

year...
 at pharma...
 G-IMS's Pharma...
 la has garnered...
 with sales of R...
 e (GSK).

Pharma Market Shares

'04	Rank '03	
Cipla	5.5	1 GSK
GSK	5.4	2 Cipla
Ranbaxy	4.5	3 Ranbaxy
Nicholas Piramal	4.3	4 Nicholas Piramal
Sun Pharma	3.3	5 Sun Pharma

Source: ORG-IMS Pharmaceutical Report

"Our ranking in the domestic market we have one of the largest product joint MD, Amar Lulla, told ET. has just about outpaced the industry. The company has over 1,000 brands. Cipla's lead, however, Asthalin is ranked seventh. Besides, the data is rest picture of a company's added up. GSK's spoke announced sales or revenue that

Cipla

Sixty-Ninth Annual Report 2004-2005

Cipla edges out GSK, tops the pillboard chart

Co Corners 5.5% Share of Market

Local pharmaceutical major Cipla has topped the domestic market of research-intensive generic drugs, edging out GSK, IMS's Pharmaceutical of Rs 1,126 crore (GSK) has reported a 28-year high in net profit of Rs 596.14 crore from a low of Rs 480.58 crore.

Cipla clocks 67% jump in net profit at Rs 126 crore

OUR CORPORATE BUREAU
Mumbai

Drug major Cipla Ltd has registered a rise in net profit of 66.9% to Rs 125.7 crore for the third quarter ended December 31 2004 from Rs 75.3 crore registered during the same period last year. The significant jump in the net profit is due to the rise in other income to Rs 41.2 crore from Rs 8.9 crore during the same period.

With the sharp rise in net profits, its earnings per share (EPS) for the quarter moved up sharply to Rs 4.19 from Rs 2.51 in the similar period of last year. The net sales and income from operations

(less excise duty) has touched Rs 596.14 crore from a low of Rs 480.58 crore.

Cipla improved its performance in the nine-month period also and its net sales improved by 25.7% to Rs 1,706.9 crore from Rs 1,358 crore in the corresponding nine months of 2003-04. Other income also moved significantly 156.7% to Rs 60.5 crore from Rs 23.6 crore. Cipla pushed its net profit up 41.7% to Rs 300.7 crore from Rs 212.6 crore. The Stock Exchange of India (SEI) Cipla stock rose a 0.5% to Rs 214.45 per share on Monday.

Cipla net profit up 41%

Cipla Ltd reported a net profit of Rs 114.4 crore for the quarter ended June 30, a growth of 41.5% per cent compared to Rs 72.26 crore in the previous fiscal year. The board has recommended a dividend of Rs 1.50 per equity share of face value Rs 2 for the fiscal ended 2004-05.

Dollar rallies against yuan as yuan impact against

The dollar continued to be strong against the yuan as the business cycle in China is expected to be slower than in the US.

9/11/05

SEI

T

Cipla Limited

Founder

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

Chairman & Managing Director

Dr. Y.K. Hamied

Joint Managing Directors

Mr. M.K. Hamied
Mr. Amar Lulla

Non-Executive Directors

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

Bankers

Bank of Baroda
Canara Bank
Corporation Bank
Indian Overseas Bank
Standard Chartered Bank
The Hongkong & Shanghai Banking
Corporation Limited
Union Bank of India

Auditors

R.S. Bharucha & Co.
R.G.N. Price & Co.

Registered Office

Mumbai Central, Mumbai 400 008

Website

www.cipla.com

CORPORATE NOTES

Reliance hikes stake in Surala Maids

Reliance Industries Ltd. has increased its stake in Surala Maids, a leading manufacturer of... The company has taken over the factory building... is in the process of installing... Cipla already has units set up in Mumbai, Karnataka and Patna...

Cipla to set up Rs 100-cr manufacturing unit in Goa

By Pratiksha Kulkarni

Cipla is planning to set up a Rs 100 crore manufacturing unit in Goa. The company has taken over the factory building... is in the process of installing... Cipla already has units set up in Mumbai, Karnataka and Patna...



located to plant and machines while overheads like labour will be managed by a third party. The company has taken over the factory building... is in the process of installing... Cipla already has units set up in Mumbai, Karnataka and Patna...

Cipla signs R&D deal

Pharma major Cipla has entered into a research alliance with Bangalore-based biotech company Avestha Gengraine Technologies, to develop biopharmaceuticals and a new class of biotech products called targeted therapies.

with bioMerieux, a 1 bn euro French diagnostic giant. The companies will jointly develop a diagnostic kit based on the Affymetrix gene chip technology.

Avesthagen Gengraine started commercial operations in '01 and has since floated two other companies — Avesthagen, based in San Diego, Calif., and Avestha.

On March 14, 2005, Cipla announced that it has entered into a research alliance with Bangalore-based biotech company Avestha Gengraine Technologies. The alliance will focus on developing biopharmaceuticals and a new class of biotech products called targeted therapies. Cipla already has units set up in Mumbai, Karnataka and Patna in Western India and is in the process of installing machinery in the new unit in Lullabangalore. The new unit is being set up to the standards of major international authorities like the US Food and Drug Administration and other agencies in the United Kingdom and South Africa. Cipla already has dedicated licensed facilities in several countries like Medipal, Okasa, Nebum, Spectabilis, Alve.

Express Pharma Pulse

Express Pharma Pulse Awards

This is our 20th year and the awards are a good landmark to remember it by

CORP... a net profit of... Himatsingka Q1 net up... HIMATSINGKA Se recorded a 11.4% rise for the first quarter of '05. Net profit rose to Rs 10.1 crore (Rs 10.8 crore) in Q1. Net sales stood at Rs 30.8 crore. It recorded a 10% year-on-year growth of 10% at Rs 26.9 crore. While fabric sales rose by 10% at Rs 26.9 crore, other sales rose by 19% at Rs 26.9 crore through the quarter.

WITH a growth rate of 10% per annum, Cipla has outpaced the industry, with a growth rate of 8.4 percent. In the domestic market, Cipla has over 100 products of which 55 were launched last year. The company has introduced several new products and has entered into several new partnerships and alliances including Duocor, Katakaps and others for Cipla. Dossar E kit for HIV management and a range of subcutaneous products with a unique in-house device for delivery of the... Apart from the new products launched, Cipla has taken many new initiatives in the past year in the areas of manufacturing, research & development and marketing. The company came up with new manufacturing facilities in Goa and Baddi. It also entered into a research alliance with Bangalore-based biotech company Avestha Gengraine Technologies. A number of patents, local as well as international, were also filed this year.

DIRECTORS' REPORT

The Directors take pleasure in presenting the Sixty-Ninth Annual Report of the Company and Audited Accounts for the year ended 31st March 2005.

Financial Summary

Year ended 31st March 2004	Year ended 31st March 2005	Increase over previous year (%)
20,910	24,829	19
Sales and other income		
4,444	5,697	28
Gross profit before depreciation and tax		
2,956	4,096	39
Net profit for the year		
-	941	
Surplus brought forward from last balance sheet		
2,956	5,037	
Profit available for appropriation		
Appropriations:		
900	1,050	17
Dividend		
115	149	30
Tax on dividend		
1,000	1,500	50
Transfer to general reserve		
941	2,338	
Surplus carried forward		

In rupees million

Dividend

The Directors recommend a dividend of Rs. 3.50 per share on 29,98,70,233 equity shares of Rs.2 each.

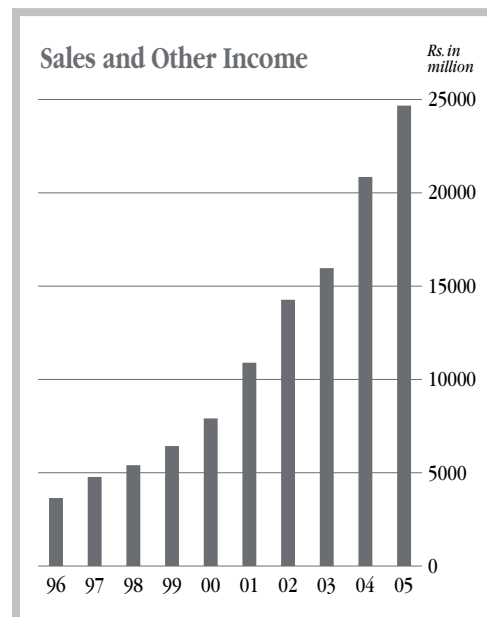
MANAGEMENT REVIEW: 2004-05

Industry Structure and Developments

The Indian pharmaceutical industry grew by 4.2 percent during the year 2004-05.

The introduction of The Patents (Amendment) Act, 2005, early this year brought in the product patent regime, which came into force on 1st January 2005. The domestic industry will need to gear itself to meet the challenges

of this new scenario and a spate of strategic realignment and consolidation activity within the industry is anticipated.



Performance Review

Sales for the year crossed Rs.23,250 million, recording an impressive 18 percent growth over the previous year. This was achieved despite depressed sales in the fourth quarter, mainly on account of confusion related to the implementation of value added tax (VAT) and the levy of excise duty on the maximum retail price (MRP) of formulations.

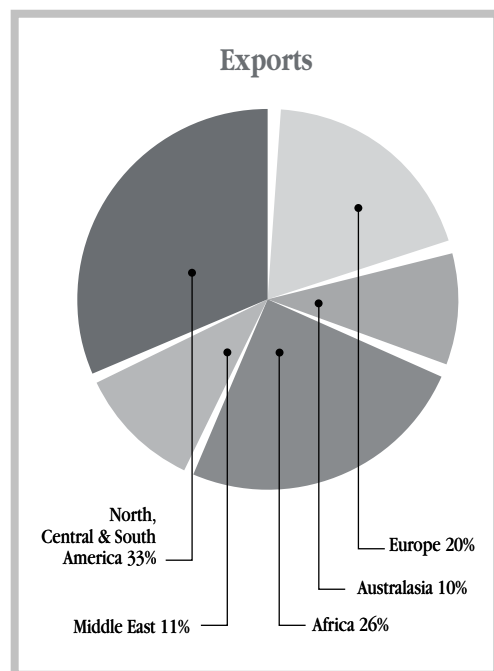
Cipla maintained its leadership in the domestic market, retaining its number one rank in the ORG IMS ratings (Retail Store Audit MAT March 2005).

