



Cipla

Healing since 1935

Sixty-Seventh Annual Report 2002-2003

Healing since 1935

*“Healing is a matter of time,” said Hippocrates,
“but it is sometimes also a matter of opportunity.”*

*Cipla has been committed to healing,
protecting and nourishing life since 1935.*

*Over time, we have grabbed every opportunity
to challenge the new dimensions of disease.*

*The result has been the Cipla array of remedies
that now spread far and wide.*

*Today our range embodies good health
in many forms and strengths to counter the several
versions of disease. Our compassion guides
our tools and our thinking towards one goal:
sound health, in mind and body.*

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.

Registered Office

Mumbai Central, Mumbai 400 008

Website

www.cipla.com

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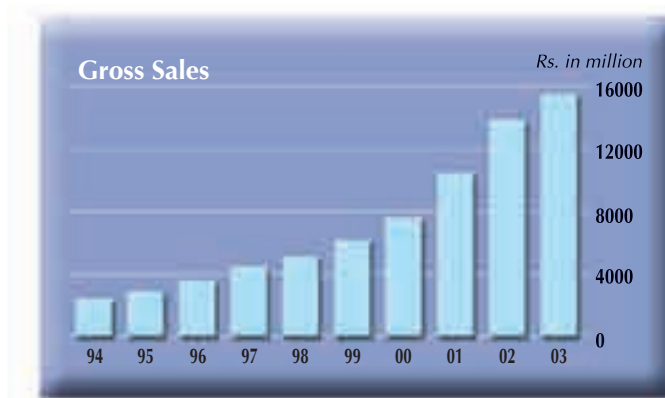
The Directors take pleasure in presenting the Sixty-Seventh Annual Report of the Company and Audited Accounts for the year ended 31st March 2003.

Financial Results

	Rupees in million	
	For the year ended	
	31st March 2003	31st March 2002
Gross sales and other income	15990.04	14288.69
Gross profit before depreciation and tax	3408.50	3306.42
Depreciation	283.56	212.78
Tax	647.50	742.50
Profit after tax	2477.44	2351.14
Prior year's adjustment	–	274.86
Appropriations:		
Dividend	599.72	419.81
Tax on dividend	76.84	–
General reserve	1800.88	1656.47

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Dividend

The Directors recommend a dividend of Rs. 10 per share on 5,99,72,349 equity shares of Rs. 10 each.

Management Review: 2002-03

Industry Structure and Developments

It was a sluggish year for the Indian industry as a whole. The domestic pharmaceutical industry was no exception. For the first time in nearly five years, the Operations Research Group (ORG) and IMS Health reported a single digit growth in retail sales of drug formulations for the year ended 31st March 2003.



The implementation of the drug pricing policy announced last year was held up by an interim order of the Supreme Court in a public interest litigation. The apex court asked the government to review the lists of essential and life-saving drugs and prepare the criteria to ensure retention of these drugs under price control. In response, the government declined to define a "life-saving drug" but has submitted a revised list of "essential drugs".

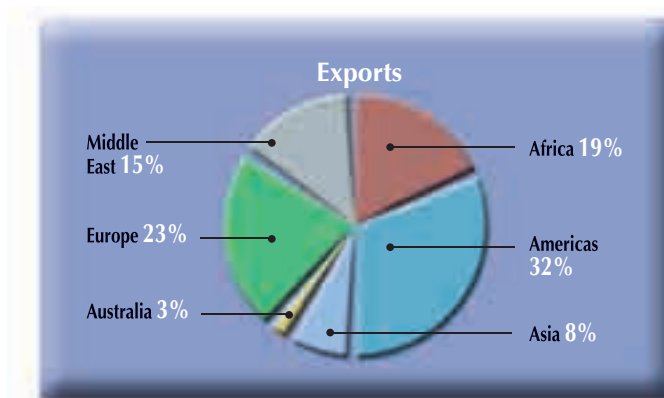
Performance Review

The Company's sales crossed the Rs. 15000 million mark – a growth of 12 percent compared to the previous year. The confusion regarding the introduction of VAT (value added tax) compounded the already difficult conditions in the domestic market. Fearing an additional tax burden, the stockists restricted purchases in the fourth quarter of the financial year.

