

Cipla

Seventy-Seventh Annual Report

2012-2013

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 ₹27 lakhs. This amount has been donated to Cipla Foundation.

CONTENTS

Notice	2
Directors' Report	19
Annexure to the Directors' Report	27
Report on Corporate Governance	30
Independent Auditors' Report	38
Annexure to the Independent Auditors' Report	40
Balance Sheet	42
Statement of Profit and Loss	43
Notes to the Accounts	44
Cash Flow Statement	75
Information on Subsidiaries	77
Independent Auditors' Report (Consolidated)	78
Balance Sheet (Consolidated)	80
Statement of Profit and Loss (Consolidated)	81
Notes to the Accounts (Consolidated)	82
Cash Flow Statement (Consolidated)	113
Attendance Slip/Form of Proxy	End of Report
Ten-Year Highlights	Inside Back Cover

Cipla Limited

Founder

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

Chairman

Dr. Y.K. Hamied

Managing Director

Mr. M.K. Hamied

Chief Executive Officer

Mr. Subhanu Saxena

Whole-time Director

Mr. S. Radhakrishnan

Non-Executive Directors

Dr. H.R. Manchanda

Mr. Ramesh Shroff

Mr. V.C. Kotwal

Mr. M.R. Raghavan

Mr. Pankaj Patel

Dr. Ranjan Pai

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

Mumbai Central, Mumbai 400 008

Website

www.cipla.com

NOTICE

NOTICE is hereby given that the SEVENTY-SEVENTH ANNUAL GENERAL MEETING of CIPLA LIMITED will be held at Y.B. Chavan Auditorium, General Jagannath Bhosale Marg, Mumbai-400 021, on Thursday, 22nd August 2013 at 3.00 p.m. to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the audited Balance Sheet as at 31st March 2013, 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 2013.
3. To appoint a Director in place of Mr. M.R. Raghavan who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Pankaj Patel who retires by rotation and being eligible, offers himself for re-appointment.
5. To resolve not to fill the vacancy for the time being in the Board, caused by the retirement of Mr. Ramesh Shroff, who retires by rotation and does not seek re-appointment.
6. To consider and, if thought fit, to pass, with or without modifications, the following resolution, as an Ordinary Resolution:

“RESOLVED THAT M/s. V. Sankar Aiyar & Co., Chartered Accountants (Firm Reg. No. 109208W) together with 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 the Board of Directors of the Company be and is hereby authorised to appoint Auditors for the Company's branch office(s) (whether now or as may be established) in terms of section 228 of the Companies Act, 1956 in consultation with the Auditors of the Company to examine and audit the accounts for the financial year ending on 31st March 2014 upon such remuneration, terms and conditions as the Board of Directors may deem fit.”

SPECIAL BUSINESS:

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

“RESOLVED THAT Mr. Subhanu Saxena be and is hereby appointed as a Director of the Company with effect from the commencement of this Annual General Meeting.”

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

“RESOLVED THAT subject to the approval of the Central Government and in pursuance of the provisions of sections 269, 198, 309 read with Schedule XIII and other applicable provisions of the Companies Act, 1956 (“the Act”), the Company in general meeting hereby approves, confirms and ratifies the appointment of Mr. Subhanu Saxena as the Managing Director of the Company designated as “Managing Director and Global Chief Executive Officer”, with the benefit of continuity of service of Mr. Subhanu Saxena as agreed to by the Board and the appointee, for a period of five years commencing from 16th July 2013 and concluding on 15th July 2018 and on the terms and conditions as stipulated in employment agreement dated 15th July 2013 between the Company and Mr. Subhanu Saxena, which agreement be and is hereby approved, ratified and confirmed. The terms and conditions of Mr. Subhanu Saxena's employment, including remuneration (as stipulated in the said employment agreement) is abstracted below:

- A. Annual Basic Salary: USD 1,500,000 (equivalent to approximately ₹8,98,50,000 at the prevailing currency exchange rates as on date). Additionally, in the event that Mr. Subhanu Saxena becomes liable to payment of tax in any foreign country on account of extended overseas travel undertaken by Mr. Subhanu Saxena on behalf of the Company, the Company will be obliged to gross-up such amount of tax.
- B. Sign on Bonus of USD 500,000 (equivalent to approximately ₹2,99,50,000 at the prevailing currency exchange rates as on date) payable on completion of 12 months of service.

NOTICE *contd.*

- C. Variable Bonus: Mr. Subhanu Saxena's target variable bonus is USD 750,000 (equivalent to approximately ₹4,49,25,000 at the prevailing currency exchange rates as on date), 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. Currency Rate Adjustment: Mr. Subhanu Saxena's remuneration is denominated in US dollars in the said employment agreement and is to be converted to INR on the basis of the exchange rate prevailing on the date immediately preceding the date of payment. To account for significant exchange rate fluctuations (of more than 10% on an annual basis with reference to a reference rate of USD 1 = ₹54), a mechanism has been agreed and set out in the employment agreement.
- E. Accommodation and Car: Mr. Subhanu Saxena is entitled to leased housing in Mumbai (including any utilities such as gas, electricity, water charges, etc) together with a leased car along with a chauffeur, upto an aggregate limit of ₹1,59,60,000 per annum. Fuel cost to be reimbursed at actuals.
- F. Other Perquisites:
 - a. Life insurance for Mr. Subhanu Saxena and health insurance for Mr. Subhanu Saxena and his immediate family. Appropriate directors and officers insurance policy for Mr. Subhanu Saxena.
 - b. Appropriate corporate club membership for Mr. Subhanu Saxena and his family.
 - c. Family travel allowance in the form of 4 (four) return business class air-tickets between Europe and Mumbai on an annual basis.
- G. Stock Options: Mr. Subhanu Saxena is entitled for stock options in accordance with the Employee Stock Option Scheme dated 9th April 2013 ("ESOS 2013"), which has received the approval of the shareholders of the Company. ESOS 2013 entitles Mr. Subhanu Saxena to 10,00,000 equity shares of the Company over a period of 5 years from the grant date.
- H. The total remuneration including perquisites shall not exceed the limits specified in Schedule XIII to the Act.
- I. The Board is authorised to fix actual remuneration and revise it from time to time within the aforesaid ceilings.
- J. If in any financial year during the currency of tenure of the appointee, the Company has no profits or its profits are inadequate, the appointee shall be entitled to minimum remuneration by way of basic salary, perquisites and allowances not exceeding the ceiling limit specified under paragraph 1 of section II, Part II of Schedule XIII to the Act and in addition thereto, appointee shall also be eligible to the perquisites and allowances not exceeding the limits specified under paragraph 2 of section II, Part II of Schedule XIII to the Act or such other limits as may be specified by the Central Government from time to time as minimum remuneration.
- K. This appointment as Managing Director is liable for termination by either party giving six months' notice in writing to the other or pro-rata Basic Salary in lieu of notice.

RESOLVED FURTHER THAT in the event of the approval of the Central Government stipulating any changes with respect to the payment of remuneration to the appointee, the Board of Directors of the Company be and is hereby authorised to vary the remuneration in accordance therewith to the extent and in the manner as may be agreed to by the appointee.

AND RESOLVED FURTHER THAT the Board be and is hereby further authorised to do all such acts, deeds and things and execute all such documents, instruments and writings as may be required to give effect to the resolution hereof."

- 9. To consider and, if thought fit, to pass, with or without modifications, the following resolution, as a Special Resolution:
"RESOLVED THAT in pursuance of sections 198, 309 read with Schedule XIII and other applicable provisions of the Companies Act, 1956 ("the Act"), the Company hereby approves, ratifies and confirms the appointment of Mr. M.K. Hamied as Whole-time Director of the Company designated as "Executive Vice-Chairman" for a period of two years commencing on 16th July 2013 and ending on 15th July 2015 with the benefit of continuity of service subject to the remuneration not exceeding the limits laid down under sections 198 and 309 of the Act and on mutually agreed terms and conditions stated hereunder and also as set out in the letter of appointment dated 15th July 2013 issued by the Company constituting the contract of appointment which contract be and is hereby approved, ratified and confirmed:

NOTICE *contd.*

- A. Salary: ₹10,00,000 p.m. with liberty to the Board of Directors to sanction such increase as it may in its absolute discretion determine from time to time provided that the salary does not exceed ₹20,00,000 p.m. during the tenure.
- B. Accommodation: Rent-free furnished accommodation or 60% of the salary as house rent allowance in lieu of accommodation. The appointee shall also be eligible for maintenance of accommodation including furniture, fixtures and furnishings and reimbursement of expenses incurred on gas, electricity and water.
- C. Perquisites: The appointee shall be entitled to perquisites, allowances, benefits, facilities and amenities (collectively called "perquisites") such as medical reimbursement, leave travel assistance/allowance, membership fees of clubs, hospitalisation and accident insurance and any other perquisites as per the policy/rules of the Company in force or as may be approved by the Board from time to time.

In addition to the above, the appointee shall also be entitled to the following benefits as per policy/rules of the Company in force or as may be approved by the Board from time to time:

(i) Company maintained car(s) with driver(s) or cash equivalent thereof; (ii) Telecommunication facilities at residence; (iii) Company's contribution to Provident Fund and Superannuation Fund; (iv) Payment of gratuity and other retiral benefits and (v) Encashment of leave.

- D. Commission: The appointee shall also be entitled to, in addition to the aforesaid salary and perquisites, commission as may be fixed by the Board after profits of the Company are ascertained each year subject to minimum of ₹1,00,00,000 each year so however the overall remuneration for all the managerial personnel does not exceed the limits prescribed under sections 198 and 309 of the Act and Schedule XIII as may be applicable from time to time with liberty to pay such commission in one or more installments entirely at the discretion of the Board.
- E. The Board is authorised to fix actual remuneration and revise it from time to time within the aforesaid ceilings.
- F. If in any financial year during the currency of tenure of the appointee, the Company has no profits or its profits are inadequate, the appointee shall be entitled to minimum remuneration by way of basic salary, perquisites and allowances not exceeding the ceiling limit specified under paragraph 1 of section II, Part II of Schedule XIII to the Act and in addition thereto, he shall also be eligible to the perquisites and allowances not exceeding the limits specified under paragraph 2 of section II, Part II of Schedule XIII to the Act or such other limits as may be specified by the Central Government from time to time as minimum remuneration.
- G. This appointment as Whole-time Director is liable for termination by either party by giving three months' notice in writing to the other.

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

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

"RESOLVED THAT Mr. Ashok Sinha be and is hereby appointed as a Director of the Company with effect from the commencement of this Annual General Meeting liable to retire by rotation."

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

"RESOLVED THAT in modification of Resolution No. 6 passed at the Annual General Meeting of the Company held on 25th August 2010 and pursuant to the provisions of section 314 read with Director's Relatives (Office or Place of Profit) Rules, 2011 and other applicable provisions, if any, of the Companies Act, 1956 (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 ("Board") and subject to the approval of Central Government, the Company in general meeting hereby accords its prior consent to the revision in the terms of remuneration of Mr. Kamil Hamied, a relative of Mr. M.K. Hamied, Director of the Company designated as "Chief Strategy Officer" (or any other designation and role which the Board/Committee of the Board may decide from time to time) by way of an increase in the payment of monthly salary (inclusive of all allowances and perquisites), with effect from 1st September 2013, for the remainder of the tenure of his appointment i.e. upto 25th August 2015, being not more than ₹25,00,000 as may be and in the manner finalized by the Board in consultation with the appointee.

NOTICE *contd.*

RESOLVED FURTHER THAT in addition to the aforesaid monthly salary, Mr. Kamil Hamied be also entitled to a performance bonus not exceeding 25% of his annual salary depending on his performance.

RESOLVED FURTHER THAT the Board be and is hereby authorised to represent the Company before the Central Government and to agree to or accept any variations in the terms of the appointment as may be suggested by the Central Government.

AND RESOLVED FURTHER THAT the Board be and is hereby further 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 a Special Resolution:

"RESOLVED THAT in modification of Resolution No. 7 passed at the Annual General Meeting of the Company held on 25th August 2011 and pursuant to the provisions of section 314 read with Director's Relatives (Office or Place of Profit) Rules, 2011 and other applicable provisions, if any, of the Companies Act, 1956 (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 ("Board") and subject to the approval of Central Government, the Company in general meeting hereby accords its prior consent to the revision in the terms of remuneration of Mrs. Samina Vaziralli, a relative of Mr. M.K. Hamied, Director of the Company designated as "Head Strategic Projects – Cipla New Ventures" (or any other designation and role which the Board/Committee of the Board may decide from time to time) by way of an increase in the payment of monthly salary (inclusive of all allowances and perquisites), with effect from 1st September 2013, for the remainder of the tenure of her appointment i.e. upto 31st July 2017, being not more than ₹20,00,000 as may be and in the manner finalized by the Board in consultation with the appointee.

RESOLVED FURTHER THAT in addition to the aforesaid monthly salary, Mrs. Samina Vaziralli be also entitled to a performance bonus not exceeding 25% of her annual salary depending on her performance.

RESOLVED FURTHER THAT the Board be and is hereby authorised to represent the Company before the Central Government and to agree to or accept any variations in the terms of the appointment as may be suggested by the Central Government.

AND RESOLVED FURTHER THAT the Board be and is hereby further 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."

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

"RESOLVED THAT pursuant to the provisions of section 81(1A), and all other applicable provisions, if any, of the Companies Act, 1956, as amended or modified from time to time, the Memorandum and Articles of Association of the Company, the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended or modified from time to time (hereinafter referred to as "SEBI Guidelines") and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, the approval and consent of the Company be and are hereby accorded respectively to the Employee Stock Option Scheme 2013-A ("ESOS 2013-A") and to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee, including the Compensation Committee which the Board has constituted to exercise its powers, including the powers, conferred by this resolution), to create, offer and grant from time to time up to a total of 84,44,528 stock options to the benefit of such employees who are in permanent employment of the Company, including any Director of the Company, whether whole-time or otherwise, except an employee/director who is a promoter or belongs to the promoter group as defined in SEBI Guidelines and a director who either by himself or through his relative/any body corporate, directly or indirectly holds more than 10% of the outstanding equity shares of the Company, under ESOS 2013-A exercisable into equal number of equity shares of face value of ₹2 each fully paid up, in one or more tranches, on such terms and in such manner as the Board may decide in accordance with the provisions of the law or guidelines issued by the relevant authorities.

NOTICE *contd.*

RESOLVED FURTHER THAT the Board be and is hereby authorised to issue and allot equity shares upon exercise of options from time to time in accordance with the ESOS 2013-A or allot equity shares to a Trust which may be set-up by the Board to administer ESOS 2013-A or any other schemes of the Company and such equity shares shall rank *pari passu* in all respects with the then existing equity shares of the Company.

RESOLVED FURTHER THAT in case of any corporate action(s), including rights issues, bonus issues, merger, sale of division and others, if any additional equity shares are issued by the Company to the option grantees for the purpose of making a fair and reasonable adjustment to the options granted earlier, the above ceiling of 84,44,528 equity shares shall be deemed to be increased to the extent of such additional equity shares issued.

RESOLVED FURTHER THAT in case the equity shares of the Company are either sub-divided or consolidated, then the number of shares to be allotted and the price of acquisition payable by the option grantees under ESOS 2013-A shall automatically stand augmented or reduced, as the case may be, in the same proportion as the present face value of ₹2 per equity share bears to the revised face value of the equity shares of the Company after such sub-division or consolidation, without affecting any other rights or obligations of the said allottees.

RESOLVED FURTHER THAT the Board is be and is hereby authorised, to do all such acts, deeds, matters and things and execute all such deeds, documents, instruments and writings as it may in its absolute discretion deem necessary or desirable in connection with formation, funding, including any contribution to be made by the Company, administration, operation, etc. of a Trust, incur any and all such expenses, in relation to or for implementing the ESOS 2013-A, listing of the shares allotted under the ESOS 2013-A on the Stock Exchanges where the shares of the Company are listed as per the provisions of the Listing Agreement with the Stock Exchanges concerned, the SEBI Guidelines and other applicable laws and regulations.

AND RESOLVED FURTHER THAT the Board be and is hereby authorised to make modifications, changes, variations, alterations or revisions in ESOS 2013-A as it may deem fit, from time to time in its sole and absolute discretion in conformity with the provisions of the Companies Act, 1956, the Memorandum and Articles of Association of the Company, SEBI Guidelines and any other applicable laws.

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

“RESOLVED THAT pursuant to the provisions of section 81(1A), and all other applicable provisions, if any, of the Companies Act, 1956, as amended or modified from time to time, the Memorandum and Articles of Association of the Company, the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended or modified from time to time, (hereinafter referred to as “SEBI Guidelines”) and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, the approval and consent of the Company be and are hereby accorded to the Board of Directors of the Company (hereinafter referred to as “the Board” which term shall be deemed to include any Committee, including the Compensation Committee which the Board has constituted to exercise its powers, including the powers, conferred by this resolution), to create, offer and grant from time to time to the benefit of such employees who are in permanent employment of the subsidiary companies, including any Director of the subsidiary companies, whether whole-time or otherwise, whether working in India or outside India, options within the overall ceiling of 84,44,528 as mentioned in Resolution No. 13 above, under Employee Stock Option Scheme 2013-A (“ESOS 2013-A”), exercisable into equal number of equity shares of face value of ₹2 each fully paid up, in one or more tranches, on such terms and conditions and in such manner as may be fixed or determined by the Board in accordance with the provisions of the law or guidelines issued by the relevant authorities.

RESOLVED FURTHER THAT the Board be and is hereby authorised to issue and allot equity shares upon exercise of options from time to time in accordance with the ESOS 2013-A or allot equity shares to a Trust which may be set-up by the Board to administer ESOS 2013-A or any other schemes of the Company and such equity shares shall rank *pari passu* in all respects with the then existing equity shares of the Company.

RESOLVED FURTHER THAT in case of any corporate action(s), including rights issues, bonus issues, merger, sale of division and others, if any additional equity shares are issued by the Company to the option grantees for the purpose of making a fair and reasonable adjustment to the options granted earlier, the above ceiling of 84,44,528 equity shares shall be deemed to be increased to the extent of such additional equity shares issued.

NOTICE *contd.*

RESOLVED FURTHER THAT in case the equity shares of the Company are either sub-divided or consolidated, then the number of shares to be allotted and the price of acquisition payable by the option grantees under ESOS 2013-A shall automatically stand augmented or reduced, as the case may be, in the same proportion as the present face value of ₹2 per equity share bears to the revised face value of the equity shares of the Company after such sub-division or consolidation, without affecting any other rights or obligations of the said allottees.

RESOLVED FURTHER THAT the Board be and is hereby authorised, to do all such acts, deeds, matters and things and execute all such deeds, documents, instruments and writings as it may in its absolute discretion deem necessary or desirable in connection with formation, funding, including any contribution to be made by the Company, administration, operation, etc. of a Trust, incur any and all such expenses, in relation to or for implementing the ESOS 2013-A, listing of the shares allotted under the ESOS 2013-A on the Stock Exchanges where the shares of the Company are listed as per the provisions of the Listing Agreement with the Stock Exchanges concerned, the SEBI Guidelines and other applicable laws and regulations.

AND RESOLVED FURTHER THAT the Board be and is hereby authorised to make modifications, changes, variations, alterations or revisions in ESOS 2013-A as it may deem fit, from time to time in its sole and absolute discretion in conformity with the provisions of the Companies Act, 1956, the Memorandum and Articles of Association of the Company, SEBI Guidelines and any other applicable laws.

