisite annual listing fees to the above stock exchanges for the financial year 2008-09.
- 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 2007-08 are given below. The Company's market capitalisation is included in the computation of S&P CNX NIFTY Index.

| Year (2007-08) | 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 | 260.00 | 210.00 | 12381245 | 257.90 | 210.00 | 36934791 |
| May | 224.50 | 202.50 | 13082669 | 225.00 | 200.25 | 42080815 |
| June | 228.70 | 202.50 | 10919136 | 228.80 | 201.50 | 30323374 |
| July | 221.90 | 184.35 | 19616773 | 221.90 | 184.30 | 55562220 |
| August | 193.75 | 160.00 | 10984126 | 193.75 | 159.00 | 37076800 |
| September | 186.75 | 165.05 | 13757749 | 186.20 | 159.75 | 50173232 |
| October | 200.00 | 172.00 | 15941857 | 202.20 | 164.10 | 42548387 |
| November | 190.00 | 171.00 | 7607549 | 192.45 | 150.55 | 22142487 |
| December | 222.00 | 183.50 | 10968822 | 221.95 | 183.10 | 32018413 |
| January | 224.10 | 161.00 | 7010265 | 224.60 | 146.70 | 26769318 |
| February | 213.25 | 178.05 | 6444105 | 213.00 | 178.15 | 16648415 |
| March | 224.00 | 190.05 | 10469329 | 224.00 | 190.00 | 30791991 |

REPORT ON CORPORATE GOVERNANCE *contd.*

- Performance in comparison to BSE SENSEX–Year 2007-08



- Address for Correspondence

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

Registered Office : 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

REPORT ON CORPORATE GOVERNANCE *contd.*

- Share Transfer System

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

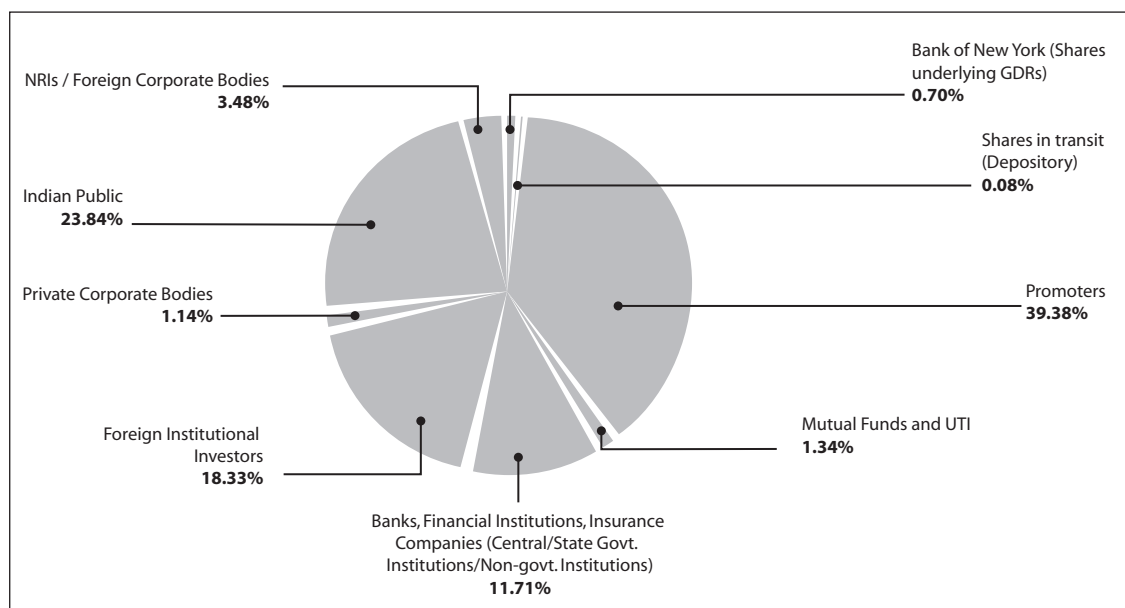
A predetermined process cycle at regular interval ensures transfer of shares expeditiously. In compliance with the Listing Agreement, every six months the system is audited by a Practising Company Secretary and a certificate to that effect is issued and filed with the Stock Exchanges.

- Distribution of shareholding as on 31st March 2008
(Class-wise distribution of Equity Shares)

| Shareholding | No. of Folios | % of Total | No. of Shares | % of Total |
|-----------------|---------------|---------------|------------------|---------------|
| 1-2500 | 202607 | 97.66 | 34236141 | 4.40 |
| 2501-5000 | 1722 | 0.83 | 6419517 | 0.83 |
| 5001-10000 | 998 | 0.48 | 7407268 | 0.95 |
| 10001-15000 | 554 | 0.27 | 6842972 | 0.88 |
| 15001-20000 | 245 | 0.12 | 4354879 | 0.56 |
| 20001-25000 | 218 | 0.10 | 4958335 | 0.64 |
| 25001-50000 | 364 | 0.18 | 13348909 | 1.72 |
| Above 50000 | 744 | 0.36 | 699723336 | 90.02 |
| Total | 207452 | 100.00 | 777291357 | 100.00 |
| Physical Mode | 2007 | 0.97 | 118953325 | 15.30 |
| Electronic Mode | 205445 | 99.03 | 658338032 | 84.70 |

REPORT ON CORPORATE GOVERNANCE *contd.*

- Shareholding Pattern as on 31st March 2008



- Dematerialisation and Liquidity of Shares

As on 31st March 2008, 85 per cent of the share capital was held in demat mode. The 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 2008, 54,75,144 GDRs were outstanding.

During the year, no American Depository Receipts/Warrants or any convertible instruments were issued.

- Plant Locations

The Company's plants are located at Bangalore (Karnataka), Patalganga (Maharashtra), Kurkumbh (Maharashtra), Verna (Goa), Baddi (Himachal Pradesh) and Kumrek, Rangpoo (Sikkim).

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 2008. 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, 18th July 2008

AUDITORS' REPORT TO THE MEMBERS OF CIPLA LIMITED

1. We have audited the attached Balance Sheet of Cipla Limited as at 31st March 2008 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, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books;
 - c. The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d. In our opinion the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in section 211(3C) of the Companies Act, 1956;
 - e. On the basis of the written representations received from the Directors as on 31st March 2008 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2008, from being appointed as a Director in terms of section 274(1)(g) of the Companies Act, 1956; and
 - f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2008;
 - 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, 18th July 2008

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

R. Rangarajan
Partner
Membership No. 41883

Mumbai, 18th July 2008

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 made on the basis of the perpetual inventory system operated by the Company. In case of materials lying with third parties, certificates confirming such inventory have been obtained by the Company from most of the third parties.
- b. In our opinion and on the basis of the information and explanations given to us, the procedures for physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c. The Company has maintained proper records of inventory. The discrepancies noticed on physical verification of stock as compared to the book records were not material 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.
- b. As informed to us, the Company has not taken any loans, secured or unsecured from companies, firms or other parties listed in the Register maintained under section 301 of the Companies Act, 1956. Therefore, requirements of clauses (iii-f) and (iii-g) of paragraph 4 of the Order are not applicable.
4. In our opinion and according to the information and explanations given to us, there is generally adequate internal control system commensurate with the size of the Company and the nature of its business for purchase of inventory and fixed assets and for the sale of goods and services. During the course of audit, no major weakness has been noticed in these internal control systems.
5. In our opinion and according to the information and explanations given to us, there are no contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered in the Register required to be maintained under that section. Hence clause (v-b) of paragraph 4 of the Order is not applicable.
6. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposit from the public within the meaning of sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.
7. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
8. We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that, *prima facie*, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the accounts and records with a view to determine whether they are accurate or complete.
9. a. According to the records of the Company, undisputed Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise

ANNEXURE TO THE AUDITORS' REPORT *contd.*

Duty, Cess and other material statutory dues applicable to it have been regularly deposited with the appropriate authorities. There were no arrears as at 31st March 2008 for a period of more than six months from the date they became payable.

- b. According to the information and explanations given to us, the dues in respect of Sales Tax, Income Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess that have not been deposited with the appropriate authorities on account of dispute as at 31st March 2008 and the forum where the disputes are pending are given below:

| Nature of dues | Financial years to which the matter pertains | Forum where dispute is pending | Amount Rs. in crore |
|-----------------------|---|---------------------------------------|----------------------------|
| Excise Duty | 1994-95, 1999-00 to 2007-08 | CESTAT/ Commissioner (Appeals) | 31.19 |

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

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

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

M.R. Amin
Partner
Membership No. 114010

R. Rangarajan
Partner
Membership No. 41883

Mumbai, 18th July 2008

Mumbai, 18th July 2008

BALANCE SHEET

Rupees in crore

| As at 31 st March 2008 | Schedule | 2008 | 2007 |
|---|----------|----------------|----------------|
| Sources of Funds | | | |
| Shareholders' Funds | | | |
| Share Capital | A | 155.46 | 155.46 |
| Reserves & Surplus | B | <u>3600.36</u> | <u>3080.81</u> |
| | | 3755.82 | <u>3236.27</u> |
| Loan Funds | | | |
| Secured Loans | C | 16.98 | 7.25 |
| Unsecured Loans | D | <u>563.55</u> | <u>116.31</u> |
| | | 580.53 | 123.56 |
| Deferred Tax Liabilities | | | |
| | M | <u>149.15</u> | <u>112.65</u> |
| | | 4485.50 | <u>3472.48</u> |
| Application of Funds | | | |
| Fixed Assets | | | |
| Gross Block | E | 2201.79 | 1799.71 |
| Less: Depreciation | | <u>540.43</u> | <u>411.64</u> |
| Net Block | | 1661.36 | 1388.07 |
| Capital Work-in-Progress | | <u>233.12</u> | <u>73.19</u> |
| | | 1894.48 | 1461.26 |
| Investments | | | |
| | F | 94.75 | 117.80 |
| Current Assets, Loans & Advances | | | |
| Inventories | G | 1120.49 | 978.60 |
| Sundry Debtors | H | 1393.91 | 1028.78 |
| Cash & Bank Balances | I | 79.28 | 131.49 |
| Other Current Assets | J | 34.49 | 24.83 |
| Loans & Advances | K | <u>1115.81</u> | <u>670.98</u> |
| | | 3743.98 | 2834.68 |
| Less: Current Liabilities & Provisions | | | |
| Liabilities | L | 830.90 | 528.13 |
| Provisions | | <u>416.81</u> | <u>413.13</u> |
| | | 1247.71 | 941.26 |
| Net Current Assets | | | |
| | | 2496.27 | <u>1893.42</u> |
| | | 4485.50 | <u>3472.48</u> |
| Notes to the Accounts | | | |
| | R | | |

As per our report of even date

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

M.R. Amin
Partner
Membership No.114010

Mumbai, 18th July 2008

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
M.R.Raghavan
Ramesh Shroff
Pankaj Patel
Directors

Mital Sanghvi
Company Secretary

Mumbai, 18th July 2008

PROFIT AND LOSS ACCOUNT

Rupees in crore

| For the year ended 31 st March 2008 | Schedule | 2008 | 2007 |
|---|----------|----------------|----------------|
| Income | | | |
| Gross Sales | | 4088.56 | 3533.17 |
| Less: Excise Duty | | 90.66 | 94.93 |
| Net Sales | | 3997.90 | 3438.24 |
| Other Income | N | 340.31 | 230.55 |
| | | 4338.21 | 3668.79 |
| Expenditure | | | |
| Material Cost | O | 2059.96 | 1725.58 |
| Employee Cost | P | 255.45 | 184.59 |
| Manufacturing Expenses | | 214.12 | 173.32 |
| Other Expenses | Q | 827.95 | 667.00 |
| Interest - Fixed period | | 11.03 | 4.83 |
| - Others | | 0.66 | 2.12 |
| Depreciation | | 130.68 | 103.72 |
| Less: Transferred from Revaluation Reserve | | - | 0.35 |
| | | 130.68 | 103.37 |
| | | 3499.85 | 2860.81 |
| Profit before Tax | | 838.36 | 807.98 |
| Provision for Tax - Current Tax | | 94.00 | 121.75 |
| - Deferred Tax | | 36.50 | 14.70 |
| - Fringe Benefit Tax | | 6.43 | 3.50 |
| Profit after Tax | | 701.43 | 668.03 |
| Surplus brought forward from last Balance Sheet | | 390.35 | 304.20 |
| Profit available for Appropriation | | 1091.78 | 972.23 |
| Appropriations | | | |
| Proposed Dividend | | 155.46 | 155.46 |
| Tax on Dividend | | 26.42 | 26.42 |
| Transferred to General Reserve | | 400.00 | 400.00 |
| Surplus carried forward | | 509.90 | 390.35 |
| | | 1091.78 | 972.23 |
| Basic and Diluted Earning per Share (Rs.) (Schedule R–Note 25) | | 9.02 | 8.61 |
| Notes to the Accounts | | R | |

