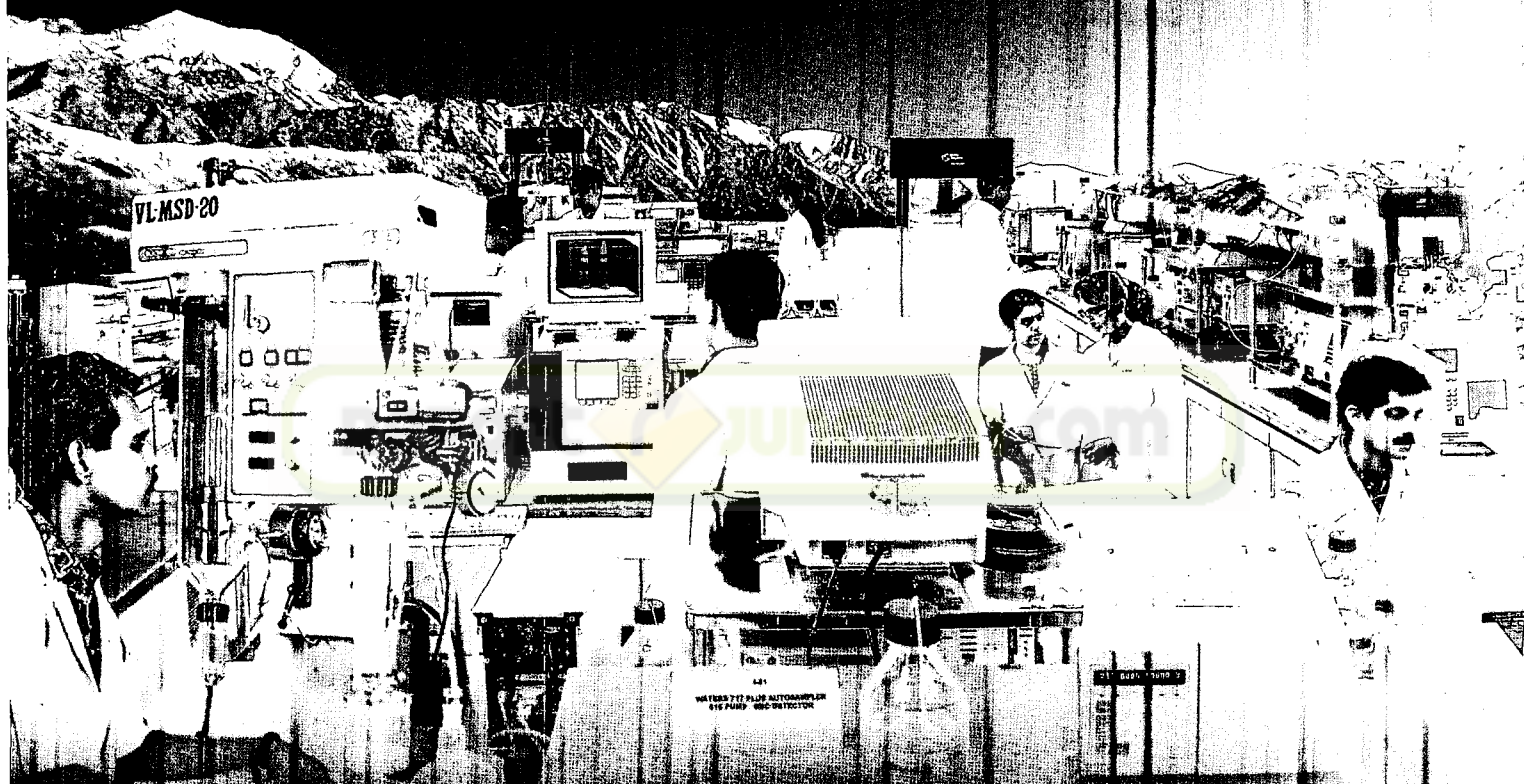


Cipla



SIXTY-SECOND ANNUAL REPORT 1997-98



Technology

That Scales Great Heights

CIPLA LIMITED

Regd. Office: MUMBAI CENTRAL, MUMBAI 400 008.

NOTICE

NOTICE is hereby given that the SIXTY-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 Saturday, 19th September, 1998 at 3.00 p.m. to transact the following business:

1. To consider and adopt the Balance Sheet as at 31st March 1998, the Profit & Loss Account for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. Ramesh A. Shroff who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. D.R. Narang who retires by rotation and being eligible, offers himself for re-appointment.
5. To re-appoint retiring Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

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

“RESOLVED that Mr. B.K. Khare who was appointed as an Additional Director by the Board of Directors on November 14, 1997, in accordance with Article 129 of the Articles of Association of the Company and who holds office as a Director under Section 260 of the Companies Act, 1956, up to this Annual General Meeting and in respect of whom the Company has received a notice in writing, under Section 257 of the Companies Act, 1956, from members proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company liable to retire by rotation.”