15. To consider and, if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of section 81(1A), and all other applicable provisions, if any, of the Companies Act, 1956, as amended or modified from time to time, the Memorandum and Articles of Association of the Company, the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended or modified from time to time, (hereinafter referred to as “SEBI Guidelines”) and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, the approval and consent of the Company be and are hereby accorded respectively to the Employee Stock Option Scheme 2013-B (“ESOS 2013-B”) and to the Board of Directors of the Company (hereinafter referred to as “the Board” which term shall be deemed to include any Committee, including the Compensation Committee which the Board has constituted to exercise its powers, including the powers, conferred by this resolution), to create, offer and grant from time to time upto a total of 5,22,194 stock options to Mr. Rajesh Garg, Global Chief Financial Officer and permanent employee of the Company, under ESOS 2013-B exercisable into equal number of equity shares of face value of ₹2 each fully paid up, in one or more tranches, on such terms and in such manner as the Board may decide in accordance with the provisions of the law or guidelines issued by the relevant authorities.

RESOLVED FURTHER THAT the Board be and is hereby authorised to issue and allot equity shares upon exercise of options from time to time in accordance with the ESOS 2013-B or allot equity shares to a Trust which may be set-up by the Board to administer ESOS 2013-B or any other schemes of the Company and such equity shares shall rank *pari passu* in all respects with the then existing equity shares of the Company.

RESOLVED FURTHER THAT in case of any corporate action(s), including rights issues, bonus issues, merger, sale of division and others, if any additional equity shares are issued by the Company to the employee, i.e. Mr. Rajesh Garg, for the purpose of making a fair and reasonable adjustment to the options granted earlier, the above ceiling of 5,22,194 equity shares shall be deemed to be increased to the extent of such additional equity shares issued.

RESOLVED FURTHER THAT in case the equity shares of the Company are either sub-divided or consolidated, then the number of shares to be allotted and the price of acquisition payable by the employee, i.e. Mr. Rajesh Garg, under the ESOS 2013-B shall automatically stand augmented or reduced, as the case may be, in the same proportion as the present face value of ₹2 per equity share bears to the revised face value of the equity shares of the Company after such sub-division or consolidation, without affecting any other rights or obligations of the employee.

RESOLVED FURTHER THAT the Board be and is hereby authorised, to do all such acts, deeds, matters and things and execute all such deeds, documents, instruments and writings as it may in its absolute discretion deem necessary or desirable in connection with formation, funding, including any contribution to be made by the Company, administration, operation, etc. of a Trust, incur any and all such expenses, in relation to or for implementing the ESOS 2013-B, listing of the shares allotted under the ESOS 2013-B on the Stock Exchanges where the shares of the Company are listed as per the provisions of the Listing Agreement with the Stock Exchanges concerned, the SEBI Guidelines and other applicable laws and regulations.

NOTICE *contd.*

AND RESOLVED FURTHER THAT the Board be and is hereby authorised to make modifications, changes, variations, alterations or revisions in ESOS 2013-B as it may deem fit, from time to time in its sole and absolute discretion in conformity with the provisions of the Companies Act, 1956, the Memorandum and Articles of Association of the Company, SEBI Guidelines and any other applicable laws.

16. To consider and, if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of sections 198, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 (“the Act”) and any other law for the time being in force, and in accordance with the provisions of Articles of Association of the Company, approval of the Company be and is hereby accorded for payment of commission not exceeding in the aggregate, 1% per annum of the Company’s net profit, computed in the manner laid down by sections 198, 349 and 350 of the Act, to the Non-Executive Directors of the Company or to some or any of them, in such proportion, as may be decided by the Board of Directors from time to time, for a period of five years commencing from 1st April 2013.

AND RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to take such steps as may be necessary to give effect to this Resolution.”

By Order of the Board of Directors

Mumbai, 15th July 2013

Mital Sanghvi
Company Secretary

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.

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

2. The Explanatory Statement pursuant to section 173 of the Companies Act, 1956 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 Thursday, 8th August 2013 to Thursday, 22nd August 2013, both days inclusive.

4. The dividend for the year ended 31st March 2013 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 Wednesday, 7th August 2013. In respect of shares held in electronic 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

NOTICE *contd.*

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 2B 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.
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 2005 have been transferred by the Company to IEPF.

Members may note that unclaimed dividend for the financial year ended 31st March 2006 shall become due for transfer to IEPF on 4th October 2013. 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 2006, 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.

NOTICE *contd.*

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956 SETTING OUT ALL MATERIAL FACTS CONCERNING THE SPECIAL BUSINESS IN THE NOTICE DATED 15th JULY 2013

Item No.7: Ordinary Resolution and Item No.8: Special Resolution

Mr. Subhanu Saxena, aged 48 years has a BA (Hons) in Engineering Science from Oxford University and an MBA from INSEAD, Paris. A UK Citizen, Mr. Subhanu Saxena holds Overseas Citizen of India (OCI) card. He is fluent in English, Hindi and Sanskrit and has a working knowledge of French, German and Russian.

Mr. Subhanu Saxena has rich work experience of over 25 years, in industries as varied as Fast Moving Consumer Goods (FMCG), consulting, banking and pharmaceuticals. Prior to joining the Company he was working with Novartis AG, where he led the Global Product Strategy and Commercialization function, a position he held for three years.

The Company had initially appointed Mr. Subhanu Saxena as the Chief Executive Officer of the Company with effect from 1st February 2013. In consonance with good corporate governance and with the desire to have independent professional management of the Company, given the fact that somebody of the stature of Mr. Subhanu Saxena is employed by the Company, it would be fit and proper for the Company to also appoint him to the position of Managing Director.

At the time when Mr. Subhanu Saxena was appointed as the Chief Executive Officer, he was paid a sign on bonus of ₹2,70,00,000.

The Board of Directors appointed Mr. Subhanu Saxena as an Additional Director with effect from 16th July 2013 pursuant to section 260 of the Companies Act, 1956 read with Article 129 of the Company's Articles of Association. He holds the office up to the date of the ensuing Annual General Meeting. The Company has received, along with the requisite deposit, a notice under section 257 in writing from some of its members proposing his appointment as a Director of the Company.

The Board of Directors also appointed Mr. Subhanu Saxena as Managing Director of the Company designated as "Managing Director and Global Chief Executive Officer", under section 269 and Schedule XIII, for a period of five years commencing from 16th July 2013 subject to the approval of the members in the Annual General Meeting.

Mr. Subhanu Saxena is a non-resident and his appointment requires the approval of the Central Government. However, the remuneration proposed and the terms and conditions of his appointment are well within the limits prescribed under Schedule XIII to the Companies Act, 1956. The contents of text of the special resolution are self-explanatory in so far as terms and conditions of appointment are concerned and may be treated, for the purposes of section 302 of the Act, as an abstract of the contract between the Company and the Managing Director.

He also holds directorship of Bombay Chamber of Commerce and Industry. He is not related to any Director of the Company. As on date of this Notice, he does not hold any equity share in the Company. He is entitled to 10,00,000 stock options in accordance with ESOS 2013.

Except for Mr. Subhanu Saxena, none of the other Directors of the Company are concerned or interested in the resolution.

Agreement dated 15th July 2013 between the Company and Mr. Subhanu Saxena for his appointment as Managing Director is available for inspection at the Registered Office of the Company between 10.00 a.m. and 12.30 p.m. on all working days up to the date of ensuing Annual General Meeting.

Item No. 9: Special Resolution

Mr. M.K. Hamied has been working as a Whole-time Director of the Company with effect from 15th December 1983. He was redesignated as Joint Managing Director effective from 6th December 2000. The existing contract of Mr. M.K. Hamied as Joint Managing Director entered in the year 2008 was valid till 31st July 2013. Dr. Y.K. Hamied, Managing Director of the Company retired from his position with effect from 31st March 2013. Consequently, Mr. M.K. Hamied was designated as Managing Director with effect from 1st April 2013.

Consequent to the appointment of Mr. Subhanu Saxena as Managing Director of the Company, the Board of Directors at its meeting held on 15th July 2013 appointed Mr. M.K. Hamied as Whole-time Director of the Company designated as "Executive Vice-Chairman". In his new role, Mr. M.K. Hamied will focus on strategic decisions and direction of the Company, continue to guide and mentor the senior leadership of the Company.

Mr. M.K. Hamied is a science graduate from Bombay University. He has vast and varied experience in all functions of the Company including production, technical areas, quality management and general administration.

NOTICE *contd.*

Mr. M.K. Hamied has attained the age of 70 years and his appointment requires the approval of the members by way of a special resolution under schedule XIII to the Companies Act, 1956. The special resolution empowers payment of remuneration within the ceiling laid down under Schedule XIII as in force at present. The contents of text of the special resolution are self-explanatory in so far as terms and conditions of appointment are concerned and may be treated, for the purposes of section 302 of the Act, as an abstract of the contract between the Company and the Whole-time Director.

Mr. M.K. Hamied holds directorship of Globus Healthcare Limited. Mr. M.K. Hamied is the Chairman of Share Committee and is a member of Investors' Grievance Committee and Compensation Committee of the Company.

Mr. M.K. Hamied and Dr. Y.K. Hamied are related to each other. To that extent they can be regarded as concerned or interested in the resolution.

The letter of appointment dated 15th July 2013 issued to Mr. M.K. Hamied is available for inspection at the Registered Office of the Company between 10.00 a.m. to 12.30 p.m. on all working days upto the date of the ensuing Annual General Meeting.

Item No. 10: Ordinary Resolution

The Board of Directors appointed Mr. Ashok Sinha as an Additional Director with effect from 16th July 2013 pursuant to section 260 of the Companies Act, 1956 read with Article 129 of the Company's Articles of Association. He holds the office up to the date of the ensuing Annual General Meeting. The Company has received, along with the requisite deposit, a notice under section 257 in writing from some of its members proposing his appointment as a Director of the Company.

Mr. Ashok Sinha, aged 61 years is an Electrical Engineer from Indian Institute of Technology (IIT), Kanpur and Post Graduate Diploma in Management from Indian Institute of Management (IIM), Bangalore with specialisation in Finance. He is recipient of Distinguished Alumnus Award from IIT Kanpur as well as from IIM Bangalore.

Mr. Ashok Sinha worked for 33 years in Bharat Petroleum Corporation Limited (BPCL), where he served on the Board of BPCL for 15 years – first as Director (Finance) for 10 years and then as its Chairman and Managing Director for 5 years.

As on the date of this Notice, he also holds directorships of the following companies: Petronet LNG Limited; The Hospital & Nursing Home Benefits Association; CMC Limited and Axis Asset Management Company Limited.

As on the date of this Notice, he holds chairmanship of Board Committees of the following companies: Petronet LNG Limited (Audit Committee and Remuneration Committee) and CMC Limited (Ethics and Compliance Committee).

As on the date of this Notice, he holds membership of Board Committees of the following companies: CMC Limited (Audit Committee) and Axis Asset Management Company Limited (Audit Committee).

He is not related to any other Director of the Company. As on date of this Notice, he does not hold any equity share in the Company. He has been appointed as a member of Audit Committee of the Company.

Except for Mr. Ashok Sinha, none of the other Directors of the Company are concerned or interested in the resolution.

Item No. 11: Special Resolution

Mr. Kamil Hamied has completed IB (International Baccalaureate) course from United World College, Singapore and holds the degree of Bachelor of Arts from New York University. Also, in the last eight years, he has been involved in several assignments in the area of marketing of pharmaceutical products.

At the Annual General Meeting of the Company held on 25th August 2010, the Members had approved the appointment of Mr. Kamil Hamied as a member of management team on a monthly salary (inclusive of all allowances and perquisites) being not less than ₹2,00,000 and not more than ₹8,00,000.

Mr. Kamil Hamied is currently paid monthly salary of ₹8,00,000 (inclusive of all allowances and perquisites). In the last one year, he has shouldered increased responsibilities in various domains within the Company and the Company has benefited out of his expertise. Under his leadership, the Company is in the process of striking strategic partnerships and alliances. He is a part of the Core Leadership Team and is spearheading inorganic growth initiatives of the Company. Considering his experience and expertise the Board has decided to designate him as "Chief Strategy Officer". Important functions within the Company such as Strategy, Business Development and Licensing, Investor Relations, Mergers & Acquisitions, Alliance Management and Corporate Communications will report to Mr. Kamil Hamied. In view of his new role and to make it in line with the industry standards, the Board has decided to revise his monthly salary

NOTICE *contd.*

from existing ₹8,00,000 to being not more than ₹25,00,000 with effect from 1st September 2013, for the remainder of the tenure of his appointment i.e. up to 25th August 2015. In addition to the monthly salary, he shall also be entitled to performance bonus not exceeding 25% of his annual salary depending on his performance. The Board of Directors would fix the monthly salary and performance bonus of Mr. Kamil Hamied within the above ceiling.

All other terms and conditions relating to the appointment of Mr. Kamil Hamied as approved by the Members of the Company will remain unchanged.

As per the provisions of section 314 of the Companies Act, 1956 read with Director's Relatives (Office or Place of Profit) Rules, 2011, Mr. Kamil Hamied's increase in remuneration as such requires prior consent of the shareholders by way of Special Resolution and also the approval of the Central Government as envisaged in section 314 of the Companies Act, 1956 and Rules thereunder and hence this Special Resolution.

Except for Mr. M.K. Hamied and Dr. Y.K. Hamied, none of the other Directors of the Company are concerned or interested in the resolution.

Item No. 12: Special Resolution

Mrs. Samina Vaziralli holds a B.Com. degree from Mumbai University and has completed MSc in International Accounting and Finance from The London School of Economics and Political Science. She has earlier worked with the Investment Management Division of Goldman Sachs International, London and Goldman Sachs & Company, New York.

At the Annual General Meeting of the Company held on 25th August 2011, the Members had approved the appointment of Mrs. Samina Vaziralli as a member of management team on a monthly salary (inclusive of all allowances and perquisites) being not more than ₹10,00,000.

Mrs. Samina Vaziralli is currently paid monthly salary of ₹7,50,000 (inclusive of all allowances and perquisites). She oversees strategic projects of the Company. She is co-leading the Transformation Management Initiative launched by the Company. She is actively involved in key Mergers & Acquisitions initiatives of the Company. Taking into consideration the increased business activities of the Company and the responsibilities cast on Mrs. Samina Vaziralli the Board has decided to designate her as "Head Strategic Projects – Cipla New Ventures" in which she will focus on incubating and creating future businesses for the Company. In view of her new role and to make it in line with the industry standards, the Board has decided to revise her monthly salary from existing ₹7,50,000 to not being more than ₹20,00,000, with effect from 1st September 2013, for the remainder of the tenure of her appointment i.e. upto 31st July 2017. In addition to the monthly salary, she shall also be entitled to performance bonus not exceeding 25% of her annual salary depending on her performance. The Board of Directors would fix the monthly salary and performance bonus of Mrs. Samina Vaziralli within the above ceiling.

All other terms and conditions relating to the appointment of Mrs. Samina Vaziralli as approved by the Members of the Company will remain unchanged.

As per the provisions of section 314 of the Companies Act, 1956 read with Director's Relatives (Office or Place of Profit) Rules, 2011, Mrs. Samina Vaziralli's increase in remuneration as such requires prior consent of the shareholders by way of Special Resolution and also the approval of the Central Government as envisaged in section 314 of the Companies Act, 1956 and Rules thereunder and hence this Special Resolution.

Except for Mr. M.K. Hamied and Dr. Y.K. Hamied, none of the other Directors of the Company are concerned or interested in the resolution.

Item No. 13 & 14: Special Resolution

Stock options have been recognized globally, as an effective instrument, to attract talent and align the interest of employees with those of the company and its shareholders, providing an opportunity to employees to share the growth of the company and to create long-term wealth in the hands of employees. Stock option schemes also create a common sense of ownership between the company and its employees, paving the way for a unified approach to the common objective of enhancing overall shareholder value.

In the present competitive economic environment in the country and in the long-term interests of the Company and its Shareholders, it is necessary that the Company adopts suitable measures for attracting and retaining qualified, talented and competent personnel.

NOTICE *contd.*

The main objective of such schemes is to give employees who are performing well a certain minimum opportunity to gain from the company's performance, thereby acting as a retention tool and to attract the best talent available in the market. The Company strongly feels that the value created by its employees should be shared by them.

The Board of Directors of the Company (hereinafter referred to as "the Board" which term shall include 'Compensation Committee' of the Board, consisting of a majority of independent directors, and constituted in accordance with the SEBI Guidelines) is now considering rewarding such permanent employees of the Company and its subsidiary(s), whether working in India or out of India, through such a stock option scheme.

To promote the culture of employee ownership, approval of the shareholders is being sought for issue of stock options to the employees of the Company and its subsidiaries, of upto a total of 84,44,528 equity shares of the Company, which comprises approximately 1.06% of the issued, subscribed and paid-up equity shares of the Company as on the date of approval. No Promoter or member of the Promoter Group will be eligible to participate in the Employee Stock Option Scheme 2013-A ("ESOS 2013-A").

The main features of ESOS 2013-A are as under:

1. Total number of options to be granted

A total number of options upto 84,44,528 of the equity shares (comprising approximately 1.06% of the issued, subscribed and paid-up equity shares of the Company as on the date of approval) would be available for being granted to eligible employees of the Company and the subsidiaries under ESOS 2013-A. Each option when exercised would be converted into one equity share of ₹2 each fully paid-up.

The options granted under ESOS 2013-A shall not be renounced, transferred, pledged, hypothecated, mortgaged or otherwise alienated in any other manner.

The options will lapse if not exercised within the specified exercise period as specified under ESOS 2013-A. Vested options that lapse due to non-exercise or unvested options that get cancelled due to resignation of the employees or otherwise, would be available for being re-granted at a future date.

The SEBI Guidelines require that in case of any corporate action(s) such as rights issues, bonus issues, merger and sale of division and others, a fair and reasonable adjustment needs to be made to the options granted. In this regard, the Compensation Committee shall adjust the number and price of the options granted in such a manner that the total value of the options granted under ESOS 2013-A, remain the same after any such corporate action. Accordingly, if any additional equity shares are issued by the Company to the option grantees for making such fair and reasonable adjustment, the ceiling of 84,44,528 of equity shares shall be deemed to be increased to the extent of such additional equity shares issued.

Before granting the Options to the employees under ESOS 2013-A, the Compensation Committee would, apart from evaluating overall group corporate performance, inter alia, take into consideration grade, performance, merit, key position, future potential contribution and conduct of the employees and such other factor as may be deemed appropriate by it.

Each Eligible Employee would be granted options on an annual basis in four installments unless otherwise decided by Board/Compensation Committee.

The maximum number of options to be granted to each employee shall not exceed 8,44,452 being 10% of the total options under the ESOS 2013-A.

2. Identification of classes of employees entitled to participate in the ESOS 2013-A

All permanent employees of the Company and the subsidiary(s), including the Directors of the Company and Subsidiary Companies but excluding the Promoters of the Company, as may be decided by the Compensation Committee from time to time, would be entitled to be granted stock options under ESOS 2013-A.

Before granting the Options to the employees under ESOS 2013-A, the Compensation Committee would, apart from evaluating overall group corporate performance, inter alia, take into consideration grade, performance, merit, key position, future potential contribution and conduct of the employees and such other factor as may be deemed appropriate by it.

NOTICE *contd.*

As per the SEBI Guidelines, an employee who is a promoter or belongs to the promoter group will not be eligible to participate in the Scheme. A Director, who either by himself or through his relative or through any body corporate, directly or indirectly holds more than 10% of the outstanding equity shares of the Company, will also not be eligible to participate in ESOS 2013-A.

3. Transferability of employee stock options

The stock options granted to an employee will not be transferable to any person and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any manner. However, in the event of the death of an option holder while in employment, the right to exercise all the options granted to him till such date shall be transferred to his legal heirs or nominees.

4. Requirements of vesting and period of vesting

The options granted shall vest as long as the employee continues to be in the employment of the Company or its holding or subsidiary company(s), as the case may be.