As per our report of even date

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

M.R. Amin
Partner
Membership No.114010

Mumbai, 18th July 2008

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
M.R.Raghavan
Ramesh Shroff
Pankaj Patel
Directors

Mital Sanghvi
Company Secretary

Mumbai, 18th July 2008

SCHEDULES TO THE ACCOUNTS

| | | Rupees in crore | |
|---|--|-----------------|---------------|
| | | 2008 | 2007 |
| (A) Share Capital | | | |
| Authorised | | | |
| 87,50,00,000 Equity Shares of Rs. 2 each | | 175.00 | 175.00 |
| (Previous year 87,50,00,000 Equity Shares of Rs. 2 each) | | <u>175.00</u> | <u>175.00</u> |
| Issued | | | |
| 77,82,94,752 Equity Shares of Rs. 2 each | | 155.66 | 155.66 |
| (Previous year 77,82,94,752 Equity Shares of Rs. 2 each) | | <u>155.66</u> | <u>155.66</u> |
| Subscribed & Paid-up | | | |
| 77,72,91,357 Equity Shares of Rs. 2 each | | 155.46 | 155.46 |
| (Previous year 77,72,91,357 Equity Shares of Rs. 2 each) | | <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 | |
|---|--|-----------------------|----------------|
| | | 2008 | 2007 |
| (B) Reserves & Surplus | | | |
| Capital Reserve | | | |
| Revaluation Reserve | | 0.08 | 0.08 |
| As per last Balance Sheet | | 8.97 | 9.32 |
| Less: Transferred to Profit and Loss Account | | <u>—</u> | <u>0.35</u> |
| | | 8.97 | 8.97 |
| Securities Premium Account | | | |
| As per last Balance Sheet | | 764.98 | 48.68 |
| Add: Premium on issue of GDRs | | <u>—</u> | <u>764.98</u> |
| | | 764.98 | 813.66 |
| Less: Amount capitalised by issue of Bonus Shares | | <u>—</u> | <u>48.68</u> |
| | | 764.98 | 764.98 |
| General Reserve | | | |
| As per last Balance Sheet | | 1916.43 | 1561.02 |
| Less: Amount capitalised by issue of Bonus Shares | | <u>—</u> | <u>44.59</u> |
| | | 1916.43 | 1516.43 |
| Add: Transferred from Profit and Loss Account | | <u>400.00</u> | <u>400.00</u> |
| | | 2316.43 | 1916.43 |
| Surplus in Profit & Loss Account | | 509.90 | 390.35 |
| | | <u>3600.36</u> | <u>3080.81</u> |

SCHEDULES TO THE ACCOUNTS *contd.*

| | | Rupees in crore | |
|---|--|-----------------|-------------|
| | | 2008 | 2007 |
| C Secured Loans | | | |
| Amounts drawn against Cash and Export Credit Accounts with Banks | | 16.98 | 7.25 |
| (Secured by hypothecation of tangible movable assets and receivables) | | | |
| | | 16.98 | 7.25 |

| | | Rupees in crore | |
|--------------------------------------|---------------|-----------------|---------------|
| | | 2008 | 2007 |
| D Unsecured Loans | | | |
| Fixed Deposits | | - | 0.01 |
| Other Loans & Advances | | | |
| Govt. of Maharashtra Sales Tax Loan | - | | 0.01 |
| HDFC - Line of Credit | - | | 0.01 |
| Maharashtra Govt. Sales Tax Deferral | 5.17 | | 5.49 |
| Loans from Banks | <u>558.38</u> | | <u>110.79</u> |
| | | 563.55 | 116.30 |
| | | 563.55 | 116.31 |

Note: A sum of Rs. 558.54 crore (Previous year Rs. 110.96 crore) is repayable out of Unsecured Loans within the next 12 months.

SCHEDULES TO THE ACCOUNTS *contd.*

Rupees in crore

E Fixed Assets

| ASSETS | GROSS BLOCK AT COST/REVALUATION | | | DEPRECIATION | | NET BLOCK | |
|------------------------------------|---------------------------------|---------------|-------------|-------------------|-------------------|--------------------------|-------------------|
| | As at 31.03.07 | Additions | Deletions | As at 31.03.08 | As at 31.03.08 | As at 31.03.08 | As at 31.03.07 |
| Freehold Land | 26.75 | – | – | 26.75 | – | 26.75 | 26.75 |
| Leasehold Land | 18.90 | 28.85 | – | 47.75 | 2.88 | 44.87 | 17.09 |
| Buildings & Flats | 374.33 | 75.94 | – | 450.27 | 66.98 | 383.29 | 320.27 |
| Plant & Machinery | 1317.49 | 286.68 | 3.74 | 1600.43* | 451.45 | 1148.98 | 976.17 |
| Furniture & Fixtures | 55.52 | 14.07 | 0.01 | 69.58 | 16.82 | 52.76 | 42.88 |
| Vehicles | 6.72 | 0.66 | 0.37 | 7.01 | 2.30 | 4.71 | 4.91 |
| Total | 1799.71 | 406.20 | 4.12 | 2201.79 | 540.43 | 1661.36 | 1388.07 |
| Previous Year | 1366.67 | 438.47 | 5.43 | 1799.71 | 411.64 | | |
| Capital Work-in-Progress (At Cost) | | | | | | 233.12 | 73.19 |
| Total | | | | | | 1894.48 | 1461.26 |

Notes: i. The gross value of Buildings & Flats includes the cost of shares in Co-operative Housing Societies.
ii. * Net of Government grants received for Baddi Rs. 0.30 crore (Previous year Nil)

Rupees in crore

| | 2008 | 2007 |
|--|-------------|------|
| F Investments | | |
| Long Term Investments | | |
| Government Securities | | |
| <i>Unquoted</i> | | |
| National Savings Certificates | 0.03 | 0.03 |
| Other Investments | | |
| Trade | | |
| <i>Unquoted</i> | | |
| The Saraswat Co-operative Bank Limited 1,000 Equity Shares of Rs. 10 each, fully paid - Rs.10,000 (Previous year - Rs.10,000) | 0.00 | 0.00 |
| In Subsidiary Company 1 (Previous year 1) Equity Share of AED 10,00,000 of Cipla FZE fully paid | 1.27 | 1.27 |
| Other than Trade | | |
| <i>Bonds</i> | | |
| National Bank for Agriculture and Rural Development 2,000 (Previous year 2,000) Capital Gains Bonds of Face Value Rs.10,000 each, fully paid | 2.00 | 2.00 |

SCHEDULES TO THE ACCOUNTS *contd.*

| | Rupees in crore | |
|---|-----------------|-------|
| | 2008 | 2007 |
| F Investments - contd. | | |
| <i>National Housing Bank</i> | | |
| 1,000 (Previous year 1,000) Capital Gains Bonds of Face Value Rs.10,000 each, fully paid | 1.00 | 1.00 |
| <i>Rural Electrification Corporation Limited</i> | | |
| 1,000 (Previous year 1,000) Non-convertible Redeemable Taxable Bonds - Series V of Face Value Rs.10,000 each, fully paid | 1.00 | 1.00 |
| Current Investments | | |
| Mutual Funds | | |
| <i>Birla Sun Life Mutual Fund "Birla Cash Plus" - Institutional Premium Daily Dividend Scheme</i> | | |
| 2,54,34,491 (Previous year 98,505) units (1,90,56,05,997 units purchased and 1,88,02,70,011 units redeemed during the year) | 25.48 | 0.01 |
| <i>Birla Sun Life Mutual Fund "Birla FTP Series 5" - Quarterly Dividend Scheme</i> | | |
| Nil (Previous year 1,00,00,000) units (1,00,00,000 units redeemed during the year) | - | 10.00 |
| <i>DBS Chola Mutual Fund "Chola Liquid" - Institutional Daily Dividend Plan</i> | | |
| Nil (Previous year Nil) units (37,94,049 units purchased and redeemed during the year) | - | - |
| <i>Deutsche Asset Management "DWS Insta Cash Plus" - Institutional Daily Dividend Scheme</i> | | |
| Nil (Previous year Nil) units (4,99,77,438 units purchased and redeemed during the year) | - | - |
| <i>Franklin Templeton Investments "Templeton India Treasury Management Account" - Super Institutional Daily Dividend Plan</i> | | |
| 2,61,116 (Previous year 275) units (20,42,267 units purchased and 17,81,426 units redeemed during the year) | 26.12 | 0.03 |
| <i>HDFC Mutual Fund "HDFC Cash Management" - Savings Plan Daily Dividend</i> | | |
| Nil (Previous year Nil) units (7,84,71,956 units purchased and redeemed during the year) | - | - |
| <i>ING Vysya Mutual Fund "ING Vysya Liquid Fund" - Super Institutional Daily Dividend Scheme</i> | | |
| 55,74,405 (Previous year Nil) units (12,41,95,095 units purchased and 11,86,20,690 units redeemed during the year) | 5.58 | - |
| <i>JM Financial Mutual Fund "High Liquidity Fund" - Super Institutional Daily Dividend Scheme</i> | | |
| 1,22,46,761 (Previous year Nil) units (7,36,39,263 units purchased and 6,13,92,502 units redeemed during the year) | 12.27 | - |
| <i>JP Morgan Mutual Fund "JP Morgan India Liquid Fund" - Dividend Plan Reinvest</i> | | |
| Nil (Previous year Nil) units (3,06,03,548 units purchased and redeemed during the year) | - | - |

SCHEDULES TO THE ACCOUNTS *contd.*

| | Rupees in crore | |
|---|-----------------|-------|
| | 2008 | 2007 |
| F Investments - contd. | | |
| <i>Kotak Mahindra Mutual Fund "Kotak Liquid" - Institutional Premium Daily Dividend Scheme</i> | | |
| Nil (Previous year Nil) units (12,44,04,328 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 (10,63,09,809 units purchased and redeemed during the year) | - | - |
| <i>Lotus India Mutual Fund "FMP - 3 Months Series I" - Institutional Dividend Scheme</i> | | |
| Nil (Previous year 50,38,709) units (50,38,709 units redeemed during the year) | - | 5.04 |
| <i>Principal Mutual Fund "Principal Cash Management Fund" - Institutional Premium Plan Daily Dividend Scheme</i> | | |
| Nil (Previous year 1,98,27,382) units (9,39,28,616 units purchased and 11,37,55,998 units redeemed during the year) | - | 19.83 |
| <i>Prudential ICICI Mutual Fund "Prudential ICICI Liquid Plan" - Super Institutional Daily Dividend Scheme</i> | | |
| Nil (Previous year 93,40,674) units (16,81,27,270 units purchased and 17,74,67,944 units redeemed during the year) | - | 9.34 |
| <i>Prudential ICICI Mutual Fund "FMP Series 35" - Three Month Plan B - Retail Dividend</i> | | |
| Nil (Previous year 1,00,98,497) units (1,00,98,497 units redeemed during the year) | - | 10.10 |
| <i>Prudential ICICI Mutual Fund "FMP Series 34" - Six Month Plan B - Retail Dividend</i> | | |
| Nil (Previous year 2,50,00,000) units (2,50,00,000 units redeemed during the year) | - | 25.00 |
| <i>Reliance Mutual Fund "Reliance Liquidity Fund" - Daily Dividend Reinvestment</i> | | |
| Nil (Previous year Nil) units (15,09,50,691 units purchased and redeemed during the year) | - | - |
| <i>Reliance Mutual Fund "Fixed Horizon Fund 1" - Quarterly Plan - Series IV Dividend Plan</i> | | |
| Nil (Previous year 50,00,000) units (50,00,000 units redeemed during the year) | - | 5.00 |
| <i>SBI Mutual Fund "SBI Debt Fund Series" - 90 Days II - Dividend</i> | | |
| Nil (Previous year 50,00,000) units (50,00,000 units redeemed during the year) | - | 5.00 |
| <i>Sundaram BNP Paribas Mutual Fund "Sundaram Money Fund" - Super Institutional Daily Dividend Scheme</i> | | |
| Nil (Previous year Nil) units (5,34,74,306 units purchased and redeemed during the year) | - | - |
| <i>Tata Mutual Fund "Liquid Super High Investment Fund" - Daily Dividend Scheme</i> | | |
| Nil (Previous year 7,141) units (13,31,232 units purchased and 13,38,373 units redeemed during the year) | - | 0.79 |
| <i>Tata Mutual Fund "Fixed Horizon Fund" Series 8 - Scheme F Dividend Inst Plan</i> | | |
| Nil (Previous year 1,00,90,452) units (1,00,90,452 units redeemed during the year) | - | 10.09 |