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

“RESOLVED that subject to the approval of Central Government and pursuant to the provisions of Section 269 and other applicable provisions, if any, of the Companies Act, 1956, this meeting hereby ratifies and confirms the reappointment with the benefit of continuity of service of Dr. Y.K. Hamied as Managing Director of the Company by the Board of Directors and as agreed to by Dr. Y.K. Hamied for a further period of 5 years from 1st August, 1998 on the remuneration and terms and conditions stipulated hereunder and set out in the letter of appointment issued by the Company dated 5th August, 1998 which letter is placed before the meeting duly subscribed by the Chairman by way of identification and which contract of appointment be and is hereby approved.

Subject to the ceiling limits laid down in sections 198 and 309 of the Act the remuneration by way of salary and perquisites shall be as under:

- Salary : Rs. 1,00,000/- per month with such increments as may be fixed by the Board from time to time.
- Perquisites : In addition to the aforesaid salary the appointee be and is hereby also entitled to generally but not restricted to the following perquisites or such other perquisites as may be decided by the Board from time to time:
- a) Housing : Rent free unfurnished accommodation or 60% of salary as house rent allowance in lieu of accommodation.
- b) Medical
Reimbursement : Reimbursement of Medical Expenses incurred for Domiciliary Treatment for self and family upto a maximum of one month's salary in a Financial Year or three months' salary over a period of three years. Hospitalisation Charges for major sickness for self and family to be reimbursed in full in addition to Domiciliary Treatment.
- c) Leave Travel
Concession : For self and family once in a year incurred, as per the Rules of the Company.
- d) Club Fees : Fees payable to clubs, subject to a maximum of two clubs. However, admission fees are not payable.
- e) Personal Accident
Insurance : Premium payable by the Company.
- f) Other perquisites : The appointee shall also be eligible to the following perquisites:
- i) Company's contribution to Provident Fund and Superannuation Fund, if introduced in the Company, to the extent these either singly or put together are not taxable under the Income-tax Act, 1961.
 - ii) Gratuity payable at half a month's salary for each completed year of service.
 - iii) Use of the Company's car with chauffeur and Company's telephone at residence. Personal long distance calls on the telephone, will be billed by the Company to the appointee.
 - iv) Earned Leave on full pay and perquisites not exceeding one month's leave for every eleven months' service. Leave not availed of due to the exigencies of the Company's business can be accumulated and/or encashed as per the Rules of the Company or at the discretion of the Board.
- 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 a minimum of Rs. 6,00,000/- 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."



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, and forming part of the Directors' Report for the year ended 31st March 1998.

I. CONSERVATION OF ENERGY

a. Energy conservation measures taken:

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. Use of soft energy savers for air compressors which automatically adjusts input power to motor for optimum performance.
- ii. Use of energy efficient motors in new installations and replacing old motors with new energy efficient motors on heavy duty equipments like air compressors, brine and water chilling plants.
- iii. Installation of new type of energy efficient luminaires in place of conventional fluorescent luminaires.

b. Additional investments and proposals, if any, being implemented for reduction of consumption of energy:

The following major proposals are under implementation for reduction of consumption of energy:

- i. Investment in fuel and water magnetic energizers for generator sets, boilers and pumps.
- ii. Modification of cooling tower 7.5 HP motor and gear box with a direct driven arrangement of 5 HP.
- iii. Removal of primary pumps from brine and water chilling plants.

c. Impact of measures (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

The adoption of the above energy conservation measures has been effective in curtailing the increase in absolute quantum of energy usage, corresponding to the overall increase in production. However, this advantage has been nullified by the increase in unit rate of bought out power as well as greater dependence on generated power.

d. 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. It should also be noted that the figures for the year are not exactly comparable with the previous years figures because of changes in product mix.

