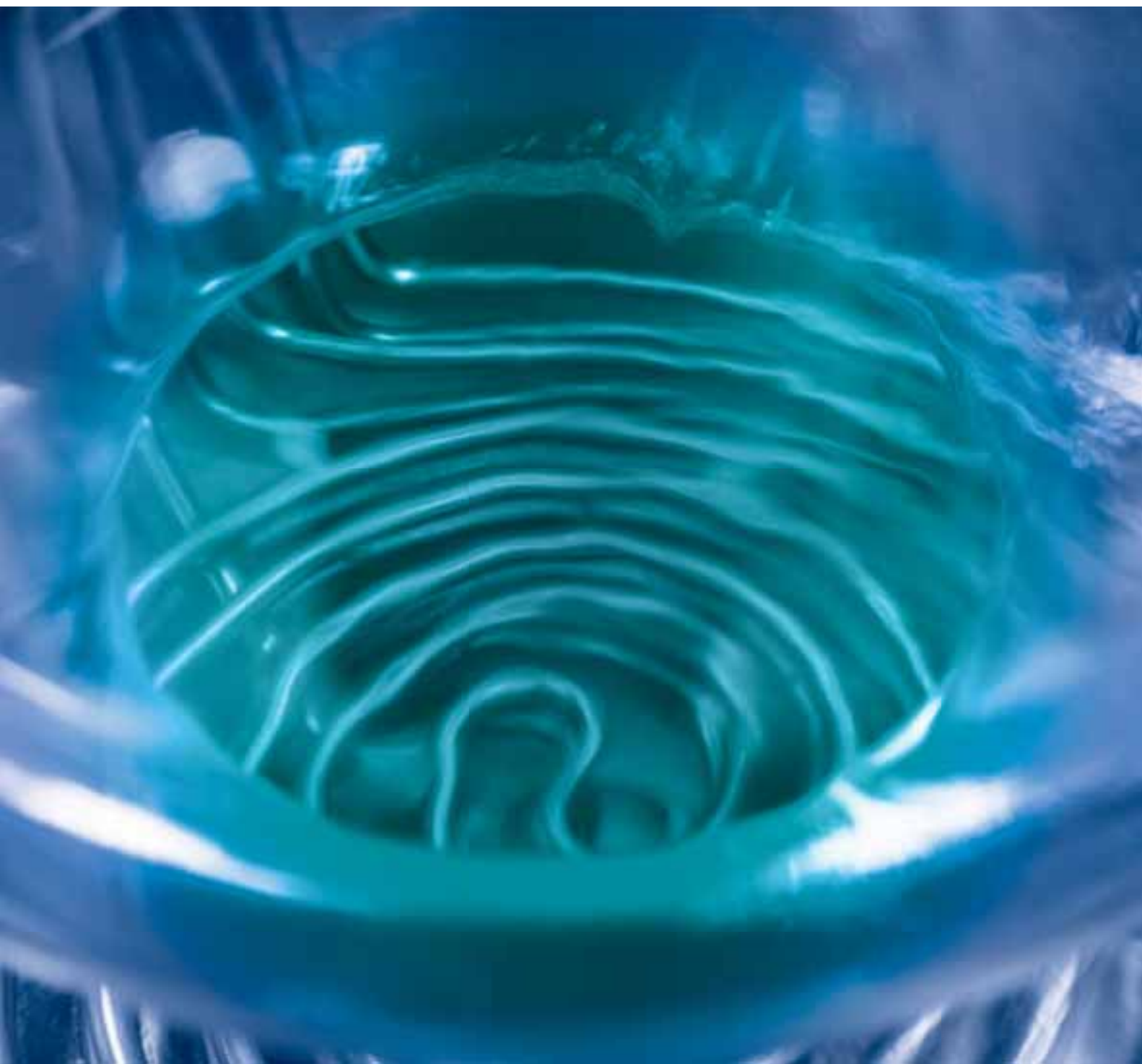


Cipla

SEVENTY-NINTH
Annual Report
2014-15



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Cautionary Statement

Certain statements in this annual report may constitute "forward-looking statements". These forward-looking statements are subject to a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. These risks and uncertainties include, but are not limited to our ability to successfully implement our strategy, our growth and expansion plans, our ability to obtain regulatory approvals, technological changes, cash flow projections, our exposure to market risks as well as other risks.

