

Cipla

Seventy-First Annual Report 2006-2007

Last year, Cipla made a special effort to produce this report at a low cost, without compromising its quality or contents. A similar exercise this year has led to a saving of Rs. 32 lakhs. This year too, Cipla has added a matching contribution and donated the total amount of Rs. 64 lakhs to the Cipla Cancer and AIDS Foundation.

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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

NOTICE

NOTICE is hereby given that the SEVENTY-FIRST ANNUAL GENERAL MEETING of CIPLA LIMITED will be held at Amar Gian Grover Auditorium, Lala Lajpat Rai Marg, Haji Ali, Mumbai-400 034, on Friday, 24th August 2007 at 3.00 p.m. to transact the following business:

1. To consider and adopt the Balance Sheet as at 31st March 2007, the Profit and Loss Account for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To declare Dividend for the year ended 31st March 2007.
3. To appoint a Director in place of Dr. H. R. Manchanda who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Mr. Ramesh Shroff who retires by rotation and being eligible offers himself for reappointment.
5. To consider and, if thought fit, to pass, with or without modification, the following resolution, as an Ordinary Resolution:

“RESOLVED THAT M/s.R.S.Bharucha & Co., Chartered Accountants together with M/s.R.G.N.Price & Co., Chartered Accountants be and are hereby appointed as Joint Statutory Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting upon such remuneration and other out of pocket expenses incurred incidental to their functions, as may be agreed to between the Board of Directors/Audit Committee of the Company and the respective auditors and that the Board of Directors/Audit Committee of the Company be and is hereby authorised to fix the remuneration as aforesaid.

RESOLVED FURTHER THAT the Board of Directors/Audit Committee be and are hereby authorised to appoint auditors for the Company’s branch office(s) (whether now or as may be established) in terms of Section 228 of the Companies Act, 1956 in consultation with the Joint Statutory Auditors to examine and audit the accounts for the financial year 2007-08 on such remuneration, terms and conditions as the Board of Directors/Audit Committee may deem fit”.

By Order of the Board of Directors

Mumbai, 20th July 2007

Mital Sanghvi
Company Secretary

NOTICE *contd.*

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.

Proxies, to be effective, should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the Meeting.

2. The Register of Members and the Share Transfer Books of the Company will remain closed from Friday, 10th August 2007 to Friday, 24th August 2007, both days inclusive.
3. The dividend for the year ended 31st March 2007 as recommended by the Board, if sanctioned at the Meeting, will be paid to those members whose names appear in the Company's Register of Members on 24th August 2007. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by National Securities Depositories Ltd. and Central Depository Services (India) Ltd.
4. Members holding shares in physical form are requested to forward all applications for transfers and all other shares related correspondence, including intimation for change of address, if any, to the Share Transfer Agents of the Company at the following address:

Karvy Computershare Pvt. Ltd.

(Unit: Cipla Ltd.)

Plot No. 17 to 24,

Vittal Rao Nagar, Madhapur,

Hyderabad-500 081

Tel: (040) 2342 0818

Fax: (040) 2342 0814

5. Members holding shares in demat mode may please note that, the bank details as furnished by the respective Depositories to the Company will be used for the purpose of distribution of dividend through Electronic Clearing Service (ECS) as directed by the Stock Exchanges. In the absence of ECS facility, the bank account details, if available, will be printed on the dividend warrants. Members holding shares in demat mode must give instructions regarding bank accounts in which they wish to receive dividend, to their Depository Participants. The Company or the Share Transfer Agents will not act on any direct request from these members for change/deletion in such bank details.
6. All unclaimed dividends upto the financial year ended 31st March 1995 have been transferred to the General Revenue Account of the Central Government. Members who have not encashed the dividend warrants for the said period(s) are requested to claim the amount from the Registrar of Companies, Maharashtra, CGO Complex, CBD Belapur, Navi Mumbai-400 614, by submitting an application in Form No. II.

Consequent to the amendment of the Companies Act, 1956, dividends that remain unclaimed for a period of seven years shall be transferred to Investor Education & Protection Fund (IEPF). Accordingly, unclaimed dividends from the financial year ended 31st March 1996 till 31st March 2000 have been

NOTICE *contd.*

transferred to IEPF. Members, who have not encashed their dividends for the financial year ended 31st March 2001 and onwards, are requested to claim it from the Share Transfer Agents immediately. Members should note that any sum transferred to IEPF shall stand forfeited and no claim shall lie either against the IEPF or the Company.