Exports grew by 30 percent, exceeding Rs.10,500 million. Both active pharmaceutical ingredients (APIs) and formulations contributed to the growth in business in the international market. Overseas business now forms 45 percent of the Company's total turnover.

The Company received the Express Pharma Pulse Award for overall performance and jointly won the best exporter award.

DIRECTORS' REPORT *contd.*

The Company's strategic alliances with its international marketing partners progressed as envisioned.



Technical know-how/fees received during the year amounted to Rs.415 million.

The overall net profits of the Company at Rs.4096 million grew by 39 percent. This was mainly on account of improved product mix, optimisation of resources and higher non-operating income.

Products

The Company yet again took a lead in the introduction of many new products and APIs in the country. Some of the formulations had the unique distinction of being the first in the world in their respective therapeutic class. These were:

- Duova (tiotropium and formoterol inhaler and rotacaps) - Long-acting combination bronchodilator for COPD
- Duovir E Kit (lamivudine, zidovudine and efavirenz tablets) - Novel triple-drug fixed dose combination kit for HIV/AIDS

- Duonase (azelastine and fluticasone nasal spray) - New steroid-decongestant combination spray for allergic rhinitis
- Levolin (levosalbutamol inhaler, rotacaps, tablets and syrup) - The first chiral salbutamol bronchodilator for asthma in these dosage forms
- Mucinac (n-acetylcysteine effervescent tablets) - Mucolytic antioxidant
- Seroflo Multi-Haler (salmeterol and fluticasone) - The first single-action multi-dose dry powder inhaler (DPI) for asthma and COPD
- Voltanec (aceclofenac and beta-cyclodextrin tablets) - Fast acting non-steroidal anti-inflammatory drug

INFRASTRUCTURE

Manufacturing Facilities

The first phase of the new formulation plant at Baddi, Himachal Pradesh for the manufacture of tablets and capsules was completed and the unit commenced commercial production in April 2005. Facilities for manufacture of aerosols at this site are expected to be completed by December 2005. In addition, the Company expanded its Goa facilities and also set up new export oriented units (EOUs) at Kurkumbh and Bangalore.

Regulatory Approvals

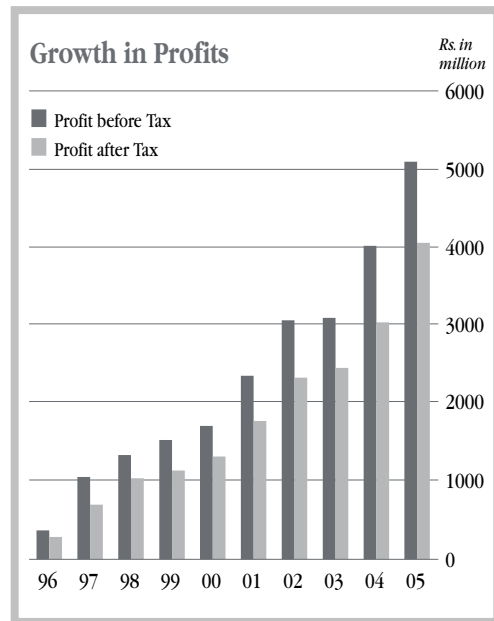
A number of dosage forms and APIs manufactured in the Company's various plants continue to enjoy the approval of most major international regulatory agencies. These include the US FDA, MHRA UK, PIC Germany, MCC South Africa, TGA Australia, the WHO Geneva, Department of Health Canada, ANVISA Brazil and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

Safety and Environment Care

As always, the Company maintained high standards of safety and environment preservation at all units. During the year, Cipla's Patalganga unit was awarded the 'Five Star' rating for the third consecutive

DIRECTORS' REPORT *contd.*

year, while the Kurkumbh unit was awarded the coveted 'Sword of Honour' by the British Safety Council.



Internal Control Systems

The Company's internal control procedures are designed to keep pace with the organisation's growth in size and complexity of operations. These measures ensure compliance with various policies, practices and statutes. Cipla's internal audit teams carry out extensive audits across all functional areas, throughout the year and submit their reports to the Audit Committee of the Board of Directors.

Human Resources

In keeping with its policy of enhancing the individual's growth potential within the framework of corporate goals, training of technical and marketing personnel continued to receive maximum attention. The Directors record their appreciation of the support and contribution of all employees towards the growth of the Company.

Particulars of employees required to be furnished under Section 217(2A) of the Companies Act, 1956 forms part of

this report. Any shareholder interested in obtaining a copy may write to the Company Secretary at the Registered Office of the Company.

THREATS, RISKS & CONCERNS

Patents

The government has rushed through the amendments to the Indian Patents Act, 1970, first in the form of an ordinance and subsequently through a bill in parliament on 22nd March 2005. The government turned a deaf ear to earnest appeals from leading industry associations, international groups and non-government organisations for a national debate on various important issues of public health.

Many essential aspects of the new Patent Act such as the cut-off date for implementation and quantum of reasonable royalty, ever-greening of patents and the provisions relating to compulsory licensing are vague and ambiguous. This can work against the government's avowed objective of providing access to important medicines at affordable prices. The new patent legislation will certainly lead to numerous litigations. It will herald an era of monopoly in vital and life-saving drugs in general that would be detrimental to the interest of the consumer.

Given its strong technological base, extensive markets, wide range of products and an active product pipeline, Cipla is well equipped to meet the immediate challenges of the new patent regime. The Company will monitor the developments very closely and adapt its strategies to the changing environment.

Excise

The legislation to impose excise duty on the maximum retail price (MRP) instead of the transaction value will adversely impact the cost of outsourced formulations. This has led to the closure of a large number of small scale manufacturing units all over the country. As a logical step, most companies

Need to create awareness about Asthma and its control

Newsdesk Bureau
AGENCY: ICI, M-1



MUMBAI: More than 20 million people suffer from asthma in India and out of this only three to four million getting proper treatment in the form of inhalers and steroid tablets. This chronic lung respiratory disease is growing alarmingly in the country, as well as the world. World Asthma Day is celebrated on May 5 to create awareness about this disease and its control, said Dr Harish Babji on Monday.

Dr Babji was addressing the news persons at Hotel Metrolite on behalf of Cipla, the pharma-central company having the world's largest range of products to control asthma, on the eve of World Asthma Day.

Dr Babji said that a global increase in asthma has occurred in recent decades. In many areas, the rise of asthma has been seen as continuous, because urbanised, he added.

Speaking about the causes of asthma, Dr Babji said that some are common to all sufferers while others vary. He said that viral infections like colds or flu, allergen, usually from pollen, pet fur or dust mites, exercising in cold weather, emotional reactions like excitement, fear or anger, irritants like smoke other kinds of air pollution, smoking, weather changes, additives to food like artificial food coloring, or specific food allergies and medications can

cause asthma. He said that the certain cases the disease could be hereditary too.

Dr Babji said that breathing may be tight, feeling as if the chest is tight, wheezing, coughing, difficulty breathing or complaining of chest tightness, which can appear even exercising or at night. When symptoms become severe and suddenly, it is called an asthma attack, said Dr Babji, adding, there may be trouble with breathing during sleep. Some people get typical symptoms and do not realise they can breathe more easily. Treatment, he said.

Dr Babji said that asthma is caused because the airways become inflamed and narrow, causing symptoms since from the lungs always become the lining is inflamed or produces mucus.

Acceptance of rent after expiry of lease is no renewal: SC

Affected up to 100 retail stores in India

Cipla launches new programme against paediatric asthma

The Times of India
Mumbai, May 5

With a view to creating awareness about paediatric asthma and its prevention, pharmaceuticals Cipla has planned a reach-out to children of the city and its vicinity. The company organised a seminar at Hotel Lake View, Bandra on Saturday to disseminate information paediatric asthma and its cause and instructed with principals. Speaking on the occasion Dr Rashmi Dey, head of the department of paediatrics, Hammers Hospital said that 20 million school days have been lost due to paediatric asthma in India. However, she said adequate data is not available to put the figures of established asthma in the state. She said the number of patients is rising due to environment pollution. She further said asthma, unlike other diseases, is common in each family. "If one of the patients is suffering from asthma, there are 25 per cent chances that their kids will also suffer from the disease," she said adding, "children should not be deprived of physical exercise to prevent it." She said Cipla has developed formulations and therapy for the treatment of disease and continued therapy like yoga and allopathic medicines are the best for children to outgrow.

She said quoting World Health Organisation figures that by 2020 asthma would be the cause of 30 per cent in every 10 years. The company also screened a film on the occasion. "Similar seminars are also planned for cities like Solapur, Vidisha, Indore." Shalawat Ghosh, area manager of the company said. Madhuri Seth principal of Seelada's Home Public School, Reetesh Jaiswal and Manish K...