SCHEDULES TO THE ACCOUNTS *contd.*

| | Rupees in crore | |
|--|-----------------|---------------|
| | 2008 | 2007 |
| F Investments - contd. | | |
| <i>UTI Mutual Fund "UTI Liquid Cash Plan" - Institutional Daily Income Scheme</i> | | |
| 1,96,223 (Previous year 1,20,377) units (11,63,574 units purchased and 10,87,728 units redeemed during the year) | 20.00 | 12.27 |
| | <u>94.75</u> | <u>117.80</u> |
| Aggregate of Unquoted Investments at Book Value Rs. 94.75 crore (Previous year Rs. 117.80 crore) | | |

| | Rupees in crore | |
|---|-----------------|---------------|
| | 2008 | 2007 |
| G Inventories | | |
| [As valued by the Management & certified by Cost Auditors. Schedule R-Note 1 (iv)] | | |
| Raw Materials | 632.92 | 532.40 |
| Work-in-Process | 152.64 | 139.36 |
| Finished Goods | 334.93 | 306.84 |
| | <u>1120.49</u> | <u>978.60</u> |

| | Rupees in crore | |
|---|-----------------|----------------|
| | 2008 | 2007 |
| H Sundry Debtors | | |
| Unsecured | | |
| Over Six Months | | |
| - Considered Good | 282.42 | 248.30 |
| - Considered Doubtful | 10.86 | 0.31 |
| | <u>293.28</u> | <u>248.61</u> |
| <i>Less: Provision for Doubtful Debts</i> | 10.86 | 0.31 |
| | <u>282.42</u> | <u>248.30</u> |
| Others | | |
| - Considered Good | 1111.49 | 780.48 |
| | <u>1393.91</u> | <u>1028.78</u> |

SCHEDULES TO THE ACCOUNTS *contd.*

| | | Rupees in crore | |
|---|--|-----------------|---------------|
| | | 2008 | 2007 |
| I Cash & Bank Balances | | | |
| Cash in hand | | 0.74 | 0.67 |
| Balances with Scheduled Banks in Current Accounts | | 69.94 | 54.64 |
| 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. 13.66 crore, Previous year Rs. 1.68 crore) | | 8.44 | 1.02 |
| Fixed Deposits with Banks | | 0.16 | 75.16 |
| | | 79.28 | 131.49 |

| | | Rupees in crore | |
|---|------|-----------------|--------------|
| | | 2008 | 2007 |
| J Other Current Assets | | | |
| Unsecured (Considered good, unless otherwise stated) | | | |
| Interest accrued on Inter-corporate Loans, Government Securities & Deposits: | | | |
| - Considered Good | 0.81 | | 0.69 |
| - Considered Doubtful | 0.46 | | 0.60 |
| | 1.27 | | 1.29 |
| Less: Provision for Doubtful Interest | 0.46 | | 0.60 |
| | | 0.81 | 0.69 |
| Export Incentives Receivable | | 33.67 | 23.32 |
| Rent and Lease Rentals Receivable | | 0.01 | 0.82 |
| | | 34.49 | 24.83 |

SCHEDULES TO THE ACCOUNTS *contd.*

Rupees in crore

| | 2008 | 2007 |
|---|----------------|---------------|
| (K) Loans & Advances | | |
| Unsecured (Considered good, unless otherwise stated) | | |
| Advances recoverable in cash or in kind or for value to be received: | | |
| - Considered Good | 374.24 | 202.49 |
| - Considered Doubtful | 0.34 | 0.07 |
| | <u>374.58</u> | <u>202.56</u> |
| <i>Less:</i> Provision for Doubtful Advances | 0.34 | 0.07 |
| | 374.24 | 202.49 |
| Excise Advance Receivable | 41.43 | 24.70 |
| Balance with Central Excise Department | 149.92 | 131.19 |
| Dues from Staff | 6.52 | 5.84 |
| Sundry Deposits | 9.94 | 9.21 |
| Advance Tax & TDS | 348.59 | 283.38 |
| Sales Tax Receivable | 16.09 | 12.24 |
| Loan to Subsidiary Company | 13.53 | - |
| Inter-corporate Loans: | | |
| - Considered Good | 155.55 | 1.93 |
| - Considered Doubtful | 1.13 | 1.25 |
| | <u>156.68</u> | <u>3.18</u> |
| <i>Less:</i> Provision for Doubtful Loans | 1.13 | 1.25 |
| | 155.55 | 1.93 |
| | 1115.81 | 670.98 |

SCHEDULES TO THE ACCOUNTS *contd.*

| | | Rupees in crore | |
|---|---------------|-----------------------|---------------|
| | | 2008 | 2007 |
| L Current Liabilities & Provisions | | | |
| Liabilities | | | |
| Sundry Creditors: | | | |
| - Micro and Small Enterprises [#] | - | | - |
| - Others | 533.51 | | 305.93 |
| Trade Deposits from Customers | 20.63 | | 20.42 |
| Unclaimed Dividend* | 8.25 | | 5.70 |
| Advances Received | 74.43 | | 33.13 |
| Unclaimed Preference Share Capital | 0.01 | | 0.01 |
| Other Liabilities | <u>194.07</u> | | <u>162.94</u> |
| | | 830.90 | <u>528.13</u> |
| Provisions | | | |
| Employee Cost | 19.18 | | 10.16 |
| Provision for Taxation | 215.75 | | 221.09 |
| Provision for Dividend | 155.46 | | 155.46 |
| Tax on Dividend | <u>26.42</u> | | <u>26.42</u> |
| | | 416.81 | <u>413.13</u> |
| | | <u>1247.71</u> | <u>941.26</u> |
| Notes: i. *There are no amounts due and outstanding to be credited to Investor Education & Protection Fund. | | | |
| ii. [#] Refer Schedule R-Note 23. | | | |

SCHEDULES TO THE ACCOUNTS *contd.*

| | Rupees in crore | |
|--|-----------------|---------------|
| | 2008 | 2007 |
| M Deferred Tax Liabilities | | |
| Deferred Tax Liabilities arising on account of: | | |
| Depreciation | 137.70 | 104.96 |
| Export Incentives | 11.45 | 7.69 |
| | <u>149.15</u> | <u>112.65</u> |

| | Rupees in crore | |
|--|-----------------|---------------|
| | 2008 | 2007 |
| N Other Income | | |
| Profit on sale of Investments (Net) | 0.01 | 0.03 |
| Profit on sale of Fixed Assets (Net) | 1.10 | 0.76 |
| Technical Know-how/Fees | 153.39 | 76.47 |
| Export Incentives | 52.00 | 47.28 |
| Dividend | 10.75 | 11.64 |
| Interest (includes tax deducted at source Rs. 1.41 crore; Previous year Rs. 0.28 crore) | 8.37 | 18.26 |
| Rent (includes tax deducted at source Rs. 0.20 crore; Previous year Rs. 0.19 crore) | 1.29 | 1.03 |
| Insurance Claims | 1.82 | 1.13 |
| Provision for Doubtful Debts & Advances written back | - | 6.12 |
| Exchange Gain (Net) | 67.08 | 32.98 |
| Miscellaneous Income | 44.50 | 34.85 |
| | <u>340.31</u> | <u>230.55</u> |

SCHEDULES TO THE ACCOUNTS *contd.*

| | | | Rupees in crore | |
|--|---------|--|-----------------|---------|
| | | | 2008 | 2007 |
| Material Cost | | | | |
| Consumption of Raw & Packing Materials | | | | |
| Opening Stock | 532.40 | | | 480.07 |
| Add: Purchases | 1742.91 | | | 1348.85 |
| | 2275.31 | | | 1828.92 |
| Less: Closing Stock | 632.92 | | | 532.40 |
| | | | 1642.39 | 1296.52 |
| Finished Goods Purchased | | | 458.94 | 398.33 |
| (Increase)/Decrease in Stock of Work-in-Process & Finished Goods | | | | |
| Opening Stock | | | | |
| – Work-in-Process | 139.36 | | | 133.86 |
| – Finished Goods | 306.84 | | | 343.07 |
| | 446.20 | | | 476.93 |
| Less: Closing Stock | | | | |
| – Work-in-Process | 152.64 | | | 139.36 |
| – Finished Goods | 334.93 | | | 306.84 |
| | 487.57 | | | 446.20 |
| | | | (41.37) | 30.73 |
| | | | 2059.96 | 1725.58 |

| | | | Rupees in crore | |
|------------------------------|--|--|-----------------|--------|
| | | | 2008 | 2007 |
| Employee Cost | | | | |
| Salaries, Wages, Bonus, etc. | | | 218.98 | 162.11 |
| Provident & other Funds | | | 11.61 | 7.30 |
| Staff Gratuity | | | 3.48 | 2.96 |
| Staff Welfare | | | 16.82 | 11.11 |
| Leave Encashment | | | 4.56 | 1.11 |
| | | | 255.45 | 184.59 |

SCHEDULES TO THE ACCOUNTS *contd.*

| | Rupees in crore | |
|---|-----------------|--------|
| | 2008 | 2007 |
| Q Other Expenses | | |
| Stores & Spares | 61.15 | 60.04 |
| Power & Fuel | 96.90 | 86.71 |
| Rent | 4.03 | 6.91 |
| Rates & Taxes | 6.65 | 6.62 |
| Insurance | 11.99 | 7.30 |
| Repairs & Maintenance | | |
| Machinery | 19.78 | 13.15 |
| Buildings | 43.52 | 34.69 |
| Others | 18.23 | 18.67 |
| Printing & Stationery | 15.84 | 14.16 |
| Conveyance & Vehicle Expenses | 9.12 | 5.99 |
| Remuneration to Auditors (including service tax, where applicable) | | |
| Audit Fees | 0.27 | 0.27 |
| Tax Audit Fees | 0.02 | 0.02 |
| Cost Audit Fees | 0.03 | 0.02 |
| Other Services | 0.02 | 0.02 |
| Professional Fees | 80.24 | 57.42 |
| Telephone, Postage & Telegram | 18.14 | 14.29 |
| Selling Expenses | 93.55 | 42.61 |
| Freight & Forwarding | 31.66 | 28.30 |
| Travelling Expenses | 69.07 | 39.34 |
| Donations | 0.80 | 1.77 |
| Commission on Sales | 159.42 | 155.17 |
| Bank & Other Financial Charges | 6.36 | 4.21 |
| Directors' Sitting Fees | 0.09 | 0.10 |
| Miscellaneous Expenses | 69.31 | 58.05 |
| Provision for Doubtful Debts | 10.55 | - |
| Bad Debts written off | 1.21 | 11.17 |
| | 827.95 | 667.00 |

SCHEDULES TO THE ACCOUNTS *contd.*

R Notes to the Accounts

1. Significant Accounting Policies

i. Basis of Accounting

The financial statements are prepared under the historical cost convention in accordance with 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.