7. The face value of shares have been sub-divided from Rs.10 to Rs. 2 in the year 2004. Shareholders who have not yet exchanged share certificates of Rs.10 face value are requested to surrender their old certificates to M/s. Karvy Computershare Pvt. Ltd. at the address stated above for exchange with new certificates of Rs. 2 face value.
8. Members who hold shares in the physical form can nominate a person in respect of all the shares held by them singly or jointly. Members who hold shares in single name are advised, in their own interest, to avail of the nomination facility by filling Form 2B in duplicate. On request, the Company's Share Transfer Agents will supply blank forms. Members holding shares in the dematerialised form may contact the Depository Participant for recording nomination in respect of their shares.
9. As required under Clause 49 VI(A) of the Listing Agreement, the relevant information in respect of the Directors seeking reappointment at the Annual General Meeting is annexed hereto.



NOTICE *contd.*

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

A. Dr. H.R. Manchanda

Dr. H.R. Manchanda has done his M.B.B.S. from Mumbai University in the year 1951. He has also completed his F.R.C.S. from England and did his second F.R.C.S. from Edinburg. He is a consultant surgeon at Breach Candy Hospital since 1960. He is also on a panel of physicians for USA Visa work at Breach Candy Hospital. He joined the Board of Directors of the Company in 1983.

He was the Professor of Surgery and Head of Surgery at J. J. Hospital and Grant Medical College during the period 1960-85. He has been a postgraduate examiner for Mumbai University and was a Board Member of Haffkine Institute. He has worked with leading hospitals both in India and abroad.

Nature of expertise in specific functional areas

General Surgery with special interest in Colorectal, Gastroenterological, Neck and Breast Surgery.

He is the author of several articles on recent advances in treatment of haemorrhoidal surgery and prolapse of rectum.

He is a member of Shareholders'/Investors' Grievance Committee and Share Transfer Committee of the Company. He does not hold directorship of any other company.

As on the date of this Notice, he holds 3,77,500 equity shares of Rs. 2 each in the Company.

B. Mr. Ramesh Shroff

Mr. Ramesh Shroff holds an LL.B Degree from Mumbai University and is a well known solicitor by profession. He joined the Board of Directors of the Company in the year 1987.

Nature of expertise in specific functional areas

Corporate Laws, Taxation and Civil Suits.

He is a member of the Audit Committee of the Company.

As on the date of this Notice, he holds 250 equity shares of Rs. 2 each in the Company.

His other directorships are as under:

Simmonds Marshall Ltd., *Director*

Sadhana Nitrochem Ltd., *Director*

DIRECTORS' REPORT

The Directors take pleasure in presenting the Seventy-First Annual Report of the Company and Audited Accounts for the year ended 31st March 2007.

Financial Summary

Year ended 31 st March 2006		Year ended 31 st March 2007	Increase over previous year (%)
3,208	Sales and other income	3,764	17
790	Gross profit before depreciation and tax	911	15
608	Net profit for the year	668	10
234	Surplus brought forward from last balance sheet	304	
842	Profit available for appropriation	972	
	Appropriations:		
156	Dividend	156	
22	Tax on dividend	26	
360	Transfer to general reserve	400	
304	Surplus carried forward	390	

Rupees in crore

Dividend

The Directors recommend a dividend of Rs. 2 per share on 77,72,91,357 equity shares of Rs. 2 each for the year 2006-07 amounting to Rs. 155.46 crore.

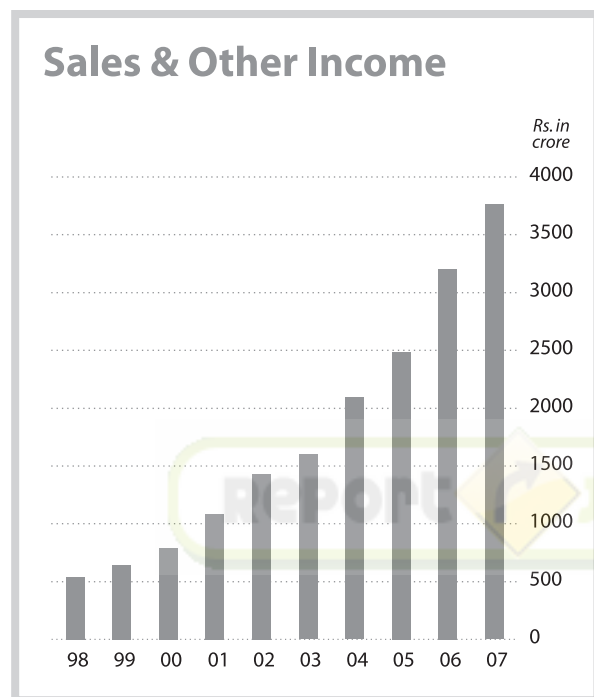
MANAGEMENT REVIEW: 2006 - 07

Industry Structure and Development

The Indian pharmaceutical industry grew at the rate of 14.30 per cent, according to ORG-IMS figures, as compared to 11 per cent in the previous year. Over the last few years, exports have been growing consistently at an average rate of 25 per cent. Today, pharmaceutical products from leading Indian companies are accepted the world over as safe, affordable and effective and are playing a significant role in meeting the healthcare needs of millions. Several companies in the pharmaceutical sector sought to increase their market share and relied on the consolidations and mergers route in order to do so.

