

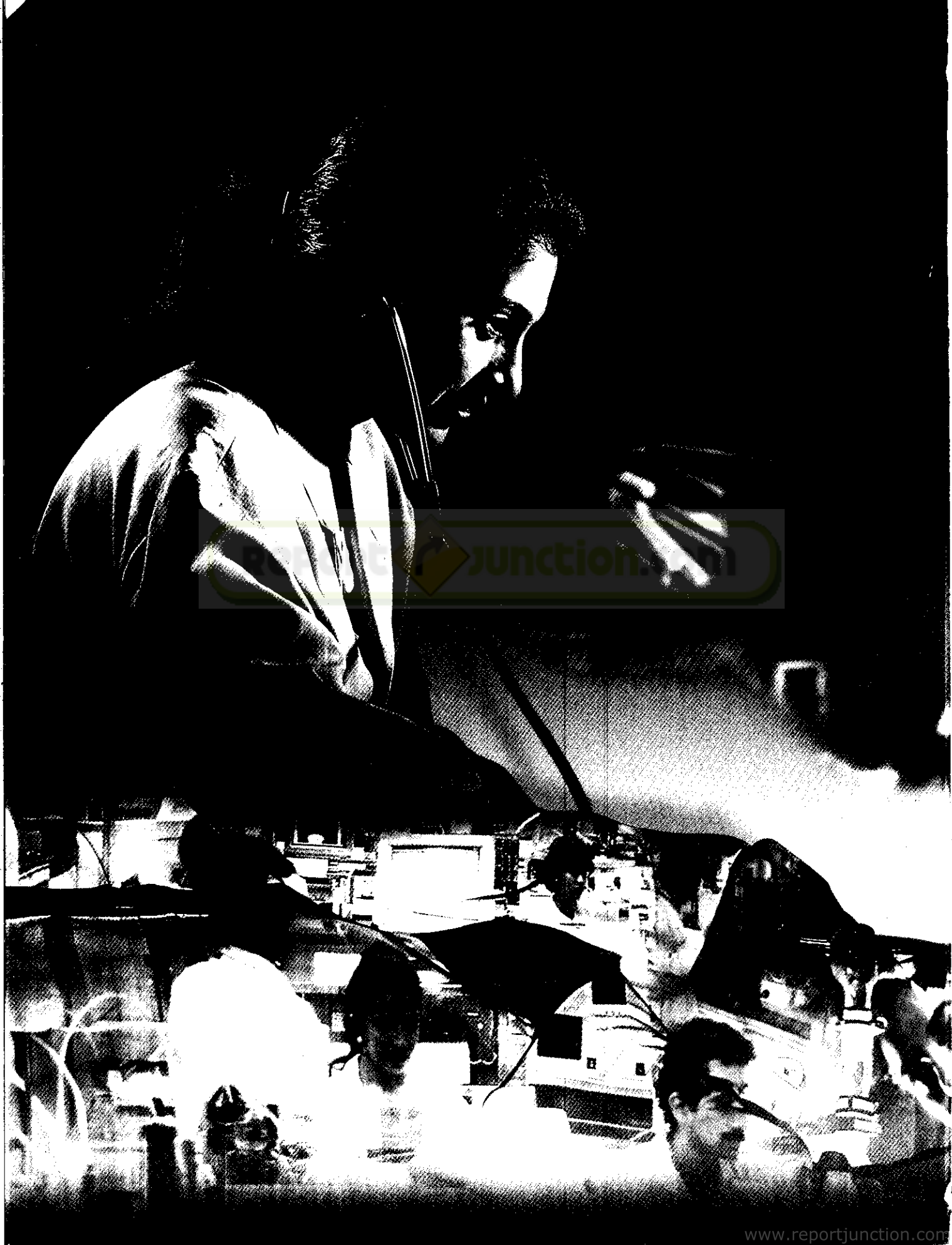
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**Cipla**

Sixty-Third Annual Report 1998-99



*We value technology for the nights you sleep well,  
the mornings you rise to good health.*





## Cipla Limited

### Founder

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

### Chairman & Managing Director

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Dr. Y.K. Hamied

### Whole-time Directors

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Mr. M.K. Hamied

Mr. H. Chawla

Mr. Amar Lulla

### Directors

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Mr. D.R. Narang

Dr. H.R. Manchanda

Mr. S.A.A. Pinto

Mr. Ramesh Shroff

Mr. V.C. Kotwal

Mr. B.K. Khare

### Bankers

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The Hongkong & Shanghai Banking Corporation Limited

ANZ Grindlays Bank Limited

Canara Bank

Indian Overseas Bank

Bank of Baroda

Corporation Bank

Union Bank of India

### Legal Advisors

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Ramesh Shroff & Co.