अस्थमा को हल्के ढंग से न लेने की सलाह दवा कंपनी ने आयोजित किया सेमिनार

मुंबई: अस्थमा को हल्के ढंग से न लेने की सलाह दवा कंपनी ने आयोजित किया सेमिनार। अस्थमा एक गंभीर रोग है जो कोणों को सांस लेने में तकलीफ देता है। यह रोग धीरे-धीरे बढ़ता है और अंततः जीवन को खतरा डाल सकता है। अस्थमा को नियंत्रित रखने के लिए सही दवा और समय पर चिकित्सा आवश्यक है।

सेमिनार में डॉ. राशमी डे, हम्मर्स हॉस्पिटल की पाediatric अस्थमा विशेषज्ञ, ने अस्थमा के कारणों, लक्षणों और नियंत्रण के तरीकों के बारे में जानकारी दी। उन्होंने कहा कि अस्थमा एक आनुवंशिक रोग है और इसे पूरी तरह से ठीक नहीं किया जा सकता है, लेकिन इसे नियंत्रित किया जा सकता है।

डॉ. डे ने कहा कि अस्थमा के लक्षणों में सांस लेने में तकलीफ, छाती में खिंचाव, सांस में whistling शब्द आना और रात में जागृत होना शामिल है। अस्थमा को नियंत्रित रखने के लिए दवा लेना और समय पर चिकित्सा करना आवश्यक है।

सेमिनार में अस्थमा से निपटारे के लिए सही दवा और समय पर चिकित्सा के बारे में जानकारी दी गई। डॉ. डे ने कहा कि अस्थमा को नियंत्रित रखने के लिए सही दवा और समय पर चिकित्सा आवश्यक है।

Inhaler therapy key to asthma control

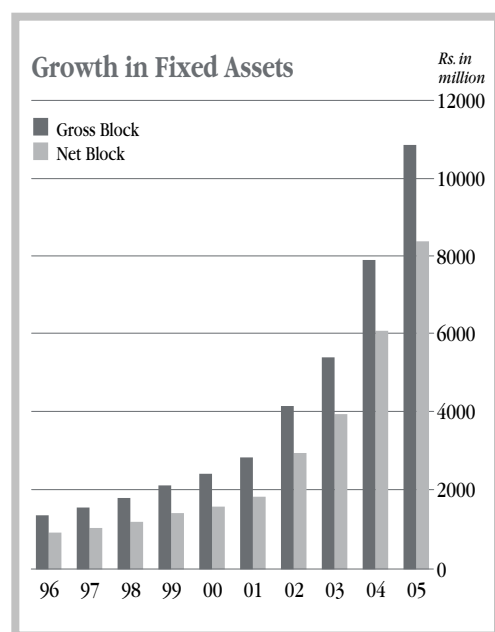
Asthma incidence may rise from 45 to 50 per cent by 2020

Ahead of World Asthma Day on May 3, respiratory physicians make a case for uninterrupted use of inhaler therapy for good asthma control.

Inflammation of the airways...

DIRECTORS' REPORT *contd.*

are now looking to source products from the excise-free zones in order to remain competitive.



Value Added Tax

The uncertainty and lack of planning in the implementation of VAT has once again adversely affected the domestic pharmaceutical business. Several states have refused to implement VAT. Among the states that have implemented VAT, there is lack of uniformity and this has added to the confusion. The trade in certain states continues to be wary of keeping adequate shelf stock in the midst of these uncertainties. Cipla's strong distribution network and trade-friendly policies have helped to mitigate the losses to an extent.

Drug Pricing

The government's drug policy continues to be stalled by legal hurdles, leaving the industry without transparent and well-defined pricing guidelines. Consequently, the element of unpredictability continues to hamper the pharmaceutical industry in the country.

OPPORTUNITIES

International Markets

Exports will be the thrust area for growth in the near future. The Company is well geared to meet this objective with its state-of-the-art manufacturing facilities at Goa, Kurkumbh, Bangalore, Patalganga and now at Baddi. Cipla's products are registered in over 150 countries. Strategic alliances with various partners in the regulated and other markets will contribute to future growth.

Research & Development

The Company has entered into a research alliance with Avesthagen, a Bangalore-based biotech company, to develop biotherapeutic products. Cipla's R&D division retains its focus on the development of new products and new drug delivery systems across a range of therapies. A number of patents, local as well as international, were filed during the year.

Technological Strengths

Sound technical expertise and state-of-the-art manufacturing facilities will remain the pillars for the Company to consolidate its standing in India and other countries. Strategic alliances for research, manufacture and marketing will acquire greater importance in the changing international business environment.

As Cipla turns 70, the Company is confident of maintaining its leading position and sustaining its growth with new vigour in the years to come.

COMMUNITY CARE

Palliative Care

The Cipla Foundation's Palliative Care Centre in Pune continues to provide care to terminally ill cancer patients. As of date, this institution has provided comfort and solace to nearly 4000 patients.

Smiles to go before they sleep

NISHA BHASKARAN

SCIENCE once said, "Live every day of your life as if it is the last day". For some who are terminally ill, living every day to its fullest would be more apt.

Cancer, a cruel adversary with death through pain, concerns are visible in an early stage. Involves setups of suffering and pain. So, if death is certain, why are in pain and suffering? Why are you not smiling?

started to handle the problem and his family.

"It is difficult for family members to take care of patients at home without being educated about the disease. Palliative care empowers family members to care for their loved ones," says

the director. "We have recently started a nursery and have plans to run a school. A good environment could help up the spirits of the patients. The institute also is to come up with the concept of and we want to do all this

with our laughter, as they come here in chains but leave with a smile."

The main here is unlike that of a hospital. The wards are named after flowers like Marigold, Marigold and so on. It is adjacent with those

to get back to my family as I had better news. This institution has really looked after me and this is a second home for me." Another person, S. Sathya, says with a young cancer patient in a room hospital staffs and other family members. He has also done two paintings for the centre. Ready to go home, the Karnataka patient from about Mysore and got lights on.

Dr. Kishore, Medical Director, says, "We are blessed in this world. We do for the patients know about their condition, know their wishes, their life is better to let them know what their condition is than to just shut them away." The doctor talks with his patients and all, especially those who are not able to do anything, and we want to be able to help them in their own way.

The staff of the Palliative Care Centre is trained to help and guide patients from their own with the patients. The centre is a multi-specialty, follows their guidelines.

The palliative care centre is a multi-specialty centre. The centre is a multi-specialty centre. The centre is a multi-specialty centre.



Cipla Foundation starts course in palliative care

S. S. Kulkarni

ACUTE palliative care of more than 100 cancer patients within a year since its inception. The Cipla Cancer Palliative Care Centre (CCPC) in Bengaluru has introduced a certificate course in palliative care

examination.

"It has been seen that the medical or nursing community do not include a course in palliative care. We feel that if there is a patient subject, there are a number of topics, such as, the feeling of care who aids in setting and in exchange of

needed for those afflicted by other diseases," he said.

In an initial stage, the course will be a certificate course of one year's duration. The course content also a familiar the content requirements of the IFCI. However, there are plans to upgrade it with a year to approach the necessary

qualifications with the IFCI. It is a part of palliative care and treatment from a range of medical or health services. It includes the care of the patient, such as, the patient's physical, psychological, social, spiritual, and cultural needs. It also includes the care of the patient's family and the community.



A group of students of the Cipla Palliative Care Centre. The course is a certificate course of one year's duration. The course content also a familiar the content requirements of the IFCI. However, there are plans to upgrade it with a year to approach the necessary qualifications with the IFCI.

Easing cancer's fatal grip through recreation

WARJE

The Cipla Palliative Care Centre in Warje is a multi-specialty centre. The centre is a multi-specialty centre. The centre is a multi-specialty centre.

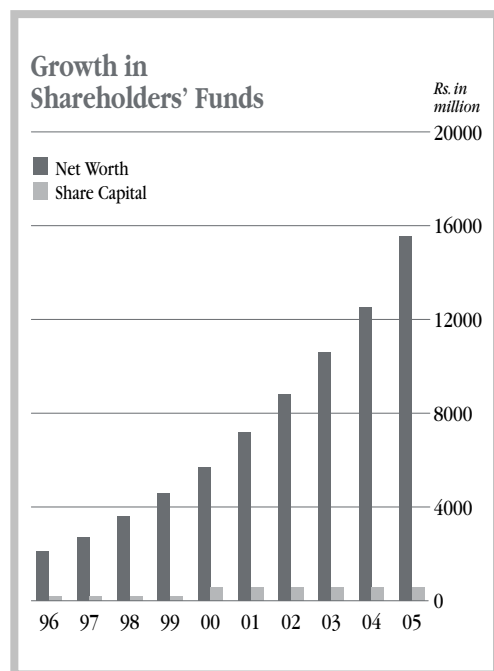


Cipla Palliative Care Centre in Warje. The centre is a multi-specialty centre. The centre is a multi-specialty centre. The centre is a multi-specialty centre.

DIRECTORS' REPORT *contd.*

Mission Against AIDS, Malaria and Other Neglected Diseases

Cipla continues its fight against the AIDS pandemic. Its medicines are helping to treat over 2,00,000 HIV-positive patients worldwide. There are several initiatives to make available new anti-retroviral drugs to HIV patients, in India and other countries, at reasonable prices and Cipla will do its very best in this humanitarian effort. In this matter, the Company has co-operated with the international community in every way possible.



Cipla has also been among the major suppliers of anti-malarial drugs and drugs for neglected diseases such as schistosomiasis to international markets.

Other Welfare Activities

The Company provided medicines to treat over a million poor, aged patients in slums and villages through Helpage India as part of its social responsibility initiative. The Company also provided free medicines to the tsunami-affected in India and Sri Lanka.

The Company also continued to support education and community welfare, directly and through its charitable trusts.

CORPORATE MATTERS

Responsibility Statement

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

- i. that the applicable accounting standards have been followed in the preparation of the annual accounts;
- ii. that the Directors have selected such accounting policies and applied them consistently and made 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 for the financial year ended 31st March 2005 and of the profit or loss of the Company for that period;
- iii. that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. that the Directors have prepared the annual accounts on a going concern basis.

Corporate Governance

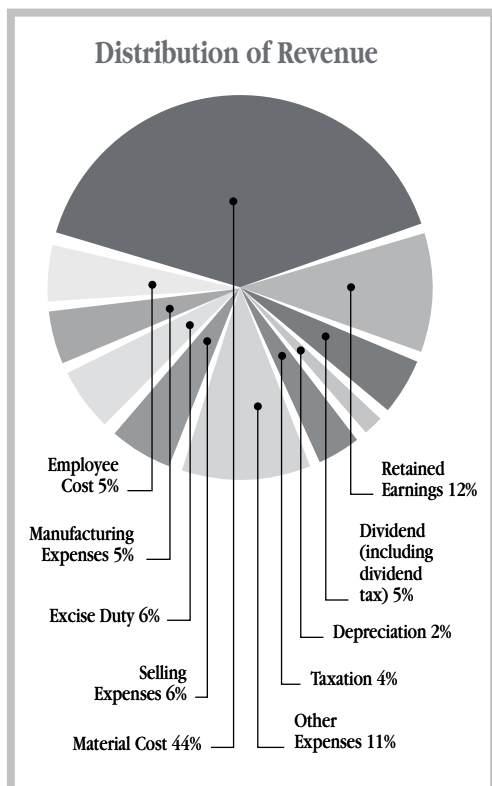
Your Company is committed to good corporate governance practices. The report on corporate governance as stipulated under clause 49 of the Listing Agreement forms part of this report.

