



Contents

From the Chairman	2
Directors' Report	4
Annexures to the Directors' Report	22
Report on Corporate Governance	60
Independent Auditors' Report	76
Balance Sheet	82
Statement of Profit and Loss	83
Cash Flow Statement	84
Notes to the accounts	86
Salient Features of Financial Statements of Subsidiaries/Associates/Joint Ventures	129
Independent Auditors' Report on the Consolidated Financial Statements	133
Consolidated Balance Sheet	138
Consolidated Statement of Profit and Loss	139
Consolidated Cash Flow Statement	140
Notes to the Consolidated Accounts	142
Ten-Year Highlights	Inside Back Cover

Cautionary Statement

Certain statements in this annual report may constitute "forward-looking statements". These forward 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 & 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
Ms. Naina Lal Kidwai

Global Chief Operating Officer

Mr. Umang Vohra***

Global Chief Financial Officer

Mr. Kedar Upadhye

Company Secretary

Mr. Mital Sanghvi

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

Corporate Identity No.

L24239MH1935PLC002380

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

* upto 31st August 2016

** Executive Vice-Chairman w.e.f. 1st September 2016

*** Managing Director and Global Chief Executive Officer w.e.f. 1st September 2016



FROM THE CHAIRMAN
Dear Shareholders



DR. Y.K. HAMIED
Chairman



I am addressing you with humility and great pride as we celebrate the 80th anniversary of Cipla. We have completed eight decades of valuable service in healthcare, not only in India, but worldwide. This year also marks my completing over 55 years of active association with Cipla. As long as I can add positive value to the company, whether scientific or business-related, I will continue to do so and be with you.

Our pharma industry looks after the healthcare needs of our nation and that of many other countries. We are a major producer and supplier of affordable drugs worldwide. Many countries are dependent on India for their drugs. Now that our Indian pharma industry is at the forefront of healthcare, the Government should be fully supportive. Any further dilution in the Patents Act will adversely affect not only India but several countries which depend on India for their medicines.

Even though we are setting up manufacturing bases abroad, India will still be our major production base. Thanks to our strong brand equity and the relentless drive of our sales and marketing people, Cipla is the preferred choice of doctors in many key therapeutic areas, whether they are specialists or general practitioners, whether they practice in urban or rural India. To maintain our leadership involves hard and sustained work at all levels.

So how do we stay ahead as a company?

The only way is by investing in R&D, in innovation and in our people. For the past few years, we have put in a great deal of effort, time and money in these critical areas; the results of this will be evident in the near future. Last year, we spent over 6% of our turnover in R&D. The projects taken up are all carefully planned and accountable. We have invested in newer technologies like biotech, stem cells, nano technology, continuous flow chemistry. Collectively, we must build the best-in-class organisational capacity to make our aspired future come to life.



You will appreciate that no company can manufacture everything. We have therefore entered into many licensing agreements with other companies. This is in line with our mission to provide access to affordable essential medicines.

We have a separate Cipla Global Access Program (CGA), which concentrates on four key therapy areas. These are HIV/AIDS, Malaria, Multiple Drug Resistant TB and Reproductive Health. Our aim is to reach out to 80 million patients in these four therapies by 2020.

In keeping with our strategy for the future, we launched a new division called Cipla New Ventures (CNV) to build newer innovation-led businesses. This also involves manufacturing and marketing biotech products for cancer, respiratory, diabetes and auto-immune diseases.

Even as I conclude I must re-emphasize that Cipla will continue to serve patients across the world with the same passion and commitment that we have since our inception some 80 years back. The best is yet to come for your company. I am confident that going forward the journey of Cipla will build on the legacy we have and create a new future of more hope, greater success and deeper purpose. As we see a transformation to the next generation of the Hamied family, I have no doubt that in Samina Vaziralli we have a trustee who will preserve, inspire and enhance the spirit that we call Cipla.

A handwritten signature in black ink, appearing to read 'Y. K. Hamied', with a long horizontal line extending from the end of the signature.

Y. K. Hamied

Directors' Report

The Directors take pleasure in presenting the Eightieth Annual Report of the Company along with the audited financial statements for the financial year ended 31st March 2016.