### Auditors

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R.S. Bharucha & Co.

### Registered Office

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Mumbai Central, Mumbai 400 008



## DIRECTORS' REPORT

The Directors take pleasure in presenting the Sixty-Third Annual Report of the Company and Audited Accounts for the year ended 31st March 1999.

### Financial Results

	Rupees in lakhs†	
	For the year ending	
	31st March 1999	31st March 1998
Sales and other income	64401.78	54102.22
Gross profit before depreciation and tax	16794.94	14366.06
Depreciation	1349.93	868.98
Tax	3950.00	3300.00
Profit after tax	11495.01	10197.08
Appropriations:		
Dividend	1499.31	1099.49
Tax on dividend	164.92	109.95
General Reserve	9830.78	8987.64

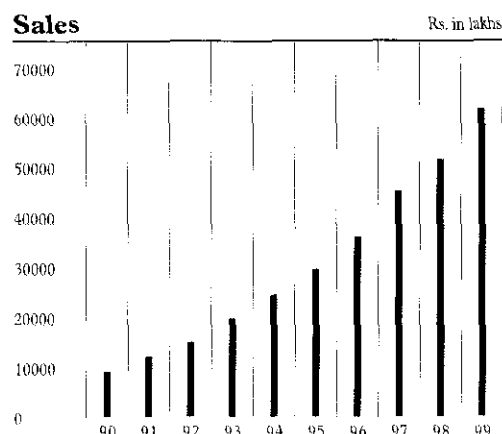
† 10 lakhs = 1 million  
1 crore = 10 million

### Dividend

The Directors would like to recommend a dividend of Rs. 7.50 per share on 1,99,90,783 equity shares of Rs. 10 each.

### Operations

The year under review was yet another successful one for your Company, even as the business environment remained highly challenging and intensely competitive. Sales at Rs. 617.16 crores showed a growth of 20% over the previous year, with a proportionate increase in profit after tax at Rs. 114.95 crores. Once again, exports contributed substantially to the Company's profits.



The Company maintained its lead in introducing new drug formulations during the year. These included:

- Alfacip (alfacalcidol capsules)-vitamin D-3 therapy for osteoporosis.
- Domcet (domperidone plus paracetamol tablets)-the antiemetic, analgesic and antipyretic in a single tablet.
- Cefoprox (cefepodoxime proxetil tablets and dry syrup)-third generation oral cephalosporin antibiotic.
- Carloc (carvedilol tablets)-multifaceted  $\beta$ -blocker for cardiac care.
- Flohale (fluticasone propionate inhalers and Rotacaps)-new generation inhaled corticosteroid for asthma.
- Helipac (amoxycillin plus tinidazole plus omeprazole)-antiulcerant combikit for H pylori infections.
- Lamivir (lamivudine tablets)-new anti-viral agent for treatment of AIDS.
- Lametec (lamotrigine tablets)-anti-epileptic add-on therapy for control of seizures.
- Migarid (flunarizine tablets)-for prophylactic treatment of migraine.



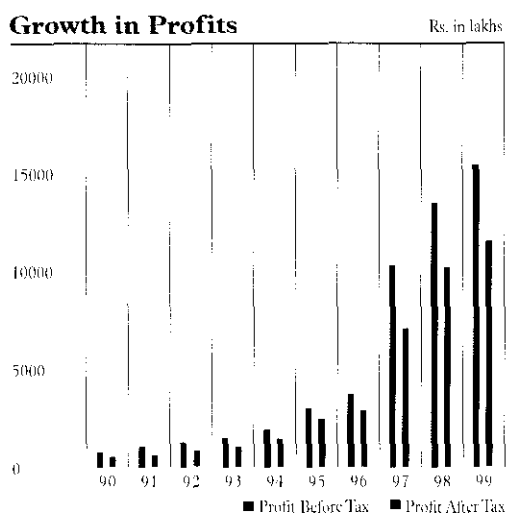
We use technology  
to funnel 64 years  
of experience into  
one capsule that  
cures, one drop  
that defends, one  
puff that protects.