A. Power and fuel consumption

		1997-98	1996-97	
1	Electricity			
a.	Purchased			
	Unit	kwh	12824674	10923261
	Total Amount	Rs	54509477	43902761
	Rate/Unit	Rs	4.25	4.02
b.	Own generation			
	Through diesel Generator			
	Unit	kwh	1118860	1240077
	Units per litre of diesel oil	kwh	2.98	2.79
	Cost/Unit	Rs	3.67	2.99
2	Coal (Leco)			
	Quantity	mt	37.75	291.38
	Total Cost	Rs	141872	1042380
	Average Rate	Rs/mt	3758.20	3577.39
3	Others/Internal generation			
	Light diesel oil/Diesel oil/Furnace oil			
	Quantity	kl	1651.852	1737.088
	Total Cost	Rs	11190700	12254839
	Average Rate	Rs/kl	6774.64	7054.82

B. Consumption per unit of production

1	Electricity			
	Bulk Drugs	(kwh/mt)	44399.95	34370.99
	Formulations	(kwh/million)	4488.40	4592.10
2	Coal (Leco)			
	Bulk Drugs	(mt/mt)	1.84	3.02
	Formulations	(mt/million)	-	0.01
3	Light diesel oil/Diesel oil/Furnace oil			
	Bulk Drugs	(kl/mt)	5.81	5.92
	Formulations	(kl/million)	0.23	0.33

There are no separate standards available for each category since the product range under each head shown above consists of various products with varying consumption.

II. RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION**A. Research & development**

- Specific areas in which R&D work is carried out:

The focus of the Company's R&D efforts was on the following areas:

- Maximizing utilization of indigenous raw materials, inputs and resources.
- Continuous efforts in development of products for import substitution.
- Development of new innovative technology for the manufacture of new bulk drugs and their intermediaries.
- Development of new drug formulations for existing and newer bulk drugs.
- Productivity improvement in all areas of work.

- vi. Development of agro technology, genetics and biotechnology for cultivation of medicinal plants and isolation of active ingredients.
 - vii. Sponsorship of projects at CSIR laboratories and other institutions, universities and laboratories.
 - viii. Developing and adhering to safety procedures, effluent control, pollution control, environment hazards etc.
2. Benefits derived as a result of the above R&D:
- i. Development of the following new bulk drugs:
 - budesonide* – antiasthmatic corticosteroid
 - carvedilol* - alpha/beta blocker
 - ebastine* - antihistamine
 - formoterol fumarate* - antiasthmatic
 - meloxicam* - for osteoarthritis and rheumatoid arthritis
 - moclobemide* – antidepressant
 - mometasone furoate* – antiinflammatory corticosteroid
 - pantoprazole sodium sesquihydrate* – antiulcerant
 - sildenafil citrate* – for erectile dysfunction
 - ii. Development of several new formulations and line extensions.
3. Future plan of action:
- The Company will continue its R&D efforts in the various areas indicated at (1) above. Major thrust would be given to the development of anticancer, antibacterial, antiasthmatic, antidepressant, antihistamine drugs and natural products.

4. Expenditure on R&D:

	Rs. in crores
a. Capital	1.57
b. Recurring	19.11
Total	<u>20.68</u>

Total R&D expenditure as a percentage of total turnover is 4.02%.

B Technology absorption, adaptation and innovation

- 1. Efforts, in brief, made towards technology absorption, adaptation and innovation:
 - a. The Company has continuously adopted innovative processes in the manufacture of its bulk drugs and formulations, utilising sophisticated equipment and instrumentation.
 - b. The Company has once again adapted, upgraded and successfully commercialized the processes developed by the national laboratories, under its sponsorship projects.
- 2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc.
 - increasing the yields and improving quality of some of the existing intermediates and bulk drugs;
 - maximum utilization of indigenous raw materials and development of products for import substitution;
 - improving operational efficiency by reduction in batch hours, increase in batch sizes, improved solvent recoveries and simplification of processes; and
 - improvements in effluent treatment, pollution control and all-round safety standards.

III. FOREIGN EXCHANGE EARNINGS AND OUTGO

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

Exports for the year amounted to Rs. 72.81 crores – a growth of 18% over the previous year. The Company's policy of exporting high value, high technology products contributed substantially to the overall profitability of the Company.

This performance was specially commendable, considering the uncertainties in the overseas market scenario. Crashing currencies badly mauled the South East Asian market. There was a substantial decline in sales to the CIS countries on account of the economic situation prevailing in the region. However, Cipla overcame the effect of these setbacks by consolidating its presence in other international markets such as the United States, Europe, Australia, and regions of Latin America, Africa and the Middle East.

The Company's marketing arrangements and alliances in many areas performed well and contributed significantly to the growth in the export of drug formulations.

2. Total foreign exchange used and earned:

During the year, the foreign exchange outgo was Rs. 48.28 crores, the earnings in foreign exchange were Rs. 73.61 crores. Details have been given in Notes 17 to 19, in Schedule R to the Accounts.