The Compensation Committee may, at its discretion, lay down certain performance metrics on the achievement of which the granted options would vest, the detailed terms and conditions relating to such performance-based vesting, and the proportion in which options granted would vest (subject to the minimum and maximum vesting period as specified below).

The options would vest not earlier than one year and not later than two years from the date of grant of options.

The exact proportion in which and the exact period over which the options would vest would be determined by the Compensation Committee, subject to the minimum vesting period of one year from the date of grant of options.

5. Maximum Vesting Period

The options would vest not earlier than one year and not later than two years from the date of grant of options.

6. Exercise Price

The Exercise Price shall be equal to the current face value of the equity shares of the Company, i.e., ₹2 per option.

In case of a share-split where the face value of the shares is reduced below ₹2, the maximum number of shares available for being granted under ESOS 2013-A shall stand modified accordingly, so as to ensure that the cumulative face value (No. of shares X Face value per share) prior to such split remains unchanged after the share split.

In case of a consolidation where the face value of the shares is increased above ₹2, the maximum number of shares available for being granted under ESOS 2013-A shall stand modified accordingly, so as to ensure that the cumulative face value (No. of shares X Face value per share) prior to such consolidation remains unchanged after the share consolidation.

7. Exercise Period and the Process of Exercise

The Exercise period would commence from the date of vesting and will expire on completion of five years from the date of vesting of options.

The options will be exercisable by the employees by a written application to the Company to exercise the options in such manner, and on execution of such documents, as may be prescribed by the Compensation Committee from time to time.

The options will lapse if not exercised within the specified exercise period as specified in ESOS 2013-A.

8. Appraisal Process for determining the eligibility of the employees to ESOS 2013-A

The Company has a formal performance appraisal system established whereby performance of the employees is assessed each year on the basis of various functional and managerial parameters. The appraisal process is revised at regular intervals in line with emerging global standards and international best practices.

The eligibility of the employees and the grant of options to such employees shall be based on criteria such as role of the employee, past performance record, future potential of the employee and/or such other related criteria that may be determined by the Compensation Committee at its sole discretion.

The Compensation Committee may at its discretion extend the benefits of the ESOS 2013-A to a new entrant.

NOTICE *contd.*

9. Maximum number of options to be issued per employee and in aggregate

The number of options that would be granted to an employee under the ESOS 2013-A shall be decided by the Compensation Committee.

Total number of options that may be granted to any specific employee under the ESOS 2013-A shall not exceed 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant of options.

10. Disclosure and Accounting Policies

The Company shall comply with the disclosure and the accounting policies prescribed by the SEBI Guidelines, including but not limited to the accounting policies specified in clause 13.1 thereof, and any authorities concerned, from time to time.

11. Method of option valuation

To calculate the employee compensation cost, the Company shall use the Intrinsic Value Method for valuation of the options granted.

Since the Company is calculating the employee compensation cost using the Intrinsic Value of the stock options, the difference between the employee compensation cost so computed and the cost that shall have been recognized if it had used the Fair Value of the options, shall be disclosed in the Directors' Report and also the impact of this difference on profits and on EPS of the Company shall also be disclosed in the Directors' Report.

As ESOS 2013-A provides for issue of shares to be offered to employees other than existing shareholders of the Company, consent of the shareholders is being sought pursuant to section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 and as per clause 6 of the SEBI Guidelines.

None of the Directors of the Company are in any way concerned or interested in the said resolution except to the extent of the options that may be offered to them.

Item No. 15: Special Resolution

Mr. Rajesh Garg joined the Company as Global Chief Financial Officer on 3rd June 2013. He has rich work experience of over 22 years from diverse industries such as Fast Moving Consumer Goods (FMCG), Manufacturing and Retail industry both in India and abroad. He joined the Company from UK retailer Tesco's Indian subsidiary where he was CFO & Strategy Director as well as a member of the Board. Prior to Tesco, he has worked with Cadbury (now Kraft) and Procter & Gamble in various senior management positions across North & South America, Europe and Asia.

Mr. Rajesh Garg has done his BE from Punjab University. He also has an MBA from Manchester Business School and University of Chicago, Graduate School of Business. His areas of expertise include finance, strategy, information technology, commercial and allied areas.

Considering his rich experience, his expertise in various areas, his present role and responsibilities in the organization and his contribution in the value, growth and profitability of the Company in the years to come, the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall include 'Compensation Committee' of the Board, consisting of a majority of independent directors, and constituted in accordance with the SEBI Guidelines) now intends to reward Mr. Rajesh Garg, Global Chief Financial Officer, and permanent employee of the Company.

Hence the approval of the shareholders is being sought for issue of stock options to Mr. Rajesh Garg, of upto a total of 5,22,194 equity shares of the Company, which comprises approximately 0.065% of the issued, subscribed and paid-up equity shares of the Company as on the date of approval.

The main features of the ESOS 2013-B are as under:

1. Total number of options to be granted

A total number of options equal to 5,22,194 of the equity shares (comprising approximately 0.065% of the issued, subscribed and paid-up equity shares of the Company as on the date of approval) would be available for being granted to Mr. Rajesh Garg, Global Chief Financial Officer of the Company, under ESOS 2013-B. Each option when exercised would be converted into one equity share of ₹2 each fully paid-up.

NOTICE *contd.*

The options granted under ESOS 2013-B shall not be renounced, transferred, pledged, hypothecated, mortgaged or otherwise alienated in any other manner.

The options will lapse if not exercised within the specified exercise period under ESOS 2013-B. Vested options that lapse due to non-exercise or unvested options that get cancelled due to resignation of Mr. Rajesh Garg or otherwise, would be available for being re-granted at a future date.

The SEBI Guidelines require that in case of any corporate action(s) such as rights issues, bonus issues, merger and sale of division and others, a fair and reasonable adjustment needs to be made to the options granted. In this regard, the Compensation Committee shall adjust the number and price of the options granted in such a manner that the total value of the options granted under ESOS 2013-B, remain the same after any such corporate action. Accordingly, if any additional equity shares are issued by the Company to Mr. Rajesh Garg for making such fair and reasonable adjustment, the ceiling of 5,22,194 of equity shares shall be deemed to be increased to the extent of such additional equity shares issued.

The options will be granted by the Compensation Committee subsequent to the approval of the shareholders.

2. Identification of class of employee entitled to participate in ESOS 2013-B

Mr. Rajesh Garg, Global Chief Financial Officer of the Company would be entitled to be granted stock options under the ESOS 2013-B.

3. Transferability of employee stock options

The stock options granted to Mr. Rajesh Garg, will not be transferable to any person and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any manner. However, in the event of the death while in employment, the right to exercise all the options granted to him till such date shall be transferred to his legal heirs or nominees.

4. Requirements of vesting and period of vesting

The options granted shall vest so long as Mr. Rajesh Garg continues to be in the employment of the Company or its Holding or Subsidiary Company(s), as the case may be.

The options will vest not earlier than two years and not later than five years from the date of grant of options except under specific circumstances as may be decided by Compensation Committee at the time of grant of the options.

The exact proportion in which and the exact period over which the options would vest would be as follows:

Percentage of Vesting	No. of Options	Vesting Period
40%	2,08,877	End of two years from the Grant date
20%	1,04,439	End of three years from the Grant date
20%	1,04,439	End of four years from the Grant date
20%	1,04,439	End of five years from the Grant date

5. Maximum Vesting Period

As stated above, the options would vest not earlier than two years and not later than five years from the date of grant of options.

6. Exercise Price

The options would be granted at an exercise price equal to 50% discount to the prevailing Market Price (at a stock exchange as determined by the Compensation Committee) on the date prior to the date on which the Compensation Committee finalizes grant of options to Mr. Rajesh Garg.

7. Exercise Period and the Process of Exercise

The Exercise period will commence from the date of vesting and will expire on completion of five years from the date of vesting of options.

NOTICE *contd.*

The options will be exercisable by Mr. Rajesh Garg by a written application to the Company to exercise the options in such manner, and on execution of such documents, as may be prescribed by the Compensation Committee from time to time.

The options will lapse if not exercised within the specified exercise period, as specified in ESOS 2013-B.

8. Appraisal Process for determining the eligibility of the employee to ESOS 2013-B

As indicated above Mr. Rajesh Garg would be granted 5,22,194 options and the same would vest as per the schedule referred in point no. 4 above.

9. Maximum number of options to be issued per employee and in aggregate

The number of options that would be granted to Mr. Rajesh Garg under ESOS 2013-B shall be less than 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant of options. Mr. Rajesh Garg would be granted a total number of options equal to 5,22,194 (comprising approximately 0.065% of the issued, subscribed and paid-up equity shares of the Company as on the date of approval).

10. Disclosure and Accounting Policies

The Company shall comply with the disclosure and the accounting policies prescribed by the SEBI Guidelines, including but not limited to the accounting policies specified in clause 13.1 thereof, and any authorities concerned, from time to time.

11. Method of option valuation

To calculate the employee compensation cost, the Company shall use the Intrinsic Value Method for valuation of the options granted.

Since the Company is calculating the employee compensation cost using the Intrinsic Value Method of the stock options, the difference between the employee compensation cost so computed and the cost that shall have been recognized if it had used the Fair Value of the options, shall be disclosed in the Directors' Report and also the impact of this difference on profits and on EPS of the Company shall also be disclosed in the Directors' Report.

As ESOS 2013-B provides for issue of shares to be offered to person other than existing shareholders of the Company, consent of the shareholders is being sought pursuant to section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 and as per clause 6 of the SEBI Guidelines.

None of the Directors of the Company, are in any way, concerned or interested in the said resolution.

Item No. 16: Special Resolution

The Company presently pays sitting fees of ₹10,000 for each Board/Committee Meeting attended by Non-Executive Directors.

In order to remunerate the Non-Executive Directors for their contribution to the Board/Committee(s), to attract independent professionals to take up these positions and in accordance with the established practices across industries, the Board, at its meeting held on 15th July 2013, approved the payment of commission not exceeding in the aggregate 1% p.a. of the Company's net profit, computed in the manner laid down by sections 198, 349 and 350 and other applicable provisions, if any, of the Companies Act, 1956, for a period of five years commencing from 1st April 2013.

All Non-Executive Directors may be regarded as concerned or interested in the above proposal to the extent of the commission they may receive as Non-Executive Directors. Further, Mr. M.K. Hamied may be regarded as concerned or interested to the extent of the commission that Dr. Y.K. Hamied may receive as Non-Executive Director.

By Order of the Board of Directors

Mumbai, 15th July 2013

Mital Sanghvi
Company Secretary

NOTICE *contd.*

ANNEXURE 1

RELEVANT INFORMATION IN RESPECT OF THE DIRECTORS SEEKING RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING AS REQUIRED UNDER CLAUSE 49 OF THE LISTING AGREEMENT IS AS UNDER:

A. Mr. M.R. Raghavan

Mr. M.R. Raghavan is a practising Chartered Accountant since qualification. He has done his Bachelor of Science (Mathematics and Statistics) and is a Fellow member of the Institute of Chartered Accountants of India.

His areas of specialisation include computer-aided management systems and compliance reporting. He is an expert in the field of Computer Aided Management Systems (CAMS) and has designed computer systems for various large and medium business houses in India and abroad in a wide variety of operational areas.

On the social front, he has significantly contributed on child education since 1980 and is currently involved in pioneering projects in rural areas.

He joined the Board of Directors of the Company in the year 2002. He is a member of Audit Committee and Chairman of Compensation Committee of the Company.

He also holds directorship of Coverdale Consultants Private Limited.

He is not related to any other Director of the Company. As on the date of this Notice, he does not hold any equity share in the Company.

B. Mr. Pankaj Patel

Mr. Pankaj Patel is a Science and Law graduate from Mumbai University. He is an eminent lawyer practising in the field of industrial relations for nearly 25 years.

He joined the Board of Directors of the Company in the year 2008. He is a member of Investors' Grievance Committee and Compensation Committee of the Company.

He does not hold directorship of any other Company.

He is not related to any other Director of the Company. As on the date of this Notice, he does not hold any equity share in the Company.

By Order of the Board of Directors

Mumbai, 15th July 2013

Mital Sanghvi
Company Secretary

DIRECTORS' REPORT

The Directors take pleasure in presenting the Seventy-Seventh Annual Report of the Company along with the Audited Accounts for the financial year ended 31st March 2013.

Financial Summary

Year ended 31 st March 2012		Year ended 31 st March 2013
7223	Gross total revenue	8524
1421	Profit before tax	2012
1124	Profit after tax	1507
2298	Surplus brought forward from last balance sheet	3111
3422	Profit available for appropriation	4618
	Appropriations:	
160	Dividend	160
26	Tax on dividend	28
125	Transfer to general reserve	160
3111	Surplus carried forward	4270

₹ in crore

DIVIDEND

The Directors recommend a dividend of ₹2 per share on 80,29,21,357 equity shares of ₹2 each for the year 2012-13 amounting to ₹160.58 crore.

MANAGEMENT REVIEW: 2012-13

Industry Structure and Development

There has been a modest improvement in the global financial condition ensuring reduced short term risks; however, the overall financial climate has not picked up the momentum of recovery. From a regional outlook, the US experienced a moderate growth, while the Eurozone continued to be in a vulnerable position with high risks of banking system meltdown and unresolved debt crisis issues. The emerging economies such as the BRIC countries did not pace up to last fiscal year's growth; however, other emerging nations including developing Asia showed promising growth.

The data from the Central Statistics Office affirmed the Indian GDP Growth rate at a decade lowest of 5% for the fiscal year 2012-13 on account of weakness in investment, significant deceleration in household consumption and sluggish exports. The declining growth warranted the government to take immediate steps to curtail inflation and restore fiscal health. The Indian economy is expected to gradually recover, with a projected 6.4% growth for 2013-14. However, the financial climate will continue to face various challenges in the coming year.

Despite the fragile economic environment, the Indian pharmaceutical market grew at a healthy 10%. This robustness in performance is a testimony to the measures taken in improving healthcare standards. Factors that also bolstered the Indian pharmaceuticals' performance include strong exports to the US and the depreciation of the Rupee against the Dollar. The positive growth is expected to be a long-term phenomenon in the industry, promising a CAGR of 14-16% in the next 5 years.

During May 2013, the Department of Pharmaceuticals notified the Drugs (Prices Control) Order 2013 under which prices of 348 medicines in the National List of Essential Medicines (NLEM) have been brought under price control, thus replacing an earlier order of 1995 that regulated prices of 74 bulk drugs. There is a shift from cost-based to market-based pricing methodology under the new drug policy which is expected to benefit consumers. There are a few provisions in the DPCO 2013 which are impractical and could lead to potential litigations. The government must address these issues by taking a balanced approach. While the move to market-based pricing is positive, the government must focus on the issue of affordability and access for all medicines. In India, the prices of generics are among the lowest in the world. Since the government has already constituted a committee to regulate patented medicines, it should look at developing mechanisms to address affordability of patented and monopoly products through instruments such as reference pricing or compulsory licensing in return for reasonable royalties.

DIRECTORS' REPORT *contd.*

There is a policy paralysis on the drug regulatory approval process. If India is to retain its pharmaceutical growth story, it must quickly unshackle and revamp the drug approval process, and put in place a more fast track balanced system.

Recently, the Indian Health Ministry's rush to ban certain old established drugs in an arbitrary and discriminate manner is disturbing. The regulatory environment is fraught with uncertainties and is quite challenging.

Globally the generic pharmaceutical market is expected to progress at 15% annually to become approximately USD 170 billion in 2014. A downturn in the global economy and expiry of patents serve as an impetus for the generics industry to expand further in the future. The emerging economies are responding very positively to the industry demand drivers which include a growing and ageing global population, increasing incidence of non-communicable and infectious diseases, improved access to healthcare and higher affordability.

Performance Review

The Company's revenue from operations during the financial year 2012-13 amounted to ₹8,295 crore against ₹7,075 crore in the previous year recording a growth of more than 17 percent. The domestic turnover increased by more than 14 percent, from ₹3,213 crore in the previous financial year to ₹3,681 crore in the financial year under review. Total exports increased by about 20 percent during the year to ₹4,426 crore.

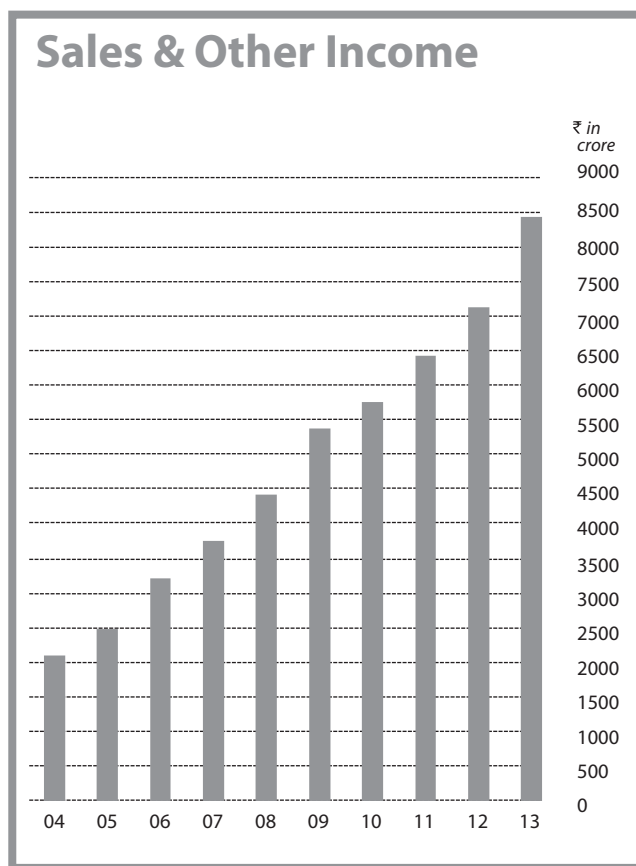
During the year under review, operating margin increased by 34 percent. This was primarily due to reduction in material cost on account of improved realisations, changes in the product mix and higher contribution of Escitalopram in the US. As a result, profit after tax increased by more than 34 percent to ₹1,507 crore from ₹1,124 crore in the previous financial year.

In order to build a strong foundation for future growth, Cipla launched Jaagruti, the transformation programme, during the year under review. The programme is aimed at reducing business complexity and strengthening operations. Cipla rationalized its exposure to several low value markets and partners to reduce complexity. Additionally, on-time-in-full delivery levels improved two to threefold through dedicated efforts in the supply chain processes. The impact of these initiatives has already been recognized by several key partners worldwide.

Another critical focus of this programme is to improve cost effectiveness across products while upholding the highest standards of regulatory, quality and safety requirements. Jaagruti's efforts have reduced yield loss, shortened lead times and debottlenecked constrained capacities across manufacturing facilities by implementing several improvement ideas. The Company has recently also launched 'Procurement Effectiveness Effort' to build best in class procurement practices and further realize cost savings.

Cipla strives to maintain world-class quality for its products and services across all markets. Cipla will continue to enhance its already strong focus on quality, and ensure that every patient has access to the best quality medicines in the world.

In the coming years, the Company will invest in two of its most critical assets, product pipeline and people, to drive growth. There is renewed emphasis in the Company to develop right organisational structures, nurture top talent and build a formidable global leadership team. Earlier this year, Cipla announced the appointment of Mr. Subhanu Saxena as its Chief Executive Officer. Mr. Saxena comes with a rich work experience of over 25 years, and will lead the Company to deliver the next phase of growth, while building on Cipla's core values.