DIRECTORS' REPORT *contd.*

In this era of global expansion, India has emerged as an important cost-effective destination for pharmaceutical manufacturing. The country's pool of scientific talent has been a major attraction. As domestic pharmaceutical companies continue to make substantial investments in expansion, multinational corporations too, are either stepping in or enhancing their presence.



Performance Review

The Company's turnover was Rs. 3533 crore with a growth of 17 per cent over the previous year. The net profits for the year grew by nearly 10 per cent over the previous year. The Company's profit at Rs. 668 crore was 18 per cent of its income from operations. This percentage was slightly lower than the previous year mainly on account of higher material costs and a change in product mix.

Exports accounted for over 50 per cent of the overall sales and exports exceeded Rs.1750 crore. Cipla exports to 180 countries across all the continents - the U.S., Latin America, Europe, Australia, Africa and Asia.

Cipla's continued success in its overseas business has been largely due to its strategy in forming strategic alliances with partners all over the globe who assist with the registration process and help market Cipla

products internationally. In the U.S., Cipla has alliances with nine generic majors including Teva Pharmaceuticals USA, Inc., Watson Pharmaceuticals, Inc., Eon Labs, Inc. and Akorn, Inc. for over 125 projects. Similar alliances exist in Europe, South Africa, Australia and the Middle East. In other international markets, Cipla has exclusive marketing tie-ups with companies which are well versant with the local market.

Awards

Cipla received many awards during 2006 for its excellent performance in various spheres. These included:

- The Scrip Best Company in an Emerging Market Award.
- The Dun & Bradstreet - American Express Corporate Award for the best company in the pharmaceutical sector.
- The Pharma Excellence Award for Sustained Growth.
- DHL and CNBC-TV18 International Trade Award for Outstanding Exporter of the Year (Pharmaceuticals, Healthcare and Life Sciences category).

DIRECTORS' REPORT *contd.*

Products

The Company launched many novel drugs and formulations during the year. Significant among these were:

- Ciclohale (ciclesonide inhaler and rotacaps) - Latest steroid inhaler for asthma prophylaxis
- SimplyOne (ciclesonide and formoterol inhaler and rotacaps) - Novel combination therapy for asthma prophylaxis
- Calcinase (calcitonin-salmon nasal spray) - Safe and convenient treatment for osteoporosis
- Neosurf (bovine lipid extract surfactant suspension) - Rescue treatment for neonatal respiratory distress syndrome
- Varipres (terlipressin injection) - Hormone analogue to prevent variceal bleeding
- Viraday (efavirenz, emtricitabine and tenofovir disoproxil fumarate tablets) - Single-dose triple drug combination for HIV/AIDS
- Maximune (saquinavir tablets) - new protease inhibitor for HIV/AIDS
- Dytor Plus (torsemide and spironolactone tablets) - Potassium-sparing diuretic
- Gatiquin-P (gatifloxacin and prednisolone acetate eye drops) - New combination therapy for eye inflammation
- Androfil (testosterone transdermal gel) - For testosterone deficiency in men
- Elcepan (levodopa, carbidopa and entacapone tablets) - Novel combination therapy for epilepsy
- Estaspray (estrogen transdermal spray) - Estrogen replacement therapy for menopausal women
- Tobamist (tobramycin respules) - Inhaled antibiotic for lung infections
- Virenza (zanamivir capsules) - Inhaled antiviral for treatment of influenza A and B

Development of innovative drug delivery systems for new and existing active drug substances continued to be an integral part of the Company's growth strategy. Work on new medical devices, mainly in the area of respiratory medicine, progressed rapidly, as did its inhaled insulin project. The Company has developed a unique transdermal delivery system. It has already launched a spray patch for testosterone and another for estradiol. Other new developments include a novel dry powder inhaler device and a unique single-action single-dose inhaler device.

Cipla has entered into a research agreement with Avestha Gengraine Technologies Private Limited, Bangalore with the objective of working on a collaborative biopharmaceuticals development programme. The partnership will focus on the development of range of biosimilar products for autoimmune disorders, cardiovascular diseases and cancer.