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## DIRECTORS' REPORT *contd.*



- Oflox (ofloxacin tablets and IV) broad-spectrum fluoroquinolone antibiotic.
- Novaclav (co-amoxiclav tablets, syrup and injection)- $\beta$ -lactam /  $\beta$ -lactamase inhibitor combination antibiotic.
- Simcard (simvastatin tablets)-lipid lowering agent.
- Topcort (mometasone cream, ointment and lotion)-potent topical corticosteroid.
- Zart (losartan potassium tablets)-angiotensin II receptor blocker for hypertension control.

The launch of the unique non-static spacer, Zerostat, was another notable achievement during the year. This small-volume spacer device, for which Cipla has obtained an international patent, is the first of its kind in the world for use with metered dose inhalers. The Company has also obtained an international patent for Rotahaler, the transparent dry powder inhalation device.

During the year under review, the Company entered into a co-marketing

arrangement with Ranbaxy, whereby the two companies will source certain formulations from each other.

The Company continues its emphasis on the manufacture of sophisticated active drug ingredients (ADI) from the basic stages, for domestic and export markets. New bulk drugs taken up for commercial manufacture included:

- Bambuterol HCl long-acting bronchodilator
- Celecoxib-Cox-2 inhibitor for arthritis
- Clarithromycin USP-macrolide antibiotic
- Donepezil HCl-for Alzheimer's disease
- Lamivudine-antiviral for AIDS and hepatitis B
- Pamidronic acid-for bone disorders
- Rizatriptan benzoate for migraine
- Sertraline HCl potent antidepressant
- Simvastatin USP-lipid lowering agent
- Topiramate-anticonvulsant

### Exports

Cipla's export earnings, including fees for technology transfer, exceeded Rs. 119 crores, recording a remarkable 60% growth over the previous year. This achievement can be proudly attributed to your Company's global reputation for innovation, quality and reliability in making available a wide range of ADIs as well as formulations.

During the year under review, Cipla formed an alliance with Neolab, a British company, for marketing a range of generic products in selected European markets.



*We explore every drug to its last  
particle and instill safe and sure  
healing to create one dose  
of confidence.*

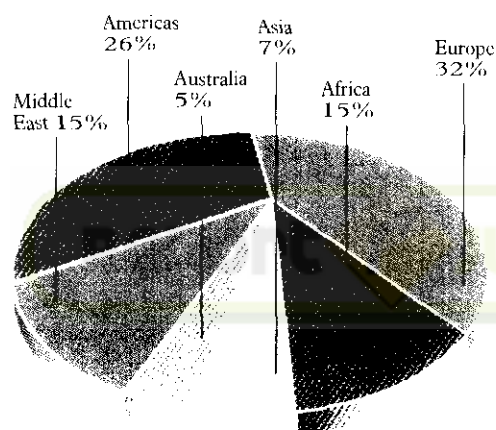
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## DIRECTORS' REPORT *contd.*

The Company also tied up with an Irish company, Channele Pharmaceuticals, to market a range of human and veterinary drug formulations in Europe. However, after reviewing the Chinese joint venture – in the light of changed circumstances – the Company decided not to proceed with this proposal and did not invest any capital in it.

### Exports



With product registrations completed in many countries and a number of strategic alliances in place, the Company's export performance is set for a renewed thrust in the years ahead.

### Research & Development

The prime R&D emphasis was on developing new, innovative processes for ADIs. Currently, research work on a number of new molecules is at an advanced stage. The Company has already developed laboratory processes for the manufacture of drugs like fleroxacin, leflunomide, olanzapine, rofecoxib, sibutramine, tamsulosin and valacyclovir.