DIRECTORS' REPORT *contd.*

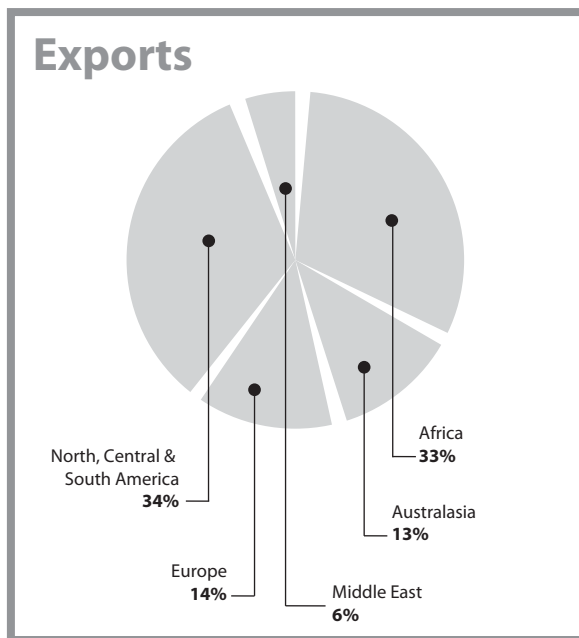
Products

The Company introduced many new drugs and formulations during the year. Some significant formulations are mentioned below:

- Amlopres VL (amlodipine and valsartan tablets) – combination therapy for effective hypertension management
- Cinmove OD (cinitapride sustained-release tablets) – for gastrointestinal motility problems and acid reflux
- Cresar Plus (telmisartan, amlodipine and hydrochlorothiazide tablets) – a triple combination for managing severe hypertension uncontrolled by therapy
- Doricrit (doripenem injection) – an effective antibacterial for Pseudomonas infections
- D-SOL/Vitamin D3 (vitamin D3 granules) – for treatment of Vitamin D deficiency
- Esomac D (esomeprazole and domperidone sustained-release capsules) – for the treatment of acid-reflux related symptoms
- Esomac IV (esomeprazole sodium injection) – for short-term and rapid treatment of acid reflux
- Foracort (formoterol and budesonide respules) – world's first inhaled corticosteroid-bronchodilator combination in the form of a respirator suspension for COPD
- Leveysy (levetiracetam injection) – for the treatment of seizures when oral anti-epileptics cannot be administered
- Lumacip (hydroquinone cream) – for mild melasma
- Lumacip Plus (hydroquinone, fluocinolone and tretinoin cream) – India's first US FDA formula for moderate to severe melasma
- Mefliam Plus (artesunate and mefloquine tablets) – combination therapy for drug-resistant falciparum malaria
- Mupinase (mupirocin ointment) – for bacterial skin infections
- Paclitax NAB (paclitaxel injection) – novel formulation for treating breast cancer and lung cancer
- Painil SP (paracetamol, aceclofenac and serratiopeptidase tablets) – a triple drug combination for pain and inflammation
- Pulmigen (freeze dried bacterial lysate tablets) – sublingual vaccine for preventing respiratory tract infections
- Qvir Kit (kit of atazanavir, ritonavir, tenofovir and emtricitabine tablets) – a once-daily kit for HIV/AIDS
- RidAR Kid (montelukast and levocetirizine tablets and syrup) – for the treatment of allergic rhinitis symptoms in children
- Rixmin 550 (rifaximin tablets) – for reducing the risk of hepatic coma
- Ston1 B₆ (potassium citrate, magnesium citrate and pyridoxine hydrochloride oral solution) – for prevention of recurrence of urinary stones
- Tiganex (tigecycline injection) – novel antibacterial for difficult-to-treat, hospital-acquired infections
- Tugain (minoxidil foam) – innovative foam formulation for hair loss in males
- Urifast (nitrofurantoin) suspension – for treatment and prophylaxis of urinary tract infections in children

The following Active Pharmaceutical Ingredients (APIs) were successfully scaled up:

- Brinzolamide – for glaucoma
- Ciclopirox Olamine – for fungal skin infections
- Darifenacin Hydrobromide – for urinary incontinence
- Dexlansoprazole Sesquihydrate – for heartburn
- Memantine Hydrochloride – for dementia
- Palonosetron Hydrochloride – for prevention and treatment of chemotherapy-induced nausea and vomiting



DIRECTORS' REPORT *contd.*

Manufacturing and Administrative Facilities

During the year under review, the Company has set up an Active Pharmaceutical Ingredient (API) R&D facility at Patalganga, Maharashtra, and commenced commercial production of anti-cancer APIs at Bommasandra, Bengaluru and anti-ulcerant APIs at Kurkumbh, Maharashtra. Cipla has also recently completed the project on APIs of antiretrovirals (ARVs) in Kurkumbh, Maharashtra. The total capital expenditure for the above projects is about ₹274 crore. Additionally, in order to expand and consolidate its Head Office operations, the Company has acquired office space in Peninsula Business Park in Lower Parel, Mumbai for ₹294 crore.

The Patalganga project for the up-gradation and scale-up of API facilities is nearing completion. It is anticipated that operations will commence during 2013-14. The Company is also scaling up its anti-cancer formulations facility at Goa. Besides, Cipla is in the process of setting up a new R&D and administration facility at Vikhroli, Mumbai.

Regulatory Approvals

Several dosage forms and APIs manufactured at the Company's facilities continued to enjoy the approval of major international regulatory agencies. These agencies included the US FDA, MHRA (UK), PIC (Germany), MCC (South Africa), TGA (Australia), Department of Health (Canada), ANVISA (Brazil), SIDC (Slovak Republic), Ministry of Health (Kingdom of Saudi Arabia), the Danish Medical Agency and the WHO.

Opportunities

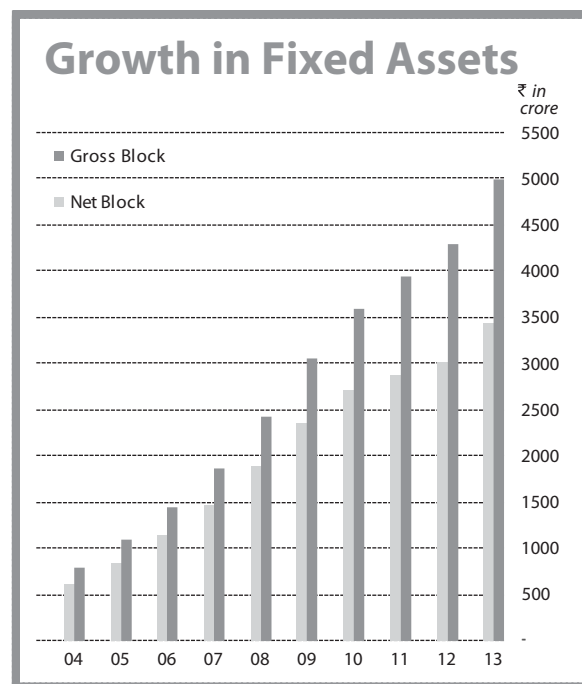
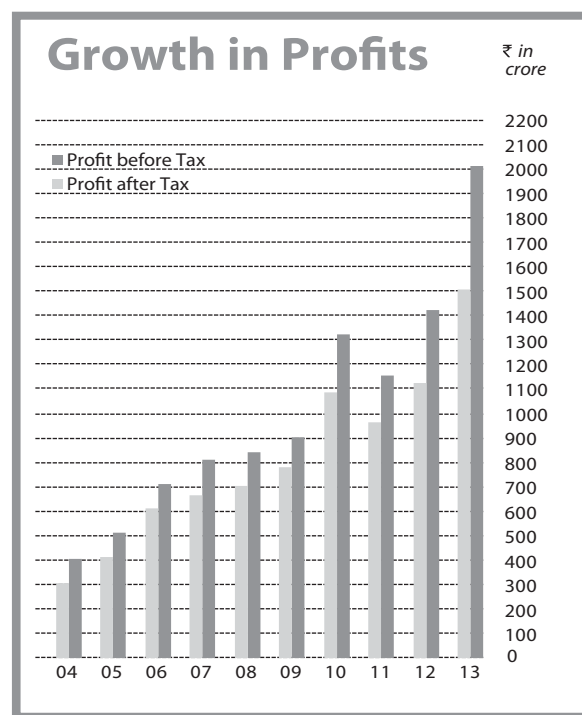
Domestic Markets

Cipla continued to deliver robust growth in the domestic market across therapies and maintain its leadership position in respiratory, urology and HIV. The strong field force and distribution network are important factors for Cipla's success in India. The focus will be to channelise the Company's resources in increasing sales force effectiveness and hence productivity. For future prospects, in-licensing opportunities are being considered, which would provide an unparalleled platform to launch new, innovative and complex products.

Furthermore, Cipla will continue to work closely with specialised corporate hospitals and nursing homes and take advantage of our broad portfolio. Cipla's leading position in various therapeutic categories, including respiratory and urology, reinforces the potential to strengthen its presence in India across other therapies. Cipla continues to increase its focus on CNS, Oncology, Dermatology and Gastroenterology.

International Markets

The contribution from exports to the total revenues is more than 50% and is further expected to grow over the years.



DIRECTORS' REPORT *contd.*

Cipla is evaluating several business models such as capturing value through direct presence in key priority markets including South Africa, US, Europe and Australia. Additionally, Cipla will continue working with existing alliances to capture untapped growth opportunities.

Recently, the Company completed the acquisition of 100% of share capital of Cipla Medpro in South Africa, at ZAR 10 per share amounting to a total investment of ₹2,707 crore. This investment is aimed at further strengthening the Company's commitment to the African continent, and is aligned with the strategy to ascend the value-chain by managing a front-end sales force in a market outside India. The deal enables Cipla to strengthen Medpro's position in the South African pharmaceutical market, support the optimisation of Medpro's manufacturing capability and support Medpro's expansion into collaboratively identified African markets.

Cipla will leverage the broad spectrum of products in its domestic market to optimally capitalise across other emerging countries. Simultaneously, the Company aims to build a robust portfolio of differentiated products to drive growth in developed markets. Recent achievements of regulatory approval for Fluticasone HFA in several European countries and commercialisation of Azelastine combinations with Meda AB are few examples in this direction.

Threats, Risks, Concerns

The Indian pharmaceutical market is highly fragmented, and as more players join the industry, the landscape is becoming increasingly competitive. Certain brands and therapy segments are facing stiff competition from new innovative products of the competitors. Hence, there are challenges in sustaining leadership positions in therapy segments.

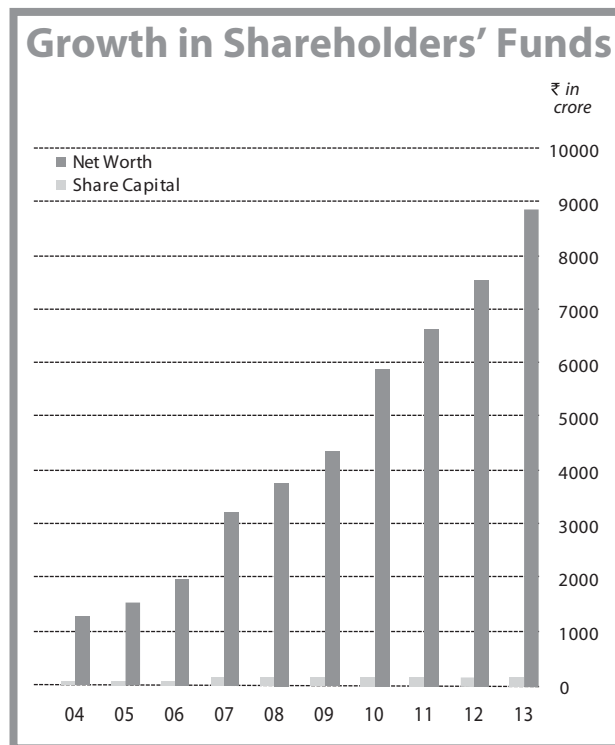
For the generic industry at large, there are growing concerns over patent litigations and regulatory challenges. The Company has challenged some patent applications and post-grant patents and is therefore, involved in a number of litigations. In one of the latest judgements, the court ruled out a plea for patent protection on the grounds of it being an 'obvious' invention, reinforcing the Company's stand on this matter. The judgement reaffirmed that India will continue to produce affordable, high-quality medicines without the threat of patents for minor modifications of known medicines. This judgement will not only benefit patients in India, but also around the world. Furthermore, there are evolving concerns over changing government regulations in countries where Cipla operates. The process of the regulatory authority's approval for marketing authorisations is time-consuming and varies from country to country.

Cipla has some pending legal cases on account of alleged overcharging in respect of certain drugs under the Drug Price Control Order. The aggregate amount of the demand notices received is about ₹1,655 crore (inclusive of interest). The Company has been legally advised that based on several High Court decisions and considering the totality of facts and circumstances, these demand notices may not be enforceable. However, any unfavourable outcome in these proceedings could have an adverse impact on the Company.

Safety Measures

Occupational Health, Safety & Environment (HSE) measures remain an utmost priority for Cipla. During the year under review, no major hazardous accident at workplace was recorded. This is indeed an achievement, but we are pledged to reach a milestone of 'accident and hazard free workplace' at Cipla. Quality benchmark at Cipla is achieved by strict adherence to national and international standards.

Most of our manufacturing facilities including Bengaluru, Baddi, Indore, Kurkumbh, Patalganga and Sikkim are certified for ISO 14001 and OHSAS 18001 standards. The Company continues to upgrade HSE standards at all locations. Specialised safety training programmes such as road safety, behavioural safety, etc. are regularly imparted



DIRECTORS' REPORT *contd.*

to increase safety awareness at all working levels. Safety Week, Fire Service Day and Electrical Safety Day are celebrated at our units to create awareness among employees. Learning visits across different industrial sectors is conducted with a view to strengthen our HSE knowledge base and implement best HSE practices.

Villagers and school children living around the Company's plants across India also participate in such programmes. Ambulance service is provided to nearby villages in emergency situations. Medical camps covering various aspects like polio, asthma, blood donation, dental, etc. are conducted in the surrounding villages. World Environment Day and Earth Day are celebrated by conducting a green drive program of mass tree-plantation. The Company continues to maintain modern, well-equipped effluent treatment plant at its manufacturing facilities. Treated water from these zero-discharge facilities is used for maintaining green belts around the factory premises.

Internal Control Systems

The Company's internal control procedures ensure compliance with various policies, practices and statutes in keeping with the organisation's pace of growth and increasing complexity of operations. Cipla's internal audit team carries out extensive audits throughout the year, across all functional areas and submits its reports to the Audit Committee of the Board of Directors.

Human Resources

Particulars of employees required to be furnished under section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, form part of this report. Any shareholder interested in obtaining a copy may write to the Company Secretary at the Registered Office of the Company.

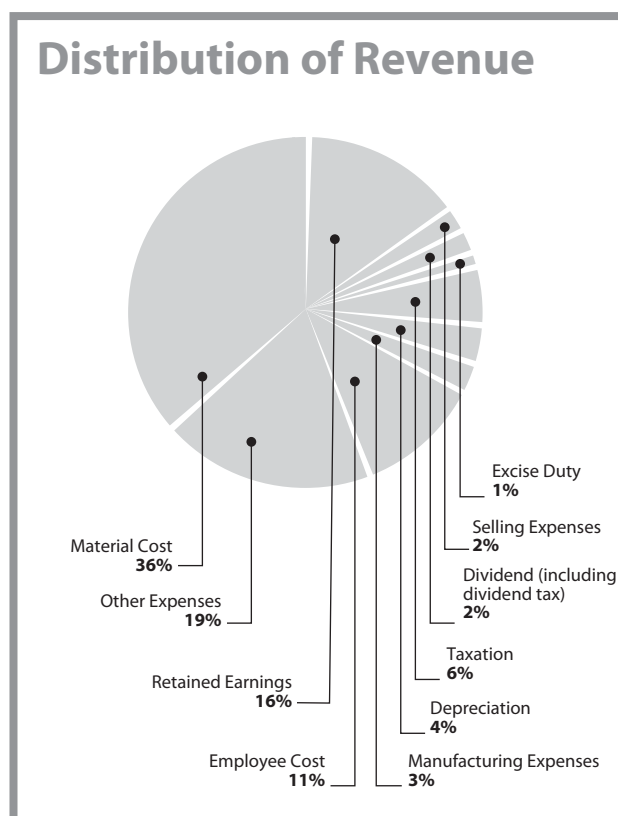
CORPORATE SOCIAL RESPONSIBILITY

'Caring for Life' is the chief purpose of doing business at Cipla. Corporate Social Responsibility (CSR) in the Company is, therefore, seamlessly integrated into its products, processes and people - the three key essentials for doing responsible business.

Pursuing its commitment to make its products affordable and accessible, the Company, in November 2012, announced a breakthrough price reduction on its three generic anti-cancer drugs – Erlotinib (Erlcip), Docetaxel (Docetax) and Capecitabine (Capegard) – by up to 64%. The drugs are used for treating lung and pancreatic cancer, breast cancer, head & neck cancer, gastric cancer, bladder, colorectal and colon cancers. Earlier in May 2012, Cipla had slashed prices by up to 76% on Sorafenib (Soranib), Gefitinib (Gefticip) and Temozolomide (Temoside), used in treating cancers of the kidney, lung and brain. Also, Cipla extends its commitment to product responsibility by manufacturing drugs for rare diseases.

Further, the state-of-the-art 'Cipla Palliative Care and Training Centre' in Pune is a specialised endeavour to contribute to the cause of cancer treatment, especially to those terminally ill cancer patients who suffer from unbearable pain and need palliative care. The Centre has been offering free palliative care to such patients for the last 16 years. It has so far provided comfort and solace to more than 8500 patients.

Sustainability is an important parameter of the growth journey at Cipla. Our sustainability initiatives, arising out of environmental concerns, include continuous efforts and improved practices in energy and water conservation and waste minimisation across the organisation.



DIRECTORS' REPORT *contd.*

Caring for communities is central to our CSR strategies. Under the social development plan, the Company continues to support several community welfare, health and educational activities essentially in communities surrounding the Company's factories both directly and through charitable foundations. Our manufacturing plants located in the states of Maharashtra, Goa, Karnataka, Himachal Pradesh, Madhya Pradesh and Sikkim have initiated a wide spectrum of human development activities. The community projects implemented in the vicinity of the plants are done in response to the identified needs of the communities which are shared with the Company by the local stakeholders. The Company has not laid any boundary towards limiting its social commitments and thereby remains flexible in accommodating almost all legitimate requests being made by the local stakeholders. CSR initiatives in the Company, by and large, are underpinned by five pillars – Education, Public Health, Occupational Health & Safety, Environmental Compliance and Employee Welfare.

The Company goes beyond its immediate business areas and lends support to NGOs engaged in care & service management of HIV/AIDS and cancer anywhere in the country. The Company supports Manavaya, a Pune based NGO engaged in the caring and rehabilitation of abandoned children living with HIV/AIDS. Manavaya is supported for running a mobile health care unit which reaches out to the poor and disadvantaged communities of 10 villages in the outskirts of Pune. Snehalaya, an NGO working with destitute women including sex workers and their children living with HIV/AIDS in Ahmednagar, Maharashtra is being financially supported for the construction of an English medium school which will provide education to more than 400 children of marginalised and vulnerable communities including children living with HIV/AIDS.

As mandated by the Securities and Exchange Board of India (SEBI), a standalone Business Responsibility Report (BRR) forms part of the Annual Report and is available on the Company's website <http://www.cipla.com/Home/About-Us/Caring-for-the-Environment.aspx>. The BRR contains a detailed report on Business Responsibilities vis-à-vis the nine principles of the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business framed by the Union Ministry of Corporate Affairs. Any shareholder interested in obtaining a copy may write to the Company Secretary at the Registered Office of the Company.

CORPORATE MATTERS

Responsibility Statement

Pursuant to section 217(2AA) of the Companies Act, 1956 it is confirmed that the Directors have:

- i. followed applicable accounting standards in the preparation of the annual accounts;
- ii. selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March 2013 and of the profit of the Company for that period;
- iii. taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv. prepared the annual accounts on a going concern basis.