Founder

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

Chairman

Dr. Y. K. Hamied

Vice-Chairman

Mr. M. K. Hamied

Managing Director and Global Chief Executive Officer

Mr. Subhanu Saxena

Whole-time Director

Mr. S. Radhakrishnan

Executive Director

Ms. Samina Vaziralli

Independent Directors

Mr. Ashok Sinha
Dr. Peter Mugenyi
Mr. Adil Zainulbhai
Ms. Punita Lal
Dr. Nachiket Mor

Company Secretary

Mr. Mital Sanghvi

Corporate Identification No.

L24239MH1935PLC002380

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

V. Sankar Aiyar & Co.
R. G. N. Price & Co.

Cost Auditor

Mr. D. H. Zaveri

Secretarial Auditor

BNP & Associates

Registered Office

Cipla House
Peninsula Business Park,
Ganpatrao Kadam Marg,
Lower Parel, Mumbai – 400 013
www.cipla.com
Tel.: (022) 2482 6000

Share Transfer Agents

Karvy Computershare Private Limited
(Unit: Cipla Limited)
Karvy Selenium Tower B,
Plot No. 31 & 32 Gachibowli,
Financial District, Nanakramguda,
Serilingampally, Hyderabad, Telangana – 500 032
Tel.: (040) 6716 2222

FROM THE CHAIRMAN

Dear Shareholders



“The developing world has to be viewed on humanitarian grounds as it requires access to medicines at affordable prices so that none shall be denied medication. This is a basic fundamental human right.”

It is a pleasure to inform you about the Company's future in a spirit of confidence and hope. In August 2015, Cipla will complete 80 years in business. I have been actively involved in your Company for the past 55 years and during this period by the grace of the Almighty, we have made considerable progress and are now among the leading generic drug companies in India and also internationally. The year under review was an interesting period of change for your Company. We will continue our growth as the opportunities for us to expand are abundant, both domestically and globally.

The future for Indian pharmaceutical companies continues to be bright. The need for healthcare is high in our country, especially given the ability of companies like ours to generate savings across therapies and markets

in an environment of growing healthcare costs. In this context, a word of praise for the indigenous pharma industry. India is regarded as the pharmacy of the world. Pharma exports have risen from US\$ 100 million in 1980 to US\$ 15 billion in 2014, the target being US\$ 25 billion by 2025. India has a larger number of US FDA-approved factories than any other country. In the USA alone, Indian pharma companies have a 30-40% share of the total generics market. Apart from traditional generics, our capabilities now extend to complex drugs and newer delivery systems in many areas such as oncology, respiratory and HIV/AIDS. In addition to the USA, the industry has also made a major impact throughout the rest of the world. Specifically within India, the impact has also been significant. Prices of medicines here are the lowest in the world even when compared to countries like Pakistan, Bangladesh, Indonesia and Philippines. In India there is intense competition and in certain products there are many competing brands. Free competition is the only way to achieve availability and low pricing. The situation will now undergo a major change with high prices for drugs which enjoy monopolies protected under the present patent law. We have one billion people in the global North and over 6 billion in the global South – developed and developing countries. To date, no new drug of any significant value has been invented in the South. All have been in the North – all under patent protection for 20 years, all under monopoly and exclusivity. This leads to high monopolistic pricing throughout the world and thus unaffordability for the vast majority in the South. The overall solution to this problem is a pragmatic, non-exclusive

compulsory or obligatory licensing system specifically for the developing world, for all newer patented drugs and their formulations. A reasonable royalty payment should be provided for the inventor. The developing world has to be viewed on humanitarian grounds as it requires access to medicines at affordable prices so that none shall be denied medication. This is a basic fundamental human right.