Fixed Deposits

The Company neither accepted nor renewed any fixed deposits from the public during the year. In all, 39 deposits,

DIRECTORS' REPORT *contd.*

amounting to Rs. 0.32 million, due for repayment as on 31st March 2005 remain unclaimed by the depositors.



Disclosure of Particulars

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

Directors

In recognition of his achievements, the President of India conferred the coveted Padma Bhushan Award to Dr. Y.K. Hamied on 26th January 2005.

Dr. M.K. Gurjar and Mr. M.R. Raghavan retire by rotation and being eligible, offer themselves for reappointment.

A short resume of the directors is provided in the notice.

Share Capital

Pursuant to the Scheme of Arrangement sanctioned by the Bombay High Court vide its Order dated 11th June 2004 and consequent to the approval already granted by the members under Section 81(1A) of the Companies Act, 1956 the Company has allotted 8488 Equity Shares of Rs.2 each on 10th September 2004. These shares have been listed on The Stock Exchange, Mumbai (BSE) and National Stock Exchange of India Limited (NSE).

Cost Audit

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

Auditors

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

On behalf of the Board,

Y.K. Hamied

Chairman & Managing Director

Mumbai, 25th July 2005

AUDITORS' REPORT TO THE MEMBERS OF CIPLA LIMITED

1. We have audited the attached Balance Sheet of Cipla Limited as at 31st March 2005 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 (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's 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 give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose 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 2005 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2005, 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 2005;
 - ii. In the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - iii. In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

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

D.R. Bharucha
Partner
Membership No. 1313 of 1949
Mumbai, 25th July 2005

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

R. Rangarajan
Partner
Membership No. 41883
Mumbai, 25th July 2005

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 no material discrepancies were noticed on such verification.
- c. The fixed assets that have been sold/ disposed off during the year do not constitute a substantial part of the total fixed assets of the Company. Hence, the going concern concept has not been affected.
2. a. The inventory has been physically verified by the management at reasonable intervals during the year. The verification was made on the basis of the perpetual inventory system operated by the Company. In case of materials lying with third parties, certificates confirming such inventory have been obtained by the Company from most of the third parties.
- b. In our opinion and on the basis of the information and explanations given to us, the procedures for physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c. The Company has maintained proper records of inventory. The discrepancies noticed on physical verification of stock as compared to the book records were not material.
3. a. As informed to us, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. Therefore, requirements of clauses (iii-b), (iii-c) and (iii-d) of paragraph 4 of the Order are not applicable.
- b. As informed to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. Therefore, requirements of clauses (iii-f) and (iii-g) of paragraph 4 of the Order are not applicable.
4. In our opinion and according to the information and explanations given to us, there is generally adequate internal control system commensurate with the size of the Company and the nature of its business for purchase of inventory and fixed assets and for the sale of goods and services. During the course of audit, no major weakness has been noticed in these internal control systems.
5. In our opinion and according to the information and explanations given to us, there are no contracts or arrangements referred to in Section 301 of the Companies Act, 1956 that need to be entered in the Register required to be maintained under that section. Hence, clause (v-b) of paragraph 4 of the Order is not applicable.
6. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposit from the public within the meaning of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.
7. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
8. We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that, *prima facie*, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the accounts and records with a view to determine whether they are accurate or complete.
9. a. According to the records of the Company, undisputed Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it have been regularly deposited with the appropriate authorities. There were no arrears as at 31st March 2005 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 2005 and the forum where the disputes are pending are as follows:

ANNEXURE TO THE AUDITORS' REPORT *contd.*

Nature of dues	Financial years to which the matter pertains	Forum where dispute is pending	Amount Rs. in million
Sales Tax	1990-91 to 1995-96	State Sales Tax Tribunal	1.70
Excise Duty	1993-94, 1994-95, 1995-96, 1997-98, 1999-00, 2000-01, 2002-03, 2004-05	CEGAT/ Commissioner (Appeals)	21.91
Income Tax	1994-95, 1995-96	Commissioner (Appeals)	17.41

- | | |
|---|---|
| <p>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.</p> <p>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.</p> <p>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.</p> <p>13. The provisions of any special statute applicable to chit funds/nidhi/mutual benefit funds/society do not apply to the Company.</p> <p>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.</p> <p>15. According to the information and explanations given to us and</p> | <p>the representations made by the management, the Company has not given any guarantee for loans taken by others from banks or financial institutions.</p> <p>16. The Company has not obtained any long term loans.</p> <p>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.</p> <p>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.</p> <p>19. The Company has not issued any debentures.</p> <p>20. The Company has not raised any money through a public issue during the year.</p> <p>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.</p> |
|---|---|

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

D.R. Bharucha
Partner
Membership No. 1313 of 1949
Mumbai, 25th July 2005

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

R. Rangarajan
Partner
Membership No. 41883
Mumbai, 25th July 2005

BALANCE SHEET

Rupees in million

As at 31st March 2005	Schedule	2005	2004
Sources of Funds			
Shareholders' Funds			
Share Capital	A	599.74	599.72
Reserves & Surplus	B	<u>14936.64</u>	<u>12040.78</u>
		15536.38	12640.50
Equity shares to be issued		–	0.02
Loan Funds			
Secured Loans	C	403.73	305.99
Unsecured Loans	D	<u>1546.69</u>	<u>1799.85</u>
		1950.42	2105.84
Deferred Tax Liabilities	M	889.46	659.46
		<u>18376.26</u>	<u>15405.82</u>
Application of Funds			
Fixed Assets			
Gross Block	E	9866.67	7407.91
Less: Depreciation		<u>2477.57</u>	<u>1932.30</u>
Net Block		<u>7389.10</u>	<u>5475.61</u>
Capital Work-in-Progress		<u>1059.64</u>	<u>560.11</u>
		8448.74	6035.72
Investments	F	183.02	1803.69
Current Assets, Loans & Advances			
Inventories	G	7456.79	5689.42
Sundry Debtors	H	5873.23	4982.27
Cash & Bank Balances	I	153.80	62.44
Other Current Assets	J	135.17	209.07
Loans & Advances	K	<u>3909.90</u>	<u>3419.10</u>
		<u>17528.89</u>	<u>14362.30</u>
Less: Current Liabilities & Provisions	L		
Liabilities		4944.54	3753.53
Provisions		<u>2839.85</u>	<u>3042.36</u>
		<u>7784.39</u>	<u>6795.89</u>
Net Current Assets		9744.50	7566.41
		<u>18376.26</u>	<u>15405.82</u>
Notes to the Accounts	R		

As per our report of even date

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

D.R. Bharucha
Partner
Membership No. 1313 of 1949

Mumbai, 25th July 2005

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

R. Rangarajan
Partner
Membership No. 41883

Y.K. Hamied
Chairman & Managing Director

M.K. Hamied
Amar Lulla
Joint Managing Directors

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

Mital Sanghvi
Company Secretary

Mumbai, 25th July 2005

PROFIT AND LOSS ACCOUNT

Rupees in million

For the year ended 31st March 2005	Schedule	2005	2004
Income			
Gross Sales		23276.32	19746.31
Less: Excise Duty		<u>1463.72</u>	<u>1323.94</u>
Net Sales		21812.60	18422.37
Other Income	N	1552.38	1163.56
		<u>23364.98</u>	<u>19585.93</u>
Expenditure			
Material Cost	O	10946.88	9869.09
Employee Cost	P	1165.77	952.49
Manufacturing Expenses		1303.08	1123.15
Other Expenses	Q	4176.31	3093.56
Interest - Fixed period		71.02	92.63
- Others		5.31	11.31
Depreciation		551.69	404.20
Less: Transferred from Revaluation Reserve		<u>1.22</u>	<u>1.36</u>
		<u>550.47</u>	<u>402.84</u>
		<u>18218.84</u>	<u>15545.07</u>
Profit before Extraordinary item and Tax		5146.14	4040.86
Extraordinary item - Goodwill written off		-	96.45
Provision for Tax - Current		820.00	780.00
- Deferred		230.00	97.50
Profit after Tax		<u>4096.14</u>	<u>3066.91</u>
Surplus brought forward from last balance sheet		941.07	-
Less: Tax of prior years		-	111.00
Profit available for Appropriation		<u>5037.21</u>	<u>2955.91</u>
Appropriations			
Proposed Dividend		1049.55	899.58
Tax on Dividend		149.51	115.26
Transferred to General Reserve		1500.00	1000.00
Surplus carried forward		<u>2338.15</u>	<u>941.07</u>
		<u>5037.21</u>	<u>2955.91</u>
Basic and Diluted Earning per Share (Schedule R-Note 21)			
Notes to the Accounts	R		

As per our report of even date

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

D.R. Bharucha
Partner
Membership No. 1313 of 1949

Mumbai, 25th July 2005

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

R. Rangarajan
Partner
Membership No. 41883

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

Mital Sanghvi
Company Secretary

Mumbai, 25th July 2005

SCHEDULES TO THE ACCOUNTS

Rupees in million

	2005	2004
A Share Capital		
Authorised		
32,50,00,000 Equity Shares of Rs.2 each (Previous year 6,50,00,000 Equity Shares of Rs.10 each)	650.00	650.00
	<u>650.00</u>	<u>650.00</u>
Issued		
30,08,73,628 Equity Shares of Rs.2 each (Previous year 6,01,73,028 Equity Shares of Rs.10 each)	601.75	601.73
	<u>601.75</u>	<u>601.73</u>
Subscribed & Paid-up		
29,98,70,233 Equity Shares of Rs.2 each (Previous year 5,99,72,349 Equity Shares of Rs.10 each)	599.74	599.72
	<u>599.74</u>	<u>599.72</u>
<p><i>Notes:</i> i. The Shareholders at the Extraordinary General Meeting held on 21st April 2004 have approved the sub-division of Equity Shares of Rs.10 each into 5 Equity Shares of Rs.2 each.</p> <p>ii. Of the above Equity Shares, 29,19,45,630 shares of Rs.2 each (Previous year 5,83,89,126 shares of Rs.10 each) were allotted as fully paid-up Bonus Shares by capitalisation of General Reserve & Share Premium Account.</p> <p>iii. During the year, 8488 Equity Shares of Rs.2 each were issued for consideration other than cash pursuant to the Scheme of Arrangement.</p>		

