



Cipla

TRANSFORMING.

For a new horizon.

Cipla Limited | Annual Report 2016-17

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Forward-looking statement

In this Annual Report, we have disclosed forward looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements - written and oral - that we periodically make contain forward looking statements that set out anticipated results based on the management's plans and assumptions. We have tried, wherever possible, to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward looking statements will be realised, although we believe we have been prudent in our assumptions. The achievements of results are subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should keep this in mind. We undertake no obligation to publicly update any forward looking statement, whether as a result of new information, future events or otherwise.

Strategic transformation is critical to survive and thrive in an evolving business environment.
At Cipla, we are transforming to build capabilities for the future and remain ever-relevant to stakeholders globally.

Given our growth ambitions, multi-cultural workforce, global footprint and the constantly evolving operating landscape, we felt the need to clearly articulate who we are and what we seek to achieve in the mid- and long-term future. Our First Principles were born out of such an endeavour. We are now institutionalising these principles across the Company to realise our OneCipla Credo.

Our strategic transformation is enabling us to win across markets. During the year, our domestic business recorded double digit growth, despite multiple regulatory challenges. We also successfully integrated our two acquisitions in the US (InvaGen and Exelan) into our global mainstream operations. Recently, Cipla USA achieved high prominence in prescriptions and achieved 9th rank in TRx among all the generic companies in the US. We are now among market leaders in South Africa and various countries in the emerging markets territory such as Sri Lanka, North Africa and Yemen.

Our consistent R&D investments have enabled us to stay ahead of the curve and grow, despite a highly competitive environment. We have filed many products nationally and internationally and we are confident that the outcomes will be encouraging in the coming years. At the same time, we have sharpened our focus in areas where we have relevant experience and expertise. We strongly believe that this is critical for success. During the year, we also exited from non-core businesses such as animal health in South Africa. We also decided to allocate capital towards our Specialty programme and evaluate business development and in-licensing opportunities for our biotech business. At the same time, we continue to elevate our systems, processes, technologies, people practices, governance standards and brand equity.

We have embarked upon an exciting and eventful voyage, which will help us discover new horizons of growth and sustainability. We are building on our legacy with new energy and innovation, along with a deep commitment to compassion and care.



Caring for Life

At Cipla, our objective is to ensure access to high quality and affordable medicines, and to support patients in need.

We are a leading global pharmaceutical company, dedicated to high-quality, branded and generic medicines. We are trusted by healthcare professionals and patients across geographies.

In the last 81 years, we have strengthened our leadership in India's pharmaceutical industry

and fortified our promise of 'Caring for Life'. With a turnover of over USD 2.2 billion, 1,500+ products across various therapeutic categories and 50+ dosage forms, we are present in over 80 countries.

During the year, we renewed our strategic focus, and aligned

the Board, the management and over 23,000 employees with our First Principles. We are now strengthening our global focus by consolidating and deepening our presence in the key markets of India, South Africa, the US, and other economies of the emerging world.

Key Strengths



Science

Science is at the core of everything we do at Cipla. Our innovation-driven approach has helped us constantly challenge convention and reinvent the way we do business. Cipla's laboratories have produced one of the world's largest and most diverse portfolios of drugs and devices in inhalation therapy, and our cutting-edge technology platforms and combinations in HIV therapy cater to all age groups.



Quality Manufacturing

Quality is a way of life at Cipla, and the bedrock of our sustainable growth. Each one of us at Cipla is responsible for Quality. Our excellence comes from a robust integration of people, processes and products. The track record of our 43 internationally-approved state-of-the-art manufacturing facilities around the world speaks for itself, making Cipla the partner of choice for multinational, government and non-government institutions globally.



Patient-Focused

Cipla has been built, brick-by-brick, on a foundation of care. Be it the world's first oral iron chelator for thalassaemia, a first-of-its-kind palliative care centre, the triple ARV therapy for HIV at less than a dollar a day, or transfer of technology to countries that needed it the most, Cipla has always put patients first. Caring for Life has been, and continues to remain, our guiding purpose.