Financial Summary

₹ in crore

Year ended 31 st March 2015			Year ended 31 st March 2016	
Standalone	Consolidated		Standalone	Consolidated
10373	11620	Gross total revenue	12445	14067
1540	1654	Profit before tax	1740	2007
1181	1181	Profit for the year	1398	1506
5330	5412	Surplus brought forward from last balance sheet	6277	6358
-	-	Adjustment of tax on dividend of previous year	13	13
6511	6593	Profit available for appropriation	7688	7877
		Appropriations:		
161	161	Dividend	161	161
33	33	Tax on dividend	33	33
-	-	Transfer to general reserve	-	-
40	41	Adjustment of depreciation	-	-
6277	6358	Surplus carried forward	7494	7683

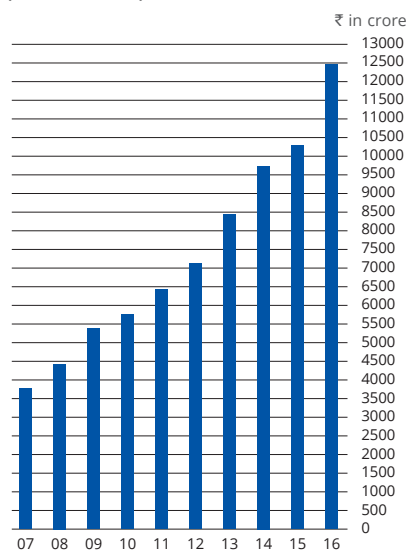
Dividend

The Directors recommend a dividend of ₹2 per equity share (100%) for the year 2015-16. 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, 14th September 2016. 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: 2015-16 Global Business Review

Sales and Other Income (Standalone)



With a vibrant presence globally, Cipla is well-poised for growth that advances its goal of ensuring affordable access to healthcare for all.

To build a concrete foundation for sustainable long-term growth, the Company is investing heavily in its pipeline, making choices with respect to its operating model in certain markets and exploring initiatives to simplify the business. The financial year under review has been important for the Company to drive execution of these choices and enhance the resilience of its business model.

The Company's revenue from operations on a consolidated basis during the financial year 2015-16 amounted to ₹13,678 crore against ₹11,345 crore in the previous year, recording a growth of 20.6%. The income from operations for the Company's domestic business increased by 5.9%, from ₹4,825 crore in the previous financial year to ₹5,111 crore in the financial year under review. Total exports increased by 36.4% during the year to ₹8,261 crore. During the year under review, EBIDTA margin reduced by 0.8 percentage points. This was primarily due to the change in product mix, higher investments in research and development, and ongoing complexity reduction initiatives. Profit for the year increased by 27.5% to ₹1,506 crore from ₹1,181 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 pricing challenges and the impact of a weak monsoon, Cipla's domestic revenues for its prescription business grew by 16% compared to the industry growth of 14%, as per IMS Health data.

The India business contributed ~40% to overall Company revenues, with new products contributing 4.5% of total India business revenues. The prescription business accounted for 81% of India business revenues and market share for this segment currently stands at 5.3%. The Company grew faster than the market in Anti-infectives, Gastrointestinal and Urology. The respiratory business saw strong uptake with over 20% growth in the COPD portfolio.

Cipla continues to focus on high-value opportunities to build out its specialty portfolio, through a mix of in-licensing and in-house innovation and development. In-licensing gained



momentum in FY 2015-16 with 6 deals executed in oncology, respiratory and dermatology segments. The Company also initiated several high value innovation projects, of which a few are likely to be commercialized in FY 2016-17.

With the successful launch of Sofosbuvir in India for the treatment of Hepatitis-C, Cipla has expanded access to the drug with nearly 10,000 patients being treated under the brand name HepCvir in its first 12 months. Cipla continues to build out its Hepatitis franchise in order to improve access to breakthrough therapies for patients with HepCvir + Ledipasvir / Daclatasvir combinations.

Cipla also entered new areas through a partnership model – Cutisera in cosmetology, Nasovac S in vaccines and Reteplase in the Anti-Thrombolytic segment.

In the coming years, the domestic business will continue to focus on enhancing depth of portfolio in priority therapy areas, and increasing sales

force productivity with the rollout of Customer Relationship Management (CRM) and Sales Force Automation (SFA) systems.

Through this, Cipla aims to grow above market rate of growth and strengthen leadership position in priority therapy areas in the Indian market.