Subsidiary Companies

The Company had 14 subsidiaries/step-down subsidiaries at the beginning of the year. During the financial year ended 31st March 2013, Cipla USA Inc., Cipla Kenya Limited and Cipla Malaysia Sdn. Bhd. became step-down subsidiaries of the Company.

In accordance with the general circular issued by the Ministry of Corporate Affairs, the Balance Sheets, including annexures and attachments thereto of the Company's subsidiaries, are not being attached with the Annual Report of the Company. The annual accounts of the subsidiary companies and the related detailed information will be made available to any member of the Company seeking such information. These documents will also be available for inspection by any member at the Registered Office of the Company and that of the respective subsidiary companies. The consolidated financial statements presented in this Annual Report include financial results of the subsidiary companies. A statement containing information on the Company's subsidiaries is included in this Annual Report.

DIRECTORS' REPORT *contd.*

Corporate Governance

The Company is committed to good corporate governance practices. The report on corporate governance as stipulated under Clause 49 of the Listing Agreement forms part of this report.

Disclosure of Particulars

As required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the relevant information and data are annexed to this report.

Directors

Mr. Subhanu Saxena was appointed as an Additional Director with effect from 16th July 2013 and holds office up to the date of the ensuing Annual General Meeting. He was appointed as Managing Director designated as "Managing Director and Global Chief Executive Officer" for a period of five years with effect from 16th July 2013 subject to the approval of the shareholders at the ensuing Annual General Meeting. Consequent to the appointment of Mr. Subhanu Saxena as Managing Director, Mr. M.K. Hamied has been appointed as Whole-time Director designated as "Executive Vice-Chairman" for a period of two years with effect from 16th July 2013. As required under Schedule XIII to the Companies Act, 1956 an application will be made to the Central Government for the approval of appointment of Mr. Subhanu Saxena as Managing Director.

In February 2013, Dr. Y.K. Hamied decided to step-down as Managing Director of Cipla. Dr. Y.K. Hamied joined Cipla at the age of 24 and completed 52 years of distinguished service with the Company. From setting up the first ever API manufacturing facility in India, to getting first US FDA approval in the country, Dr. Y.K. Hamied pioneered the growth and development of the Indian Pharmaceutical industry. He has influenced several policy changes that have shaped public health and access across the world. He has been instrumental in making healthcare affordable by launching generic versions of AIDS, cancer and other life-saving medicines. In 2001, Dr. Y.K. Hamied reduced the prices of ARV drugs to 'a dollar a day', providing access to millions of HIV patients across the world. Dr. Y.K. Hamied will continue to contribute and support Cipla as the Non-Executive Chairman of the Company.

Mr. Ramesh Shroff, liable to retire by rotation at the ensuing Annual General Meeting of the Company, has expressed his intention not to seek re-appointment due to his advancing age. The Directors place on record their appreciation of Mr. Shroff's contribution as a member of the Board and Chairman of Audit Committee.

Mr. Ashok Sinha was appointed as an Additional Director with effect from 16th July 2013. He holds office up to the date of the ensuing Annual General Meeting.

Notices have been received from some members, proposing appointment of Mr. Subhanu Saxena and Mr. Ashok Sinha as Directors.

Mr. M.R. Raghavan and Mr. Pankaj Patel retire by rotation and, being eligible, offer themselves for re-appointment.

A brief resume of the Directors seeking appointment/re-appointment is provided in the Notice.

Cost Auditors

Pursuant to the provisions of section 233B of the Companies Act, 1956 and with the prior approval of the Central Government, Mr. D. H. Zaveri (Fellow Membership No. 8971) practising Cost Accountant, has been appointed to conduct the audit of cost records of pharmaceutical products for the financial year ended 31st March 2013. The due date for filing the Cost Audit Report for the year ended 31st March 2013 is 27th September 2013.

In terms of the circulars issued by Ministry of Corporate Affairs, the due date for filing the Cost Audit Report for the year ended 31st March 2012 with the Central Government was 28th February 2013. The Cost Audit Report was filed on 28th February 2013.

Auditors

Messrs. V. Sankar Aiyar & Co. and Messrs. R.G.N. Price & Co., joint statutory auditors of the Company, retire at the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment.

On behalf of the Board,

Y.K. Hamied
Chairman

15th July 2013

ANNEXURE TO THE DIRECTORS' REPORT

Information under section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

I. CONSERVATION OF ENERGY

- a. The Company is striving continuously to conserve energy by adopting innovative measures to reduce wastage and optimise consumption. Some of the specific measures undertaken are:
 - i. Installation of annunciation panel in boiler and chiller plant lead to reduction in energy consumption at Indore factory.
 - ii. Installation of warm water coil in Air Handling Unit system to reduce the energy consumptions of heaters at Indore factory.
 - iii. Maximum utilisation of wind power energy to reduce the purchase power cost at Kurkumbh factory.
 - iv. Replacement of mono ethyl glycol and calcium chloride to methanol for chilling plant to reduce fuel cost at Kurkumbh and Bengaluru factories.
 - v. BMS system used to schedule operations of terminal heater, air handling unit and ventilation units. This lead to reduction in energy consumption at Indore, Sikkim & Kurkumbh factories.
 - vi. Reduction in steam generation cost through efficient operation of steam boilers and use of recovered condensate and flash steam for feed water heating.
 - vii. Efficient and controlled use of Air Handling Unit system in all factories to reduce the energy consumption.
 - viii. Use of energy saving lighting system in all the factories has been started to maintain the consumption of energy during working hours.
 - ix. To reduce the energy consumption, ventilation unit at Kurkumbh and Goa factories has been closed and natural ventilation is being used.
 - x. Installation of variable frequency drives for various equipments in Goa factories have led to reduced power consumption.
 - xi. Installation of CFL lamps in place of regular mercury lamps/SV lamps in all factories.
 - xii. To reduce the fuel cost, boiler operations have been switched over to high speed diesel oil in Baddi factory.
 - xiii. Reduction in operation cost of HVAC system achieved through optimum utilisation of cooling temperature range in all storage areas.
 - xiv. Timer based operations initiated in various factories for preventing unwanted energy usage.
 - xv. Optimum utilization of steam by using stage wise operation of steam ejector at Patalganga factory.
 - xvi. Recovery of water from water plant and boiler condensate to reduce the water consumption at Goa factories.

- b. Impact of the above measures for reduction of energy consumption and consequent impact on the cost of production of goods:

The adoption of the above energy conservation measures have helped to curtail the proportionate increase in total energy usage consequent to overall increase in production. This has made it possible to maintain cost of production at optimum levels.

- c. Total energy consumption and energy consumption per unit of production as per Form A:

Considering that the Company has a multi-product, multi-facility production system, it is not possible to determine product-wise energy consumption. Therefore, the consumption is categorized under different classes of goods as shown below. The figures for the year are not exactly comparable with the previous year's figures because of changes in the product mix.

ANNEXURE TO THE DIRECTORS' REPORT *contd.*

A. Power and Fuel Consumption

		2013	2012	
1.	Electricity			
a.	Purchased			
	Units	kwh	163844487	156598143
	Total amount	₹ in crore	104.93	93.62
	Rate/Unit	₹/kwh	6.40	5.98
b.	Own generation			
	Through diesel generator			
	Units	kwh	35239864	51008095
	Units per litre of diesel oil	kwh	3.53	3.63
	Cost/Unit	₹/kwh	14.64	12.02
2.	Others/Internal generation			
	Light diesel oil/diesel oil/furnace oil			
	Quantity	kl	20523	24743
	Total cost	₹ in crore	91.73	106.86
	Average rate	₹/kl	44694	43187

B. Consumption per Unit of Production

		2013	2012	
1.	Electricity			
	Bulk drugs	(kwh/mt)	62395	63667
2.	Light diesel oil/diesel oil/furnace oil			
	Bulk drugs	(kl/mt)	5.77	5.38

It is not feasible to classify energy consumption data of formulations on the basis of product categories, since the Company manufactures a large range of formulations with different energy requirements.

II. RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION

A. Research & Development

- Specific areas in which R&D work is carried out:

The focus of the Company's R&D efforts was on the following areas:

- Development of new formulations for existing and newer active drug substances.
- Projects to develop APIs and formulations jointly with overseas companies.
- Patenting of newer processes/newer products/newer drug delivery systems/newer medical devices/newer usage of drugs for both local and international markets.
- Development of new products, both in the area of APIs as well as formulations, specifically for export.
- Development of new innovative technology for the manufacture of existing APIs and their intermediates.
- Development of agro technology, genetics and biotechnology for cultivation of medicinal plants and isolation of active ingredients from plant materials.
- Development of new drug delivery systems for existing and newer active drug substances as also newer medical devices.
- Development of methods to improve safety procedures, effluent control, pollution control, etc.
- Development of products related to the indigenous system of medicines.

ANNEXURE TO THE DIRECTORS' REPORT *contd.*

2. Some of the major benefits derived as a result of R&D include:
 - i. Successful commercial scale up of several new APIs and formulations.
 - ii. Development of new drug delivery systems and devices.
 - iii. Improved processes and enhanced productivity in both APIs and formulations.

3. Future plan of action:

The Company will continue its R&D efforts in the various areas indicated in (1) above. The major thrust would be on developing new products and drug delivery systems.

4. Expenditure on R&D:

	₹ in crore
a. Capital	61.32
b. Revenue	363.82
Total	<u>425.14</u>

The total R&D expenditure as a percentage of total turnover is around 5 percent.

B. Technology Absorption, Adaptation and Innovation

1. Efforts, in brief, made towards technology absorption, adaptation and innovation:
 - i. Development and patenting of new molecular forms and methods of synthesis.
 - ii. Development of new drug delivery systems.
2. Benefits derived as a result of the above efforts:
 - i. Improvements in effluent treatment, pollution control and all-round safety standards.
 - ii. Improvement in operational efficiency through reduction in batch hours, increase in batch sizes, better solvent recovery and simplification of processes.
 - iii. Meeting norms of external regulatory agencies to facilitate more exports.
 - iv. Development of products for import substitution.
 - v. Maximum utilisation of indigenous raw materials.

III. FOREIGN EXCHANGE EARNINGS AND OUTGO

1. Activities relating to exports, initiative taken to increase exports, development of new export markets for products and services and export plans:

Exports sales were ₹4,426.16 crore for the financial year 2012-13. Exports constituted more than 50 percent of total turnover. In addition, the Company earned ₹60.43 crore towards technical know-how/fees. The Company continues to leverage on its strategic marketing alliances and partnerships in more than 170 countries.

2. Total foreign exchange used and earned:

During the year, the foreign exchange outgo was ₹1,590.56 crore and the earnings in foreign exchange was ₹4,494.72 crore. Details of the same have been given in Notes 22, 31 and 32 in Notes to the Accounts.

On behalf of the Board,

Y.K. Hamied
Chairman

15th July 2013

REPORT ON CORPORATE GOVERNANCE

(Pursuant to Clause 49 of the Listing Agreement with Stock Exchanges)

a. Company's Philosophy on Code of Governance

The Company is committed to good corporate governance. The Company respects the rights of its shareholders to secure information on the performance of the Company. Its endeavour has always been to maximise the long term value to the shareholders of the Company. The Compliance Report on Corporate Governance herein signifies compliance of all mandatory requirements of Clause 49 of the Listing Agreement.

b. Board of Directors

- The composition of Board and category of Directors as on date of Directors' Report are as follows:

Category	Name of the Directors
Executive Directors	Dr Y.K. Hamied* Mr. M.K. Hamied Mr. S. Radhakrishnan
Non-Executive/Non Independent Director	Dr. Y.K. Hamied*
Non-Executive/Independent Directors	Dr. H.R. Manchanda Mr. Ramesh Shroff Mr. V.C. Kotwal Mr. M.R. Raghavan Mr. Pankaj Patel Dr. Ranjan Pai

*Retired as Managing Director effective 31st March 2013 and continues to be the Chairman in a non-executive role effective 1st April 2013.

- Seven Board Meetings were held during the financial year 2012-13. The dates on which the meetings were held are: 10th May 2012; 7th June 2012; 31st July 2012; 17th August 2012; 5th November 2012; 6th February 2013 and 27th February 2013.
- The information about the attendance of Directors at the Board Meetings during the financial year 2012-13 and at the last Annual General Meeting and the number of other directorships and committee memberships held in Indian public companies as on the date of the Directors' Report is given below:

Name of the Director	No. of Board Meetings Attended	Attendance at last AGM held on 17 th August 2012	No. of Directorships held in other Indian Public Companies	No. of Committee Memberships held in other Indian Public Companies
Dr. Y.K. Hamied	5	Yes	Nil	Nil
Mr. M.K. Hamied	7	Yes	1	Nil
Mr. S. Radhakrishnan	7	Yes	Nil	Nil
Dr. H.R. Manchanda	6	Yes	Nil	Nil
Mr. Ramesh Shroff	7	Yes	1	Nil
Mr. V.C. Kotwal	7	Yes	Nil	Nil
Mr. M.R. Raghavan	6	Yes	Nil	Nil
Mr. Pankaj Patel	7	Yes	Nil	Nil
Dr. Ranjan Pai	5	Yes	1	1

- None of the Directors is related to each other except for Dr. Y.K. Hamied and Mr. M.K. Hamied.

REPORT ON CORPORATE GOVERNANCE *contd.*

- Shareholding of present Non-Executive Directors:

As on 31st March 2013, Dr. H.R. Manchanda, Mr. Ramesh Shroff and Dr. Ranjan Pai – Non-Executive Directors held 200000, 250 and 1010 equity shares respectively in the share capital of the Company. None of the other Non-Executive Directors hold any equity shares of the Company.

c. Audit Committee

- The Audit Committee was constituted on 4th September 2000 in compliance with the requirements of Clause 49 of the Listing Agreement. The Audit Committee currently comprises: Mr. Ramesh Shroff - Chairman, Mr. M.R. Raghavan - Member and Mr. S. Radhakrishnan - Member.

The Chief Financial Officer and other functional managers along with Internal Auditors, Statutory Auditors and Cost Auditor are invited to attend the meetings of the Audit Committee, as and when necessary. The Company Secretary acts as Secretary to the Committee. The Audit Committee discharges such duties and functions generally indicated in Clause 49 of the Listing Agreement with the Stock Exchanges and also such other functions as may be specifically delegated to it by the Board from time to time.

- Meetings and attendance during the financial year 2012-13:

The meetings of the Audit Committee were held on 10th May 2012; 7th June 2012; 31st July 2012; 5th November 2012 and 6th February 2013 during the financial year 2012-13. Mr. M.R. Raghavan attended four meetings during the year. Mr. Ramesh Shroff and Mr. S. Radhakrishnan attended all five meetings.

d. Remuneration to Directors

- The details of remuneration to Executive Directors during the financial year 2012-13 are given below:

Executive Directors	Salary (₹ in lakhs)	Commission (₹ in lakhs)	Perquisites and Allowances (₹ in lakhs)	Retiral Benefits (₹ in lakhs)
Dr. Y.K. Hamied*	120.00	500.00	252.58	482.71
Mr. M.K. Hamied	120.00	325.00	84.26	14.40 [#]
Mr. S. Radhakrishnan	120.00	200.00	83.65	14.40 [#]

*Retired as Managing Director effective 31st March 2013 and continues to be the Chairman in a non-executive role effective 1st April 2013.

[#]Exclusive of provision for leave encashment and contribution to the approved Group Gratuity Fund, which are actuarially determined on an overall basis.

- Notes:
- i. The agreement with each Executive Director is for a specified period. Either party to the agreement is entitled to terminate the agreement by giving not less than three months' prior notice in writing to the other party.
 - ii. During the financial year 2012-13, the Company did not have a scheme for grant of stock options either to its Executive Directors or to its employees. Pursuant to the approval accorded by the members through postal ballot on 8th April 2013, 10,00,000 stock options have been granted to Mr. Subhanu Saxena, Chief Executive Officer under Employee Stock Option Scheme 2013.

REPORT ON CORPORATE GOVERNANCE *contd.*

- Sitting fees to Non-Executive Directors during the financial year 2012-13 are given below:

Non-Executive Directors	Sitting Fees (₹ in lakhs)
Dr. H.R. Manchanda	2.40
Mr. Ramesh Shroff	1.20
Mr. V.C. Kotwal	0.70
Mr. M.R. Raghavan	1.00
Mr. Pankaj Patel	1.10
Dr. Ranjan Pai	0.50

Note: The above figures are inclusive of fees paid for attendance of committee meetings.

e. Investors' Grievance Committee

- The Company has an Investors' Grievance Committee to attend to and address the grievances of the Shareholders'/Investors' as and when received. The Committee currently comprises: Dr. H.R. Manchanda – Chairman, Mr. M.K. Hamied - Member and Mr. Pankaj Patel - Member.
- During the financial year 2012-13, the Committee met on 10th May 2012; 31st July 2012; 5th November 2012 and 6th February 2013.
- Mr. Mital Sanghvi, Company Secretary acts as the Company's Compliance Officer. The Company attends to the shareholders'/investors' grievances/correspondence expeditiously. During the year under review, 66 investor grievances were received and all of them have been resolved.

f. General Body Meetings

- The Annual General Meetings of the Company for the financial year 2009-10 and 2010-11 were held at Amar Gian Grover Auditorium, Lala Lajpat Rai Marg, Haji Ali, Mumbai-400 034 at 3.00 p.m.
- The Annual General Meeting of the Company for the financial year 2011-12 was held at Rama Watumull Auditorium, K.C. College, Dinshaw Wacha Road, Churchgate, Mumbai-400 020 at 3.00 p.m.
- Special Resolution granting consent to the holding of office or place of profit by Mr. Kamil Hamied, relative of Mr. M.K. Hamied, Managing Director of the Company as member of management team was passed at the Annual General Meeting of the Company held on 25th August 2010.
- Special Resolution granting consent to the holding of office or place of profit by Mrs. Samina Vaziralli, relative of Mr. M.K. Hamied, Managing Director of the Company as member of management team was passed at the Annual General Meeting of the Company held on 25th August 2011.
- No resolution was approved by the members through postal ballot during the financial year ended 31st March 2013. In April 2013, Company obtained approval of the members through postal ballot for issuance of 10,00,000 stock options to Mr. Subhanu Saxena, Chief Executive Officer. Mr. B. Narasimhan, Practising Company Secretary, was appointed as Scrutinizer for conducting the postal ballot process. The said special resolution for issuance of stock options to Mr. Subhanu Saxena was passed with requisite majority.

g. Disclosures

- During the financial year 2012-13, there were no materially significant transactions entered into between the Company and its Promoters, Directors or the Management, subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large. Further details of related party transactions are presented in Note 40 in Notes to the Accounts.
- The Company has complied with the requirements of the Stock Exchanges, SEBI and other statutory authorities on all matters related to capital markets during the last three years. In absence of any non-compliance by the Company, there were neither any penalties imposed nor any strictures passed on the Company by the Stock Exchanges, SEBI or any other statutory authority.