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. 433.67 crore (Previous year Rs. 202.20 crore).

4. Contingent Liabilities

i. Guarantees given by banks on behalf of the Company Rs. 52.64 crore (Previous year Rs. 28.90 crore).

ii. Letters of credit Rs. 52.82 crore (Previous year Rs. 23.06 crore).

iii. Technical know-how/fees Rs. 1.15 crore (Previous year Rs. 54.60 crore) pending completion of certain obligations.

SCHEDULES TO THE ACCOUNTS *contd.*

iv. Claims against the Company not acknowledged as debts:

a. Income Tax Rs. 73.57 crore.

The above amount of Rs. 73.57 crore represents claims where the Company has filed appeals and expects a favourable outcome, based on decisions in earlier assessment years.

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

b. Excise Duty/Service Tax Rs. 40.84 crore (Previous year Rs. 24.99 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. Others Rs. 2.02 crore (Previous year Rs. 1.60 crore).

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

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

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

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

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

SCHEDULES TO THE ACCOUNTS *contd.*

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. 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 credited to the Profit and Loss Account is Rs. 67.08 crore (Previous year Rs. 32.98 crore).

8. Expenditure on Research & Development

| | Rupees in crore | |
|--|-----------------|--------|
| | 2008 | 2007 |
| Capital Expenditure | 29.44 | 28.41 |
| Revenue Expenditure charged to Profit and Loss Account | 202.86 | 147.32 |
| | 232.30 | 175.73 |

Of the above, capital expenditure of Rs. 26.50 crore and revenue expenditure of Rs. 87.08 crore are eligible for weighted deduction under section 35(2AB) of the Income Tax Act, 1961. The eligible revenue expenditure includes Employee Cost Rs. 20.95 crore, Raw Materials & Consumables Rs. 23.34 crore, Clinical Trials & Research Grants Rs. 21.71 crore and other expenditure Rs. 20.98 crore.

9. Capacities and Actual Production

| Class of Goods | Unit | Installed Capacity | | Actual Production | |
|------------------------------|-----------|--------------------|---------|-------------------|---------|
| | | 2008 | 2007 | 2008 | 2007 |
| Bulk Drugs (including Malts) | Tonne | 1783.0 | 1783.0 | 1031.7 | 756.7 |
| Tablets & Capsules | Million | 12840.7 | 12499.0 | 13986.5 | 12358.5 |
| Liquids | Kilolitre | 1334.4 | 1320.0 | 7998.9 | 6850.9 |
| Creams | Tonne | 714.6 | 643.0 | 624.8 | 616.6 |
| Aerosols/Inhalation Devices | Thousand | 70860.0 | 70860.0 | 54327.4 | 47525.0 |
| Injections/Sterile Solutions | Kilolitre | 958.0 | 917.0 | 2473.5 | 1474.0 |
| Others | | - | - | 268.8 | 7.0 |

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

SCHEDULES TO THE ACCOUNTS *contd.*

10. Purchases of each class of Finished Goods

| | | Rupees in crore | | | |
|------------------------------|-----------|-----------------|---------------|--------|--------|
| Class of Goods | Unit | 2008 | | 2007 | |
| | | Qty. | Value | Qty. | Value |
| Bulk Drugs (including Malts) | Tonne | 1797.9 | 90.27 | 1369.0 | 102.64 |
| Tablets & Capsules | Million | 2178.2 | 201.63 | 1606.6 | 165.02 |
| Liquids | Kilolitre | 3232.2 | 50.04 | 2623.4 | 44.82 |
| Creams | Tonne | 336.1 | 11.59 | 402.1 | 13.48 |
| Aerosols/Inhalation Devices | Thousand | 6418.4 | 22.26 | 3602.8 | 13.76 |
| Injections/Sterile Solutions | Kilolitre | 1237.7 | 31.43 | 885.5 | 42.41 |
| Others | | - | 51.72 | - | 16.20 |
| | | | 458.94 | | 398.33 |

11. Sales of each class of Finished Goods

| | | Rupees in crore | | | |
|------------------------------|-----------|-----------------|----------------|---------|---------|
| Class of Goods | Unit | 2008 | | 2007 | |
| | | Qty. | Value | Qty. | Value |
| Bulk Drugs (including Malts) | Tonne | 2300.4 | 582.87 | 1820.3 | 547.76 |
| Tablets & Capsules | Million | 15842.2 | 2310.75 | 14425.5 | 2018.64 |
| Liquids | Kilolitre | 10454.8 | 210.15 | 9451.2 | 185.42 |
| Creams | Tonne | 1032.1 | 66.57 | 917.3 | 60.21 |
| Aerosols/Inhalation Devices | Thousand | 59865.9 | 443.78 | 53284.0 | 377.83 |
| Injections/Sterile Solutions | Kilolitre | 3744.3 | 356.94 | 2443.6 | 301.02 |
| Others | | - | 117.50 | - | 42.29 |
| | | | 4088.56 | | 3533.17 |

12. Closing Stock of each class of Finished Goods

| | | Rupees in crore | | | |
|------------------------------|-----------|-----------------|---------------|--------|--------|
| Class of Goods | Unit | 2008 | | 2007 | |
| | | Qty. | Value | Qty. | Value |
| Bulk Drugs (including Malts) | Tonne | 274.9 | 81.72 | 325.2 | 82.57 |
| Tablets & Capsules | Million | 2124.6 | 154.61 | 1889.3 | 137.43 |
| Liquids | Kilolitre | 1901.5 | 28.15 | 1320.6 | 20.32 |
| Creams | Tonne | 204.2 | 6.81 | 271.7 | 7.91 |
| Aerosols/Inhalation Devices | Thousand | 4153.1 | 21.69 | 2732.7 | 14.64 |
| Injections/Sterile Solutions | Kilolitre | 537.6 | 38.86 | 427.4 | 41.75 |
| Others | | - | 3.09 | - | 2.22 |
| | | | 334.93 | | 306.84 |

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

SCHEDULES TO THE ACCOUNTS *contd.*

13. Consumption of Raw and Packing Materials

Rupees in crore

| Class of Goods | 2008 | | 2007 | |
|--|----------------|------------|---------|-----|
| | Value | % | Value | % |
| Purchased indigenously | 978.85 | 56 | 815.03 | 58 |
| Imported by the Company | 770.23 | 44 | 594.34 | 42 |
| | 1749.08 | 100 | 1409.37 | 100 |
| <i>Less: Recoverable duties (included in the above cost)</i> | 106.69 | | 112.85 | |
| Total consumption (Net of Cenvat) | 1642.39 | | 1296.52 | |

Note: Figures as certified by the management.

14. Break-up of Materials Consumed

Rupees in crore

| Class of Goods | Unit | 2008 | | 2007 | |
|--|---------|---------|----------------|--------|---------|
| | | Qty. | Value | Qty. | Value |
| Purchased Bulk Drugs | Tonne | 3004.8 | 647.83 | 2601.2 | 543.67 |
| Solvents | Tonne | 15788.9 | 68.20 | 9962.8 | 46.22 |
| Capsules | Million | 2682.7 | 25.17 | 2042.9 | 18.08 |
| Packing Materials | | | 385.51 | | 341.83 |
| Others (None of which individually accounts for more than 10 per cent of the total consumption) | | | 622.37 | | 459.57 |
| | | | 1749.08 | | 1409.37 |
| <i>Less: Recoverable duties (included in the above cost)</i> | | | 106.69 | | 112.85 |
| Total consumption (Net of Cenvat) | | | 1642.39 | | 1296.52 |

Note: Figures as certified by the management.

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

Rupees in crore

| | 2008 | 2007 |
|---------------------------------|--------|--------|
| Raw Materials/Packing Materials | 724.27 | 543.29 |
| Components & Spare Parts | 19.35 | 11.98 |
| Capital Goods | 202.93 | 94.85 |

SCHEDULES TO THE ACCOUNTS *contd.*

16. Expenditure in Foreign Currency

| | Rupees in crore | |
|--|-----------------|--------|
| | 2008 | 2007 |
| Legal and Professional charges | 15.42 | 10.79 |
| Other matters – Commission, Travelling, etc. | 105.73 | 104.34 |

17. Earnings in Foreign Exchange

| | Rupees in crore | |
|-------------------------|-----------------|---------|
| | 2008 | 2007 |
| F.O.B. Value of Exports | 2101.74 | 1780.44 |
| Technical Know-how/Fees | 153.39 | 76.47 |
| Others | 0.08 | 8.16 |

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

| Nature of instrument | 2008 | | 2007 | |
|----------------------------------|--|---|--|---|
| | Amount (equivalent US\$ million) | Amount (equivalent Rupees in crore) | Amount (equivalent US\$ million) | Amount (equivalent Rupees in crore) |
| Forward contracts - Sold | 433.07 | 1737.50 | 160.00 | 717.28 |
| Forward contracts - Bought | 1.48 | 5.90 | 11.53 | 51.70 |
| Foreign currency options | 3.75 | 15.00 | 1.00 | 4.48 |
| Open foreign exchange exposures: | | | | |
| - Receivables | - | - | 32.63 | 141.52 |
| - Payables | 5.00 | 20.06 | - | - |
| - Loans | 127.32 | 510.81 | - | - |

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

19. Managerial Remuneration

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

| | Rupees in crore | |
|---|-----------------|-------|
| | 2008 | 2007 |
| i. Salary and Allowances | 0.91 | 0.91 |
| ii. Commission | 26.50 | 21.50 |
| iii. Company's contribution to Provident Fund | 0.07 | 0.07 |
| iv. Approximate monetary value of other perquisites or benefits | 0.06 | 0.06 |
| | 27.54 | 22.54 |

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

SCHEDULES TO THE ACCOUNTS *contd.*

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

Rupees in crore

| | | 2008 |
|---|-------|---------------|
| Profit before Tax as per Profit & Loss Account | | 838.36 |
| <i>Add:</i> Managerial Remuneration | 27.54 | |
| Directors' Sitting Fees | 0.09 | |
| Provision for Doubtful Debts | 10.55 | 38.18 |
| | | 876.54 |
| <i>Less:</i> Profit on Sale of Investments | | 0.01 |
| Net Profit under section 349 of the Companies Act, 1956 | | 876.53 |
| 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. 0.05 crore (Previous year Rs. 0.07 crore) and Cipla Cancer and AIDS Foundation Rs. 0.64 crore (Previous year Rs. 0.90 crore).
- iii. Refer Note 19 for details of managerial remuneration.
- iv. During the year, the Company has given loans to its subsidiary, Cipla FZE, U.A.E., amounting to Rs. 13.53 crore which includes interest of Rs. 0.70 crore. The amount outstanding as on 31st March 2008 is Rs. 13.53 crore.

SCHEDULES TO THE ACCOUNTS *contd.*

22. Segment Information

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

Rupees in crore

| | India | | Outside India | | Total | |
|--------------------------------------|----------------|---------|----------------|---------|----------------|---------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Gross revenue by geographical market | 2153.51 | 1876.12 | 2255.13 | 1856.91 | 4408.64 | 3733.03 |
| Less: Excise duty | 90.66 | 94.93 | – | – | 90.66 | 94.93 |
| Net revenue by geographical market | 2062.85 | 1781.19 | 2255.13 | 1856.91 | 4317.98 | 3638.10 |
| Carrying amount of segment assets | 3920.90 | 3115.46 | 1180.06 | 866.37 | 5100.96 | 3981.83 |
| Capital expenditure | 617.39 | 495.75 | 0.86 | 1.05 | 618.25 | 496.80 |

- 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

| | 2008 | 2007 |
|--|----------------|---------|
| • Sales (Net of Excise duty) | 3997.90 | 3438.24 |
| • Other income excluding interest, dividend and profit on sale of investments & fixed assets | 320.08 | 199.86 |
| | 4317.98 | 3638.10 |

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

23. Pursuant to the Micro, Small and Medium Enterprises Development Act, 2006, the Company had asked for confirmation from its vendors regarding their status under the said Act. The Company is yet to receive verifiable confirmations from the vendors and hence the amounts unpaid as at the year end together with interest payable if any, under this Act have not been given.