All governments should therefore ensure that there is no monopoly in essential drugs required for the healthcare needs of their country. With a population of 1.3 billion, India has to take urgent steps towards this. What happens in India with regard to its patent laws, the use of TRIPS flexibilities, developments in the drug industry, and access to medicines in India, has tremendous implications for all developing countries and the world. India today is a major producer and supplier of affordable drugs worldwide; the world is relying on medicines from India and our Government must not, under any circumstances, dilute our patent related laws.

We are keenly awaiting our Government's stance on various issues pertaining to the pharmaceutical industry and healthcare. In this area, governments worldwide preach, protect and push for their own national needs and interests. It is therefore of the utmost importance that our government should support the indigenous industry that looks after the healthcare of our nation. I have mentioned this very forcefully on many occasions in the past and will continue doing so in the future.

Companies like Cipla should be taken into confidence by the Government to initiate pragmatic

policies for the benefit of the health of our countrymen. The government should initiate attractive market conditions by supporting capital investment, encouraging R&D, and creating a favorable tax environment. Instead of regulating prices in a highly competitive market where prices are already amongst the lowest in the world, the Government's focus should be to have no monopolies and free competition in life-saving drugs.

Cipla recognizes its obligations to society and to you, our shareholders. It is our sincere endeavour to provide vital, essential and life-saving medicines at affordable prices, not only in India, but also worldwide. Cipla has always followed a commercial philosophy based on humanitarian considerations. We strongly believe we have the ability to demonstrate and convey this globally. Cipla is now better equipped in facilities, manpower, products, and with the experience to do more than ever before for people around the world in the area of healthcare. We continue to strive to be at the forefront of the pharmaceutical industry, both in India and internationally.



Y. K. Hamied

FROM THE MANAGING DIRECTOR AND GLOBAL CEO

Strategies for Growth

“As we celebrate the 80th year of Cipla’s existence, I wish to thank all our Cipla colleagues, investors and other stakeholders in India and around the world, for their tireless efforts and continued support.”



Over the last 80 years, Cipla has transformed the lives of millions around the world by providing patients with high quality affordable medicines. Building on our strong foundation, we are progressing well and have defined a roadmap to enable the Company to provide patients with access to medicine well into the future.

Our actions are bearing fruit and we expect the growth momentum from Q4 of the financial year 2014-15 to continue over the coming year. I am delighted to announce that in the last 12 months our revenues grew by 11.5% to ₹11,345 crore. While we faced several challenges over the first three quarters of the year, the corrective actions we put in place have resulted in robust revenue momentum in Q4. The EBITDA margin for FY 2014-15 was 19.1% (₹2,162 crore), helped by price/mix changes, licensing deals and good cost management. We are in a significant investment phase for the future, and will continue to invest in our pipeline and capabilities.

Growth in Key Markets

The last year has been eventful within Cipla and more broadly in the markets in which we operate, but with the challenges have also come many strong achievements. Our home markets, India and South Africa, have performed well under difficult market conditions. Our India team continues to deliver above-market growth in a highly competitive environment, and in some regions our performance has been exceptional. The business momentum in South Africa last quarter has created a strong platform for FY 2015-16. Our North America ‘go-live’ commenced in January 2015, and we received supply awards from some of the biggest retail chains. I see tremendous energy in our North America team to secure our brand and position in the world’s biggest pharma market. We also saw good growth in Europe Direct to Market (DTM) revenues, and secured Onco BCG supply from Serum Institute of India (SII) for Greece and Spain.