REPORT ON CORPORATE GOVERNANCE *contd.*

h. Code of Conduct

- The Code of Conduct for the Directors and Senior Management of the Company has been laid down by the Board and the same is posted on the website of the Company. Mr. M.K. Hamied, Managing Director has declared that the Board Members and Senior Management have affirmed compliance with the Code of Conduct of the Company.

i. CEO and CFO Certification

- The CEO/CFO of the Company have certified positively to the Board on the matters specified under Clause 49(V) of the Listing Agreement.

j. Means of Communication

- The half-yearly/quarterly results are published in the newspapers (Mumbai edition) and are not being sent to each household of shareholders.
- The results are usually published in the following newspapers: The Economic Times; Navbharat Times; The Financial Express; Business Standard; The Hindu Business Line; Sakaal.
- The annual/half-yearly/quarterly results and other official news releases are displayed on the website of the Company – www.cipla.com
- The Management Discussion and Analysis Report forms part of the Directors' Report.

k. General Shareholder Information

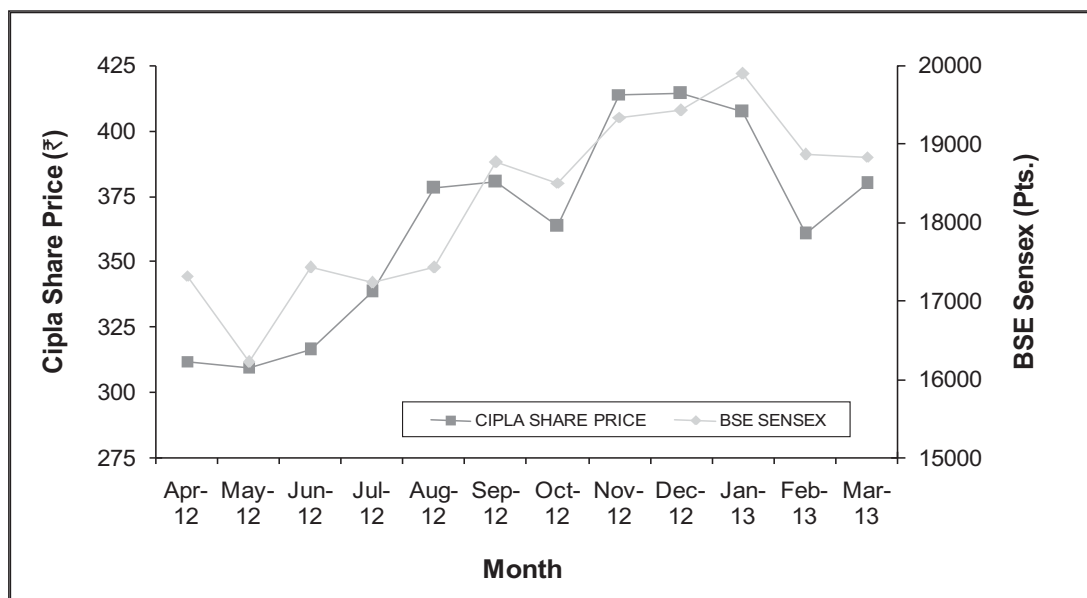
- Date, Time and Venue of the AGM : Thursday, 22nd August 2013 at 3.00 p.m.
Y.B. Chavan Auditorium,
General Jagannath Bhosale Marg,
Mumbai-400 021
- Financial Calendar : 1st day of April to 31st day of March in the next calendar year
- Adoption of Quarterly Results for the Quarter Ending (tentative) : 1st week of
30th June 2013 August 2013
30th September 2013 November 2013
31st December 2013 February 2014
31st March 2014 May 2014
- Date of Book Closure : 8th August 2013 to 22nd August 2013 (both days inclusive)
- Dividend Payment Date : Will be dispatched/credited on or after 27th August 2013
- Corporate Identity Number (CIN) : L24239MH1935PLC002380
- Listing on Stock Exchanges : Equity Shares: BSE Limited and National Stock Exchange of India Limited
Global Depository Receipts (GDRs): Luxembourg Stock Exchange
The Company has paid the requisite annual listing fees to the above stock exchanges for the financial year 2013-14.

REPORT ON CORPORATE GOVERNANCE *contd.*

- Stock Code : 500087 on BSE Limited
CIPLA EQ on National Stock Exchange of India Limited
- ISIN Number for NSDL & CDSL : INE059A01026
- Market Price Data : The high and low prices of every month during the financial year 2012-13 are given below. The Company's market capitalisation is included in the computation of BSE Sensex and S&P CNX NIFTY Index.

Year (2012-13)	BSE Limited			National Stock Exchange of India Limited		
	High (₹)	Low (₹)	Number of Shares Traded	High (₹)	Low (₹)	Number of Shares Traded
April	324.60	302.20	3667369	324.95	302.20	19597143
May	331.00	304.30	2532991	331.30	303.80	33057164
June	317.15	300.70	1300506	317.90	300.00	22125399
July	341.90	313.35	3057820	342.35	313.30	22790211
August	383.00	344.75	5874881	383.10	345.00	38814841
September	395.45	352.80	4901865	395.40	352.50	46529809
October	386.85	353.10	3204461	387.20	320.30	33049089
November	415.90	363.60	6032591	416.90	365.10	45961836
December	430.00	402.70	2991040	430.10	402.05	27593484
January	435.00	385.20	4615981	435.00	385.95	39140558
February	417.45	357.00	3917874	417.55	355.75	48632227
March	395.90	354.40	2365399	395.95	354.00	24777601

- Performance in comparison to BSE SENSEX – Year 2012-13



REPORT ON CORPORATE GOVERNANCE *contd.*

- Address for Correspondence

All communications with regard to transfer, transmission, National Electronic Clearing Service (NECS), dividend, dematerialisation, etc. should be addressed to the Share Transfer Agents viz. Karvy Computershare Private Limited.

Share Transfer Agents : Karvy Computershare Private Limited
(Unit: Cipla Limited)
Plot No. 17-24, Vittal Rao Nagar,
Madhapur, Hyderabad-500 081
Tel: (040) 2342 0818/4465 5201
Fax: (040) 2342 0814
E-mail: einward.ris@karvy.com
Website: www.karvy.com

Company : Shares Department
Cipla Limited
Mumbai Central, Mumbai-400 008
Tel: (022) 2302 5272/2309 5521
Fax: (022) 2300 8101
E-mail: cosecretary@cipla.com
Website: www.cipla.com

- Share Transfer System

A Committee of Directors has been constituted to approve the transfer, transmission, issue of duplicate share certificates and allied matters. The Company's Share Transfer Agents, Karvy Computershare Private Limited have adequate infrastructure to process the above matters.

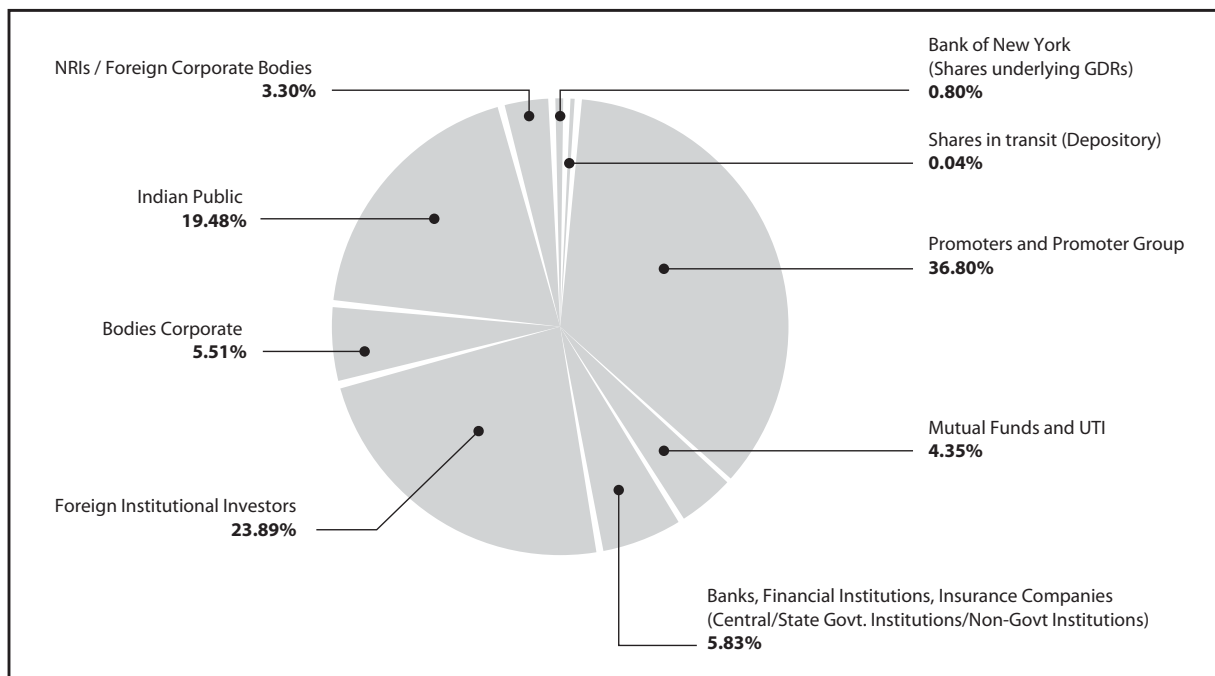
A predetermined process cycle at regular interval ensures transfer of shares (in physical form) within the stipulated time limit. In compliance with the requirement of Listing Agreement, periodic certificates issued by a Practising Company Secretary are filed with the Stock Exchanges.

- Distribution of shareholding as on 31st March 2013 (Class-wise distribution of Equity Shares)

Shareholding	No. of Folios	% of Total	No. of Shares	% of Total
1-2500	159663	97.16	24174271	3.01
2501-5000	1526	0.93	5619098	0.70
5001-10000	939	0.57	7007742	0.87
10001-15000	476	0.29	5873888	0.73
15001-20000	229	0.14	4042576	0.51
20001-25000	191	0.12	4353922	0.54
25001-50000	405	0.24	14862060	1.85
Above 50000	904	0.55	736987800	91.79
Total	164333	100.00	802921357	100.00
Physical Mode	1540	0.94	69925389	8.71
Electronic Mode	162793	99.06	732995968	91.29

REPORT ON CORPORATE GOVERNANCE *contd.*

- Shareholding Pattern as on 31st March 2013



- Dematerialisation of Shares and Liquidity

As on 31st March 2013, 91.29 percent of the share capital was held in dematerialised form.

As to the Liquidity, equity shares of the Company are traded in the 'A'/Forward group and have been included in the SENSEX at BSE Limited. They are also included in S&P CNX NIFTY of National Stock Exchange of India Limited. They are among the select scrips in which derivatives trading has been permitted in the form of stock futures and stock options.

- Outstanding GDRs/ADRs/Warrants

The GDRs are listed on Luxembourg Stock Exchange and the underlying equity shares are listed on BSE Limited and National Stock Exchange of India Limited. Each GDR represents one underlying equity share of the Company.

As on 31st March 2013, 64,51,502 GDRs were outstanding.

The Company has not issued any American Depository Receipts (ADRs)/Warrants or any convertible instruments.

- Plant Locations

- Virgonagar, Old Madras Road, Bengaluru-560 049, Karnataka
- Bommasandra-Jigani Link Road, Industrial Area, KIADB 4th Phase, Bengaluru-560 099, Karnataka
- MIDC, Patalganga-410 220, District: Raigad, Maharashtra
- MIDC Industrial Area, Kurkumbh-413 802, Daund, District: Pune, Maharashtra

REPORT ON CORPORATE GOVERNANCE *contd.*

- v. Verna Industrial Estate,
Verna-403 722, Salcette, Goa
- vi. Village Malpur Upper, P.O. Bhud, Nalagarh, Baddi-173 205,
District: Solan, Himachal Pradesh
- vii. Village Kumrek, Rangpo-737 132,
District: East Sikkim, Sikkim
- viii. Indore SEZ, Phase II, Sector III, Pharma Zone,
P.O. Pithampur-454 774, District: Dhar, Madhya Pradesh

On behalf of the Board,

Y.K. Hamied
Chairman

15th July 2013

Certificate on Compliance with Clause 49 of the Listing Agreement

To the Members of Cipla Limited,

I have examined the compliance by Cipla Limited ("the Company") of the requirements under Clause 49 of the Listing Agreement, entered into by the Company with the Stock Exchanges, for the year ended 31st March 2013.

In my opinion and to the best of my information and according to the explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement.

The compliance of conditions of Corporate Governance is the responsibility of the management of the Company. My examination was limited to procedures adopted, and implementation thereof, by the Company for ensuring compliance with the conditions of Corporate Governance under Clause 49. The examination is neither an audit nor an expression of opinion on the financial statements of the Company.

I further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Dr. K.R. Chandratre
Practising Company Secretary
FCS No. 1370
Certificate of Practice No. 5144

Pune, 9th July 2013

INDEPENDENT AUDITORS' REPORT

To the Members of Cipla Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of Cipla Limited ("the Company"), which comprises the Balance Sheet as at 31st March 2013, and the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India including Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2013;
 - ii. in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
 - iii. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

7. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the *Annexure* a statement on the matters specified in paragraphs 4 and 5 of the Order.

INDEPENDENT AUDITORS' REPORT *contd.*

8. As required by sub-section (3) of section 227 of the Act, we report that:
- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Act;
 - e. on the basis of written representations received from the directors as on 31st March 2013 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For V. Sankar Aiyar & Co.,
Chartered Accountants
Firm Reg. No. 109208W

V. Mohan
Partner
Membership No. 17748

Mumbai, 29th May 2013

For R.G.N. Price & Co.,
Chartered Accountants
Firm Reg. No. 002785S

R. Rangarajan
Partner
Membership No. 41883

Mumbai, 29th May 2013

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 7 under the heading of "Report on Other Legal and Regulatory Requirements" of our report of even date to the Members of Cipla Limited)

1. a. The Company has generally maintained proper records showing full particulars including quantitative details and situation of fixed assets, other than situation of furniture and fixtures and office equipment where the situation recorded is the location of the Company's different establishments.
- b. The Company has a policy of physically verifying its fixed assets periodically, which in our opinion, is reasonable having regard to the size of the Company and the nature of its business. During the year, some of the fixed assets have been physically verified by the Management and discrepancies noticed during the physical verification have been appropriately dealt with in the books of account.
- c. The fixed assets that have been sold/disposed of during the year do not constitute a substantial part of the total fixed assets of the Company. Hence, the going concern concept has not been affected.
2. a. The inventory has been physically verified by the Management at reasonable intervals during the year. The verification was done on the basis of the perpetual inventory system operated by the Company. In case of materials lying with third parties, certificates confirming such inventory have been obtained by the Company from most of the third parties.
- b. In our opinion and on the basis of the information and explanations given to us, the procedures for physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c. On the basis of our examination of the inventory records, in our opinion, the Company has maintained proper records of inventory. The discrepancies noticed on physical verification of inventory, as compared with the book records, were not material and have been properly dealt with in the books of account.
3. As informed to us, the Company has not granted or taken any loans, secured or unsecured, to or from companies, firms or other parties listed in the Register maintained under section 301 of the Act. Consequently, the requirements of clause (iii) of paragraph 4 of the Order are not applicable to the Company.
4. In our opinion and according to the information and explanations given to us, there are generally adequate internal control systems commensurate with the size of the Company and the nature of its business for purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company and according to the information and explanations given to us during the course of audit, no major weakness has been noticed in these internal control systems.
5. a. In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the Register required to be maintained under that section.
- b. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or agreements referred to in 5.a. above and exceeding the value of rupees five lakh in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of section 58A, 58AA or any other relevant provisions of the Act and Companies (Acceptance of Deposits) Rules, 1975.
7. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
8. We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Act in respect of its products and are of the opinion that, *prima facie*, the prescribed accounts and records have been made and maintained. However, we have not carried out a detailed examination of the accounts and records with a view to determine whether these are accurate or complete.
9. a. According to the information and explanations provided to us and the records of the Company examined by us, in our opinion, the Company was regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and other material statutory dues applicable to it with the appropriate authorities. There were no undisputed arrears that were outstanding as at 31st March 2013 for a period of more than six months from the date they became payable.

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT *contd.*

- b. According to the information and explanations given to us and based on the records of the Company examined by us, as on 31st March 2013, there were no dues in respect of Wealth Tax, Income Tax and Customs Duty that have not been deposited with the appropriate authorities on account of dispute.

The particulars of dues towards Excise Duty, Service Tax and Sales Tax that have not been deposited on account of dispute as at 31st March 2013 and the forum where these disputes are pending are as follows:

Name of the statute	Nature of dues	Financial years to which the matter pertains	Forum where the dispute is pending	Amount ₹ in crore
The Central Excise Act, 1944	Excise Duty	2000-01 to 2009-10	CESTAT/High Court	24.52
Finance Act, 1994	Service Tax	2003-04 to 2004-05	Commissioner	5.33
State Sales Tax Acts	Sales Tax	2001-02 to 2010-11	State Sales Tax Tribunal/ Joint Commissioner	3.99

10. The Company does not have accumulated losses at the end of the financial year and has not incurred cash losses in the financial year under report or in the immediately preceding financial year.
11. According to the information and explanations given to us and based on our audit procedures, the Company has not defaulted in repayment of dues to any financial institution or bank.
12. According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
14. In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in shares, securities, debentures or other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
15. According to the information and explanations given to us and the representations made by the Management, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. The Company has not availed of any term loans. Accordingly, the provisions of clause 4(xvi) of the Order are not applicable to the Company.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investment.
18. The Company has not made preferential allotment of shares during the year to parties and companies covered in the Register maintained under section 301 of the Act.
19. The Company has not issued any debentures during the year.
20. The Company has not raised any money through public issue of securities during the year.
21. During the course of our examination of the books of account and records of the Company and according to the information and explanations given to us, no material fraud on or by the Company has been noticed or reported by the Company during the year.

For V. Sankar Aiyar & Co.,
Chartered Accountants
Firm Reg. No. 109208W

V. Mohan
Partner
Membership No. 17748

Mumbai, 29th May 2013

For R.G.N. Price & Co.,
Chartered Accountants
Firm Reg. No. 002785S

R. Rangarajan
Partner
Membership No. 41883

Mumbai, 29th May 2013

BALANCE SHEET

₹ in crore

As at 31 st March 2013	Notes	2013	2012
Equity and Liabilities			
Shareholders' Funds			
Share Capital	2	160.58	160.58
Reserves and Surplus	3	8708.94	7389.70
Non-Current Liabilities			
Long Term Borrowings	4	0.55	2.20
Deferred Tax Liabilities	5	281.20	232.45
Other Non-Current Liabilities	6	30.00	30.00
Long Term Provisions	7	47.34	29.12
Current Liabilities			
Short Term Borrowings	8	965.26	10.00
Trade Payables	9	827.09	685.85
Other Current Liabilities	10	242.62	232.79
Short Term Provisions	11	229.63	220.64
		11493.21	8993.33
Assets			
Non-Current Assets			
Fixed Assets			
Tangible Assets	12	3418.29	3002.66
Intangible Assets		-	-
Capital Work-in-Progress		339.99	343.45
Intangible Asset under Development		10.35	-
Non-Current Investments	13	514.36	461.83
Long Term Loans and Advances	14	373.72	393.50
Other Non-Current Assets	15	0.31	0.24
Current Assets			
Current Investments	16	2087.46	573.32
Inventories	17	2343.37	1824.50
Trade Receivables	18	1645.22	1519.31
Cash and Bank Balances	19	105.07	55.06
Short Term Loans and Advances	20	652.79	765.48
Other Current Assets	21	2.28	53.98
		11493.21	8993.33
Notes to the Accounts	1 to 41		

As per our report of even date

For V. Sankar Aiyar & Co.,
Chartered Accountants
Firm Reg. No. 109208W

V. Mohan
Partner
Membership No. 17748

Mumbai, 29th May 2013

For R.G.N. Price & Co.,
Chartered Accountants
Firm Reg. No. 0027855

R. Rangarajan
Partner
Membership No. 41883

M.K. Hamied
Managing Director

Subhanu Saxena
Chief Executive Officer

H.R. Manchanda
Ramesh Shroff
M.R. Raghavan
Pankaj Patel
Ranjan Pai
Directors

S. Radhakrishnan
Whole-time Director

V.S. Mani
Chief Financial Officer

Mital Sanghvi
Company Secretary

Mumbai, 29th May 2013

STATEMENT OF PROFIT AND LOSS

₹ in crore

For the year ended 31 st March 2013	Notes	2013	2012
Income			
Revenue from Operations (Gross)	22	8294.58	7074.73
Less: Excise Duty		92.16	97.23
Revenue from Operations (Net)		8202.42	6977.50
Other Income	23	229.13	148.30
		8431.55	7125.80
Expenditure			
Cost of Materials Consumed	24a	2646.83	2300.85
Purchase of Traded Goods	24b	706.89	555.55
Changes in Inventories of Finished Goods, Work-in-Process and Traded Goods	24c	(290.75)	11.24
Employee Benefits Expense	25	969.28	728.21
Finance Costs	26	33.38	26.63
Depreciation and Amortisation Expense	27	303.03	282.07
Other Expenses	28	2051.03	1799.79
		6419.69	5704.34
Profit Before Tax		2011.86	1421.46
Tax Expense			
Current Tax		386.00	277.50
MAT Credit (entitlement)/utilisation		70.00	-
Deferred Tax		48.75	20.00
Profit for the Year		1507.11	1123.96
Earnings per share of face value of ₹2 each			
Basic and Diluted	41	₹18.77	₹14.00
Notes to the Accounts	1 to 41		
As per our report of even date		M.K. Hamied <i>Managing Director</i>	S. Radhakrishnan <i>Whole-time Director</i>
For V. Sankar Aiyar & Co., <i>Chartered Accountants</i> Firm Reg. No. 109208W	For R.G.N. Price & Co., <i>Chartered Accountants</i> Firm Reg. No. 0027855	Subhanu Saxena <i>Chief Executive Officer</i>	V.S. Mani <i>Chief Financial Officer</i>
V. Mohan <i>Partner</i> Membership No. 17748	R. Rangarajan <i>Partner</i> Membership No. 41883	H.R. Manchanda Ramesh Shroff M.R. Raghavan Pankaj Patel Ranjan Pai <i>Directors</i>	Mital Sanghvi <i>Company Secretary</i>
Mumbai, 29 th May 2013			Mumbai, 29 th May 2013

NOTES TO THE ACCOUNTS

1 Significant Accounting Policies

A Basis of Preparation

The financial statements are prepared in accordance with the generally accepted accounting principles in India. The Company has prepared these financial statements to comply in all material respects with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 issued under sub-section (3C) of section 211 of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention. Previous year figures have been recast/regrouped wherever necessary in order to conform to current year's presentation.