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.

SCHEDULES TO THE ACCOUNTS *contd.*

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.
- The Company provides for gratuity, a defined benefit plan based on actuarial valuation as at 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

| | 2008 |
|---------------------------|--------------|
| Employees' Pension Scheme | 5.62 |
| Provident Fund | 5.49 |
| | 11.11 |

c. Disclosures for defined benefit plans based on actuarial reports as on 31st March 2008

Rupees in crore

| | Gratuity (Funded Plan) |
|--|---------------------------------------|
| i. Change in defined benefit obligation | |
| Opening defined benefit obligation | 14.56 |
| Interest cost | 1.24 |
| Current service cost | 1.71 |
| Actuarial (gain)/loss on obligations | 1.81 |
| Benefit paid | (1.43) |
| Liability at the end of the year | 17.89 |
| ii. Change in fair value of assets | |
| Opening fair value of plan assets | 11.55 |
| Expected return on plan assets | 1.09 |
| Actuarial gain/(loss) | 0.19 |
| Contributions by employer | 2.81 |
| Benefits paid | (1.43) |
| Closing fair value of plan assets | 14.21 |

SCHEDULES TO THE ACCOUNTS *contd.*

Rupees in crore

| | Gratuity (Funded Plan) |
|---|---------------------------------------|
| iii. Amount recognised in Balance Sheet | |
| Present value of obligations as at year end | 17.89 |
| Fair value of plan assets as at year end | <u>(14.21)</u> |
| Net (asset)/liability recognised | <u>3.68</u> |
| iv. Expenses recognised in Profit and Loss Account | |
| Current service cost | 1.71 |
| Interest on defined benefit obligation | 1.24 |
| Expected return on plan assets | <u>(1.09)</u> |
| Net actuarial loss/(gain) recognised during the year | 1.62 |
| Total expense recognised in Profit & Loss Account | <u>3.48</u> |
| v. Actual return on plan assets | |
| Expected return on plan assets | 1.09 |
| Actuarial gain/(loss) on plan assets | <u>0.19</u> |
| Actual return on plan assets | <u>1.28</u> |
| vi. Asset information | |
| Insurer managed funds | 100% |
| vii. Principal actuarial assumptions used | |
| Discounted rate (per annum) | 8% |
| Expected rate of return on plan assets (per annum) | 8% |
| 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 | 17.89 |
| Plan assets | <u>(14.21)</u> |
| Deficit/(surplus) | <u>3.68</u> |
| ix. Expected employer's contribution for the next year | <u>4.01</u> |

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, 18th July 2008

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
M.R.Raghavan
Ramesh Shroff
Pankaj Patel
Directors

Mital Sanghvi
Company Secretary

Mumbai, 18th July 2008

CASH FLOW STATEMENT

Rupees in crore

| For the year ended 31 st March 2008 | 2008 | 2007 |
|---|---------------------|-----------|
| (A) Cash Flow from Operating Activities | | |
| Net profit before tax | 838.36 | 807.98 |
| Adjustments for: | | |
| Depreciation | 130.68 | 103.37 |
| Interest expense | 11.69 | 6.95 |
| Unrealised foreign exchange gain (Net) | (28.75) | (25.23) |
| Provision/(Reversal) for doubtful debts and advances | 10.55 | (6.12) |
| Interest income | (8.37) | (18.26) |
| Dividend income | (10.75) | (11.64) |
| Profit on sale of investments (Net) | (0.01) | (0.03) |
| Profit on sale/discard of fixed assets (Net) | (1.10) | (0.76) |
| Lease rent income | (0.39) | (0.07) |
| | 103.55 | 48.21 |
| Operating profit before working capital changes | 941.91 | 856.19 |
| Adjustments for: | | |
| Increase/(Decrease) in trade payables and other liabilities | 311.12 | (100.92) |
| Increase in inventories | (141.89) | (21.60) |
| Increase in trade and other receivables | (559.96) | (305.81) |
| | (390.73) | (428.33) |
| Cash generated from operations | 551.18 | 427.86 |
| Direct taxes paid | (170.98) | (93.44) |
| Net cash from operating activities | (A) 380.20 | 334.42 |
| (B) Cash Flow from Investing Activities | | |
| Purchase of fixed assets/Capital work-in-progress | (565.84) | (423.86) |
| Sale of fixed assets | 3.05 | 3.26 |
| Investment in subsidiary | - | (1.27) |
| Purchase of other investments | (1776.51) | (1842.78) |
| Sale of investments | 1799.57 | 1748.71 |
| Interest income | 8.37 | 18.26 |
| Dividend income | 10.75 | 11.64 |
| Lease rent income | 0.39 | 0.07 |
| Loan to subsidiary | (13.53) | - |
| Short term deposit | (153.50) | - |
| Net cash used in investing activities | (B) (687.25) | (485.97) |

CASH FLOW STATEMENT *contd.*

| | | Rupees in crore | |
|---|--------------------|-----------------|---------------|
| | | 2008 | 2007 |
| (C) Cash Flow from Financing Activities | | | |
| Proceeds from issue of GDR | | – | 767.18 |
| Proceeds from long term & other borrowings | | 566.80 | 112.16 |
| Repayment of long term & other borrowings | | (118.39) | (456.57) |
| Interest expense | | (11.69) | (6.95) |
| Dividend paid | | (155.46) | (155.46) |
| Tax on dividend | | (26.42) | (21.80) |
| Net cash from financing activities | (C) | 254.84 | 238.56 |
| Net (decrease)/increase in cash and cash equivalents | (A)+(B)+(C) | (52.21) | 87.01 |
| Cash and Cash Equivalents as at the beginning of the year | | 131.49 | 44.48 |
| Cash and Cash Equivalents as at the end of the year | | 79.28 | 131.49 |

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

As per our report of even date

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

M.R. Amin
Partner
Membership No.114010

Mumbai, 18th July 2008

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

R.Rangarajan
Partner
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H.R.Manchanda
S.A.A.Pinto
M.R.Raghavan
Ramesh Shroff
Pankaj Patel
Directors

Mital Sanghvi
Company Secretary

Mumbai, 18th July 2008

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 2008 |
| No. of Equity Shares held by Cipla Limited in the subsidiary as at 31 st March 2008 | 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 2008 of the subsidiary | (AED 1,50,887) (Rs. 0.16 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 2008 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 2008

Rupees in crore

| PARTICULARS | |
|-------------------------------|--------|
| Capital | 1.09 |
| Reserves | (0.25) |
| Total Assets | 14.16 |
| Total Liabilities | 13.32 |
| Investments | Nil |
| Total Income | 12.50 |
| Profit/(loss) before Taxation | (0.16) |
| Profit/(loss) after Taxation | (0.16) |
| Proposed Dividend | Nil |

Note: Exchange rate considered as on 31st March 2008: 1AED = Rs. 10.9269

Y.K. Hamied
Chairman & Managing Director

M.K. Hamied
Amar Lulla
Joint Managing Directors

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

Mital Sanghvi
Company Secretary

Mumbai, 18th July 2008

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)

Sources of Funds
Total Liabilities

Total Assets

Paid-up Capital

Reserves and Surplus

Secured Loans

Unsecured Loans

Application of Funds
Deferred Tax Liabilities

Investments

Net Fixed Assets

Misc. Expenditure

Net Current Assets

Accumulated Losses

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

Gross Turnover

Total Expenditure

Profit/(Loss) before Tax
+ -

Profit/(Loss) after Tax
+ -

Earning Per Share (in Rs.)

Dividend Rate (%)

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

Item Code No. (ITC Code)

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 2008 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 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 misstatements. 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. 14.16 crore as at 31st March 2008 and the total revenues of Rs. 12.50 crore and 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, issued by the Institute of Chartered Accountants of India 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 2008;
 - 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, 18th July 2008

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

R. Rangarajan
Partner
Membership No. 41883

Mumbai, 18th July 2008

CONSOLIDATED BALANCE SHEET

| | | | Rupees in crore | |
|---|----------|----------------|-----------------|----------------|
| As at 31 st March 2008 | Schedule | | 2008 | 2007 |
| Sources of Funds | | | | |
| Shareholders' Funds | | | | |
| Share Capital | A | 155.46 | | 155.46 |
| Reserves & Surplus | B | <u>3599.71</u> | 3755.17 | <u>3080.55</u> |
| | | | | 3236.01 |
| Loan Funds | | | | |
| Secured Loans | C | 16.98 | | 7.25 |
| Unsecured Loans | D | <u>563.55</u> | 580.53 | <u>116.31</u> |
| | | | | 123.56 |
| Deferred Tax Liabilities | | | | |
| | M | | 149.15 | 112.65 |
| | | | 4484.85 | <u>3472.22</u> |
| Application of Funds | | | | |
| Fixed Assets | | | | |
| | E | | | |
| Gross Block | | 2201.79 | | 1799.71 |
| Less: Depreciation | | <u>540.43</u> | | <u>411.64</u> |
| Net Block | | 1661.36 | | 1388.07 |
| Capital Work-in-Progress | | <u>233.12</u> | 1894.48 | <u>73.19</u> |
| | | | | 1461.26 |
| Investments | | | | |
| | F | | 93.48 | 116.53 |
| Current Assets, Loans & Advances | | | | |
| Inventories | G | 1120.49 | | 978.60 |
| Sundry Debtors | H | 1406.49 | | 1028.78 |
| Cash & Bank Balances | I | 79.70 | | 132.28 |
| Other Current Assets | J | 34.49 | | 24.83 |
| Loans & Advances | K | <u>1103.45</u> | | <u>671.20</u> |
| | | | | 2835.69 |
| Less: Current Liabilities & Provisions | | | | |
| | L | | | |
| Liabilities | | 830.92 | | 528.13 |
| Provisions | | <u>416.81</u> | | <u>413.13</u> |
| | | | | 941.26 |
| Net Current Assets | | | | |
| | | | 2496.89 | <u>1894.43</u> |
| | | | 4484.85 | <u>3472.22</u> |
| Notes to the Accounts | | | | |
| | R | | | |

As per our report of even date

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

M.R. Amin
Partner
Membership No.114010

Mumbai, 18th July 2008

For R.G.N. Price & Co.,
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Ramesh Shroff
Pankaj Patel
Directors

Mital Sanghvi
Company Secretary

Mumbai, 18th July 2008

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Rupees in crore

| For the year ended 31 st March 2008 | | 2008 | 2007 |
|---|---------|----------------|----------------|
| Income | | | |
| Gross Sales | 4101.04 | | 3533.17 |
| Less: Excise Duty | 90.66 | | 94.93 |
| Net Sales | | 4010.38 | 3438.24 |
| Other Income | N | 339.28 | 230.38 |
| | | 4349.66 | 3668.62 |
| Expenditure | | | |
| Material Cost | O | 2071.64 | 1725.58 |
| Employee Cost | P | 255.45 | 184.59 |
| Manufacturing Expenses | | 214.12 | 173.32 |
| Other Expenses | Q | 828.10 | 667.09 |
| Interest - Fixed period | | 11.04 | 4.83 |
| - Others | | 0.66 | 2.12 |
| Depreciation | 130.68 | | 103.72 |
| Less: Transferred from Revaluation Reserve | - | | 0.35 |
| | | 130.68 | 103.37 |
| | | 3511.69 | 2860.90 |
| Profit before Tax | | | |
| Provision for Tax - Current Tax | | 94.00 | 121.75 |
| - Deferred Tax | | 36.50 | 14.70 |
| - Fringe Benefit Tax | | 6.43 | 3.50 |
| Profit after Tax | | | |
| | | 701.04 | 667.77 |
| Surplus brought forward from last Balance Sheet | | 390.09 | 304.20 |
| Profit available for Appropriation | | | |
| | | 1091.13 | 971.97 |
| Appropriations | | | |
| Proposed Dividend | | 155.46 | 155.46 |
| Tax on Dividend | | 26.42 | 26.42 |
| Transferred to General Reserve | | 400.00 | 400.00 |
| Surplus carried forward | | 509.25 | 390.09 |
| | | 1091.13 | 971.97 |
| Basic and Diluted Earning per Share (Rs.) | | 9.02 | 8.61 |
| (Schedule R-Note 13) | | | |
| Notes to the Accounts | R | | |