Building the Right Organization

Cipla has a professional management team in place which is well embedded across all functions and levels, and this team will continue to lead and drive Cipla. As we look to maximize delivery of our plans for the next three years and beyond, we have created a structure to ensure we have the right balance and focus on delivering day-to-day performance as well as driving the overall strategic agenda for the business. This structure enables a single point of accountability for end-to-end operational delivery of the business, helps capitalize on synergies, and ensures lean and focused governance. Further, this structure incorporates our global reach and presence and is designed to ensure flexibility as we continue to grow. The simplification has helped deliver strong operational performance in the last quarter of FY 2014-15.

Through the last year, we continued to exert ever greater demands on our operational backbone. This has resulted in securing more capacity, improving forecasting, strengthening procurement, and improving business operations across the organization. However, the job is not yet completely done and I look forward to further strengthening our fundamentals in the coming year.

Strategies for Growth

On the strategy and business development front, we signed numerous deals this year which will increase our growth momentum. Our Mergers & Acquisitions (M&A), on-ground business development and integration management teams have put in months of effort to de-risk our business in critical markets. We successfully incorporated the Cipla subsidiaries in Sri Lanka and Morocco, and integrated front-end teams in Myanmar, Nepal, Malaysia and several other markets. We received approvals for some of our respiratory pipeline in Europe. Cipla Global Access (CGA) is well established as a strategic business, and this year we signed a collaboration agreement with Medicines for Malaria Venture (MMV) for development of rectal artesunate, and consolidated our world-class ARV credentials with a Global Fund tender win.

Our Cipla New Ventures team also had a busy year. To elaborate, this year Stempeutics Research got its novel pool technology patent granted in the USA as well as an Advanced Therapy Medicinal Product (ATMP) classification from the European Medicines Agency for its lead product, Stempeucel, for the treatment of various indications

including Buerger's disease, critical limb ischemia and osteoarthritis. Plans are progressing well in biosimilars as well as in consumer health. Details of developments in these areas are highlighted in the Directors' Report.

Looking Ahead

To summarize, we have spent the year building a stronger foundation and our goals this year will allow us to fulfill our mission for the patients we serve and to continue investing in our people.

Our priorities for the next year will not only allow us to build business momentum, but also help address the challenges we faced with some of the business operations in FY 2014-15.

Our top priorities for FY 2015-16 are the following:

- 1 Deliver our financial commitments
- 2 Build and launch a robust pipeline for today and the future
- 3 Further strengthen our operations across manufacturing, supply chain and procurement
- 4 Execute our growth strategies
- 5 Integrate the recent deals signed
- 6 Invest in our people to build a strong leadership bench for the future
- 7 Simplify the organization, including processes and systems – in particular, I see a lot of scope to simplify how we operate

As we celebrate the eightieth year of Cipla's existence, I wish to thank all our Cipla colleagues, investors and other stakeholders

in India and around the world for their tireless efforts and continued support. Our pipeline of projects is secure and more than 80% of our critical launches are on track. We have expanded applications across multiple technology platforms including implants, microspheres, ready-to-use injections, cochleates, nanotechnology, preservative-free ophthalmics, nasal sprays, foams, and spray patches among others. Our focus on respiratory continues as we look to introduce new products and devices in the markets we operate in. Together we are building an organisation to capitalize on our unique ability to transform the lives of millions around the world by making high quality, affordable medicines more accessible. I am positive the best is yet to come.



Subhanu Saxena



Directors' Report

The Directors take pleasure in presenting the Seventy-Ninth Annual Report of the Company along with the audited financial statements for the financial year ended 31st March 2015.