Overall exports at Rs. 5660 million registered a growth of 15 percent. Notably, exports of formulations recorded a healthy growth of 60 percent over the previous year. Cipla now exports its drug formulations to over 140 countries in North and South America, Europe, Africa, Middle East, Asia and Australia.

However, this growth could not adequately offset a slowdown in the export of Active Pharmaceutical Ingredients (APIs), particularly to the regulated markets. This was mainly on account of certain patent rulings. The Company will continue its strategy of strengthening alliances with leading generic companies, essentially in the USA and Europe.





The Company kept up its efforts to check costs and to improve overall productivity. These measures enabled the Company to maintain its overall profitability in spite of the prevailing business environment.

The Company successfully launched several new drug formulations during the year. A new landmark in respiratory medicine was reached with the introduction of TIOVA. This novel long-acting bronchodilator has been acclaimed the world over as a new hope for patients of Chronic Obstructive Pulmonary Disease (COPD) - the sixth largest cause of mortality. Cipla's HIV/AIDS range was expanded with the addition of ODIVIR KIT - a unique once-daily formulation of three potent antiretroviral drugs.

The Company also manufactures a number of new APIs both for its captive use and for export.

In addition to the approval of various other international regulatory agencies, Cipla received US FDA approval for three of its formulations facilities at Bangalore, Kurkumbh and Goa.



Outlook on Concerns

The major factors that affected the performance of the entire industry during the year under review were linked to the business environment and the government policy. As long as there is confusion regarding important policy issues like VAT and drug pricing, the element of unpredictability will continue.

While we are a year closer to 2005, when the new product patent regime will come into effect, there are no definitive moves to introduce the necessary measures to protect our national interest from manipulative monopolistic forces. Without these safeguards, we may well re-enter the pre-1972 era, when multinational pharmaceutical companies held sway over supply and prices.

Outlook on Opportunities

The first phase of Cipla's manufacturing complex in Goa is now fully operational. In April 2003, commercial production commenced in the second phase. This has facilities to manufacture the entire range of anticancer and hormonal drugs. The state-of-the-art Goa complex is equipped to meet the growing requirements of the Company's international business.

The R&D team continued to focus on development of novel processes and new drug delivery systems. This was in addition to the continuing work on process improvements and productivity

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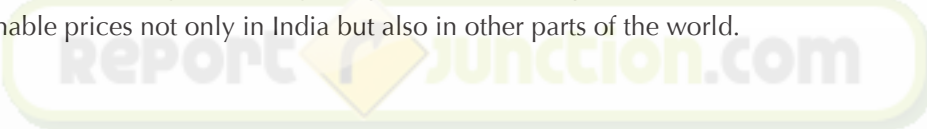


enhancements. A number of patents have been filed in India and other countries. In all, the Company has registered nearly 2800 products, including formulations and APIs, in about 135 countries.

During the year, Cipla's strategic alliances with leading generic companies in the USA and Europe were expanded to include additional products and projects. Currently, there are nearly 50 such projects in various stages of development in the USA alone.

The Company maintained its leadership role in inhalation therapy. A number of innovative products and novel delivery devices for asthma are in the pipeline.

In HIV/AIDS care, the Company continued its pioneering role in making available a range of antiretroviral drugs including unique combination products. These were made available at reasonable prices not only in India but also in other parts of the world.



Your Company is confident that its highly skilled and motivated technical team will rise to the challenges of the business environment. The depth and breadth of our product range and the continuous expansion of our markets across the world will certainly help the Company to retain its lead position in the industry.

Internal Control Systems

During the year, the Company reviewed its control systems across all functional areas. Inputs from independent auditors and consultants contributed to this exercise. The systems are now geared to maintain high levels of productivity, safety and security at all Cipla units.

Human Resources

The Company continued its policy of providing continuous training to maintain the competitive edge of its personnel, especially those in the technical and marketing areas. The management policy is to nurture the right environment to maximise team effort while enhancing individual growth potential. 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.