B Use of Estimates

The preparation of financial statements requires the Management of the Company to make estimates and assumptions that affect the reported balance of assets and liabilities, revenue and expenses and disclosures relating to contingent liabilities. The Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates. Any revision of accounting estimates is recognised prospectively in the current and future periods.

C Fixed Assets

Fixed assets are stated at cost of acquisition (net of recoverable taxes and Government grants and other subsidies, wherever availed) or construction or other amounts substituted for historical costs on revaluation less accumulated depreciation. Where several fixed assets are acquired for a consolidated price, the consideration is apportioned to fixed assets on fair value basis.

D Borrowing Costs

Borrowing costs attributable to acquisition and/or construction of qualifying assets are capitalised as a part of the cost of such assets, up to the date such assets are ready for their intended use. Other borrowing costs are charged to the Statement of Profit and Loss.

E Depreciation

Depreciation on fixed assets is provided on the Straight Line Method at the rates and in the manner prescribed under Schedule XIV of the Companies Act, 1956.

All individual items of fixed assets, where the actual cost does not exceed ₹5000 have been written off entirely in the year of acquisition.

Cost of leasehold land including premium is amortised over the primary period of lease.

F Valuation of Inventories

Raw materials and packing materials are valued at lower of cost and net realisable value after providing for obsolescence, if any. However, these items are considered to be realisable at cost if the finished products, in which they will be used, are expected to be sold at or above cost.

Work-in-process and finished goods are valued at lower of cost and net realisable value. Work-in-process and finished goods include costs of raw material, labour, conversion costs and other costs incurred in bringing the inventories to their present location and condition.

Cost of finished goods includes excise duty, wherever applicable.

Cost of inventories is computed on weighted average basis.

G Investments

Non-current investments are stated at cost, less provision for diminution (other than temporary) in value.

Current investments are stated at lower of cost and fair value.

Investments property is carried at cost, less depreciation computed in a manner prescribed for Fixed Assets.

H Foreign Exchange Transactions

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction.

Foreign currency monetary assets and liabilities and forward contracts are restated at year end exchange rates. Exchange differences arising on the settlement of foreign currency monetary items or on reporting

NOTES TO THE ACCOUNTS *contd.*

Company's foreign currency monetary items at rates different from those at which they were initially recorded during the year or reported in the previous financial statements, are recognised as income or expense in the year in which they arise.

Non-monetary foreign currency items are carried at the rates prevailing on the date of the transaction.

In respect of forward contracts, the premium or discount on these contracts is recognised as income or expenditure over the period of the contract. Any profit or loss arising on cancellation or renewal of such contracts is recognised as income or expense of the year.

Foreign branches are identified as integral foreign operations. All transactions are translated at rates prevailing on the date of transaction. Monetary assets and liabilities of the branch are restated at the year end rates.

I Provisions, Contingent Liabilities and Contingent Assets

A provision is recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date.

A disclosure of contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent Assets are neither recognised nor disclosed in the financial statements.

J Revenue Recognition

Revenue is recognised to the extent that is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Revenue from sale of goods is recognised when significant risks and rewards of ownership of the goods have been passed to the buyer, which ordinarily coincides with despatch of goods to customers. Revenues are recorded at invoice value, net of sales tax, returns and trade discounts.

Revenue from rendering of services are recognised on completion of services.

Benefits on account of entitlement of export incentives are recognised as and when the right to receive is established.

Technical Know-how/Fees are recognised as and when right to receive such income is established as per terms and conditions of relevant agreement.

Interest income is recognised on time proportion basis.

Dividend income is recognised when the right to receive is established.

K Employee Benefits

Liability on account of short term employee benefits is recognised on an undiscounted and accrual basis during the period when the employee renders service/vesting period of the benefit.

Post retirement contribution plans such as Employees' Pension Scheme are charged to the Statement of Profit and Loss for the year when the contributions to the respective funds accrue.

Periodic contributions towards post retirement benefit plan such as provident fund administered through an Employees' Provident Fund Trust are charged to the Statement of Profit and Loss.

Post retirement benefit plans such as gratuity and leave encashment are determined on the basis of actuarial valuation made by an independent actuary as at the Balance Sheet date. Actuarial gains and losses are recognised immediately in the Statement of Profit and Loss.

L Income Tax

Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the provisions of local Income Tax Laws as applicable to the financial year.

NOTES TO THE ACCOUNTS *contd.*

Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income of the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted as at the Balance Sheet date.

The Company offsets, on a year-on-year basis, the current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

M Impairment of Assets

At each Balance Sheet date, the Company assesses whether there is any indication that any asset may be impaired. If any such indication exists, the carrying value of such assets is reduced to its estimated recoverable amount and the amount of such impairment loss is charged to the Statement of Profit and Loss. If, at the Balance Sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

N Research and Development

Revenue expenditure on Research and Development is recognised as expense in the year in which it is incurred.

Capital expenditure on Research and Development is shown as addition to Fixed Assets.

O Expenditure on Regulatory Approvals

Expenditure incurred for obtaining regulatory approvals and registration of products for overseas markets is charged to revenue.

P Government Grants and Subsidies

Capital subsidy/Government grants are accounted for where it is reasonably certain that the ultimate collection will be made.

Capital subsidy/Government grants related to specific depreciable assets are shown as deduction from the gross value of the asset concerned in arriving at its book value. The grant/subsidy is thus recognised in the Statement of Profit and Loss over the useful life of such depreciable assets by way of a reduced depreciation charge.

Q Leases

Where the Company is a Lessee

Lease rentals on assets taken on operating lease are recognised as expense in the Statement of Profit and Loss on an accrual basis over the lease term in accordance with the lease agreement.

Where the Company is a Lessor

Lease rentals on assets given on operating lease are recognised as income in the Statement of Profit and Loss on an accrual basis in accordance with the lease agreement.

R Earnings Per Share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit attributable to equity shareholders and the weighted average number of shares outstanding are adjusted for the effect of all dilutive potential equity shares from the exercise of options on unissued share capital. The number of equity shares is the aggregate of the weighted average number of equity shares and the weighted average number of equity shares which would be issued on the conversion of all the dilutive potential equity shares into equity shares.

NOTES TO THE ACCOUNTS *contd.*

₹ in crore

	2013	2012
2 Share Capital		
Authorised		
87,50,00,000 Equity Shares of ₹2 each (Previous year 87,50,00,000 Equity Shares of ₹2 each)	175.00	175.00
	175.00	175.00
Issued		
80,39,24,752 Equity Shares of ₹2 each (Previous year 80,39,24,752 Equity Shares of ₹2 each)	160.78	160.78
	160.78	160.78
Subscribed & Paid-up		
80,29,21,357 Equity Shares of ₹2 each fully paid (Previous year 80,29,21,357 Equity Shares of ₹2 each fully paid)	160.58	160.58
	160.58	160.58

- There is no change in the shares outstanding at the beginning and at the end of the reporting date and immediately preceding reporting date.
- **Details of Shareholders holding more than 5 percent shares in the Company**

	2013		2012	
	Number of shares	% Holding	Number of shares	% Holding
Dr. Y.K. Hamied	12,48,27,750	15.55	12,48,27,750	15.55
Mrs. Farida Hamied	4,19,14,937	5.22	4,19,14,937	5.22
Mrs. Sophie Ahmed	4,59,82,000	5.73	4,59,82,000	5.73
Life Insurance Corporation of India	4,41,70,361	5.50	8,01,53,536	9.98

- **Terms and Rights attached to Equity Shares**

The Company has only one class of equity shares having a par value of ₹2 per share. Each holder of equity share is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholder.

NOTES TO THE ACCOUNTS *contd.*

		₹ in crore	
		2013	2012
3	Reserves and Surplus		
	Capital Reserve	0.08	0.08
	Securities Premium Reserve	1428.96	1428.96
	Revaluation Reserve	8.97	8.97
	General Reserve		
	As per last Balance Sheet	2841.43	2716.43
	Add: Transferred from the Statement of Profit and Loss	160.00	125.00
	Balance at the end of the year	3001.43	2841.43
	Surplus in the Statement of Profit and Loss		
	As per last Balance Sheet	3110.26	2297.93
	Add: Profit for the year	1507.11	1123.96
		4617.37	3421.89
	Less: Appropriations		
	Transferred to General Reserve	160.00	125.00
	Proposed Dividend	160.58	160.58
	Tax on Dividend	27.29	26.05
	Balance at the end of the year	4269.50	3110.26
		8708.94	7389.70

		₹ in crore	
		2013	2012
4	Long Term Borrowings		
	Unsecured		
	Deferred Payment Liability - Sales Tax Deferral Loan	0.55	2.20
		0.55	2.20
	VAT Deferral scheme is for 10 years, hence liability is repayable in 3 installments from the 10 th year.		

		₹ in crore	
		2013	2012
5	Deferred Tax Liabilities		
	Deferred Tax Liabilities arising on account of		
	Export Incentives	0.79	17.52
	Depreciation	280.41	214.93
		281.20	232.45

		₹ in crore	
		2013	2012
6	Other Non-Current Liabilities		
	Security Deposits	30.00	30.00
		30.00	30.00

NOTES TO THE ACCOUNTS *contd.*

	₹ in crore	
	2013	2012
7 Long Term Provisions		
Provision for Employee Benefits - Leave Encashment (Note 25)	47.34	29.12
	47.34	29.12

	₹ in crore	
	2013	2012
8 Short Term Borrowings		
Loans Repayable on demand		
Secured		
Cash Credit from Banks (Secured against receivables and moveable assets including stocks, both present and future)	9.49	10.00
Unsecured		
Packing Credit from Banks	955.77	-
	965.26	10.00

	₹ in crore	
	2013	2012
9 Trade Payables		
Micro, Small and Medium Enterprises	41.88	14.13
Others	785.21	671.72
	827.09	685.85

The details of amounts outstanding to Micro, Small and Medium Enterprises based on available information with the Company is as under:

	₹ in crore	
	2013	2012
i. The principal amount and the interest due thereon remaining unpaid to suppliers		
a. Principal	-	-
b. Interest due thereon	-	-
ii. a. The delayed payments of principal paid beyond the appointed date during the entire accounting year	-	-
b. Interest actually paid under section 16 of the Micro, Small and Medium Enterprises Development Act, 2006	-	-
iii. a. Normal interest accrued during the year, for all the delayed payments, as per the agreed terms	-	-
b. Normal interest payable for the period of delay in making payment, as per the agreed terms	-	-
iv. a. Total interest accrued during the year	-	-
b. Total interest accrued during the year and remaining unpaid	-	-

NOTES TO THE ACCOUNTS *contd.*

	₹ in crore	
	2013	2012
10 Other Current Liabilities		
Current maturities of Long Term Debt - Sales Tax Deferral Loan	0.14	0.72
Unclaimed Dividend*	15.46	13.59
Statutory Dues	28.39	19.57
Dues to Employees	37.77	24.63
Creditors for Capital Expenditure	56.48	41.47
Unclaimed Preference Share Capital	0.01	0.01
Security Deposits	1.50	1.73
Book Overdraft	33.43	24.95
Advance from Customers	69.31	106.12
Interest Payable	0.13	-
	242.62	232.79
* There are no amounts due and outstanding to be credited to Investor Education & Protection Fund.		

	₹ in crore	
	2013	2012
11 Short Term Provisions		
Provision for Employee Benefits - Leave Encashment (Note 25)	7.99	7.29
Employee Retirement Benefit Obligations - Gratuity (Note 25)	25.65	17.49
Provision for Bonus	8.12	9.23
Proposed Dividend	160.58	160.58
Tax on Proposed Dividend	27.29	26.05
	229.63	220.64

NOTES TO THE ACCOUNTS *contd.*

₹ in crore

12 Fixed Assets - Tangible Assets

ASSETS	GROSS BLOCK			DEPRECIATION/AMORTISATION			NET BLOCK			
	As at 01.04.12	Additions	Deletions/ Adjustments	As at 31.03.13	Upto 31.03.12	For the year 2012-13	Deletions/ Adjustments	Upto 31.03.13	As at 31.03.13	As at 31.03.12
Freehold Land	31.63	1.10	-	32.73	-	-	-	-	32.73	31.63
Leasehold Land	75.05	0.02	0.02	75.05	9.48	1.79	-	11.27	63.78	65.57
Plant and Equipments	3024.64	296.58	49.81	3271.41	1078.98	256.11	31.18	1303.91	1967.50	1945.66
Office Equipments	58.67	14.49	0.86	72.30	10.55	3.17	0.31	13.41	58.89	48.12
Furniture and Fixtures	105.27	9.27	1.14	113.40	34.97	6.90	0.61	41.26	72.14	70.30
Buildings and Flats	993.75	415.87	0.08	1409.54	157.65	34.26	-	191.91	1217.63	836.10
Vehicles	9.17	1.51	1.30	9.38	3.89	0.79	0.92	3.76	5.62	5.28
Total	4298.18	738.84	53.21	4983.81	1295.52	303.02	33.02	1565.52	3418.29	3002.66
Previous year	3928.47	444.05	74.34	4298.18	1060.82	282.06	47.36	1295.52		

Notes: i. The gross value of Buildings and Flats includes the cost of shares in Co-operative Housing Societies.

ii. The above additions to fixed assets during the year includes ₹61.32 crore (Previous year ₹17.40 crore) used for Research and Development.

iii. Freehold Land at Mumbai Central and Vikhroli, were revalued on 16th March 1985 and was again revalued on 21st March 1990 along with Freehold Land at Bengaluru on the basis of valuation report of approved valuers resulting in an increase in book value by ₹8.97 crore.

NOTES TO THE ACCOUNTS *contd.*

	₹ in crore	
	2013	2012
13 Non-Current Investments		
Trade Investments		
Investments in Equity Instruments (Unquoted)		
Investment in Wholly Owned Subsidiaries		
15 (Previous year 15) Equity Shares of Cipla FZE of AED 10,00,000 each, fully paid	18.69	18.69
45,966 (Previous year 45,966) Equity Shares of Goldencross Pharma Pvt. Ltd. of ₹10 each, fully paid	191.12	191.12
60,00,072 (Previous year 60,00,072) Equity Shares of Meditab Specialities Pvt. Ltd. of ₹1 each, fully paid	133.72	133.72
8,50,001 (Previous year 7,00,001) Ordinary Shares of Cipla (Mauritius) Ltd. of USD 1 each, fully paid	3.96	3.16
Investment in Associates		
87,33,333 (Previous year 87,33,333) Ordinary Shares of Biomab Holding Ltd. of USD 1 each, fully paid	114.78	114.78
1,70,48,597 (Previous year Nil) Equity Shares of Mabpharm Pvt. Ltd. of ₹10 each, fully paid	51.74	-
Investment in Joint Venture		
1 (Previous year 1) Ordinary Share of Aspen-Cipla Australia Pty Ltd. of AUD 1, fully paid - ₹51.97 (Previous year ₹51.97)	0.00	0.00
Other Investments		
Investments in Equity Instruments (Unquoted)		
1,000 (Previous year 1,000) Equity Shares of The Saraswat Co-operative Bank Ltd. of ₹10 each, fully paid - ₹10000 (Previous year - ₹10000)	0.00	0.00
Investments in Government and Trust Securities		
National Savings Certificates - ₹40000 (Previous year - ₹39000)	0.00	0.00
Investment property (at cost less accumulated depreciation)		
Cost of Building given on Operating Lease	0.52	0.52
Less: Accumulated Depreciation	0.17	0.16
Net Block	0.35	0.36
	514.36	461.83
Aggregate amount of unquoted investments - ₹514.01 crore (Previous year - ₹461.47 crore)		

NOTES TO THE ACCOUNTS *contd.*

	₹ in crore	
	2013	2012
14 Long Term Loans and Advances		
Secured, Considered Good		
Capital Advances [#]	7.03	1.77
Unsecured, Considered Good		
Capital Advances*	72.12	75.51
Security Deposits	30.03	23.98
MAT Credit Entitlement Receivable	-	70.00
Advance Taxes and TDS (Net of Provision for Tax ₹663.50 crore; Previous year ₹505.20 crore)	223.11	188.15
VAT Receivable	34.22	26.24
Other Loans and Advances	7.21	7.85
	373.72	393.50
[#] Secured against Bank Guarantees		
* Includes ₹55.74 crore (Previous year ₹55.74 crore) paid to wholly owned subsidiary - Meditab Specialities Pvt. Ltd.		

