

Cipla

Seventy-Eighth Annual Report

2013-2014

As in the past, Cipla has made a special effort to produce this report at a low cost, without compromising its quality or contents leading to a saving of ₹28 lakhs. This amount has been donated to Cipla Foundation.

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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.

Cipla Limited

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 and Global Chief Financial Officer

Mr. Rajesh Garg

Non-Executive Directors

Dr. H.R. Manchanda
Mr. V.C. Kotwal
Mr. Pankaj Patel
Mr. Ashok Sinha
Dr. Peter Mugenyi
Mr. Adil Zainulbhai

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.

Registered Office

Cipla House
Peninsula Business Park, Ganpatrao Kadam Marg,
Lower Parel, Mumbai - 400 013

Website

www.cipla.com

CIPLA LIMITED

Registered Office : Cipla House, Peninsula Business Park, Ganpatrao Kadam Marg, Lower Parel, Mumbai – 400 013

Phone : (9122) 24826000, Fax : (9122) 24826893, Email : cosecretary@cipla.com, Website : www.cipla.com

Corporate Identity Number : L24239MH1935PLC002380

NOTICE

NOTICE is hereby given that the SEVENTY-EIGHTH ANNUAL GENERAL MEETING of CIPLA LIMITED will be held at Y.B. Chavan Auditorium, General Jagannath Bhosale Marg, Mumbai-400 021, on Wednesday, 3rd September 2014 at 3.00 p.m. to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the audited financial statements of the Company including the Balance Sheet as at 31st March 2014, the Statement of Profit and Loss for the year ended on that date together with the reports of the Board of Directors and Auditors thereon.
2. To declare Dividend for the year ended 31st March 2014.
3. To appoint a Director in place of Mr. M.K. Hamied (DIN: 00029084) who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. S. Radhakrishnan (DIN: 02313000) who retires by rotation and being eligible, offers himself for re-appointment.
5. To consider and, if thought fit, to pass, with or without modifications, the following resolution, as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of section 139 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), M/s. V. Sankar Aiyar & Co., Chartered Accountants (Firm Reg. No. 109208W) and M/s. R.G.N. Price & Co., Chartered Accountants (Firm Reg. No. 002785S), be and are hereby re-appointed as Joint Statutory Auditors of the Company to hold the office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting upon such remuneration, taxes and out of pocket expenses, as may be fixed by the Board of Directors of the Company in mutual consultation with the Auditors.

RESOLVED FURTHER THAT pursuant to the provision of section 143(8) and other applicable provisions of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), the Board of Directors of the Company be and is hereby authorised to appoint Auditors for the Company's branch office(s) outside India (whether now or as may be established hereafter) in terms of section 143 of the Companies Act, 2013 in consultation with the Auditors of the Company to examine and audit the financial statements for the financial year ending on 31st March 2015 upon such remuneration, terms and conditions as the Board of Directors may deem fit.”

NOTICE *contd.*

SPECIAL BUSINESS:

6. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of sections 149, 152 and other applicable provisions of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014 and Schedule IV to the Companies Act, 2013 (including any statutory modification(s) or re-enactment thereof for the time being in force), Dr. H.R. Manchanda (DIN: 00024460), be and is hereby appointed as an Independent Director of the Company to hold office for a term of 5 consecutive years from 3rd September 2014 upto 2nd September 2019.”

7. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of sections 149, 152 and other applicable provisions of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014 and Schedule IV to the Companies Act, 2013 (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr. V.C. Kotwal (DIN: 00024714), be and is hereby appointed as an Independent Director of the Company to hold office for a term of 5 consecutive years from 3rd September 2014 upto 2nd September 2019.”

8. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of sections 149, 152 and other applicable provisions of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014 and Schedule IV to the Companies Act, 2013 (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr. Ashok Sinha (DIN: 00070477), be and is hereby appointed as an Independent Director of the Company to hold office for a term of 5 consecutive years from 3rd September 2014 upto 2nd September 2019.”

9. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of sections 149, 152 and other applicable provisions of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014 and Schedule IV to the Companies Act, 2013 (including any statutory modification(s) or re-enactment thereof for the time being in force), Dr. Peter Mugenyi (DIN: 06799942), appointed as an Additional Director of the Company pursuant to the provisions of section 161 of the Companies Act, 2013 and the Articles of Association of the Company and who holds office up to the date of this Annual General Meeting, be and is hereby appointed as an Independent Director of the Company to hold office for a term of 5 consecutive years from 3rd September 2014 upto 2nd September 2019.”

10. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of sections 149, 152 and other applicable provisions of the Companies Act, 2013 and read with the Companies (Appointment and Qualification of Directors) Rules, 2014 and Schedule IV to the Companies Act, 2013 (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr. Adil Zainulbhai (DIN: 06646490), appointed as an Additional Director of the Company pursuant to the provisions of section 161 of the Companies Act, 2013 and the Articles of Association of the Company and who holds office up to the date of this Annual General Meeting, be and is hereby appointed as an Independent Director of the Company to hold office for a term of 5 consecutive years from 3rd September 2014 upto 2nd September 2019.”

NOTICE *contd.*

11. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

“RESOLVED THAT in partial modification of Resolution No. 8 passed at the Annual General Meeting of the Company held on 22nd August 2013 and pursuant to section 197 read with Schedule V and other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any amendments thereto or re-enactment thereof, for the time being in force), and as approved by the Board of Directors of the Company, the consent of the members of the Company be and is hereby accorded to the revision, amendment and/or modification of remuneration of Mr. Subhanu Saxena (DIN: 06620380), Managing Director of the Company, designated as “Managing Director and Global Chief Executive Officer” on the terms and conditions as stipulated in amendment to the employment agreement dated 15th July 2013 (“Amendment Agreement”) entered into between the Company and Mr. Subhanu Saxena.

RESOLVED FURTHER THAT the Amendment Agreement entered into between the Company and Mr. Subhanu Saxena, a copy of which is placed before the meeting, be and is hereby approved, ratified and confirmed. The revised terms and conditions including remuneration of Mr. Subhanu Saxena’s (as stipulated in the Amendment Agreement) is abstracted below:

- A. Annual Basic Salary: Mr. Subhanu Saxena shall be entitled to an annual basic salary of INR equivalent of GBP 880,000.
- B. Annual Increment: Mr. Subhanu Saxena shall, subject to approval by the Board from time to time, be entitled to annual increment (on a financial year basis) to the Annual Basic Salary at a rate which shall not exceed 5% of the Annual Basic Salary prevailing at that time. The first increment shall be effective 1st April 2014.
- C. Variable Bonus: Mr. Subhanu Saxena’s target variable bonus is INR equivalent to 50% of his Annual Basic Salary per financial year which shall be paid if Mr. Subhanu Saxena achieves certain agreed quantitative and qualitative Key Performance Indicators (KPIs). In any given year, the actual variable bonus that would be paid to Mr. Subhanu Saxena will vary from 0 to 100% of the Annual Basic Salary, depending on Mr. Subhanu Saxena’s performance evaluated against the KPIs.
- D. Accommodation and Car: With effect from January, 2016, the aggregate limit of ₹1,59,60,000/- (as approved by the members at the previous Annual General Meeting held on 22nd August 2013) shall be increased by 10% and shall thereafter continue to be increased annually by 10% (on a calendar year basis). Fuel cost continue to be reimbursed at actuals.
- E. All payments to be made by the Company to Mr. Subhanu Saxena will be paid in INR equivalent of GBP. Amounts denominated in GBP shall be converted to INR based on the exchange rate as notified by the Reserve Bank of India prevailing on a date that is immediately prior to the date on which such payment is processed by the Company.
- F. The total remuneration including perquisites shall not exceed the limits specified in the Companies Act, 2013 (“Act”) read with Schedule V to the Act (or any statutory modification(s) or re-enactment thereof).

RESOLVED FURTHER THAT save and except the revisions, amendments or modifications set out hereinabove or as set out in the Amendment Agreement, all other terms and conditions of appointment of Mr. Subhanu Saxena shall continue in full force and effect.

NOTICE *contd.*

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all such acts, deeds and things and execute all such documents, instruments and writings as may be required and to delegate all or any of its powers herein conferred to any Committee of Directors or any Director or Officer to give effect to the resolution hereof."

12. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of section 152 and other applicable provisions of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr. Rajesh Garg (DIN: 00785195), appointed as an Additional Director of the Company pursuant to the provisions of section 161 of the Companies Act, 2013 and the Articles of Association of the Company and who holds office up to the date of this Annual General Meeting, be and is hereby appointed as a Director of the Company, liable to retire by rotation, with effect from the commencement of this Annual General Meeting."

13. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of sections 196, 197, 203 and other applicable provisions of the Companies Act 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any amendments thereto or re-enactment thereof for the time being in force) read with Schedule V to the Companies Act 2013 ("the Act"), (corresponding to sections 198, 309, 269 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the Companies Act, 1956), the Company in general meeting hereby approves, confirms and ratifies the appointment of Mr. Rajesh Garg (DIN: 00785195) as Whole-time Director of the Company designated as "Executive Director and Global Chief Financial Officer", with the benefit of continuity of service, for a period of five years commencing from 1st April 2014 and concluding on 31st March 2019 on the terms and conditions as stipulated in employment agreement dated 28th March 2014 entered into between the Company and Mr. Rajesh Garg which agreement be and is hereby approved, ratified and confirmed. The terms and conditions of Mr. Rajesh Garg's employment, including remuneration (as stipulated in the said employment agreement) is abstracted below:

- A. Fixed Salary: Annual Salary of ₹3,81,92,004 ("Fixed Salary"). The Fixed Salary is gross of income tax and any contribution to be made under the provisions of the Employee Provident Fund and Miscellaneous Provisions Act, 1952.
- B. Variable Bonus: Mr. Rajesh Garg's target variable bonus is ₹1,05,00,000 per financial year which shall be paid if Mr. Rajesh Garg achieves mutually agreed quantitative and qualitative Key Performance Indicators (KPIs). The amount of Variable Bonus payable shall range from 0 to 100% of the Fixed Salary depending on Mr. Rajesh Garg's performance evaluated against the KPIs.
- C. Accommodation: Company provided leased housing of a value of up to ₹7,00,000 per month or House Rent Allowance in lieu thereof. This amount has been included in the Fixed Salary. In the event the actual value of Company provided leased accommodation is lower, the difference between the aforesaid amount of ₹7,00,000 and actual lease payment shall be paid over as salary to Mr. Rajesh Garg.

NOTICE *contd.*

D. Other Perquisites:

- i. Life insurance for Mr. Rajesh Garg and health insurance for Mr. Rajesh Garg and his immediate family. Appropriate directors and officers insurance policy for Mr. Rajesh Garg.
- ii. Appropriate corporate club membership for Mr. Rajesh Garg.

E. Notwithstanding anything contained in clauses (A) to (D) above, the Board may based on merit and other relevant factors approve such increments to the remuneration and benefits as it deems fit from time to time subject to such increments being within the ceiling limit as prescribed under section 196 and 197 of the Act read with Schedule V to the Act.

F. If in any financial year during the currency of tenure of Mr. Rajesh Garg, the Company has no profits or its profits are inadequate, Mr. Rajesh Garg shall be entitled to minimum remuneration by way of fixed salary, perquisites and allowances not exceeding the ceiling limit specified under section II of Part II of Schedule V to the Act and in addition thereto, Mr. Rajesh Garg shall also be eligible to the perquisites and allowances not exceeding the limits specified under section IV of Part II of Schedule V to the Act.

G. This appointment of Mr. Rajesh Garg is liable for termination by either party giving six month's prior notice or pro-rata Fixed Salary in lieu of notice.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all such acts, deeds and things and execute all such documents, instruments and writings as may be required and to delegate all or any of its powers herein conferred to any Committee of Directors or any Director or Officer to give effect to the resolution hereof."

14. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of section 148 and other applicable provisions of the Companies Act, 2013 read with all applicable rules including the Companies (Audit and Auditors) Rules, 2014 (including any amendments thereto or re-enactment thereof for the time being in force), Mr. D.H. Zaveri, the Cost Auditor appointed by the Board of Directors of the Company to audit the cost records of pharmaceutical products manufactured by the Company for the financial year ending 31st March 2015, be paid the remuneration of ₹9,00,000 plus applicable taxes as well as the reimbursement of out of pocket expenses incurred for the purpose of cost audit.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all such acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

By Order of the Board of Directors

Mumbai, 23rd July 2014

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 ON POLL INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. A person can act as proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the company carrying voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.