Rupees in million

	2005	2004
B Reserves & Surplus		
Capital Reserve		
	0.78	0.78
Revaluation Reserve		
As per last Balance Sheet	101.83	103.19
Less: Transferred to Profit and Loss Account	<u>1.22</u>	<u>1.36</u>
	100.61	101.83
Share Premium Account		
	486.82	486.82
General Reserve		
As per last Balance Sheet	10510.28	9510.28
Add: Transferred from Profit and Loss Account	<u>1500.00</u>	<u>1000.00</u>
	12010.28	10510.28
Surplus in Profit and Loss Account		
	2338.15	941.07
	<u>14936.64</u>	<u>12040.78</u>

SCHEDULES TO THE ACCOUNTS *contd.*

	Rupees in million	
	2005	2004
C Secured Loans		
Amounts drawn against Cash and Export Credit Accounts with Banks	403.73	305.99
(Secured by hypothecation of tangible movable properties and receivables)		
	<u>403.73</u>	<u>305.99</u>

	Rupees in million	
	2005	2004
D Unsecured Loans		
Fixed Deposits*	1.41	2.30
Interest Accrued & due on Fixed Deposits*	0.32	0.32
Other Loans & Advances		
Govt. of Maharashtra Sales Tax Loan	0.19	0.28
HDFC - Line of Credit	0.81	1.12
Maharashtra Govt. Sales Tax Deferral	48.05	47.99
Loans from Banks	<u>1495.91</u>	<u>1747.84</u>
	1544.96	1797.23
	<u>1546.69</u>	<u>1799.85</u>

Notes: i. A sum of Rs.1415.45 million (Previous year Rs.1749.31 million) is repayable out of Unsecured Loans within the next 12 months.
 ii. *There are no amounts due and outstanding to be credited to Investor Education & Protection Fund.

SCHEDULES TO THE ACCOUNTS *contd.*

Rupees in million

E Fixed Assets

ASSETS	GROSS BLOCK AT COST/REVALUATION			DEPRECIATION		NET BLOCK	
	As at 31.03.04	Additions	Deletions	As at 31.03.05	As at 31.03.05	As at 31.03.05	As at 31.03.04
Freehold Land	91.23	-	-	91.23	-	91.23	91.23
Leasehold Land	92.34	1.96	0.14	94.16	9.99	84.17	85.05
Buildings & Flats	1331.25	498.66	0.79	1829.12	356.14	1472.98	1019.01
Plant & Machinery	5638.40	1854.70	7.48	7485.62	2020.42	5465.20	4099.40
Furniture & Fixtures	191.29	94.89	0.07	286.11	74.78	211.33	130.23
Vehicles	63.40	24.93	7.90	80.43	16.24	64.19	50.69
Total	7407.91	2475.14	16.38	9866.67	2477.57	7389.10	5475.61
Previous Year	5169.83	2275.52	37.44	7407.91	1932.30		
Capital Work-in-Progress (At Cost)						1059.64	560.11
Total						8448.74	6035.72

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

Rupees in million

	2005	2004
F Investments		
Long Term Investments		
Government Securities		
<i>Unquoted</i>		
National Savings Certificates	0.29	0.29
Indira Vikas Patra (IVP of Rs.0.60 million matured during the year)	-	0.60
Other Investments		
Trade		
<i>Unquoted</i>		
The Saraswat Co-operative Bank Limited 1,000 Equity Shares of Rs.10 each, fully paid	0.01	0.01
Other than Trade		
Mutual Funds		
<i>Alliance Capital Mutual Fund "Alliance Income" - Growth Scheme</i>		
Nil (Previous year 71,08,054) Units (71,08,054 Units redeemed during the year)	-	116.60

SCHEDULES TO THE ACCOUNTS *contd.*

	Rupees in million	
	2005	2004
F Investments - contd.		
<i>Alliance Capital Mutual Fund "Alliance MIP" - Growth Scheme</i> Nil (Previous year 50,77,818) Units (50,77,818 Units redeemed during the year)	—	100.00
<i>Birla Sun Life Mutual Fund "Birla Income Plus" - Growth Scheme</i> Nil (Previous year 1,75,00,000) Units (1,75,00,000 Units redeemed during the year)	—	271.75
<i>Birla Sun Life Mutual Fund "Birla Bond Index" - Growth Scheme</i> Nil (Previous year 20,00,000) Units (20,00,000 Units redeemed during the year)	—	20.00
<i>DSP Merrill Lynch Mutual Fund "DSPML Bond Fund" - Growth Scheme</i> Nil (Previous year 1,25,84,913) Units (1,25,84,913 Units redeemed during the year)	—	186.04
<i>DSP Merrill Lynch Mutual Fund "DSPML Savings Plus" - Growth Scheme</i> Nil (Previous year 86,14,823) Units (86,14,823 Units redeemed during the year)	—	100.00
<i>Franklin Templeton Mutual Fund "FT India MIP" - Growth Scheme</i> Nil (Previous year 63,91,165) Units (63,91,165 Units redeemed during the year)	—	100.00
<i>Franklin Templeton Mutual Fund "Templeton MIP" - Growth Scheme</i> Nil (Previous year 64,08,613) Units (64,08,613 Units redeemed during the year)	—	100.00
<i>HDFC Mutual Fund "HDFC Income Plan" - Growth Scheme</i> Nil (Previous year 88,40,961) Units (88,40,961 Units redeemed during the year)	—	100.00
<i>IL&FS Mutual Fund "IL&FS Bond Fund" - Growth Scheme</i> Nil (Previous year 16,08,979) Units (16,08,979 Bonus Units redeemed during the year)	—	—
<i>Principal Mutual Fund "Principal MIP" - Growth Scheme</i> Nil (Previous year 79,71,735) Units (79,71,735 Units redeemed during the year)	—	100.01

SCHEDULES TO THE ACCOUNTS *contd.*

Rupees in million

	2005	2004
F Investments - contd.		
<i>Prudential ICICI Mutual Fund "Prudential ICICI Income Plan" - Growth Scheme</i>		
Nil (Previous year 2,81,14,265) Units (2,81,14,265 Units redeemed during the year)	–	348.13
<i>Reliance Mutual Fund "Reliance MIP" - Growth Scheme</i>		
Nil (Previous year 1,00,26,049) Units (1,00,26,049 Units redeemed during the year)	–	100.26
<i>Sundaram Mutual Fund "Sundaram Bond Saver" - Institutional Growth Scheme</i>		
Nil (Previous year 32,58,042) Units (32,58,042 Units redeemed during the year)	–	35.00
<i>Tata Mutual Fund "Tata MIP" - Growth Scheme</i>		
Nil (Previous year 82,00,149) Units (82,00,149 Units redeemed during the year)	–	100.00
Current Investments		
<i>Alliance Capital Mutual Fund "Alliance Cash Manager" - Institutional Growth Scheme</i>		
Nil (Previous year 23,80,794) Units (22,62,21,161 Units purchased and 22,86,01,955 Units redeemed during the year)	–	25.00
<i>Alliance Capital Mutual Fund "Alliance Cash Manager" - Institutional Daily Dividend Scheme</i>		
Nil (Previous year Nil) Units (31,54,68,526 Units purchased and redeemed during the year)	–	–
<i>Alliance Capital Mutual Fund "Alliance Cash Manager" - Institutional Weekly Dividend Scheme</i>		
Nil (Previous year Nil) Units (19,99,91,273 Units purchased and redeemed during the year)	–	–
<i>ABN Amro Mutual Fund "Cash Fund" - Institutional Daily Dividend Scheme</i>		
Nil (Previous year Nil) Units (50,03,326 Units purchased and redeemed during the year)	–	–
<i>Birla Sun Life Mutual Fund "Birla Cash Plus" - Institutional Daily Dividend Scheme</i>		
Nil (Previous year Nil) Units (8,26,06,099 Units purchased and redeemed during the year)	–	–

SCHEDULES TO THE ACCOUNTS *contd.*

Rupees in million

	2005	2004
F Investments - contd.		
<i>Cholamandalam Mutual Fund "Chola Liquid" - Institutional Growth Scheme</i> 79,88,918 (Previous year Nil) Units (21,89,12,844 Units purchased and 21,09,23,926 Units redeemed during the year)	80.01	—
<i>Deutsche Mutual Fund "Deutsche Insta Cash" - Institutional Growth Scheme</i> Nil (Previous year Nil) Units (5,73,01,985 Units purchased and redeemed during the year)	—	—
<i>Deutsche Mutual Fund "Deutsche Insta Cash" - Institutional Daily Dividend Scheme</i> Nil (Previous year Nil) Units (5,02,44,089 Units purchased and redeemed during the year)	—	—
<i>Grindlays Mutual Fund "Grindlays Cash Fund" - Growth Scheme</i> Nil (Previous year Nil) Units (23,07,086 Units purchased and redeemed during the year)	—	—
<i>HDFC Mutual Fund "HDFC Cash Management Savings" - Daily Dividend Scheme</i> Nil (Previous year Nil) Units (1,78,72,151 Units purchased and redeemed during the year)	—	—
<i>IL&FS Mutual Fund "IL&FS Liquid Account" - Institutional Growth Scheme</i> Nil (Previous year Nil) Units (83,96,235 Units purchased and redeemed during the year)	—	—
<i>JM Mutual Fund "Floater Fund - Long Term Plan" - Premium Dividend Scheme</i> Nil (Previous year Nil) Units (30,00,000 Units purchased and redeemed during the year)	—	—
<i>JM Mutual Fund "Fixed Maturity Plan" - Daily Dividend Scheme</i> Nil (Previous year Nil) Units (1,01,14,237 Units purchased and redeemed during the year)	—	—
<i>JM Mutual Fund "High Liquidity Fund" - Institutional Daily Dividend Scheme</i> 19,96,967 (Previous year Nil) Units (2,69,67,074 Units purchased and 2,49,70,107 Units redeemed during the year)	20.00	—