Quick Facts

3rd

Largest Pharmaceutical Company in India*

4th

Largest Pharmaceutical Company in South Africa[#]

9th

in TRx amongst all generic companies in the US[#]

43

Manufacturing Facilities[^]

50+

Dosage Forms

1,500+

Products

Capacity Overview

32Bn units
Tablets & Capsules

110 Mn units
Aerosols pMDI

94 Mn units
Oral Liquids

1,000 MT
APIs

5 Mn units
Lyophilised Injections

45 Mn units
Pre-filled Syringes

110 Mn units
Form Fill Seal Eye Drops

640 Mn units
Respules

*By market share, India sales, IMS MAT March '17

[#]As per IMS MAT March '17

[^]Including associates

Global Reach[^]

Sustained growth

momentum in core markets of India and South Africa

Cipla ranked #9

in TRx in the US

Maintained leadership

position with strong in-market performance in various emerging markets

Managed transformation

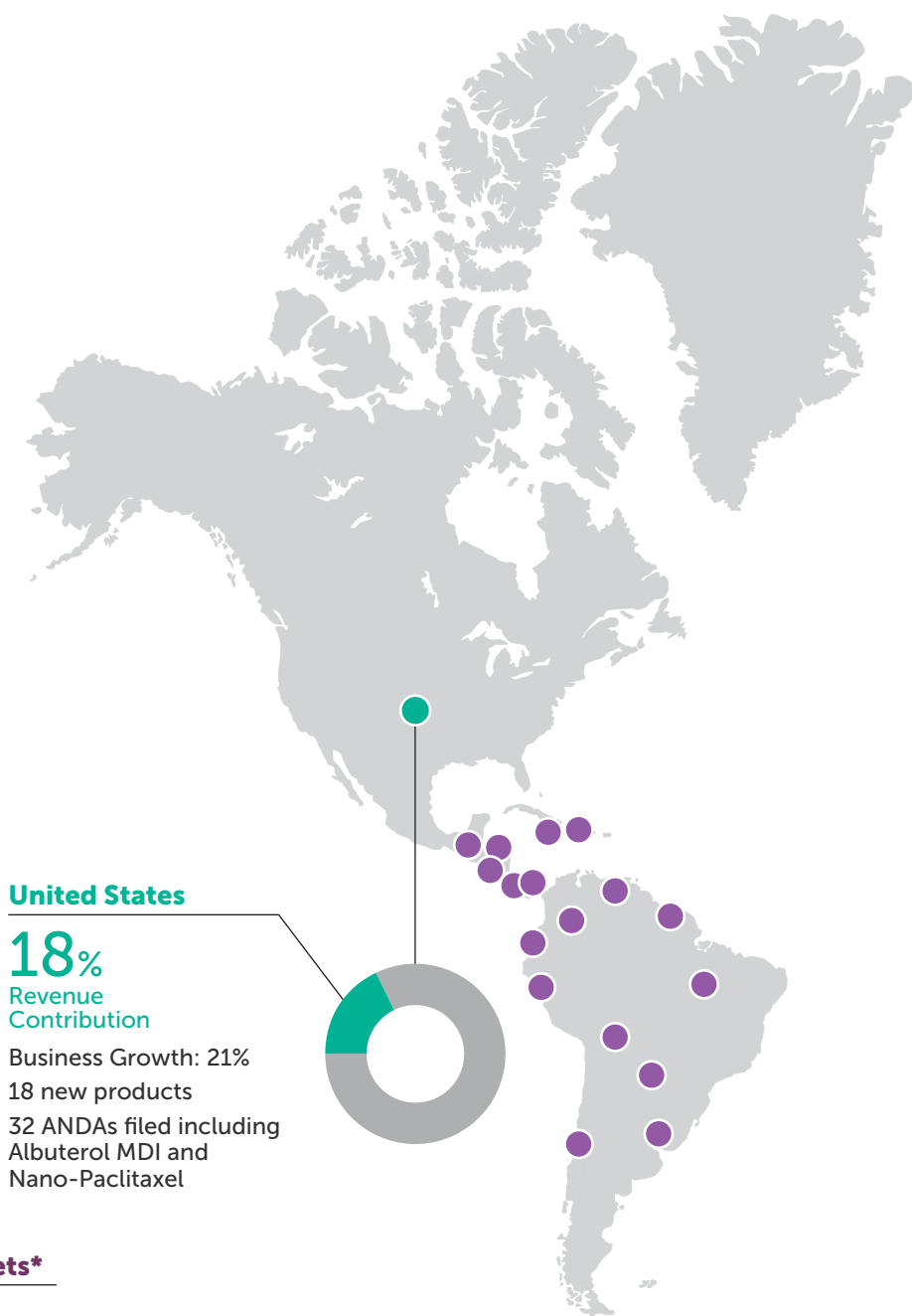
and turnaround of the European business back to profitability