As per our report of even date

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

M.R. Amin
Partner
Membership No.114010

Mumbai, 18th July 2008

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Pankaj Patel
Directors

Mital Sanghvi
Company Secretary

Mumbai, 18th July 2008

SCHEDULES TO THE CONSOLIDATED ACCOUNTS

Rupees in crore

| | 2008 | 2007 |
|---|---------------|---------------|
| (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) | <u>175.00</u> | <u>175.00</u> |
| | 175.00 | 175.00 |
| Issued | | |
| 77,82,94,752 Equity Shares of Rs. 2 each (Previous year 77,82,94,752 Equity Shares of Rs. 2 each) | <u>155.66</u> | <u>155.66</u> |
| | 155.66 | 155.66 |
| 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) | <u>155.46</u> | <u>155.46</u> |
| | 155.46 | 155.46 |
| <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

| | 2008 | 2007 |
|---|----------------|----------------|
| (B) Reserves & Surplus | | |
| Capital Reserve | 0.08 | 0.08 |
| Revaluation Reserve | | |
| As per last Balance Sheet | 8.97 | 9.32 |
| Less: Transferred to Profit and Loss Account | <u>—</u> | <u>0.35</u> |
| | 8.97 | 8.97 |
| Securities Premium Account | | |
| As per last Balance Sheet | 764.98 | 48.68 |
| Add: Premium on issue of GDRs | <u>—</u> | <u>764.98</u> |
| | 764.98 | 813.66 |
| Less: Amount capitalised by issue of Bonus Shares | <u>—</u> | <u>48.68</u> |
| | 764.98 | 764.98 |
| General Reserve | | |
| As per last Balance Sheet | 1916.43 | 1561.02 |
| Less: Amount capitalised by issue of Bonus Shares | <u>—</u> | <u>44.59</u> |
| | 1916.43 | 1516.43 |
| Add: Transferred from Profit and Loss Account | <u>400.00</u> | <u>400.00</u> |
| | 2316.43 | 1916.43 |
| Surplus in Profit & Loss Account | 509.25 | 390.09 |
| | 3599.71 | 3080.55 |

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

| | | Rupees in crore | |
|---|--|-----------------|-------------|
| | | 2008 | 2007 |
| C Secured Loans | | | |
| Amounts drawn against Cash and Export Credit Accounts with Banks | | 16.98 | 7.25 |
| (Secured by hypothecation of tangible movable assets and receivables) | | | |
| | | <u>16.98</u> | <u>7.25</u> |

| | | Rupees in crore | |
|---|---------------|-----------------|---------------|
| | | 2008 | 2007 |
| D Unsecured Loans | | | |
| Fixed Deposits | | - | 0.01 |
| Other Loans & Advances | | | |
| Govt. of Maharashtra Sales Tax Loan | - | | 0.01 |
| HDFC - Line of Credit | - | | 0.01 |
| Maharashtra Govt. Sales Tax Deferral | 5.17 | | 5.49 |
| Loans from Banks | <u>558.38</u> | | <u>110.79</u> |
| | | 563.55 | <u>116.30</u> |
| | | <u>563.55</u> | <u>116.31</u> |
| <p><i>Note:</i> A sum of Rs. 558.54 crore (Previous year Rs. 110.96 crore) is repayable out of Unsecured Loans within the next 12 months.</p> | | | |

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

Rupees in crore

E Fixed Assets

| ASSETS | GROSS BLOCK AT COST/REVALUATION | | | DEPRECIATION | | NET BLOCK | |
|------------------------------------|---------------------------------|---------------|-------------|-------------------|-------------------|--------------------------|-------------------|
| | As at 31.03.07 | Additions | Deletions | As at 31.03.08 | As at 31.03.08 | As at 31.03.08 | As at 31.03.07 |
| Freehold Land | 26.75 | – | – | 26.75 | – | 26.75 | 26.75 |
| Leasehold Land | 18.90 | 28.85 | – | 47.75 | 2.88 | 44.87 | 17.09 |
| Buildings & Flats | 374.33 | 75.94 | – | 450.27 | 66.98 | 383.29 | 320.27 |
| Plant & Machinery | 1317.49 | 286.68 | 3.74 | 1600.43* | 451.45 | 1148.98 | 976.17 |
| Furniture & Fixtures | 55.52 | 14.07 | 0.01 | 69.58 | 16.82 | 52.76 | 42.88 |
| Vehicles | 6.72 | 0.66 | 0.37 | 7.01 | 2.30 | 4.71 | 4.91 |
| Total | 1799.71 | 406.20 | 4.12 | 2201.79 | 540.43 | 1661.36 | 1388.07 |
| Previous Year | 1366.67 | 438.47 | 5.43 | 1799.71 | 411.64 | | |
| Capital Work-in-Progress (At Cost) | | | | | | 233.12 | 73.19 |
| Total | | | | | | 1894.48 | 1461.26 |

Notes: i. The gross value of Buildings & Flats includes the cost of shares in Co-operative Housing Societies.

ii. * Net of Government grants received for Baddi Rs. 0.30 crore (Previous year Nil)

Rupees in crore

| | 2008 | 2007 |
|--|-------------|------|
| F Investments | | |
| Long Term Investments | | |
| Government Securities | | |
| <i>Unquoted</i> | | |
| National Savings Certificates | 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 |
| Other than Trade | | |
| <i>Bonds</i> | | |
| <i>National Bank for Agriculture and Rural Development</i> | | |
| 2,000 (Previous year 2,000) Capital Gains Bonds of Face Value Rs.10,000 each, fully paid | 2.00 | 2.00 |

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

| | Rupees in crore | |
|--|-----------------|-------|
| | 2008 | 2007 |
| F Investments - contd. | | |
| <i>National Housing Bank</i> 1,000 (Previous year 1,000) Capital Gains Bonds of Face Value Rs.10,000 each, fully paid | 1.00 | 1.00 |
| <i>Rural Electrification Corporation Limited</i> 1,000 (Previous year 1,000) Non-convertible Redeemable Taxable Bonds-Series V of Face Value Rs.10,000 each, fully paid | 1.00 | 1.00 |
| Current Investments | | |
| Mutual Funds | | |
| <i>Birla Sun Life Mutual Fund "Birla Cash Plus" - Institutional Premium Daily Dividend Scheme</i> 2,54,34,491 (Previous year 98,505) units (1,90,56,05,997 units purchased and 1,88,02,70,011 units redeemed during the year) | 25.48 | 0.01 |
| <i>Birla Sun Life Mutual Fund "Birla FTP Series 5" - Quarterly Dividend Scheme</i> Nil (Previous year 1,00,00,000) units (1,00,00,000 units redeemed during the year) | - | 10.00 |
| <i>DBS Chola Mutual Fund "Chola Liquid" - Institutional Daily Dividend Plan</i> Nil (Previous year Nil) units (37,94,049 units purchased and redeemed during the year) | - | - |
| <i>Deutsche Asset Management "DWS Insta Cash Plus" - Institutional Daily Dividend Scheme</i> Nil (Previous year Nil) units (4,99,77,438 units purchased and redeemed during the year) | - | - |
| <i>Franklin Templeton Investments "Templeton India Treasury Management Account" - Super Institutional Daily Dividend Plan</i> 2,61,116 (Previous year 275) units (20,42,267 units purchased and 17,81,426 units redeemed during the year) | 26.12 | 0.03 |
| <i>HDFC Mutual Fund "HDFC Cash Management" - Savings Plan Daily Dividend</i> Nil (Previous year Nil) units (7,84,71,956 units purchased and redeemed during the year) | - | - |
| <i>ING Vysya Mutual Fund "ING Vysya Liquid Fund" - Super Institutional Daily Dividend Scheme</i> 55,74,405 (Previous year Nil) units (12,41,95,095 units purchased and 11,86,20,690 units redeemed during the year) | 5.58 | - |
| <i>JM Financial Mutual Fund "High Liquidity Fund" - Super Institutional Daily Dividend Scheme</i> 1,22,46,761 (Previous year Nil) units (7,36,39,263 units purchased and 6,13,92,502 units redeemed during the year) | 12.27 | - |
| <i>JP Morgan Mutual Fund "JP Morgan India Liquid Fund" - Dividend Plan Reinvest</i> Nil (Previous year Nil) units (3,06,03,548 units purchased and redeemed during the year) | - | - |

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

| | Rupees in crore | |
|---|-----------------|-------|
| | 2008 | 2007 |
| F Investments - contd. | | |
| <i>Kotak Mahindra Mutual Fund "Kotak Liquid" - Institutional Premium Daily Dividend Scheme</i> | | |
| Nil (Previous year Nil) units (12,44,04,328 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 (10,63,09,809 units purchased and redeemed during the year) | - | - |
| <i>Lotus India Mutual Fund "FMP - 3 Months Series I" - Institutional Dividend Scheme</i> | | |
| Nil (Previous year 50,38,709) units (50,38,709 units redeemed during the year) | - | 5.04 |
| <i>Principal Mutual Fund "Principal Cash Management Fund" - Institutional Premium Plan Daily Dividend Scheme</i> | | |
| Nil (Previous year 1,98,27,382) units (9,39,28,616 units purchased and 11,37,55,998 units redeemed during the year) | - | 19.83 |
| <i>Prudential ICICI Mutual Fund "Prudential ICICI Liquid Plan" - Super Institutional Daily Dividend Scheme</i> | | |
| Nil (Previous year 93,40,674) units (16,81,27,270 units purchased and 17,74,67,944 units redeemed during the year) | - | 9.34 |
| <i>Prudential ICICI Mutual Fund "FMP Series 35" - Three Month Plan B - Retail Dividend</i> | | |
| Nil (Previous year 1,00,98,497) units (1,00,98,497 units redeemed during the year) | - | 10.10 |
| <i>Prudential ICICI Mutual Fund "FMP Series 34" - Six Month Plan B - Retail Dividend</i> | | |
| Nil (Previous year 2,50,00,000) units (2,50,00,000 units redeemed during the year) | - | 25.00 |
| <i>Reliance Mutual Fund "Reliance Liquidity Fund" - Daily Dividend Reinvestment</i> | | |
| Nil (Previous year Nil) units (15,09,50,691 units purchased and redeemed during the year) | - | - |
| <i>Reliance Mutual Fund "Fixed Horizon Fund 1" - Quarterly Plan - Series IV Dividend Plan</i> | | |
| Nil (Previous year 50,00,000) units (50,00,000 units redeemed during the year) | - | 5.00 |
| <i>SBI Mutual Fund "SBI Debt Fund Series" - 90 Days II - Dividend</i> | | |
| Nil (Previous year 50,00,000) units (50,00,000 units redeemed during the year) | - | 5.00 |
| <i>Sundaram BNP Paribas Mutual Fund "Sundaram Money Fund" - Super Institutional Daily Dividend Scheme</i> | | |
| Nil (Previous year Nil) units (5,34,74,306 units purchased and redeemed during the year) | - | - |
| <i>Tata Mutual Fund "Liquid Super High Investment Fund" - Daily Dividend Scheme</i> | | |
| Nil (Previous year 7,141) units (13,31,232 units purchased and 13,38,373 units redeemed during the year) | - | 0.79 |
| <i>Tata Mutual Fund "Fixed Horizon Fund" Series 8 - Scheme F Dividend Inst Plan</i> | | |
| Nil (Previous year 1,00,90,452) units (1,00,90,452 units redeemed during the year) | - | 10.09 |

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

Rupees in crore

| | 2008 | 2007 |
|--|--------------|---------------|
| F Investments - contd. | | |
| <i>UTI Mutual Fund "UTI Liquid Cash Plan" - Institutional Daily Income Scheme</i> | | |
| 1,96,223 (Previous year 1,20,377) units (11,63,574 units purchased and 10,87,728 units redeemed during the year) | 20.00 | 12.27 |
| | <u>93.48</u> | <u>116.53</u> |
| Aggregate of Unquoted Investments at Book Value Rs. 93.48 crore (Previous year Rs. 116.53 crore) | | |