SCHEDULES TO THE ACCOUNTS *contd.*

Rupees in million

	2005	2004
F Investments - contd.		
<i>JM Mutual Fund "High Liquidity Fund" - Quarterly Dividend Scheme</i>		
Nil (Previous year Nil) Units (24,91,529 Units purchased and redeemed during the year)	—	—
<i>JM Mutual Fund "Short Term Plan" - Institutional Growth Scheme</i>		
Nil (Previous year Nil) Units (27,06,311 Units purchased and redeemed during the year)	—	—
<i>Kotak Mahindra Mutual Fund "K Liquid" - Growth Scheme</i>		
Nil (Previous year Nil) Units (2,64,16,651 Units purchased and redeemed during the year)	—	—
<i>Kotak Mahindra Mutual Fund "K Liquid" - Institutional Premium Daily Dividend Scheme</i>		
67,63,990 (Previous year Nil) Units (14,55,62,194 Units purchased and 13,87,98,204 Units redeemed during the year)	82.71	—
<i>Kotak Mahindra Mutual Fund "K Liquid" - Institutional Premium Weekly Dividend Scheme</i>		
Nil (Previous year Nil) Units (2,27,95,311 Units purchased and redeemed during the year)	—	—
<i>Prudential ICICI Mutual Fund "Prudential ICICI Liquid Plan" - Institutional Daily Dividend Scheme</i>		
Nil (Previous year Nil) Units (6,24,46,162 Units purchased and redeemed during the year)	—	—
<i>Reliance Mutual Fund "Fixed Term" - Dividend Scheme</i>		
Nil (Previous year Nil) Units (50,16,350 Units purchased and redeemed during the year)	—	—
<i>SBI Mutual Fund "Magnum Debt Fund" - Dividend Scheme</i>		
Nil (Previous year Nil) Units (1,00,00,000 Units purchased and redeemed during the year)	—	—
<i>SBI Mutual Fund "Magnum Income Fund" - Institutional Dividend Scheme</i>		
Nil (Previous year Nil) Units (49,89,966 Units purchased and redeemed during the year)	—	—
<i>Tata Mutual Fund "Liquid Super High Investment Fund" - Daily Dividend Scheme</i>		
Nil (Previous year Nil) Units (2,87,76,151 Units purchased and redeemed during the year)	—	—

SCHEDULES TO THE ACCOUNTS *contd.*

Rupees in million

	2005	2004
F Investments - contd.		
<i>UTI Mutual Fund "Liquid Advantage Fund" - Institutional Daily Dividend Scheme</i>		
Nil (Previous year Nil) Units (1,36,609 Units purchased and redeemed during the year)	—	—
<i>UTI Mutual Fund "Fixed Maturity Plan" - Dividend Scheme</i>		
Nil (Previous year Nil) Units (1,50,00,000 Units purchased and redeemed during the year)	—	—
	<u>183.02</u>	<u>1803.69</u>

Aggregate of Unquoted Investments at Book Value Rs.183.02 million (Previous year Rs.1803.69 million)

Rupees in million

	2005	2004
G Inventories		
[As valued by the Management & certified by Cost Auditors. Schedule R-Note 1(iv)]		
Raw Materials	3630.95	2532.29
Work-in-Process	1014.82	823.52
Finished Goods	2811.02	2333.61
	<u>7456.79</u>	<u>5689.42</u>

SCHEDULES TO THE ACCOUNTS *contd.*

Rupees in million

	2005	2004
H Sundry Debtors		
Unsecured		
Over Six Months		
Considered Good	799.24	276.34
Considered Doubtful	1.78	1.78
	<u>801.02</u>	<u>278.12</u>
<i>Less: Provision for Doubtful Debts</i>	<u>1.78</u>	<u>1.78</u>
	799.24	276.34
Others		
Considered Good	5073.99	4705.93
	<u>5873.23</u>	<u>4982.27</u>

Rupees in million

	2005	2004
I Cash & Bank Balances		
Cash in hand	7.67	8.53
Balances with Scheduled Banks in Current Accounts	146.03	41.42
Fixed Deposits with Banks	0.10	12.49
	<u>153.80</u>	<u>62.44</u>

Rupees in million

	2005	2004
J Other Current Assets		
Unsecured (Considered good, unless otherwise stated)		
Interest accrued on Inter-corporate Loans, Government Securities & Deposits:		
Considered Good	6.77	
Considered Doubtful	1.44	
	<u>8.21</u>	
<i>Less: Provision for Doubtful Interest</i>	<u>1.44</u>	60.55
Export Incentives Receivable	123.35	143.12
Rent and Lease Rentals Receivable	5.05	5.40
	<u>135.17</u>	<u>209.07</u>

SCHEDULES TO THE ACCOUNTS *contd.*

Rupees in million

	2005	2004
K Loans & Advances		
Unsecured (Considered good, unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received:		
Considered Good	1245.14	754.69
Considered Doubtful	0.74	0.74
	<u>1245.88</u>	<u>755.43</u>
<i>Less:</i> Provision for Doubtful Advances	0.74	0.74
	1245.14	754.69
Balance with Central Excise Department	405.83	298.01
Dues from Staff	30.84	31.93
Sundry Deposits	66.45	62.83
Advance Tax & TDS	2124.55	2217.08
Sales Tax Receivable	6.59	2.82
Inter-corporate Loans:		
Considered Good	30.50	
Considered Doubtful	1.24	
	<u>31.74</u>	
<i>Less:</i> Provision for Doubtful Loans	1.24	51.74
	30.50	51.74
	<u>3909.90</u>	<u>3419.10</u>

Rupees in million

	2005	2004
L Current Liabilities & Provisions		
Liabilities		
Sundry Creditors [#]	2386.83	1776.50
Trade Deposits from customers	193.36	39.23
Unclaimed Dividend*	38.96	32.33
Advances Received	290.99	290.60
Unclaimed Preference Share Capital	0.10	0.10
Other Liabilities	2034.30	1614.77
	4944.54	3753.53
Provisions		
Leave Encashment	43.10	33.62
Provision for Taxation	1600.00	1993.90
Provision for Dividend	1049.55	899.58
Tax on Dividend	147.20	115.26
	2839.85	3042.36
	<u>7784.39</u>	<u>6795.89</u>

Notes: i. [#] Includes Rs. 1215.18 million (Previous year Rs. 827.89 million) due to SSI units (as disclosed by the parties). Listed below are SSI units having outstandings for more than 30 days: Okasa Pvt. Ltd., ZXR Industries Pvt. Ltd., Okasa Pharma Pvt. Ltd., Jay Precision Products Pvt. Ltd., Mediorals Laboratories Pvt. Ltd., Meditab Specialities Pvt. Ltd., Medispray Laboratories Pvt. Ltd., Jupiter Remedies Pvt. Ltd., Golden Cross Pharma Pvt. Ltd., Healing Cross Pharma Pvt. Ltd., Advanced Remedies Pvt. Ltd., Intermed Labs Pvt. Ltd., XAL Engineering (India) Pvt. Ltd.

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

SCHEDULES TO THE ACCOUNTS *contd.*

Rupees in million

	2005	2004
M Deferred Tax Liabilities		
Deferred Tax Liabilities arising on account of:		
Depreciation	849.82	609.86
Export Incentives	39.64	46.00
Investments	–	3.60
	<u>889.46</u>	<u>659.46</u>

Rupees in million

	2005	2004
N Other Income		
Profit on sale of Investments (Net)	625.71	46.70
Profit on sale of Fixed Assets (Net)	3.87	1.12
Technology Know-how/Fees	415.42	544.47
Export Incentives	317.20	263.45
Dividend	20.41	2.96
Interest (includes tax deducted at source Rs.0.51 million; Previous year Rs.4.42 million)	11.33	80.42
Rent (includes tax deducted at source Rs.0.53 million; Previous year Rs.0.40 million)	2.77	2.31
Exchange Gain (Net)	–	89.59
Miscellaneous Income	155.67	132.54
	<u>1552.38</u>	<u>1163.56</u>

SCHEDULES TO THE ACCOUNTS *contd.*

Rupees in million

	2005	2004
O Material Cost		
Consumption of Materials		
Opening Stock	2532.29	2529.12
<i>Add:</i> Purchases	<u>10000.68</u>	<u>7004.10</u>
	12532.97	9533.22
<i>Less:</i> Closing Stock	<u>3630.95</u>	<u>2532.29</u>
	8902.02	7000.93
Finished Goods Purchased	2713.57	2662.03
(Increase)/Decrease in Stock of Work-in-Process & Finished Goods		
Opening Stock		
Work-in-Process	823.52	742.04
Finished Goods	<u>2333.61</u>	<u>2621.22</u>
	3157.13	3363.26
<i>Less:</i> Closing Stock		
Work-in-Process	1014.82	823.52
Finished Goods	<u>2811.02</u>	<u>2333.61</u>
	<u>3825.84</u>	<u>3157.13</u>
	(668.71)	206.13
	<u>10946.88</u>	<u>9869.09</u>

Rupees in million

	2005	2004
P Employee Cost		
Salaries, Wages, Bonus, etc.	1025.90	824.05
Provident & other Funds	50.39	40.28
Staff Gratuity	16.25	15.82
Staff Welfare	63.76	50.71
Leave Encashment	9.47	21.63
	<u>1165.77</u>	<u>952.49</u>

SCHEDULES TO THE ACCOUNTS *contd.*

Rupees in million

	2005	2004
Q Other Expenses		
Stores & Spares	382.03	267.53
Power & Fuel	372.93	285.81
Rent	41.23	36.36
Rates & Taxes	25.45	25.65
Insurance	58.84	41.75
Repairs & Maintenance		
Machinery	84.15	119.22
Buildings	227.05	115.70
Others	104.91	70.54
Printing & Stationery	79.30	65.21
Conveyance & Vehicle Expenses	38.81	30.74
Remuneration to Auditors (including service tax, where applicable)		
Audit Fees	1.76	1.43
Tax Audit Fees	0.39	0.05
Cost Audit Fees	0.22	0.17
Other Services	–	0.37
Professional Fees	393.85	192.71
Telephone, Postage & Telegram	107.29	91.94
Selling Expenses	674.79	589.19
Freight & Forwarding	125.78	127.80
Travelling Expenses	134.36	109.64
Donations	1.52	74.61
Commission on Sales	904.95	665.17
Bank & Other Financial Charges	40.33	30.81
Directors' Sitting Fees	0.34	0.36
Miscellaneous Expenses	311.22	145.85
Share Issue Expenses written off	–	0.99
Bad Debts written off	2.67	2.51
Provision for Doubtful Debts	2.68	1.45
Exchange Loss (Net)	59.46	–
	<u>4176.31</u>	<u>3093.56</u>

