

Cipla



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Sixty-Eighth Annual Report 2003-2004

*our people
our power...*

*It started as a company.
They have made it an attitude,
a challenge, a way of life.*

*On labels and strips
it goes by the name Cipla.*

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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

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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

Directors' Report

The Directors take pleasure in presenting the Sixty-Eighth Annual Report of the Company and Audited Accounts for the year ended 31st March 2004.

Financial Results

	Rupees in million	
	For the year ended	
	31st March 2004	31st March 2003
Sales and other income	20909.87	15990.04
Gross profit before depreciation and tax	4443.70	3408.50
Less: Depreciation	402.84	283.56
Tax	877.50	647.50
Profit after depreciation and tax	3163.36	2477.44
Less: Extraordinary item – Goodwill written off	96.45	–
Tax of prior years	111.00	–
Profit available for appropriation	2955.91	2477.44
Appropriations:		
Dividend	899.58	599.72
Tax on dividend	115.26	76.84
Transfer to general reserve	1000.00	1800.88
Surplus carried forward	941.07	–

Dividend

The Directors recommend a dividend of Rs. 3 per share on 29,98,61,745 equity shares of Rs. 2 each.

Management Review: 2003-04

Industry Structure and Developments

The pharmaceutical industry in India continues to be highly competitive and fragmented, and has grown by 7 percent

during the year. It is important for the industry now to be prepared to meet the challenges of the post 2005 product patents era.

Indian companies today have an edge in the global pharmaceutical market due to their technical skills, state-of-the-art manufacturing facilities and relatively lower operating costs. Increasing competitive pressures could however offset some of these advantages.



Implementation of the new drug policy announced two years ago continued to be held back by an interim order of the Supreme Court in a public interest litigation. As a result the uncertainty on this score continues.

Performance Review

Cipla is currently ranked first in trade sales as per the ORG IMS retail audit. Operating

*Take away the steel
and the glass
and Cipla remains.*

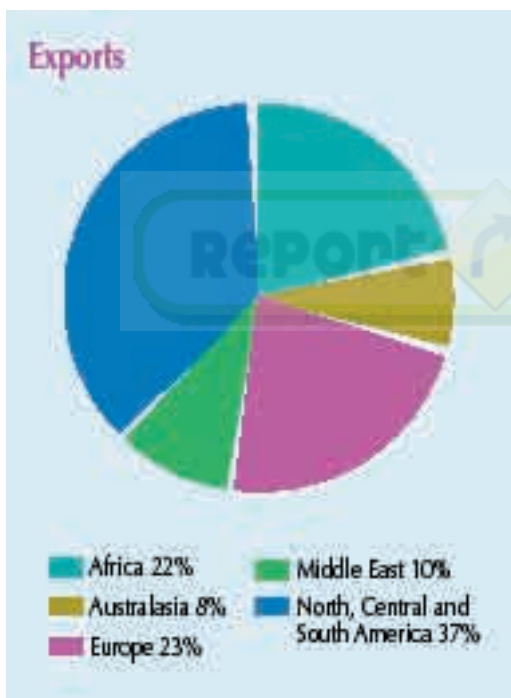
*Cipla lives in
their knowledge,
their attitude and
their perseverance.*

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Directors' Report *contd.*

income of the Company crossed Rs. 20,000 million for the first time. At Rs.19,746 million, its sales recorded an impressive growth of over 27 percent.

Exports registered a volume of Rs. 8,123 million with a growth of 44 percent, and constituted more than 40 percent of the total sales. There has been a significant increase in the exports of both active pharmaceutical ingredients (APIs) and formulations.



The Company consolidated existing alliances and entered into new arrangements with leading US generic companies for the supply of a wide range of finished dosage formulations. Similar arrangements are in place in other overseas markets.

Optimisation of resources and implementation of rigorous cost control measures have continued to help the Company maintain a healthy overall profitability.

The Company has introduced several formulations and APIs during the year. Some of these advanced drugs have been manufactured for the first time in India by Cipla and include:

- Adesera (adefovir dipivoxil tablets) - For chronic hepatitis B virus infection in adults
- Dorzox (dorzolamide eye drops) - For glaucoma
- Dytor (torsemide tablets and injection) - A new loop diuretic
- Ginette 35 (cyproterone acetate and ethinylestradiol tablets) - For acne and hirsutism
- Rizact (rizatriptan tablets) - For acute migraine
- Valcivir (valaciclovir tablets) - A new antiviral for herpes

A number of dosage forms and APIs manufactured in the Company's various facilities continue to enjoy the approval of several international regulatory agencies, including the US FDA, MHRA UK, PIC Germany, MCC South Africa, TGA Australia, WHO Geneva and the Department of Health, Canada.

The Company commissioned the second phase of its manufacturing operations in Goa this year. Some of these new facilities have already been accredited by international regulatory agencies.

The Company has also acquired land at Baddi in Himachal Pradesh, where work has started on a new formulations plant.