South Africa

Cipla is one of the largest pharmaceutical companies in South Africa, with a private market share of more than 5%. South Africa contributed 11.5% to the overall revenues on a consolidated basis. The business however was impacted due to the depreciation of the South African Rand in FY 2015-16. In local currency terms, South Africa business revenue has grown at ~25% in FY 2015-16 against the previous year. Cipla's private market business has grown at 14% for the same period, with market leadership in the Respiratory, CNS and Oncology segments, and contributes over 60% of South Africa business revenue. The sales

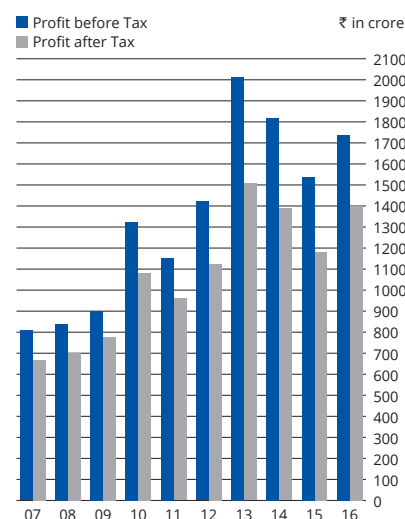
and distribution arrangement with Teva Pharmaceuticals (Pty) Ltd, an affiliate of Teva Pharmaceutical Industries Ltd., has gained traction through FY 2015-16 with strong performance on products such as Copaxone, further cementing the Company's status as a preferred "Partner of Choice". Cipla has also introduced low cost vaccines in the South African market through an exclusive agreement with the Serum Institute of India. This is in line with the Company's goal to advance healthcare for all in South Africa.

Cipla also won Government tenders in antiretrovirals (ARV), respiratory and newer areas such as mental health, cardiovascular and women's health categories, achieving significant growth in the tender business over the previous year. The newly set up state-of-the-art distribution centre facility has doubled the Company's existing capacity and conferred competitive advantage by helping to improve customer service levels, enhance compliance, and reduce the cost of distribution.

Directors' Report *contd.*

Growth in Profits

(Standalone)



Capitalizing on its defined future portfolio, key development and in-licensing projects, and streamlined global organizational structure, Cipla South Africa will continue to leverage synergies from its international family. The Cipla brand inspires trust and has become a household name among consumers, pharmacies, prescribers and key opinion leaders. Going forward, several Sub-Saharan markets will also be covered by the South African organization.

North America

In the last quarter of financial year 2015-16, Cipla successfully completed the acquisition of two US-based entities, InvaGen Pharmaceuticals Inc. and Exelan Pharmaceuticals Inc. in a transaction valued at US\$ 550 mn. InvaGen Pharmaceuticals is a high volume generics business platform that provides Cipla with a strong US-based manufacturing setup and access to large wholesalers/retailers in the US. The platform includes 42 approved ANDAs and ~30 pipeline products that are expected to be approved over the next 4 years. It also has filed 5 potential first-to-file products which is expected to bring tremendous value in the coming 5-6 years. There are no material overlaps in the business, and the current portfolio and the pipeline is largely complementary to Cipla's products. InvaGen Pharmaceuticals' manufacturing footprint spans ~350,000 sq.ft. of GMP area with 3 units located in Long Island, New York, and a total production capacity of 12 billion tablets.

Exelan Pharmaceuticals is a sales and marketing company with a focus on generic pharmaceuticals for the government and

institutional market. Both companies together had annual revenues of over US\$ 230 mn as of December 2015.

This acquisition is aligned with Cipla's global growth strategy to grow its presence in the US pharmaceutical market and increase its position amongst key pharmaceutical wholesalers and retailers. Having its own manufacturing base and supply chain will further strengthen Cipla's presence in the US and its commitment to make high quality medication accessible to patients in the country. Cipla's strategy in the US is to deliver its complex generics and respiratory portfolio of products.