SCHEDULES TO THE ACCOUNTS *contd.*

R Notes to the Accounts

1. Significant Accounting Policies

i. Basis of Accounting

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

ii. Fixed Assets

Fixed Assets are stated at cost of acquisition or construction or other amounts substituted for historical costs on revaluation less accumulated depreciation.

iii. Depreciation

- a. Plant and Machinery (other than office machinery) purchased from 1.11.1986 to 31.3.1993 on the Straight Line Method at rates prescribed under Schedule XIV of the Companies Act, 1956.
- b. All other assets added up to 31.3.1993 and on amounts added on revaluation of buildings, on the Written Down Value method at rates prescribed under Schedule XIV of the Companies Act, 1956.
- c. On all assets added from the year 1993-94, on the Straight Line Method at rates prescribed under Schedule XIV of the Companies Act, 1956.
- d. All individual items of fixed assets, where the actual cost does not exceed Rs.5000 each have been written off entirely in the year of acquisition.
- e. Cost of leasehold land including premium is written off over the period of lease.

iv. Inventories

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

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

Cost of inventories is computed on weighted average/FIFO basis.

v. Foreign Exchange Transactions

Foreign currency assets and liabilities covered by forward contracts are stated at the forward contract rates while those not covered by forward contracts are restated at rates ruling at the year end. Exchange differences relating to fixed assets are adjusted in the cost of the asset. Any other exchange difference is dealt with in the Profit and Loss Account.

In respect of forward contracts, the premium or discount on these contracts is recognized as income or expenditure over the period of the contract. Exchange differences on such contracts are recognized in the Profit and Loss Account in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such contracts is recognized as income or expense for the year.

SCHEDULES TO THE ACCOUNTS *contd.*

vi. Retirement Benefits

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

vii. Research and Development

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

viii. Expenditure on Regulatory Approvals

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

ix. Investments

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

x. Revenue Recognition

Sales are inclusive of excise duty, but net of sales tax, returns and trade discounts. The Company recognises sales at the point of despatch of goods to the customers. Royalty, technology 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

The Company assesses at each Balance Sheet date 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 the 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.

SCHEDULES TO THE ACCOUNTS *contd.*

3. Estimated amount of contracts remaining to be executed on Capital Account and not provided for (net of advances) Rs.1192.78 million (Previous year Rs.591.84 million).

4. Contingent Liabilities

- i. Guarantees given by banks on behalf of the Company Rs.178.45 million (Previous year Rs.70.27 million).
- ii. Letters of credit Rs.436.34 million (Previous year Rs.288.38 million).
- iii. Technology know-how/fees Rs.46.95 million (Previous year Rs.24.80 million) pending completion of certain obligations.
- iv. Claims against the Company not acknowledged as debts:
 - a. Claims relating to Income Tax, Sales Tax and Excise Duty aggregating to Rs.180.83 million (Previous year Rs.193.00 million). Of the above, Rs.32.74 million (Previous year Rs. 89.56 million) represents claims where the Income Tax Department has filed appeals before the appellate authorities.
 - b. Others Rs.3.09 million (Previous year Rs.38.72 million).

5. The Government of India has served demand notices in March 1995 and May 1995 on the Company in respect of six bulk drugs, claiming that an amount of Rs.54.56 million along with interest due thereon is payable into the DPEA under the Drugs (Prices Control) Order, 1979 on account of alleged unintended benefit enjoyed by the Company. The Company has filed its replies to the notices and has contended that no amount is payable into the DPEA under the Drugs (Prices Control) Order, 1979.

6. The Government of India (NPPA) has served show cause notices on the Company on account of allegedly overcharging in respect of Salbutamol, Theophylline, Ciprofloxacin, Cloxacillin, Norfloxacin, Cefadroxil, Trimethoprim and Sulphamethoxazole formulations under the Drugs (Prices Control) Order, 1995. The aggregate demand of the show cause notices received up to July 2003 amounted to Rs.3607.54 million.

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% of the allegedly overcharged amount. In addition, the Company's writ petition has also challenged the wrongful withholding by the Government of the exemption to Salbutamol manufactured by the Company on the grounds of Research and Development. The said challenge is pending in the Hon'ble High Court of Bombay, which has granted interlocutory orders regarding the same.

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

SCHEDULES TO THE ACCOUNTS *contd.*

In response to a notice issued to the Company by the drug authorities, the Company challenged the same before the Hon'ble High Court of Allahabad which granted interlocutory orders in favour of the Company.

Subsequent to the orders of the Hon'ble Supreme Court of India, the NPPA had demanded 50% of the amount mentioned in the original notices. The Company had replied to the demand pointing out that the same were not payable in view of the order of the Hon'ble High Court of Allahabad.

Ultimately by its judgement and order dated 3rd March 2004, the Hon'ble High Court of Allahabad has ruled that the prices fixed in respect of the said drugs were illegal and void. The Government of India had filed an appeal in the Supreme Court of India against this order. The Hon'ble Supreme Court of India in its interim order directed the Government not to take any coercive steps or launch any prosecution against the Company for recovery of money till the appeal is finally decided. The Company has been advised that the demands made are no longer valid.

7. The net difference in foreign exchange debited to the Profit and Loss Account is Rs.59.46 million (Previous year - credit Rs.89.59 million).

8. Capacities and Actual Production

Class of Goods	Unit	Installed Capacity		Actual Production	
		2005	2004	2005	2004
Bulk Drugs (including Malts)	Tonne	1519.0	2101.0	881.6	981.4
Tablets & Capsules	Million	9468.0	8675.0	8640.5	7532.4
Liquids	Kilolitre	1440.0	3280.0	5832.4	5412.7
Creams	Tonne	216.0	145.0	467.3	436.3
Aerosols/Inhalation Devices	Thousand	45780.0	44580.0	40732.2	29874.8
Injections/Sterile Solutions	Kilolitre	610.0	652.0	802.7	849.1
Others	Million	—	—	2.3	0.6

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.*

9. Purchases of each class of Finished Goods

		Rupees in million			
Class of Goods	Unit	2005		2004	
		Qty.	Value	Qty.	Value
Bulk Drugs (including Malts)	Tonne	752.7	531.10	504.1	656.23
Tablets & Capsules	Million	1443.1	1486.51	1223.4	1368.55
Liquids	Kilolitre	1447.0	301.74	1640.9	251.38
Creams	Tonne	51.7	37.75	79.9	49.97
Aerosols/Inhalation Devices	Thousand	2490.2	97.80	3180.1	133.93
Injections/Sterile Solutions	Kilolitre	975.5	223.40	816.4	178.06
Others			35.27		23.91
			2713.57		2662.03

10. Sales of each class of Finished Goods

		Rupees in million			
Class of Goods	Unit	2005		2004	
		Qty.	Value	Qty.	Value
Bulk Drugs (including Malts)	Tonne	1349.3	3236.16	1191.4	4212.80
Tablets & Capsules	Million	10549.0	13908.02	8979.8	10629.69
Liquids	Kilolitre	7540.1	1279.03	7152.7	1073.24
Creams	Tonne	592.5	375.10	521.6	342.12
Aerosols/Inhalation Devices	Thousand	40157.0	2484.64	32634.2	1976.32
Injections/Sterile Solutions	Kilolitre	1830.7	1819.21	1711.7	1413.97
Others			174.16		98.17
			23276.32		19746.31

11. Closing Stock of each class of Finished Goods

		Rupees in million			
Class of Goods	Unit	2005		2004	
		Qty.	Value	Qty.	Value
Bulk Drugs (including Malts)	Tonne	201.9	810.56	167.4	559.48
Tablets & Capsules	Million	1550.4	1376.37	2103.5	1249.48
Liquids	Kilolitre	1016.4	160.96	1329.2	168.64
Creams	Tonne	54.2	31.19	133.4	54.49
Aerosols/Inhalation Devices	Thousand	4320.8	222.17	1768.4	92.80
Injections/Sterile Solutions	Kilolitre	221.6	194.24	288.6	196.98
Others			15.53		11.74
			2811.02		2333.61

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.*

12. Consumption of Raw and Packing Materials

Class of Goods	Rupees in million			
	2005		2004	
	Value	%	Value	%
Purchased indigenously	6124.99	63	5269.81	68
Imported by the Company	3563.35	37	2427.51	32
	9688.34	100	7697.32	100
<i>Less: Recoverable duties (included in the above cost)</i>	786.32		696.39	
Total consumption (Net of Cenvat)	8902.02		7000.93	

Note: Figures as certified by the Management.

13. Break-up of Materials Consumed

Class of Goods	Unit	Rupees in million			
		2005		2004	
		Qty.	Value	Qty.	Value
Purchased Bulk Drugs	Tonne	1659.9	4131.75	1635.3	2873.39
Solvents	Tonne	9061.8	472.62	8716.6	408.95
Capsules	Million	1449.4	124.06	1143.6	94.67
Packing Materials			2379.34		1879.60
Others (None of which individually accounts for more than 10% of the total consumption)			2580.57		2440.71
			9688.34		7697.32
<i>Less: Recoverable duties (included in the above cost)</i>			786.32		696.39
Total consumption (Net of Cenvat)			8902.02		7000.93

Note: Figures as certified by the Management.