The Cipla Chest Research Foundation in Pune initiated a number of important clinical and academic research studies



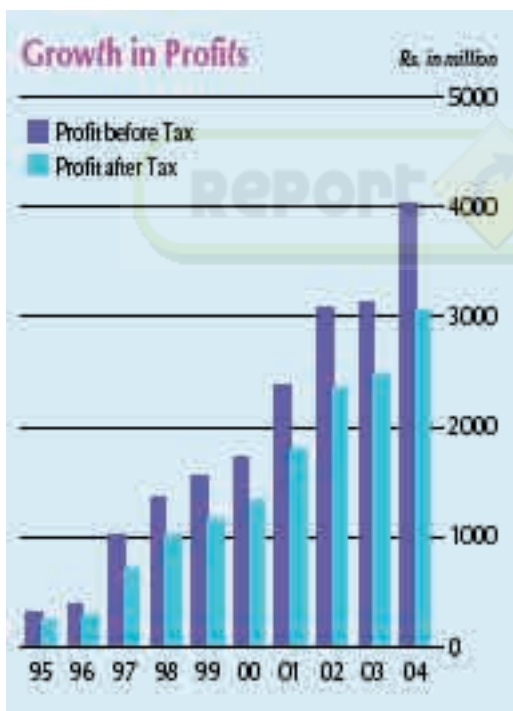
*They remain dedicated
to the cause,
facing the toughest tests.*

They care for life.

Directors' Report *contd.*

in its very first year. The foundation also conducted training programmes for the medical profession.

The Company has maintained high safety standards in its plants. The preservation of environment has remained a priority. The British Safety Council awarded the "Five Star Rating" to the Kurkumbh plant and also presented the coveted "Sword of Honour" to the Patalganga plant.



Outlook on Threats, Risks and Concerns

The pharmaceutical industry like many others is closely watching the impact of the new government's policies on the reforms process. We hope that the government will further develop infrastructure and encourage industrial growth.

Now that product patents are expected to be in force in India in a year's time, there are consumer concerns over the lack of safeguards in the proposed patent bill. We fervently hope that the new government will take the necessary steps to ensure that there is no monopoly, so that patients will have access to the latest drugs at reasonable prices.


These goals can be achieved by a compulsory licensing system with a fixed royalty of 4 percent on net sales. The introduction of this new patent regime could also result in a deluge of patent litigations.

Outlook on Opportunities

Cipla's international business performance, over the past few years, has witnessed tremendous growth, and will continue to be a thrust area for the Company. A wide range of APIs and formulations are now exported to over 150 countries across the globe. Strategic alliances for research, manufacturing and marketing will acquire greater importance due to the changing business environment.

Cipla's R&D division continues to focus on new products and delivery systems across a wide range of therapies. The Company has entered into a research alliance with a Bangalore-based biotech company for biopharmaceutical products.

Technological excellence and innovation will continue to be the driving force to consolidate Cipla's favourable position in India and abroad.



*Eternally in quest of
a better product
and a better method.*

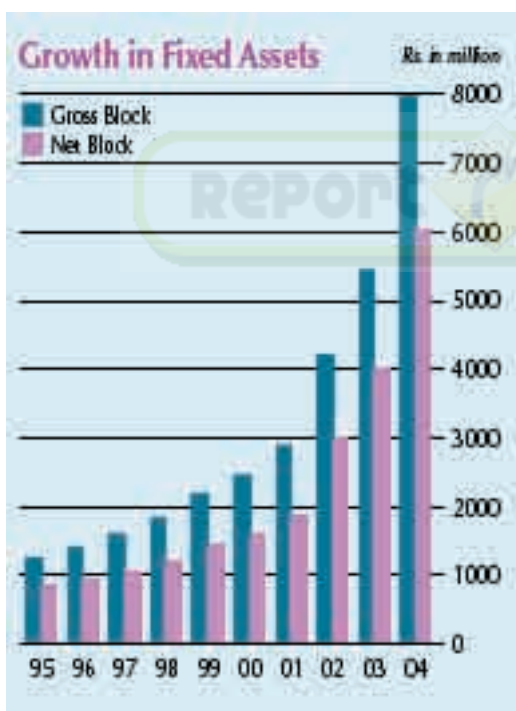
*In measures beyond
the eyes and hours
beyond the clock.*

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Directors' Report *contd.*

Internal Control Systems

Cipla's internal control procedures are designed to meet the needs of the organisation's size and complexity of operations. These procedures ensure compliance with various policies, practices and statutes. Internal audit teams carry out extensive audits of functional areas through the year and submit their reports to the Audit Committee of the Board of Directors.



Human Resources

The Company has given emphasis to upgrading the skills of its technical and marketing personnel. This is in keeping with its policy of enhancing the individual's growth potential within the framework of corporate goals. The Directors acknowledge

and appreciate the contribution of all employees towards the performance 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 its Registered Office.

Social Responsibilities

Since its inception in 1997, the Cipla Foundation's Palliative Care Centre in Pune has given relief and solace to more than 3400 terminally ill cancer patients.

The Company helped treat over 1.2 million poor aged patients in slums and villages through Helpage India.

Cipla has continued its commitment to fight HIV/AIDS worldwide by providing effective and affordable antiretrovirals (ARVs) to countries in Africa, Asia and Latin America. Cipla's fixed-dose triple-drug ARV combination, Triomune, has made a considerable impact on the management of HIV/AIDS in several countries.

In order to prevent mother-to-child transmission of HIV, the Company continues to donate its antiretroviral drug, Nevimune, to many organisations in India and abroad.

The Company has continued to support the promotion of education and community welfare, both directly and through its charitable trusts.