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

2. The Statement pursuant to section 102 of the Companies Act, 2013 ("the Act") is annexed hereunder and forms part of the Notice.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Friday, 8th August 2014 to Friday, 22nd August 2014, both days inclusive.
4. The dividend for the year ended 31st March 2014 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 Thursday, 7th August 2014. 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.
5. 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) to the Share Transfer Agents of the Company at the following address:

Karvy Computershare Private Limited
(Unit: Cipla Limited)
Plot No.17-24, Vittal Rao Nagar,
Madhapur, Hyderabad-500 081
Tel: (040) 2342 0818 / (040) 4465 5201
Fax: (040) 2342 0814

6. Members holding shares in dematerialised form 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 as directed by the Stock Exchanges. In the absence of electronic credit facility, the bank account details, if available, will be printed on the dividend warrants. Members holding shares in dematerialised form 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 such members for change/deletion in such bank details.
7. Members who hold shares in 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 No. SH-13 in duplicate with the Share Transfer Agents which, on request will supply blank forms. Members holding shares in the dematerialised form may contact the Depository Participant for recording nomination in respect of their shares.

NOTICE *contd.*

8. Members may please note that, Securities and Exchange Board of India (SEBI) has made Permanent Account Number (PAN) as the sole identification number for all participants transacting in the securities market, irrespective of the amount of such transactions. SEBI has also mandated that for securities market transactions and off market/private transactions involving transfer of shares in physical form, it shall be necessary for the transferee(s) to furnish copy of PAN card to the Company/Share Transfer Agents for registration of such transfer of shares.

Members may please note that, SEBI has also made it mandatory for submission of PAN in the following cases viz., (i) Deletion of name of the deceased shareholder(s) (ii) Transmission of shares to the legal heir(s) and (iii) Transposition of shares.

9. All unclaimed dividends up to 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 and Protection Fund (IEPF). Accordingly, unclaimed dividends from the financial year ended 31st March 1996 till 31st March 2006 have been transferred by the Company to IEPF.

Members may note that unclaimed dividend for the financial year ended 31st March 2007 shall become due for transfer to IEPF on 23rd September 2014. Members should also note that any sum transferred to IEPF shall stand forfeited and no claim shall lie either against IEPF or the Company. Those members, who have not encashed their dividends for the financial year ended 31st March 2007, are requested to claim it from the Share Transfer Agents immediately. Such of those members who have not so far claimed their dividend for the subsequent financial years are also advised to claim it from the Share Transfer Agents.

10. The face value of shares has been sub-divided from ₹10 to ₹2 per equity share in the year 2004. Members who have not yet exchanged share certificates of ₹10 face value are requested to surrender their old certificates to the Share Transfer Agents at the address stated above for exchange with new share certificates of ₹2 face value.
11. The Ministry of Corporate Affairs (MCA) has taken a "Green Initiative in Corporate Governance" by allowing companies to send documents to their shareholders in electronic mode. To support this green initiative and to receive communications from the Company in electronic mode, members who have not registered their e-mail addresses and are holding shares in physical form are requested to contact the Share Transfer Agents of the Company and register their email-id. Members holding shares in dematerialised form are requested to contact their Depository Participant. Members may please note that notices, annual reports, etc. will be available on the Company's website - www.cipla.com and the same shall also be available for inspection, during office hours, at the Registered Office of the Company. Members will be entitled to receive the said documents in physical form free of cost at any time upon request.
12. As required under Clause 49 of the Listing Agreement, the relevant information in respect of the Directors seeking re-appointment at the Annual General Meeting is enclosed as Annexure 1.
13. Voting through electronic means:

In terms of the provisions of section 108 of the Companies Act, 2013 ("the Act") read with rule 20 of the Companies (Management and Administration) Rules, 2014 (hereinafter called "the Rules" for the purpose of this section