On behalf of the Board,

Y. K. Hamied

Chairman & Managing Director

Mumbai, 30th July 1998

Information as per Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, and forming part of the Directors' Report for the year ended 31st March, 1998

(a) Age (b) Qualifications (c) Designation (d) Date of Employment (e) Experience-years (f) Remuneration-Rs. (g) Particulars of Last Employment-Last Post, Employer

EMPLOYED THROUGHOUT THE YEAR

Amar Lulla (a) 49 (b) B.Com., F.C.A., D.M.A. (c) Whole-Time Director (d) 14/04/76 (e) 25 (f) 2590893 (g) Asst. Manager, Management Accounting, Warner Hindustan Ltd.

Anjani Y. Kumar (a) 38 (b) B.Sc., B.Pharm. (c) - (d) 05/03/87 (e) 15 (f) 330972 (g) Production Chemist, Lupin Laboratories Pvt. Ltd.

Arun V. Kutumbe (a) 43 (b) B.Sc., D.B.M. (c) - (d) 15/11/84 (e) 23 (f) 329908 (g) Packing Supervisor, U S Vitamins India Ltd.

Ashwani K Malhotra (a) 41 (b) M.Pharm. (c) - (d) 16/06/88 (e) 17 (f) 573154 (g) Production Officer, Warner Hindustan

Davinder Singh (a) 48 (b) B.Sc. (Hons.), D.P.M. (c) - (d) 01/09/79 (e) 27 (f) 615767 (g) Production Officer, Kemp Pharma

Dharmaraj R. Rao (a) 39 (b) M.Sc. (c) - (d) 11/06/80 (e) 17 (f) 302681 (g) -

Geena V. Malhotra (a) 33 (b) B.Pharm. (c) - (d) 17/11/86 (e) 11 (f) 388052 (g) Production Chemist, P.L.A. Surgicals & Phar. P.Ltd.

Harish Chawla (a) 66 (b) B.A. (c) Whole-time Director (d) 15/01/69 (e) 35 (f) 2596828 (g) Liaison Officer, Oriental Pharmaceutical Industries Ltd.

Jaideep A. Gogtay (a) 31 (b) M.B.B.S. (c) - (d) 01/09/94 (e) 8 (f) 415918 (g) Jr. Administrative Medical Officer, L T M General Hospital

M.D. Sharma (a) 50 (b) B.Sc., D. Mktg. (c) - (d) 26/12/73 (e) 26 (f) 494962 (g) Sales Officer, Aries Agro-vet Industries

M.K. Hamied (a) 57 (b) B.Sc. (c) Whole-time Director (d) 15/12/83 (e) 30 (f) 2613800 (g) Secretary, Okasa Co. Pvt. Ltd.

R. Gopalakrishnan (a) 34 (b) B.Com., I.C.W.A. (c) - (d) 06/01/84 (e) 14 (f) 306992 (g) Clerk, Hindustan Lever Ltd.

R.V. Kulkarni (a) 36 (b) B.E., A.M.I.E. (c) - (d) 24/10/89 (e) 13 (f) 300248 (g) Junior Shift Supervisor, Industrial Oxygen Co.

Rajendra N. Kankan (a) 43 (b) M.Sc. (c) - (d) 23/05/78 (e) 20 (f) 415184 (g) Chemist, Ramgor Industries

Rajesh C. Hedao (a) 34 (b) B.Tech (c) - (d) 21/07/88 (e) 12 (f) 445793 (g) Production Officer, FDC Pvt. Ltd.

S. Radhakrishnan (a) 40 (b) B.Com., A.C.A. (c) - (d) 11/04/84 (e) 17 (f) 577471 (g) Senior Accounts Officer, Hindustan Petroleum Corp. Ltd.

Sanjay G. Gorana (a) 35 (b) B.Pharm. (c) - (d) 20/02/85 (e) 15 (f) 384147 (g) Chemist, Blue Cross Laboratories

Sanjay S. Bhanushali (a) 36 (b) D.Pharm, B.Pharm (c) - (d) 09/07/85 (e) 14 (f) 338990 (g) Trainee Production Chemist, Royal Pharmaceutical

Sanjeev N. Bhale (a) 40 (b) B.Sc., P.G.D.M.M.T., M.L.S. (c) - (d) 02/11/85 (e) 17 (f) 304281 (g) Asst. Personnel Officer, Tata Consultancy Services

Sundaresan V. Iyer (a) 55 (b) B.Com., L.L.B. (c) - (d) 01/12/74 (e) 37 (f) 496500 (g) Asst. Works Manager (Admn.), Kondivita Pvt. Ltd.

Sunil K. Ghai (a) 35 (b) M.Sc. (c) - (d) 15/05/86 (e) 12 (f) 304989 (g) Medical Service Representative, Associated Laboratories Ltd.