Rupees in crore

| | 2008 | 2007 |
|---|----------------|---------------|
| G Inventories | | |
| [As valued by the Management & certified by Cost Auditors. Schedule R-Note 1(v)] | | |
| Raw Materials | 632.92 | 532.40 |
| Work-in-Process | 152.64 | 139.36 |
| Finished Goods | 334.93 | 306.84 |
| | <u>1120.49</u> | <u>978.60</u> |

Rupees in crore

| | 2008 | 2007 |
|------------------------------------|----------------|----------------|
| H Sundry Debtors | | |
| Unsecured | | |
| Over Six Months | | |
| - Considered Good | 282.42 | 248.30 |
| - Considered Doubtful | 10.86 | 0.31 |
| | <u>293.28</u> | <u>248.61</u> |
| Less: Provision for Doubtful Debts | 10.86 | 0.31 |
| | <u>282.42</u> | <u>248.30</u> |
| Others | | |
| - Considered Good | 1124.07 | 780.48 |
| | <u>1406.49</u> | <u>1028.78</u> |

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

| Rupees in crore | | |
|--|--------------|---------------|
| | 2008 | 2007 |
| I Cash & Bank Balances | | |
| Cash in hand | 0.74 | 0.67 |
| Balances with Scheduled Banks in Current Accounts | 70.36 | 55.43 |
| Balances with Non-scheduled Banks in Current Accounts | | |
| - HSBC Bank Middle East Limited, Dubai, U.A.E. | 8.44 | 1.02 |
| (maximum amount outstanding at any time during the year - Rs. 13.66 crore, Previous year Rs. 1.68 crore) | | |
| Fixed Deposits with Banks | 0.16 | 75.16 |
| | 79.70 | 132.28 |

| Rupees in crore | | |
|---|--------------|--------------|
| | 2008 | 2007 |
| J Other Current Assets | | |
| Unsecured (Considered good, unless otherwise stated) | | |
| Interest accrued on Inter-corporate Loans, Government Securities & Deposits: | | |
| - Considered Good | 0.81 | 0.69 |
| - Considered Doubtful | 0.46 | 0.60 |
| | 1.27 | 1.29 |
| <i>Less:</i> Provision for Doubtful Interest | 0.46 | 0.60 |
| | 0.81 | 0.69 |
| Export Incentives Receivable | 33.67 | 23.32 |
| Rent and Lease Rentals Receivable | 0.01 | 0.82 |
| | 34.49 | 24.83 |

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

Rupees in crore

| | 2008 | 2007 |
|---|----------------|---------------|
| (K) Loans & Advances | | |
| Unsecured (Considered good, unless otherwise stated) | | |
| Advances recoverable in cash or in kind or for value to be received: | | |
| - Considered Good | 375.41 | 202.71 |
| - Considered Doubtful | 0.34 | 0.07 |
| | <u>375.75</u> | <u>202.78</u> |
| <i>Less:</i> Provision for Doubtful Advances | <u>0.34</u> | <u>0.07</u> |
| | 375.41 | 202.71 |
| Excise Advance Receivable | 41.43 | 24.70 |
| Balance with Central Excise Department | 149.92 | 131.19 |
| Dues from Staff | 6.52 | 5.84 |
| Sundry Deposits | 9.94 | 9.21 |
| Advance Tax & TDS | 348.59 | 283.38 |
| Sales Tax Receivable | 16.09 | 12.24 |
| Inter-corporate Loans: | | |
| - Considered Good | 155.55 | 1.93 |
| - Considered Doubtful | 1.13 | 1.25 |
| | <u>156.68</u> | <u>3.18</u> |
| <i>Less:</i> Provision for Doubtful Loans | <u>1.13</u> | <u>1.25</u> |
| | 155.55 | 1.93 |
| | 1103.45 | 671.20 |

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

Rupees in crore

| | | 2008 | 2007 |
|---|---------------|-----------------------|----------------------|
| (L) Current Liabilities & Provisions | | | |
| Liabilities | | | |
| Sundry Creditors: | | | |
| - Micro and Small Enterprises | - | | - |
| - Others | 533.51 | | 305.93 |
| Trade Deposits from Customers | 20.63 | | 20.42 |
| Unclaimed Dividend* | 8.25 | | 5.70 |
| Advances Received | 74.43 | | 33.13 |
| Unclaimed Preference Share Capital | 0.01 | | 0.01 |
| Other Liabilities | <u>194.09</u> | | <u>162.94</u> |
| | | 830.92 | <u>528.13</u> |
| Provisions | | | |
| Employee Cost | 19.18 | | 10.16 |
| Provision for Taxation | 215.75 | | 221.09 |
| Provision for Dividend | 155.46 | | 155.46 |
| Tax on Dividend | <u>26.42</u> | | <u>26.42</u> |
| | | 416.81 | <u>413.13</u> |
| | | <u>1247.73</u> | <u>941.26</u> |
| <i>Note:</i> * There are no amounts due and outstanding to be credited to Investor Education & Protection Fund. | | | |

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

| | Rupees in crore | |
|--|-----------------|--------|
| | 2008 | 2007 |
| M Deferred Tax Liabilities | | |
| Deferred Tax Liabilities arising on account of: | | |
| Depreciation | 137.70 | 104.96 |
| Export Incentives | 11.45 | 7.69 |
| | 149.15 | 112.65 |

| | Rupees in crore | |
|--|-----------------|--------|
| | 2008 | 2007 |
| N Other Income | | |
| Profit on sale of Investments (Net) | 0.01 | 0.03 |
| Profit on sale of Fixed Assets (Net) | 1.10 | 0.76 |
| Technical Know-how/Fees | 153.39 | 76.47 |
| Export Incentives | 52.00 | 47.28 |
| Dividend | 10.75 | 11.64 |
| Interest (includes tax deducted at source Rs.1.41crore; Previous year Rs. 0.28 crore) | 7.68 | 18.26 |
| Rent (includes tax deducted at source Rs. 0.20 crore; Previous year Rs. 0.19 crore) | 1.29 | 1.03 |
| Insurance Claims | 1.82 | 1.13 |
| Provision for Doubtful Debts & Advances written back | - | 6.12 |
| Exchange Gain (Net) | 66.74 | 32.81 |
| Miscellaneous Income | 44.50 | 34.85 |
| | 339.28 | 230.38 |

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

| | | Rupees in crore | |
|--|----------------|-----------------|----------------|
| | | 2008 | 2007 |
| Material Cost | | | |
| Consumption of Raw & Packing Materials | | | |
| Opening Stock | 532.40 | | 480.07 |
| Add: Purchases | 1742.91 | | 1348.85 |
| | <u>2275.31</u> | | <u>1828.92</u> |
| Less: Closing Stock | <u>632.92</u> | | <u>532.40</u> |
| | | 1642.39 | 1296.52 |
| Finished Goods Purchased | | 470.62 | 398.33 |
| (Increase)/Decrease in Stock of | | | |
| Work-in-Process & Finished Goods | | | |
| Opening Stock | | | |
| - Work-in-Process | 139.36 | | 133.86 |
| - Finished Goods | 306.84 | | 343.07 |
| | <u>446.20</u> | | <u>476.93</u> |
| Less: Closing Stock | | | |
| - Work-in-Process | 152.64 | | 139.36 |
| - Finished Goods | 334.93 | | 306.84 |
| | <u>487.57</u> | | <u>446.20</u> |
| | | (41.37) | 30.73 |
| | | 2071.64 | 1725.58 |

| | | Rupees in crore | |
|------------------------------|--|-----------------|---------------|
| | | 2008 | 2007 |
| Employee Cost | | | |
| Salaries, Wages, Bonus, etc. | | 218.98 | 162.11 |
| Provident & other Funds | | 11.61 | 7.30 |
| Staff Gratuity | | 3.48 | 2.96 |
| Staff Welfare | | 16.82 | 11.11 |
| Leave Encashment | | 4.56 | 1.11 |
| | | 255.45 | 184.59 |

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

| | Rupees in crore | |
|---|-----------------|---------------|
| | 2008 | 2007 |
| Q Other Expenses | | |
| Stores & Spares | 61.15 | 60.04 |
| Power & Fuel | 96.90 | 86.71 |
| Rent | 4.15 | 6.93 |
| Rates & Taxes | 6.65 | 6.62 |
| Insurance | 11.99 | 7.30 |
| Repairs & Maintenance | | |
| Machinery | 19.78 | 13.15 |
| Buildings | 43.52 | 34.69 |
| Others | 18.23 | 18.67 |
| Printing & Stationery | 15.84 | 14.16 |
| Conveyance & Vehicle Expenses | 9.12 | 5.99 |
| Remuneration to Auditors (including service tax, where applicable) | | |
| Audit Fees | 0.27 | 0.27 |
| Tax Audit Fees | 0.02 | 0.02 |
| Cost Audit Fees | 0.03 | 0.02 |
| Other Services | 0.03 | 0.02 |
| Professional Fees | 80.24 | 57.42 |
| Telephone, Postage & Telegram | 18.14 | 14.29 |
| Selling Expenses | 93.55 | 42.61 |
| Freight & Forwarding | 31.66 | 28.30 |
| Travelling Expenses | 69.07 | 39.34 |
| Donations | 0.80 | 1.77 |
| Commission on Sales | 159.42 | 155.17 |
| Bank & Other Financial Charges | 6.37 | 4.26 |
| Directors' Sitting Fees | 0.09 | 0.10 |
| Miscellaneous Expenses | 69.32 | 58.07 |
| Provision for Doubtful Debts | 10.55 | - |
| Bad Debts written off | 1.21 | 11.17 |
| | 828.10 | 667.09 |

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

R Notes to the Accounts

1. Significant Accounting Policies

i. Basis of Accounting

The financial statements are prepared under the historical cost convention in accordance with 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:

- 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.
- 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.
- The subsidiary considered in the consolidated financial statement is:

| Name of the Company | Country of Incorporation | % ownership interest as at 31st March 2008 | % ownership interest as at 31st March 2007 |
|----------------------------|---------------------------------|--|--|
| 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.

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.

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

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.

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.

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.

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

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.

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. 433.67 crore (Previous year Rs. 202.20 crore).

4. Contingent Liabilities

- i. Guarantees given by banks on behalf of the Company Rs. 52.64 crore (Previous year Rs. 28.90 crore).
- ii. Letters of credit Rs. 52.82 crore (Previous year Rs. 23.06 crore).
- iii. Technical know-how/fees Rs. 1.15 crore (Previous year Rs. 54.60 crore) pending completion of certain obligations.
- iv. Claims against the Company not acknowledged as debts:

- a. Income Tax Rs. 73.57 crore.

The above amount of Rs. 73.57 crore represents claims where the Company has filed appeals and expects a favourable outcome, based on decisions in earlier assessment years.

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

- b. Excise Duty/Service Tax Rs. 40.84 crore (Previous year Rs. 24.99 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. Others Rs. 2.02 crore (Previous year Rs. 1.60 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.

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

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

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

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

The Company had not deposited the amount demanded, as in another petition challenging the Price Fixation notifications of formulations of Salbutamol, Norfloxacin, Ciprofloxacin and Theophylline, the Karnataka High Court had granted an interim stay against the government. Subsequently, in separate proceedings on the 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. The Company has received legal advice that none of these demand notices of the government is tenable or sustainable.

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

7. The net difference in foreign exchange credited to the Profit and Loss Account is Rs. 66.74 crore (Previous year Rs. 32.81 crore).