32 ANDA filings

in the US including certain complex products

Successful quality track record

with Establishment Inspection Report (EIR) received for Indore, Goa and InvaGen Plants



* Includes formulations business of markets other than the US, India, South Africa and Europe

Map not to scale
^6% revenues contributed by Global API, CNV business, Vet and others; not captured on the map.

Europe

4%

Revenue
Contribution

Launched Sereflo™ in UK
Remodelled business from
DTM to B2B

India

38%

Revenue
Contribution

Business Growth: 10%
Launched Azmarda and
Bolstran (In-licensed
products)

South Africa

12%

Revenue
Contribution

Business Growth: 17%
Launched SynchroBreathe (BAI),
achieving 31%# market share in
a short period

Of the total pMDI Fixed Combination market in South Africa

Business Highlights

₹ **14,630** Crore
Revenue

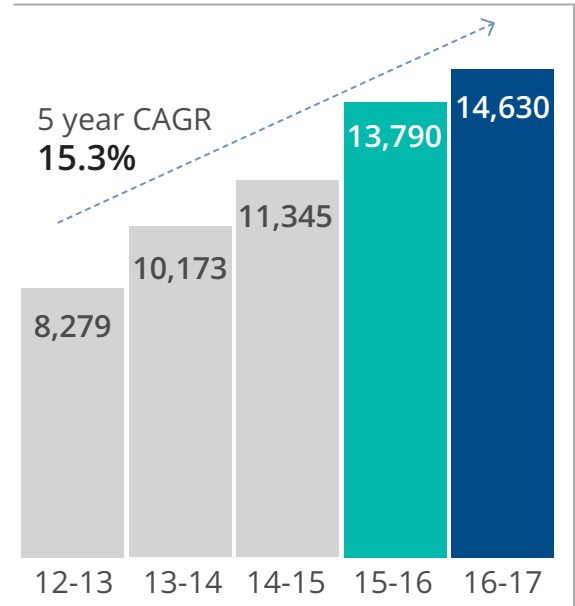
₹ **2,476** Crore
EBITDA

₹ **1,260** Crore
Free cash flow from operations

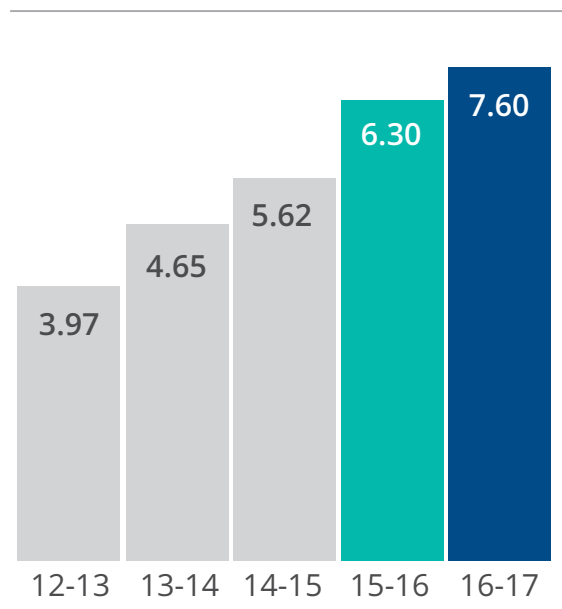
₹ **1,006** Crore
Net Profit

Revenue from Operations[#]