Financial Summary

₹ in crore

Year ended 31 st March 2014			Year ended 31 st March 2015	
Standalone	Consolidated		Standalone	Consolidated
9836	10556	Gross total revenue	10373	11620
1818	1880	Profit before tax	1540	1654
1389	1389	Profit for the year	1181	1181
4269	4351	Surplus brought forward from last balance sheet	5330	5412
5658	5740	Profit available for appropriation	6511	6593
		Appropriations:		
161	161	Dividend	161	161
27	27	Tax on dividend	33	33
140	140	Transfer to general reserve	-	-
-	-	Adjustment of depreciation	40	41
5330	5412	Surplus carried forward	6277	6358

DIVIDEND

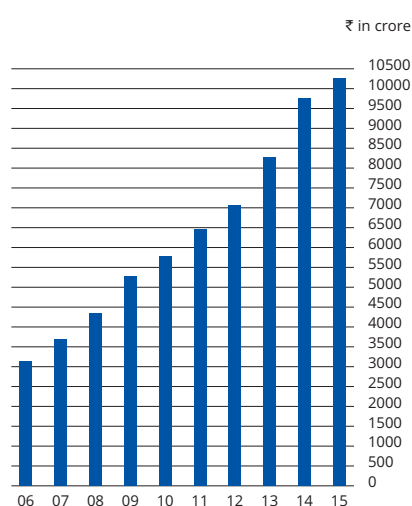
The Directors recommend a dividend of ₹2 per equity share (100%) for the year 2014-15. The dividend, if sanctioned at the Annual General Meeting, will be paid to those members whose names appear in the Company's Register of Members on Wednesday, 12th August 2015. In respect of shares held in dematerialised form, the dividend will be payable on the basis of beneficial ownership as per details furnished by National Securities Depository Limited and Central Depository Services (India) Limited.

Directors' Report *contd.*

MANAGEMENT DISCUSSION AND ANALYSIS: 2014-15

Global Business Review

Sales and Other Income (Standalone)



With a footprint across five continents, Cipla is moving fast towards its goal of making affordable healthcare available to all.

The Company's revenue from operations on a consolidated basis during the financial year 2014-15 amounted to ₹11,345 crore against ₹10,173 crore in the previous year, recording a growth of 11.5%. The income from operations for domestic business increased by 18%, from ₹4,090 crore in the previous financial year to ₹4,825 crore in the financial year under review. Total exports increased by 5.6% during the year to ₹6,058 crore. During the year under review, operating margin reduced by 2.7%. This was primarily due to the change in product mix, higher investments in research and development, and talent acquisition. Profit for the year reduced by 15% to ₹1,181 crore from ₹1,389 crore in the previous financial year.

India Ratings and Research Private Limited, a Fitch Group Company, assigned a Long-Term Issuer Rating of IND AAA with a stable outlook to the Company. The rating is the highest assigned in Fitch's rating scale and indicates the highest degree of safety regarding timely servicing of financial obligations and lowest credit risk.

No material changes and commitments have occurred after the close of the year till the date of this Report, which affect the financial position of the Company.

India

As one of India's leading pharmaceutical companies, Cipla is in a strong position to fulfill its commitment to provide modern

and affordable medicines to patients. This year, despite the challenges, as per IMS Health data, Cipla's domestic business revenues grew by 20% compared to the industry growth of 12%.

India business contributed 42% to overall Company revenues, with new products contributing 3.2%. Market share of our branded generics currently stands at 5.27%. Cipla continues to focus on in-licensing opportunities. In FY 2014-15, Cipla has in-licensed darbepoetin.

Cipla successfully launched the generic drug sofosbuvir in India for the treatment of hepatitis-C under the brand name HepCvir. In India alone it is estimated that 12-18 million patients are infected with hepatitis-C, of which up to 2 million may need treatment. Sofosbuvir is a new antiviral drug which in combination therapy has shown to have higher cure rates. It represents a breakthrough in the treatment of hepatitis C.

In the coming years, the domestic business will continue to focus on these themes:

- Grow well ahead of market growth
- Execute plans for the priority business segments
- Strengthen our leadership in therapy and geography
- Focus on building current and future product pipeline
- Increase sales force productivity with the rollout of Customer Relationship Management (CRM) and Sales Force Automation (SFA) systems