Sunil Khera (a) 42 (b) B.Sc. (c) - (d) 01/10/74 (e) 23 (f) 397725 (g) -

V.S. Mani (a) 33 (b) B.Com., A.C.A. (c) - (d) 01/04/91 (e) 9 (f) 332596 (g) Audit Assistant, T S Thyagrajan & Co.

Vijay Channa (a) 48 (b) B.Sc. (c) - (d) 01/07/71 (e) 27 (f) 408189 (g) Medical Representative, Associated Corporation Of India

Vinay G. Nayak (a) 41 (b) M.Sc., Ph.D. (c) - (d) 15/01/83 (e) 15 (f) 458907 (g) -

Y.K. Hamied (a) 61 (b) M.A., Ph.D. (c) Chairman & Managing Director (d) 15/05/61 (e) 36 (f) 3647442 (g) -

EMPLOYED FOR PART OF THE YEAR

A.N. Ramanujam (a) 31 (b) M.Com. (c) - (d) 05/09/88 (e) 11 (f) 172467 (g) Accountant, R. Rajendran & Co.

Anant S. Khandare (a) 55 (b) B.A., D.M.M. (c) - (d) 09/02/78 (e) 35 (f) 147897 (g) Senior Assistant, Geoffrey Manners & Co. Pvt. Ltd

Anjali M. Ganjawalla (a) 26 (b) M.Sc. (c) - (d) 01/06/94 (e) 3 (f) 25111 (g) -

Anoop Sood (a) 44 (b) B.Sc. (c) - (d) 19/09/77 (e) 20 (f) 125233 (g) -

Ashok Nair (a) 34 (b) B.Sc. (c) - (d) 22/08/84 (e) 13 (f) 70563 (g) Medical Representative, Orgafin Pharmaceuticals

Bolla Kalwinder Singh (a) 30 (b) B.Sc. (c) - (d) 03/10/89 (e) 7 (f) 61408 (g) -

N.N. Iyengar (a) 55 (b) A.M.I.E. (c) - (d) 03/01/78 (e) 35 (f) 166396 (g) Technical Assistant, Voltas Ltd.

Nareesh K. Ummatt (a) 51 (b) Intermediate (c) - (d) 11/01/71 (e) 27 (f) 129946 (g) Medical Representative, Pharma Chemico Laboratories

Niraj Y. Beri (a) 44 (b) B.Sc. (c) - (d) 01/02/77 (e) 22 (f) 376447 (g) Sales Representative, Ranbaxy Laboratories

Olga D'Souza (a) 60 (b) Non-Matric (c) - (d) 17/02/59 (e) 41 (f) 103238 (g) Stenographer, Shipping & Travel Agents Pvt. Ltd.

Radhakrishna N. Prabhu (a) 43 (b) B.Sc., D.M.S. (c) - (d) 05/04/79 (e) 21 (f) 236237 (g) Supervisor, Khandelwal Laboratories Pvt. Ltd.

Ramanathan S. Iyer (a) 32 (b) B.Com., L.L.B. (c) - (d) 01/06/89 (e) 11 (f) 70145 (g) Audit Assistant, Creative Plastic Industries

Roque M. Britto (a) 52 (b) B.Sc. (c) - (d) 01/11/72 (e) 29 (f) 191793 (g) Junior Chemist, Bayer (India) Ltd.

Subhash M. Weling (a) 60 (b) B.Com., Govt. Diploma in Co. Secretary. (c) Company Secretary (d) 16/08/95 (e) 36 (f) 108063 (g) Company Secretary, Indian Oil Corporation Ltd.

Uttam A. Tendulkar (a) 45 (b) B.Pharm (c) - (d) 01/02/92 (e) 23 (f) 404020 (g) Production Manager, Indo Pharma Ltd.

Vijay Bhalerao (a) 33 (b) M.Sc. (c) - (d) 18/06/86 (e) 12 (f) 311695 (g) Medical Service Representative, Uni-Sankyo Ltd.

Vikas Jain (a) 32 (b) B.Sc. (c) - (d) 16/10/86 (e) 10 (f) 52257 (g) -

Notes:

1. All Employments are/were contractual and terminable by notice by either side.
2. The employments are subject to the rules and regulations of the Company, in force from time to time.
3. None of the employees is related to any Director of the Company, except Mr. M.K. Hamied who is a relative of Dr. Y.K. Hamied.
4. Remuneration includes salary, commission, medical expenses, leave travel allowance, other allowances, the Company's contribution to Provident and other Funds and perquisites computed in accordance with the Income Tax Act, 1961 and the rules made thereunder.

Mumbai, 30th July, 1998

On behalf of the Board,
Y.K. Hamied
Chairman & Managing Director