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

| Nature of instrument | 2008 | | 2007 | |
|----------------------------------|--|---|--|---|
| | Amount (equivalent US\$ million) | Amount (equivalent Rupees in crore) | Amount (equivalent US\$ million) | Amount (equivalent Rupees in crore) |
| Forward contracts - Sold | 433.07 | 1737.50 | 160.00 | 717.28 |
| Forward contracts - Bought | 1.48 | 5.90 | 11.53 | 51.70 |
| Foreign currency options | 3.75 | 15.00 | 1.00 | 4.48 |
| Open foreign exchange exposures: | | | | |
| - Receivables | - | - | 32.63 | 141.52 |
| - Payables | 5.00 | 20.06 | - | - |
| - Loans | 127.32 | 510.81 | - | - |

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

9. Managerial Remuneration

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

| | Rupees in crore | |
|---|-----------------|-------|
| | 2008 | 2007 |
| i. Salary and Allowances | 0.91 | 0.91 |
| ii. Commission | 26.50 | 21.50 |
| iii. Company's contribution to Provident Fund | 0.07 | 0.07 |
| iv. Approximate monetary value of other perquisites or benefits | 0.06 | 0.06 |
| | 27.54 | 22.54 |

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

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

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 Private Limited.
- ii. Donation given to Cipla Public Charitable Trust Rs. 0.05 crore (Previous year Rs. 0.07 crore) and Cipla Cancer and AIDS Foundation Rs. 0.64 crore (Previous year Rs. 0.90 crore).
- iii. Refer Note 9 for details of managerial remuneration.

11. Segment Information

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

Rupees in crore

| | India | | Outside India | | Total | |
|--------------------------------------|----------------|---------|----------------|---------|----------------|---------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Gross revenue by geographical market | 2153.16 | 1875.95 | 2267.62 | 1856.91 | 4420.78 | 3732.86 |
| Less: Excise duty | 90.66 | 94.93 | – | – | 90.66 | 94.93 |
| Net revenue by geographical market | 2062.50 | 1781.02 | 2267.62 | 1856.91 | 4330.12 | 3637.93 |
| Carrying amount of segment assets | 3908.54 | 3116.18 | 1193.06 | 867.15 | 5101.60 | 3983.34 |
| Capital expenditure | 617.39 | 495.75 | 0.86 | 1.05 | 618.25 | 496.80 |

- 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

| | 2008 | 2007 |
|--|----------------|---------|
| • Sales (Net of Excise duty) | 4010.38 | 3438.24 |
| • Other income excluding interest, dividend and profit on sale of investments & fixed assets | 319.74 | 199.69 |
| | 4330.12 | 3637.93 |

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

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

12. 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.
- The Company provides for gratuity, a defined benefit plan based on actuarial valuation as at 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

| | 2008 |
|---------------------------|-------|
| Employees' Pension Scheme | 5.62 |
| Provident Fund | 5.49 |
| | 11.11 |

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

c. Disclosures for defined benefit plans based on actuarial reports as on 31st March 2008

Rupees in crore

| | Gratuity (Funded Plan) |
|---|---------------------------------------|
| i. Change in defined benefit obligation | |
| Opening defined benefit obligation | 14.56 |
| Interest cost | 1.24 |
| Current service cost | 1.71 |
| Actuarial (gain)/loss on obligations | 1.81 |
| Benefit paid | (1.43) |
| Liability at the end of the year | <u>17.89</u> |
| ii. Change in fair value of assets | |
| Opening fair value of plan assets | 11.55 |
| Expected return on plan assets | 1.09 |
| Actuarial gain/(loss) | 0.19 |
| Contributions by employer | 2.81 |
| Benefits paid | (1.43) |
| Closing fair value of plan assets | <u>14.21</u> |
| iii. Amount recognised in Balance Sheet | |
| Present value of obligations as at year end | 17.89 |
| Fair value of plan assets as at year end | (14.21) |
| Net (asset)/liability recognised | <u>3.68</u> |
| iv. Expenses recognised in Profit and Loss Account | |
| Current service cost | 1.71 |
| Interest on defined benefit obligation | 1.24 |
| Expected return on plan assets | (1.09) |
| Net actuarial loss/(gain) recognised in the current year | 1.62 |
| Total expense recognised in Profit & Loss Account | <u>3.48</u> |
| v. Actual return on plan assets | |
| Expected return on plan assets | 1.09 |
| Actuarial gain/(loss) on plan assets | 0.19 |
| Actual return on plan assets | <u>1.28</u> |
| vi. Asset information | |
| Insurer managed funds | 100% |
| vii. Principal actuarial assumptions used | |
| Discounted rate (per annum) | 8% |
| Expected rate of return on plan assets (per annum) | 8% |
| 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 | |

SCHEDULES TO THE CONSOLIDATED ACCOUNTS *contd.*

| Rupees in crore | |
|---|---------------------------------------|
| | Gratuity (Funded Plan) |
| viii. Experience adjustments | |
| Defined benefit obligation | 17.89 |
| Plan assets | (14.21) |
| Deficit/(surplus) | 3.68 |
| ix. Expected employer's contribution for the next year | 4.01 |

13. 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, 18th July 2008

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
M.R.Raghavan
Ramesh Shroff
Pankaj Patel
Directors

Mital Sanghvi
Company Secretary

Mumbai, 18th July 2008

CONSOLIDATED CASH FLOW STATEMENT

Rupees in crore

| For the year ended 31 st March 2008 | 2008 | 2007 |
|---|---------------------|-----------------|
| (A) Cash Flow from Operating Activities | | |
| Net profit before tax | 837.97 | 807.72 |
| Adjustments for: | | |
| Depreciation | 130.68 | 103.37 |
| Interest expense | 11.70 | 6.95 |
| Unrealised foreign exchange gain (Net) | (28.52) | (25.23) |
| Provision/(Reversal) for doubtful debts and advances | 10.55 | (6.12) |
| Interest income | (7.68) | (18.26) |
| Dividend income | (10.75) | (11.64) |
| Profit on sale of investments (Net) | (0.01) | (0.03) |
| Profit on sale/discard of fixed assets (Net) | (1.10) | (0.76) |
| Lease rent income | (0.39) | (0.07) |
| | 104.48 | 48.21 |
| Operating profit before working capital changes | 942.45 | 855.93 |
| Adjustments for: | | |
| Increase/(Decrease) in trade payables and other liabilities | 311.12 | (100.92) |
| Increase in inventories | (141.89) | (21.60) |
| Increase in trade and other receivables | (573.70) | (306.03) |
| | (404.47) | (428.55) |
| Cash generated from operations | 537.98 | 427.38 |
| Direct taxes paid | (170.98) | (93.44) |
| Net cash from operating activities | (A) 367.00 | 333.94 |
| (B) Cash Flow from Investing Activities | | |
| Purchase of fixed assets/Capital work-in-progress | (565.84) | (423.86) |
| Sale of fixed assets | 3.05 | 3.26 |
| Purchase of other investments | (1776.51) | (1842.78) |
| Sale of investments | 1799.57 | 1748.71 |
| Interest income | 7.68 | 18.26 |
| Dividend income | 10.75 | 11.64 |
| Lease rent income | 0.39 | 0.07 |
| Short term deposits | (153.50) | - |
| Net cash used in investing activities | (B) (674.41) | (484.70) |

CONSOLIDATED CASH FLOW STATEMENT *contd.*

| | | Rupees in crore | |
|---|--------------------|-----------------|---------------|
| | | 2008 | 2007 |
| (C) Cash Flow from Financing Activities | | | |
| Proceeds from issue of GDR | | – | 767.18 |
| Proceeds from long term & other borrowings | | 566.80 | 112.16 |
| Repayment of long term & other borrowings | | (118.39) | (456.57) |
| Interest expense | | (11.70) | (6.95) |
| Dividend paid | | (155.46) | (155.46) |
| Tax on dividend | | (26.42) | (21.80) |
| Net cash from financing activities | (C) | 254.83 | 238.56 |
| Net (decrease)/increase in cash and cash equivalents | (A)+(B)+(C) | (52.58) | 87.80 |
| Cash and Cash Equivalents as at the beginning of the year | | 132.28 | 44.48 |
| Cash and Cash Equivalents as at the end of the year | | 79.70 | 132.28 |

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

As per our report of even date

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

M.R. Amin
Partner
Membership No.114010

Mumbai, 18th July 2008

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

R.Rangarajan
Partner
Membership No.41883

Y.K.Hamied
Chairman & Managing Director

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Joint Managing Directors

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

Mital Sanghvi
Company Secretary

Mumbai, 18th July 2008

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-Second Annual General Meeting of the Company at Amar Gian Grover Auditorium, Lala Lajpat Rai Marg, Haji Ali, Mumbai-400 034 on Thursday, 28th August 2008.

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

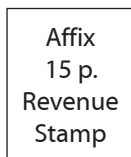
of _____ as

my/our proxy to vote for me/us and on my/our behalf at the Seventy-Second Annual General Meeting of the Company to be held on Thursday, 28th August 2008 at 3.00 p.m. and at any adjournment thereof.

Signed this _____ day of _____ 2008.

Notes:

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



Signature(s) of the Shareholder(s)



TEN-YEAR HIGHLIGHTS

Rupees in crore

| | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 |
|---------------------------|----------------|---------|---------|---------|---------|---------|---------|---------|--------|--------|
| Sales & Other Income | 4338.21 | 3763.72 | 3207.95 | 2482.87 | 2090.99 | 1599.00 | 1428.87 | 1085.62 | 791.39 | 645.15 |
| Profit before Tax | 838.36 | 807.98 | 709.84 | 514.61 | 404.09 | 312.49 | 309.36 | 237.57 | 172.66 | 154.45 |
| Profit after Tax | 701.43 | 668.03 | 607.64 | 409.61 | 306.69 | 247.74 | 235.11 | 179.07 | 133.06 | 114.95 |
| Dividend | 155.46 | 155.46 | 155.46 | 104.96 | 89.96 | 59.97 | 41.98 | 26.99 | 17.79 | 14.99 |
| Tax on Dividend | 26.42 | 26.42 | 21.80 | 14.95 | 11.53 | 7.68 | – | 2.75 | 1.96 | 1.65 |
| Retained Earnings | 519.55 | 486.15 | 430.38 | 289.70 | 194.11* | 180.09 | 165.65* | 149.33 | 113.31 | 98.31 |
| Gross Block | 2434.91 | 1872.90 | 1453.68 | 1092.63 | 796.80 | 545.82 | 420.57 | 287.86 | 246.08 | 216.49 |
| Net Block | 1894.48 | 1461.26 | 1143.62 | 844.87 | 603.57 | 399.88 | 299.43 | 187.18 | 161.74 | 144.89 |
| Investments | 94.75 | 117.80 | 22.43 | 18.30 | 180.37 | 126.59 | 143.70 | 222.93 | 195.00 | 140.41 |
| Net Current Assets | 2496.27 | 1893.42 | 1384.08 | 970.60 | 756.64 | 694.48 | 520.46 | 338.37 | 238.05 | 210.36 |
| Miscellaneous Expenditure | – | – | – | – | – | 0.10 | 0.17 | 0.23 | 0.30 | 0.36 |
| Total Assets | 4485.50 | 3472.48 | 2550.13 | 1833.77 | 1540.58 | 1221.05 | 963.76 | 748.71 | 595.09 | 496.02 |
| Share Capital | 155.46 | 155.46 | 59.97 | 59.97 | 59.97 | 59.97 | 59.97 | 59.97 | 59.97 | 19.99 |
| Reserves | 3600.36 | 3080.81 | 1923.30 | 1493.66 | 1204.08 | 1010.10 | 830.17 | 664.69 | 515.55 | 442.42 |
| Net Worth | 3755.82 | 3236.27 | 1983.27 | 1553.63 | 1264.05 | 1070.07 | 890.14 | 724.66 | 575.52 | 462.41 |
| Borrowings | 580.53 | 123.56 | 468.91 | 191.20 | 210.58 | 94.78 | 33.88 | 24.05 | 19.57 | 33.61 |
| Deferred Tax Liabilities | 149.15 | 112.65 | 97.95 | 88.94 | 65.95 | 56.20 | 39.74 | – | – | – |
| Total Liabilities | 4485.50 | 3472.48 | 2550.13 | 1833.77 | 1540.58 | 1221.05 | 963.76 | 748.71 | 595.09 | 496.02 |

*After adjustment of earlier years

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