₹ in Crore

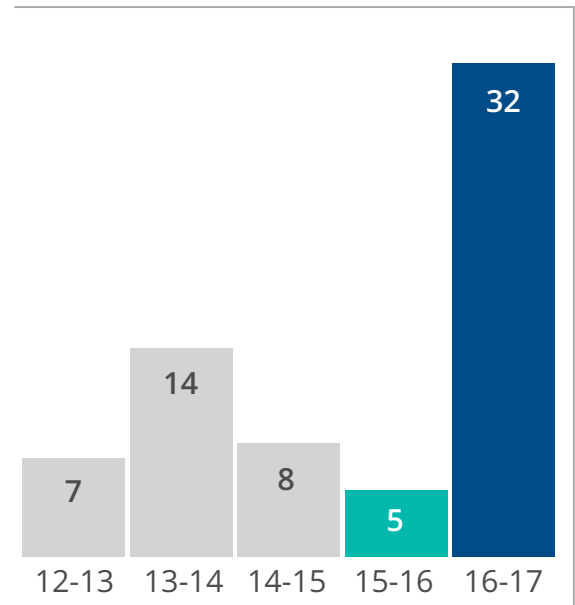


R&D Spends as % of Revenue



US ANDA Filings^{*}

in Nos.



Strategic Initiatives

1

Building Organisation for the Future



At Cipla, we have always transformed in line with the changing business landscape and patient requirements. We are now building organisational capabilities to drive best-in-class execution and governance.

Key Highlights

- Adopted our new 'First Principles'
- Succession planning and leadership development
- Target to build a speciality franchise, contributing significantly to overall revenues in the medium to long-term

2

Distinctive R&D and Portfolio



Innovation has been an integral part of Cipla's growth story. We have a rich history of R&D and manufacturing partnership with global players for blockbuster products

Key Highlights

- 73 ANDAs under approval as of March 2017
- 100+ patents granted including Respiratory
- 1500+ dedicated and talented scientists
- Ramping up filing intensity with focus on complex products

3

Operational Excellence



Cipla has an excellent track record of maintaining high quality and compliance standards. We have been able to leverage our existing capabilities globally to create one of the world's most respected pharmaceutical businesses.

Key Highlights

- 46 successful audits for FY 2016-17 conducted by global regulatory bodies across our facilities
- Increased automation to further strengthen quality and control processes

4

Focus on High Growth Markets



Cipla continues to strengthen its position in high growth markets across the globe. We are well-positioned to drive future leadership with multiple levers of business excellence.

Key Highlights

- 6 of the top 100 brands and 22 of top 300 brands in Indian Pharma
- Fastest growing among top 10 companies in the South African market
- With InvaGen well integrated, North America business is positioned for the next wave of growth
- Europe remodelled to B2B model

Chairman's Message



I firmly believe that Cipla is undergoing a transformation for the better and we will deliver to our shareholders a stronger future, based on the foundation of our past legacy.

Dear Shareholders,

It gives me immense pleasure to share with you some important insights about your Company, the indigenous pharma industry and the overall status of healthcare.

These are extremely challenging times for our industry and also for Cipla. The industry saw a slow growth rate in the recent past, due in some measure to Government policies and control measures. Also, globally, we witnessed increasing pressure on the pharmaceutical industry – regulatory and compliance issues are getting more demanding, intellectual

property rights increasingly have become more complex and pricing pressures are intensifying. Moreover, socio-economic and environmental volatility is prevalent in most of the markets that we serve across the world.

Let me share with you some statistics related to the status of healthcare in India. The disease pattern reveals some startling figures. We rank 147 out of 184 countries in healthcare spending. India spends approximately 1% of its GDP on healthcare, compared to over 8% by the US, Sweden and Cuba. In fact, over 60% of Indians pay for their personal

healthcare. The average cost of hospitalisation has increased from about ₹ 9,000 in 2004 to over ₹ 25,000 currently.

However, the above dismal picture reinforces our commitment to ensure that no patient will be denied access to high quality affordable medicine and medical support. For more than eight decades of our corporate evolution, we have striven to make medicines accessible and affordable to a large number of patients, both in India and globally.

Even as we remain committed to our purpose of 'Caring for Life', we