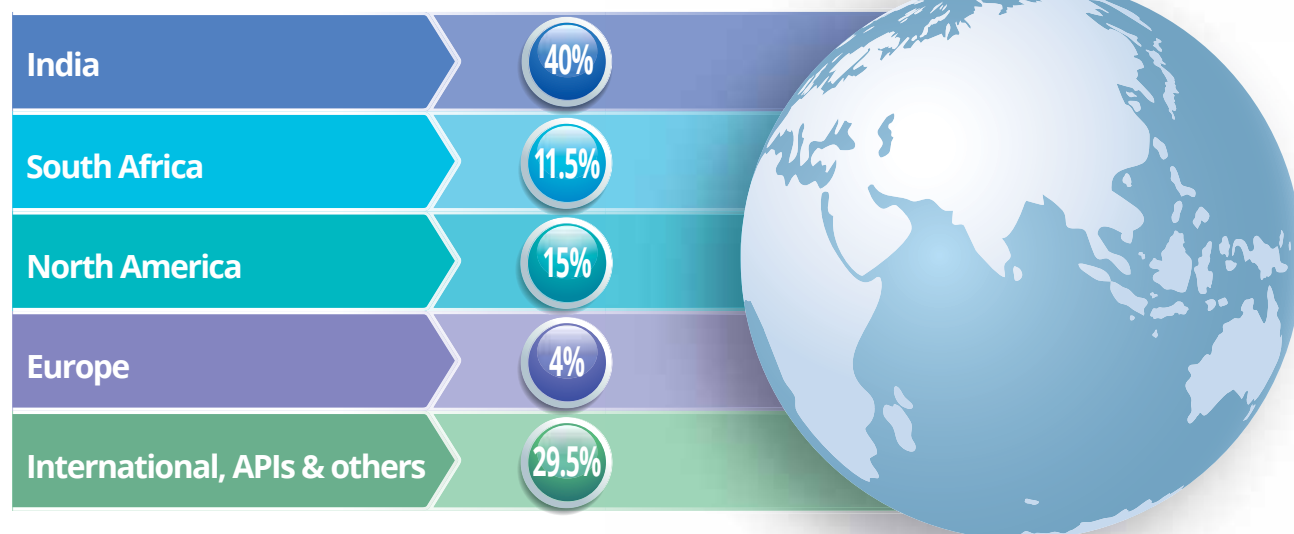
The North American business contributed 15% to overall revenues (including the impact of acquisitions) and recorded 117% growth for the year. Growth was driven primarily by the Company's partnership with Teva Pharmaceutical Industries Ltd. for Esomeprazole and the successful launch of its own label products in the US market.

Cipla currently has over 165 ANDAs filed in the US. Of these, the Company has approval for over 85.

As Cipla scales its US business next year it will target launch of five to seven products from the InvaGen pipeline and eight to ten products from Cipla's pipeline, including some in limited competition areas. In parallel, the Company will continue to build on its successful partnerships for launch of first-to-market and differentiated generics such as Nexium and Pulmicort.

Cipla has already established a strong US team which has been deeply involved in Cipla's launch of its own label products in the

Directors' Report *contd.*



US as well as in the evaluation of inorganic growth opportunities such as InvaGen. This team shall drive the transition and integration work streams along with key InvaGen personnel. Cipla has a full integration plan in place that draws on its experience of a number of successful recent integrations such as in South Africa.

Europe

The European business contributed 4% to the overall revenues, recording a growth of 30% in revenues for the year on the back of its performance in both front-end and B2B markets.

Cipla is focused on adding innovative elements to products, services and information through research and partnerships. The Company's flagship product, the salmeterol-fluticasone MDI, is now in the market in Sweden, Romania, Netherlands, Germany, Croatia, Czech Republic, Slovakia, Belgium and Hungary. The Company has further strengthened

its respiratory platform with the launch of Mometasone, Fluticasone, Ipratropium Salbutamol respules and Ipratropium MDI across multiple European markets in FY 2015-16.

The Company continues to evolve its business model in Europe with the intention of balancing its portfolio with the best commercial options.

International - Rest of the World

International is defined as all export markets for Cipla excluding North America, Europe and South Africa. With a diverse range of more than 1,000 products and over 150 global partners across 100+ countries, Cipla has a presence in Africa, the Middle East, Latin America, Asia Pacific, China, and Russia. International contributes 25% of Company revenues and grew by 14% over the last year.

In recent years, Cipla has implemented a business model

change in 15 countries including Morocco, Algeria, Yemen, Sri Lanka and Uganda, adopting the direct-to-market (DTM) approach. DTM markets had robust growth of ~25% in FY 2015-16, over the previous year. This growth rate has been achieved despite continuing challenges related to the situation in Yemen and currency devaluation in several emerging markets. The Company now holds a leadership position in several markets such as Uganda, Sri Lanka, Yemen and North Africa.

Cipla's business in partnership-led markets (B2B) saw a growth of 8% in FY 2015-16 over the previous year. The Company is proactively simplifying its businesses, rationalising markets where necessary, and focusing only on high-growth markets where it holds a leadership position.

The Cipla Global Access business recorded growth of 12% over the previous year and reflects Cipla's continued commitment to the cause of ensuring access to life-saving medicines for patients worldwide.