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

	Rupees in million	
	2005	2004
Raw Materials/Packing Materials	3529.40	2271.80
Components & Spare Parts	50.67	48.25
Capital Goods	897.26	522.15

SCHEDULES TO THE ACCOUNTS *contd.*

15. Expenditure in Foreign Currency

	Rupees in million	
	2005	2004
Legal and Professional charges	149.04	45.50
Other matters - Commission, Travelling, etc.	668.38	507.16

16. Earnings in Foreign Exchange

	Rupees in million	
	2005	2004
E.O.B. Value of Exports	10532.08	8122.79
Technical Know-how/Fees	415.42	544.47
Others	31.99	38.87

17. Managerial Remuneration

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

	Rupees in million	
	2005	2004
i. Salary and Allowances	9.12	7.98
ii. Commission	150.00	110.00
iii. Company's contribution to Provident Fund	0.68	0.68
iv. Approximate monetary value of other perquisites or benefits	1.16	1.31
	160.96	119.97

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. It also excludes maturity value of Keyman Insurance Policy of Rs.56.25 million assigned by the Company in March 2005 in favour of Dr.Y.K. Hamied.

SCHEDULES TO THE ACCOUNTS *contd.*

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

		Rupees in million
		2005
Profit before tax & after Extraordinary item		5146.14
<i>Add:</i> Managerial Remuneration	160.96	
Directors' Sitting Fees	0.34	
Provision for Doubtful Debts	<u>2.68</u>	163.98
		5310.12
<i>Less:</i> Profit on Sale of Investments	625.71	
Profit on Sale of Fixed Assets	<u>3.87</u>	629.58
Net Profit under Section 349 of the Companies Act, 1956		4680.54
Managerial remuneration permissible - maximum		468.05

19. Related Party Disclosures

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

- i. There are no related parties except the following:
 - a. Two trusts namely - Cipla Public Charitable Trust and Hamied Foundation.
 - b. Key management personnel, namely - Dr. Y.K. Hamied, Mr. M.K. Hamied and Mr. Amar Lulla.
- ii. Donations given to Cipla Public Charitable Trust Rs.0.80 million and rent paid to Hamied Foundation Rs.5.58 million.
- iii. Refer Note 17 for details of managerial remuneration.

SCHEDULES TO THE ACCOUNTS *contd.*

20. Segment Information for the year ended 31st March 2005

i. Information about primary business segments:

The Company is exclusively in the pharmaceutical business segment.

ii. Information about secondary business segments:

	Rupees in million					
	India		Outside India		Total	
	2005	2004	2005	2004	2005	2004
Gross revenue by geographical market	13223.75	12073.66	10947.50	8706.13	24171.25	20779.79
Less: Excise duty	1463.72	1323.94	–	–	1463.72	1323.94
Net revenue by geographical market	11760.03	10749.72	10947.50	8706.13	22707.53	19455.85
Carrying amount of segment assets	18676.31	14017.04	5035.92	3956.84	23712.23	17973.88
Capital expenditure	3448.22	2751.90	–	–	3448.22	2751.90

Notes:

- a. The Segment Revenue in 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 million	
	2005	2004
• Sales (Net of Excise Duty)	21812.60	18422.37
• Other income excluding interest, dividend and profit on sale of investments	894.93	1033.48
	22707.53	19455.85

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

SCHEDULES TO THE ACCOUNTS *contd.*

21. The face value of shares of the Company has been sub-divided to Rs.2 per share pursuant to the approval of shareholders at the Extraordinary General Meeting held on 21st April 2004. The earning per share has, therefore, been computed after sub-division. The basic/diluted earning per share are as stated below:

		2005	2004
Profit before extraordinary item & after tax	Rs. in million	4096.14	3052.36
Profit after extraordinary item & tax	Rs. in million	4096.14	2955.91
Weighted average number of Equity Shares (Basic)	Nos.	299866442	299861745
Weighted average number of Equity Shares (Diluted)	Nos.	299866442	299870233
Nominal Value per Equity Share after sub-division	Rs.	2.00	2.00
Earning per Share - before extraordinary item and after tax (Basic)	Rs.	13.66	10.18
Earning per Share - after extraordinary item and tax (Basic)	Rs.	13.66	9.86
Earning per Share - before extraordinary item and after tax (Diluted)	Rs.	13.66	10.18
Earning per Share - after extraordinary item and tax (Diluted)	Rs.	13.66	9.86

As per our report of even date

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

D.R. Bharucha
Partner
Membership No. 1313 of 1949

Mumbai, 25th July 2005

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

R. Rangarajan
Partner
Membership No. 41883

Y.K. Hamied
Chairman & Managing Director

M.K. Hamied
Amar Lulla
Joint Managing Directors

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

Mital Sanghvi
Company Secretary

Mumbai, 25th July 2005

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.

State Code

Balance Sheet Date
Date Month Year

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

Public Issue

Rights Issue

Bonus Issue

Private Placements

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

Total Liabilities

Total Assets

Sources of Funds

Paid-up Capital

Reserves and Surplus

Secured Loans

Unsecured Loans

Deferred Tax Liabilities

Application of Funds

Net Fixed Assets

Investments

Net Current Assets

Misc. Expenditure

Accumulated Losses

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

Gross Turnover

Total Expenditure

Profit/(Loss) before Tax and
after Extraordinary item

+ -

+ -

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

CASH FLOW STATEMENT

Rupees in million

For the year ended 31st March 2005	2005	2004
A Cash Flow from Operating Activities		
Net profit before tax and extraordinary items	5146.14	4040.86
Adjustments for:		
Depreciation	550.47	402.84
Miscellaneous expenditure written off	–	0.99
Interest expense	76.33	103.94
Unrealised foreign exchange losses/(gains)	47.13	(37.51)
Provision for doubtful debts	2.68	–
Interest income	(11.33)	(80.42)
Dividend income	(20.41)	(2.96)
Profit on sale of investments	(625.71)	(46.70)
Profit on sale of fixed assets	(3.87)	(1.12)
Brokerage income	–	(0.18)
	<u>15.29</u>	<u>338.88</u>
Operating profit before working capital changes	5161.43	4379.74
Adjustments for:		
Increase in trade payables and other liabilities	1203.04	156.36
(Increase)/Decrease in inventories	(1767.37)	202.96
Increase in trade and other receivables	(1475.66)	(1372.40)
	<u>(2039.99)</u>	<u>(1013.08)</u>
Cash generated from operations	3121.44	3366.66
Direct taxes paid	(1121.37)	(854.13)
Net cash from operating activities (A)	<u>2000.07</u>	<u>2512.53</u>
B Cash Flow from Investing Activities		
Purchase of fixed assets/Capital work-in-progress	(2974.68)	(1703.87)
Sale of fixed assets	13.84	21.96
Purchase of investments	(16376.40)	(6095.58)
Sale of investments	18622.78	5604.53
Interest income	11.33	80.42
Dividend income	20.41	2.96
Brokerage income	–	0.18
Short-term deposits made with other corporates	20.00	(10.30)
Net cash used in investing activities (B)	<u>(662.72)</u>	<u>(2099.70)</u>

CASH FLOW STATEMENT *contd.*

Rupees in million

	2005	2004
C Cash Flow from Financing Activities		
Proceeds from long term & other borrowings	1596.63	1765.67
Repayment of long term & other borrowings	(1749.14)	(1485.05)
Interest expense	(76.33)	(103.94)
Dividend paid	(899.58)	(599.72)
Tax on dividend	(117.57)	(76.84)
Net cash used in financing activities	(1245.99)	(499.88)
Net increase/(decrease) in cash and cash equivalents	(A) + (B) + (C)	(87.05)
Cash and Cash Equivalents as at 31.03.2004 (Opening Balance)	62.44	131.16
Cash and Cash Equivalents acquired as per scheme of arrangement	–	18.33
Cash and Cash Equivalents as at 31.03.2005 (Closing Balance)	153.80	62.44

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

As per our report of even date

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

D.R. Bharucha
Partner
Membership No. 1313 of 1949
Mumbai, 25th July 2005

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

Mital Sanghvi
Company Secretary
Mumbai, 25th July 2005

TEN YEAR HIGHLIGHTS

Rupees in million

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Sales & Other Income	24828.70	20909.87	15990.04	14288.69	10856.17	7913.85	6451.53	5410.22	4779.42	3661.55
Profit before Tax	5146.14	4040.86	3124.94	3093.64	2375.70	1726.59	1544.50	1349.71	1027.46	374.58
Profit after Tax	4096.14	3066.91	2477.44	2351.14	1790.70	1330.59	1149.50	1019.71	707.46	289.58
Dividend	1049.55	899.58	599.72	419.81	269.88	177.85	149.93	109.95	69.97	24.39
Tax on Dividend	149.51	115.26	76.84	–	27.52	19.58	16.49	10.99	6.99	–
Retained Earnings	2897.08	1941.07*	1800.88	1656.47*	1493.30	1133.16	983.08	898.77	630.50	265.19
Gross Block	10926.31	7968.02	5458.18	4205.73	2878.63	2460.77	2164.87	1837.59	1596.14	1393.56
Net Block	8448.74	6035.72	3998.83	2994.33	1871.80	1617.52	1448.93	1224.94	1066.67	944.08
Investments	183.02	1803.69	1265.94	1437.03	2229.26	1949.95	1404.05	728.19	305.42	32.34
Net Current Assets	9744.50	7566.41	6944.82	5204.60	3383.69	2380.45	2103.63	1871.77	1587.04	2145.08
Miscellaneous Expenditure	–	–	0.99	1.65	2.31	2.97	3.63	4.29	4.95	5.72
Total Assets	18376.26	15405.82	12210.58	9637.61	7487.06	5950.89	4960.24	3829.19	2964.08	3127.22
Share Capital	599.74	599.72	599.72	599.72	599.72	599.72	199.91	199.91	199.91	199.91
Reserves	14936.64	12040.78	10101.07	8301.69	6646.89	5155.45	4424.17	3443.39	2547.17	1919.51
Net Worth	15536.38	12640.50	10700.79	8901.41	7246.61	5755.17	4624.08	3643.30	2747.08	2119.42
Borrowings	1950.42	2105.84	947.83	338.84	240.45	195.72	336.16	185.89	217.00	1007.80
Deferred Tax Liabilities	889.46	659.46	561.96	397.36	–	–	–	–	–	–
Equity Shares to be issued	–	0.02	–	–	–	–	–	–	–	–
Total Liabilities	18376.26	15405.82	12210.58	9637.61	7487.06	5950.89	4960.24	3829.19	2964.08	3127.22

* After adjustments of earlier years