The pharmaceutical R&D division continued to focus on engineering new formulations and delivery systems in pace with rapid technological advances in this field. By developing a range of CFC-free metered dose inhalers, Cipla has once again proved its supremacy in the antiasthmatic segment. Cipla is now among the few select companies in the world – and the first outside Europe and the US – with the expertise to manufacture these products. The Company will shortly introduce this range not only in India but also in the international market.


The Company has filed patents for two novel drug formulations in India and other countries. These pertain to an immuno-modulator and an antiulcer formulation.

A steadfast commitment to R&D has been the driving force behind the Company's wide range of products, particularly in the antiasthmatic and cardiac care segments.

Cipla is now focusing on providing a range of anti-AIDS drugs, including nucleoside and non-nucleoside reverse transcriptase inhibitors. Your Company has pioneered the manufacture of these drugs in India and has made them available at a fraction of international prices.

Cipla's R&D units continue to have the approval of the Ministry of Science and Technology, Government of India. The Company also continues to work in co-operation with some of the CSIR laboratories as well as other research institutions in India and abroad. Your Company's expenditure on R&D during the year was Rs. 24 crores, about 4% of sales.





*For us, the ultimate  
measure of technology  
is a simple curve –  
the smile of health  
regained.*

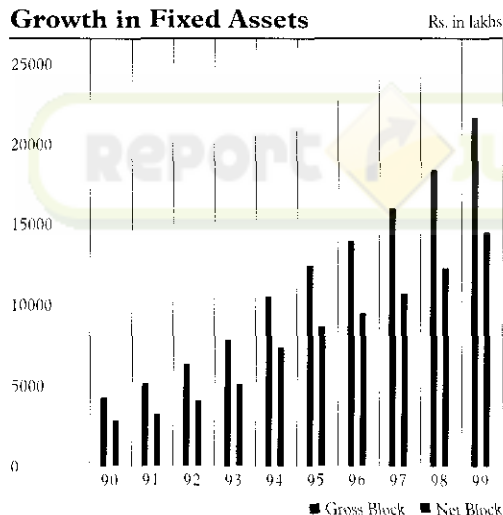


## DIRECTORS' REPORT *contd.*

### Quality Assurance

The bulk drug facilities at Kurkumbh and Bangalore continue to have the approval of the US FDA, while the approval for the Patalganga facilities was renewed during the year. The formulation manufacturing facilities at Patalganga and Kurkumbh have the approval of the MCA, UK and the TGA, Australia. During the year, the MCC, South Africa inspected and renewed its approval of the Company's formulation manufacturing facilities at Vikhroli, Patalganga, Kurkumbh and Bangalore.

### Growth in Fixed Assets



Your Company is continuously upgrading its systems and facilities in keeping with current international regulatory requirements. The positive observations by audit teams of leading overseas customers bear testimony to the consistently high standards of your Company's quality assurance systems.

Cipla's research personnel remain actively involved in updating the Indian pharmacopoeia. Their contributions to the United States and British pharmacopoeia continue to be acknowledged with appreciation.

### Environment & Safety

Environment preservation has always been of vital importance. The Company continues to invest in modern effluent and pollution control systems in all its plants. On the safety front, Cipla sustained a high level of preparedness through safety audits, periodical hazop studies, risk management reviews and ongoing training programmes.

### Expansion & Modernisation

The Company once again laid emphasis on modernising plant and machinery at all its manufacturing locations. In a notable achievement, Cipla was instrumental in developing a range of sophisticated pharmaceutical equipment using indigenous technology.

The aggregate capital expenditure incurred during the year was Rs. 38.82 crores.

### Future Prospects

While the human cost of the recent hostilities in the northern sector has been disturbing enough, the situation is bound to add to the woes of the economy, even as the nation gears up for another round of mid-term elections.

With regard to the drug policy the Company has time and again appealed for openness and transparency in its implementation. However, the stranglehold of the DPCO on the industry continues, leading to unnecessary and arbitrary controls over drug pricing.

The Indian government is amending the patent laws to formally align itself with the provisions of TRIPS. In the process, disregarding the example set by some other countries, it appears to be overlooking