	₹ in crore	
	2013	2012
15 Other Non-Current Assets		
Fixed Deposits as Margin Money (maturity more than 12 months)	0.31	0.24
	0.31	0.24

	₹ in crore			
	No. of units	2013	No. of units	2012
16 Current Investments				
Investments in Mutual Funds (Unquoted)				
Axis Mutual Fund "Axis Liquid Fund" - Direct Plan - Growth	1,54,071	20.00	-	-
Axis Mutual Fund - "Axis Fixed Term Plan" Series 23 (3 Months) - Growth	-	-	50,00,000	5.00
Axis Mutual Fund "Axis Liquid Fund" - Institutional Growth	-	-	2,52,756	30.00
Baroda Pioneer Mutual Fund "Baroda Pioneer Liquid Fund" - Plan B - Growth	12,00,494	161.17	-	-
Baroda Pioneer Mutual Fund "Baroda Pioneer Liquid Fund" - Institutional Growth	-	-	81,570	10.01
Birla Sun Life Mutual Fund "Birla Cash Plus" - Institutional Premium Growth	-	-	19,72,187	33.84

NOTES TO THE ACCOUNTS *contd.*

	₹ in crore			
	No. of units	2013	No. of units	2012
16 Current Investments - contd.				
Birla Sun Life Mutual Fund "Birla Sun Life Cash Plus" - Growth - Direct Plan	56,48,719	106.00	-	-
Birla Sun Life Mutual Fund "Birla Sun Life Floating Rate Fund Short Term Plan" - Growth - Direct Plan	16,06,630	25.00	-	-
Birla Sun Life Mutual Fund "Birla Sun Life Floating Rate Fund" - Short Term - IP - Growth	-	-	14,58,285	20.75
Daiwa Mutual Fund "Daiwa Liquid Fund" - Institutional Plan - Growth Option	-	-	1,21,859	14.61
Deutsche Asset Management "DWS Insta Cash Plus Fund" - Direct Plan - Growth	7,26,876	141.11	-	-
Deutsche Asset Management "DWS Insta Cash Plus Fund" - Super Institutional Plan Growth	-	-	18,95,798	26.39
Deutsche Asset Management "DWS Ultra Short Term Fund" - Direct Plan - Growth	35,95,053	5.00	-	-
DSP Blackrock Mutual Fund "DSP Blackrock Liquidity Fund" - Direct Plan - Growth	92,66,104	121.91	-	-
Edelweiss Mutual Fund "Edelweiss Fixed Maturity Plan - Series 5" - Growth Plan	-	-	1,00,00,000	10.00
Edelweiss Mutual Fund "Edelweiss Liquid Fund" - Super Institutional Growth	-	-	1,01,92,623	10.80
Franklin Templeton Mutual Fund "Templeton India Treasury Management Account" - Super Institutional Plan Growth	-	-	1,99,584	31.82
HDFC Mutual Fund "HDFC Cash Management" - Savings Plan Growth	-	-	1,76,63,721	39.50
ICICI Prudential Mutual Fund "ICICI Prudential Liquid Plan" - Super Institutional Growth	-	-	22,52,438	35.68
ICICI Prudential Mutual Fund "ICICI Prudential Liquid" - Direct Plan - Growth	77,30,182	133.94	-	-
IDBI Mutual Fund "IDBI Liquid Fund" - Growth - Direct	71,565	9.00	-	-
Indiabulls Mutual Fund "Indiabulls Liquid Fund" - Direct Plan Growth	3,54,872	40.43	-	-
JM Financial Mutual Fund "JM High Liquidity Fund" (Direct) - Growth Option (452)	2,15,84,260	68.97	-	-
JM Financial Mutual Fund "JM High Liquidity Fund" - Super Institutional Plan - Growth	-	-	1,72,33,780	28.93
JP Morgan Mutual Fund "JP Morgan India Liquid Fund" - Direct Plan - Growth	8,24,75,345	125.26	-	-
JP Morgan Mutual Fund "JP Morgan India Liquid Fund" - Super Institutional Growth Plan	-	-	2,38,07,567	33.05
Kotak Mahindra Mutual Fund "Kotak Liquid Scheme" Plan A - Direct Plan - Growth	5,23,470	124.45	-	-
Kotak Mahindra Mutual Fund "Kotak Liquid" - Institutional Premium Growth	-	-	37,93,348	8.25

NOTES TO THE ACCOUNTS *contd.*

₹ in crore

	No. of units	2013	No. of units	2012
16 Current Investments - contd.				
L&T Mutual Fund "L&T Liquid Fund" Direct Plan - Growth	1,55,629	25.00	-	-
Morgan Stanley Mutual Fund "Morgan Stanley Liquid Fund" Direct Growth Plan	3,04,488	35.03	-	-
Peerless Mutual Fund "Peerless Liquid Fund" - Direct Plan Growth	11,48,39,618	147.18	-	-
Peerless Mutual Fund "Peerless Liquid Fund" - Super Institutional Growth	-	-	2,81,19,991	32.91
Pramerica Mutual Fund "Pramerica Liquid Fund" - Direct Plan - Growth Option	6,01,771	75.28	-	-
Pramerica Mutual Fund "Pramerica Liquid Fund" - Growth Option	-	-	3,69,831	42.27
Principal Mutual Fund "Principal Cash Management Fund" - Direct Plan - Growth Option	11,27,268	128.45	-	-
Reliance Mutual Fund "Reliance Liquid Fund - Treasury Plan" Institutional - Growth Option	-	-	1,34,78,017	35.15
Reliance Mutual Fund "Reliance Liquidity Fund" - Direct Growth Plan	7,55,484	133.29	-	-
Religare Mutual Fund "Religare Liquid Fund" - Direct Plan Growth	10,48,687	168.88	-	-
SBI Mutual Fund "SBI Magnum Insta Cash Fund - Liquid Floater" - Direct Plan - Growth	74,749	15.04	-	-
Sundaram BNP Paribas Mutual Fund "Sundaram Money Fund" - Super Institutional Growth	-	-	1,42,77,965	32.25
Sundaram BNP Paribas Mutual Fund "Sundaram Money Fund" - Direct Plan - Growth	3,66,72,109	90.60	-	-
Tata Mutual Fund "Tata Liquid Super High Investment Fund" - Appreciation	-	-	92,289	18.26
Taurus Mutual Fund "Taurus Liquid Fund" - Direct Plan - Super Institutional Growth	11,58,404	146.43	-	-
Taurus Mutual Fund "Taurus Liquid Fund" - Super Institutional Growth	-	-	86,529	10.00
Union KBC Mutual Fund "UKBC Liquid Fund" - Growth - Direct Plan	85,183	10.00	-	-
Union KBC Mutual Fund "UKBC Liquid Fund" - Growth	-	-	3,79,362	40.70
UTI Mutual Fund "UTI Fixed Income Interval Fund" - Quaterly Interval Plan Series-I - Institutional Growth Plan	-	-	84,85,939	10.00
UTI Mutual Fund "UTI Liquid Cash Plan" - Institutional Growth Option	-	-	74,765	13.15
UTI Mutual Fund "UTI Liquid Cash Plan" - Institutional - Direct Plan - Growth	1,56,352	30.04	-	-
		2087.46		573.32
Aggregate amount of unquoted investments - ₹2087.46 crore (Previous year - ₹573.32 crore)				

NOTES TO THE ACCOUNTS *contd.*

	₹ in crore	
	2013	2012
17 Inventories (Refer Note - 24c)		
Raw Materials and Packing Materials (including Stock-in-Transit of ₹120.23 crore; Previous year ₹103.49 crore)	1058.84	830.72
Work-in-Process (including Stock-in-Transit of ₹8.39 crore; Previous year ₹8.75 crore)	563.52	411.13
Finished Goods (including Stock-in-Transit of ₹116.55 crore; Previous year ₹90.13 crore)	513.84	446.81
Traded Goods	207.17	135.84
	2343.37	1824.50

	₹ in crore	
	2013	2012
18 Trade Receivables		
Unsecured, Considered Good		
Outstanding over Six Months	12.16	86.76
Others	1633.06	1432.55
Unsecured, Considered Doubtful		
Outstanding over Six Months	75.44	138.66
Less: Allowance for Doubtful Debts	<u>75.44</u>	<u>138.66</u>
	-	-
	1645.22	1519.31

	₹ in crore	
	2013	2012
19 Cash and Bank Balances		
Cash and Cash Equivalents		
Balances with Banks	38.31	38.61
Fixed Deposits as Margin Money (maturity less than 3 months)	0.03	-
Cash on Hand	1.27	1.62
Other Bank Balances		
Balance earmarked for Unclaimed Dividend	15.46	13.59
Fixed Deposits as Margin Money (maturity less than 12 months)	-	1.24
Fixed Deposits (maturity less than 12 months)	50.00	-
	105.07	55.06

NOTES TO THE ACCOUNTS *contd.*

	₹ in crore	
	2013	2012
20 Short Term Loans and Advances		
Unsecured (Considered good, unless otherwise stated)		
Inter Corporate Loans		
Considered Good (includes amounts referred to in Note 39)	152.03	258.61
Considered Doubtful	2.25	2.25
	<u>154.28</u>	<u>260.86</u>
Less: Allowance for Doubtful Loans	2.25	2.25
	152.03	258.61
Interest Accrued		
Considered Good	2.17	0.10
Considered Doubtful	0.46	0.46
	<u>2.63</u>	<u>0.56</u>
Less: Allowance for Doubtful Interest	0.46	0.46
	2.17	0.10
Share Application Money - Pending Allotment	-	41.64
Balances with Statutory/Revenue Authorities	317.96	301.90
Capital Subsidy Receivable	61.26	61.26
Others*		
Considered Good	119.37	101.97
Considered Doubtful	4.59	-
	<u>123.95</u>	<u>101.97</u>
Less: Allowance for Doubtful Advances	4.59	-
	119.37	101.97
	652.79	765.48
*Includes advances to sundry creditors, employee loans and prepaid expenses		

	₹ in crore	
	2013	2012
21 Other Current Assets		
Export Incentives Receivable	2.28	53.98
	2.28	53.98

	₹ in crore	
	2013	2012
22 Revenue from Operations		
Sale of Products	8107.53	6904.91
Rendering of Services	27.03	27.01
Other Operating Revenue		
Export Incentives	63.21	80.95
Technical Know-how/Fees	65.93	31.03
Scrap Sales	30.88	25.54
Others	-	5.29
	8294.58	7074.73

NOTES TO THE ACCOUNTS *contd.*

22 Revenue from Operations - *contd.*

- Details of Products sold

	₹ in crore	
	2013	2012
Manufactured Goods		
Bulk Drugs	756.92	778.21
Tablets and Capsules	4499.91	3644.31
Liquids	286.36	366.33
Creams	108.73	82.46
Aerosols/Inhalation Devices	736.28	584.83
Injections/Sterile Solutions	653.46	580.26
Others	49.03	36.83
	7090.69	6073.23
Traded Goods		
Bulk Drugs	121.80	119.59
Tablets and Capsules	433.96	337.00
Liquids	176.15	146.17
Creams	45.46	51.58
Aerosols/Inhalation Devices	49.66	32.65
Injections/Sterile Solutions	135.00	100.03
Others	54.81	44.66
	1016.84	831.68
	8107.53	6904.91

- Earnings in Foreign Exchange

	₹ in crore	
	2013	2012
F.O.B. Value of Exports	4426.16	3692.03
Technical Know-how/Fees	60.43	29.55
Others	8.13	6.59
	4494.72	3728.17

	₹ in crore	
	2013	2012
23 Other Income		
Interest	5.75	8.97
Dividend	90.66	36.29
Net Gain on Sale of Current Investment	3.21	0.56
Insurance Claims	2.37	1.16
Rent	2.80	2.83
Sundry Balances Written Back	1.44	0.45
Miscellaneous Receipts	36.20	31.36
Net Gain on Foreign Currency Transaction and Translation	86.70	66.68
	229.13	148.30

NOTES TO THE ACCOUNTS *contd.*

		₹ in crore	
		2013	2012
24a	Cost of Materials Consumed		
	Consumption of Raw and Packing Materials		
	Opening Stock	830.72	878.14
	Add: Purchases	2874.95	2253.43
		3705.67	3131.57
	Less: Closing Stock	1058.84	830.72
		2646.83	2300.85
		2646.83	2300.85

• Break-up of Materials Consumed

		₹ in crore	
		2013	2012
	Class of Goods		
	Bulk Drugs	953.33	884.16
	Solvents	134.90	109.03
	Capsules	33.47	30.26
	Packing Material	663.69	572.55
	Others	977.36	796.30
		2762.75	2392.30
	Less: Recoverable Duties (included in the above cost)	115.92	91.45
	Total Consumption (Net of Cenvat)	2646.83	2300.85

• Consumption of Raw and Packing Materials/Spares and Components

		₹ in crore			
		2013		2012	
		Value	%	Value	%
	Class of Goods				
	Purchased Indigenously	1665.58	60	1466.77	61
	Imported	1097.17	40	925.53	39
		2762.75	100	2392.30	100
	Less: Recoverable Duties (included in the above cost)	115.92		91.45	
	Total Consumption (Net of Cenvat)	2646.83		2300.85	

		₹ in crore	
		2013	2012
24b	Purchase of Traded Goods		
	Bulk Drugs	99.96	81.45
	Tablets and Capsules	305.37	211.61
	Liquids	112.02	107.63
	Creams	29.08	31.79
	Aerosols/Inhalation Devices	37.26	29.45
	Injections/Sterile Solutions	89.68	64.42
	Others	33.52	29.20
		706.89	555.55

NOTES TO THE ACCOUNTS *contd.*

		₹ in crore	
		2013	2012
24c	Changes in Inventories of Finished Goods, Work-in-Process and Traded Goods		
	Opening Stock		
	Work-in-Process	411.13	410.74
	Finished Goods	446.81	441.12
	Traded Goods	135.84	153.16
		993.78	1005.02
	Less: Closing Stock		
	Work-in-Process	563.52	411.13
	Finished Goods	513.84	446.81
	Traded Goods	207.17	135.84
		1284.53	993.78
		(290.75)	11.24

• Break-up of Inventory

		₹ in crore	
		2013	2012
	Work-in-Process		
	Formulations	130.84	93.78
	Bulk Drugs	432.68	317.35
		563.52	411.13
	Finished Goods		
	Bulk Drugs	21.22	9.33
	Tablets and Capsules	285.48	272.92
	Liquids	29.46	33.53
	Creams	18.88	12.80
	Aerosols/Inhalation Devices	61.77	40.67
	Injections/Sterile Solutions	89.43	73.68
	Others	7.60	3.88
		513.84	446.81
	Traded Goods		
	Bulk Drugs	30.96	9.35
	Tablets and Capsules	91.77	55.06
	Liquids	28.39	27.53
	Creams	6.89	6.76
	Aerosols/Inhalation Devices	5.64	5.85
	Injections/Sterile Solutions	31.78	20.00
	Others	11.74	11.29
		207.17	135.84

NOTES TO THE ACCOUNTS *contd.*

	₹ in crore	
	2013	2012
25 Employee Benefits Expense		
Salaries and Wages	853.35	639.33
Contribution to Provident and Other Funds	44.40	34.38
Staff Gratuity	12.16	15.62
Staff Welfare Expenses	59.37	38.88
	969.28	728.21

- **Employee Benefits**

- i. **Short Term Employee Benefits**

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. Benefits such as salaries, wages, short term compensated absences, etc., and the expected cost of bonus, ex-gratia are recognised in the period in which the employee renders the related service.

- ii. **Long Term Employee Benefits**

The disclosures as per the revised AS-15 are as under:

- a. **Brief description of the plans**

- Defined Contribution Plan**

The Company's defined contribution plan is Employees' Pension Scheme (under the provisions of Employees' Provident Funds and Miscellaneous Provisions Act, 1952) since the Company has no further obligation beyond making the contributions.

- Defined Benefit and other Long Term Benefit Plans**

The Company has two schemes for long term benefits namely, Provident Fund and Gratuity:

- The Provident Fund plan, a funded scheme is operated by the Company's Provident Fund Trust, which is recognised by the Income Tax authorities and administered through trustees/appropriate authorities. The Guidance Note on implementing the revised AS-15, "Employee Benefits (revised 2005)" issued by Accounting Standards Board (ASB) states benefit involving employer established provident funds, which require interest shortfalls to be recompensed, are to be considered as defined benefit plans. Accordingly, the Company has considered the provident fund as defined benefit plan.
 - The Company provides for gratuity, a defined benefit plan based on actuarial valuation as of the Balance Sheet date, based upon which, the Company contributes all the ascertained liabilities to the Insurer Managed Funds.

The employees of the Company are also entitled to leave encashment. The provision is made based on actuarial valuation for leave encashment at the year end.

- b. **Charge to the Statement of Profit and Loss**

- i. **Based on contribution**

	₹ in crore	
	2013	2012
Employees' Pension Scheme	12.59	11.49
Provident Fund	30.12	20.98
	42.71	32.47

- ii. Charge towards leave encashment to the Statement of Profit and Loss amounts to ₹18.92 crore (Previous year ₹10.16 crore).

NOTES TO THE ACCOUNTS *contd.*

25 Employee Benefits Expense - *contd.*

c. Disclosures for defined benefit plans based on actuarial report as on 31st March 2013

	₹ in crore	
	2013 Gratuity (Funded Plan)	2012 Gratuity (Funded Plan)
i. Change in defined benefit obligation		
Opening defined benefit obligation	46.52	33.23
Interest cost	3.95	2.74
Current service cost	6.68	5.20
Actuarial (gain)/loss on obligations	5.23	10.06
Benefits paid	(2.99)	(4.71)
Liability at the end of the year	<u>59.39</u>	<u>46.52</u>
ii. Change in fair value of assets		
Opening fair value of plan assets	29.03	26.36
Expected return on plan assets	2.47	2.17
Actuarial gain/(loss)	1.23	0.21
Contributions by employer	4.00	5.00
Transfer of plan assets	-	-
Benefits paid	(2.99)	(4.71)
Closing fair value of plan assets	<u>33.74</u>	<u>29.03</u>
iii. Amount recognised in Balance Sheet		
Present value of obligations as at year end	(59.39)	(46.52)
Fair value of plan assets as at year end	33.74	29.03
Net asset/(liability) recognised	<u>(25.65)</u>	<u>(17.49)</u>
iv. Expenses recognised in Statement of Profit and Loss		
Current service cost	6.68	5.20
Interest on defined benefit obligation	3.95	2.74
Expected return on plan assets	(2.47)	(2.17)
Net actuarial (gain)/loss recognised in the current year	4.00	9.85
Transfer of plan assets	-	-
Total expense recognised in Statement of Profit and Loss	<u>12.16</u>	<u>15.62</u>
v. Actual return on plan assets		
Expected return on plan assets	2.47	2.17
Actuarial gain/(loss) on plan assets	1.23	0.21
Actual return on plan assets	<u>3.70</u>	<u>2.38</u>
vi. Asset information		
Insurer managed funds	100%	100%

NOTES TO THE ACCOUNTS *contd.*

25 Employee Benefits Expense - *contd.*

	₹ in crore	
	2013 Gratuity (Funded Plan)	2012 Gratuity (Funded Plan)
vii. Experience adjustments		
Defined benefit obligation	59.39	46.52
Plan assets	(33.74)	(29.03)
Deficit/(Surplus)	25.65	17.49
Experience adjustment on plan liabilities - (gain)/loss	0.20	11.22
Experience adjustment on plan assets - (gain)/loss	(1.23)	(0.21)
viii. Expected employer's contribution for the next year	32.81	6.92

The actuarial calculations used to estimate commitments and expenses in respect of gratuity and compensated absences are based on the following assumptions which if changed, would affect the commitment's size, funding requirements and expense:

Principal Actuarial assumptions used	2013	2012
Discounted rate (per annum)	8.25%	8.50%
Expected rate of return on plan assets (per annum)	8.25%	8.50%
Expected rate of future salary increase	4.00%	4.00%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in employment market.

- Amounts for the current and previous four periods are as follows:

	₹ in crore				
	2013	2012	2011	2010	2009
Gratuity					
Defined benefit obligation	59.39	46.52	33.23	26.14	20.58
Plan assets	33.74	29.03	26.36	21.84	15.91
(Surplus)/Deficit	25.65	17.49	6.87	4.30	4.67
Experience adjustment on plan liabilities - (gain)/loss	0.20	11.22	9.36	2.61	(2.46)
Experience adjustment on plan assets - (gain)/loss	(1.23)	(0.21)	0.56	(0.57)	0.17

	₹ in crore	
	2013	2012
26 Finance Costs		
Interest Expense	27.04	12.13
Applicable Loss on Foreign Currency Transaction and Translation	6.34	14.50
	33.38	26.63

NOTES TO THE ACCOUNTS *contd.*

	₹ in crore	
	2013	2012
27 Depreciation and Amortisation Expense		
Depreciation on Tangible Assets	303.03	282.07
	303.03	282.07

	₹ in crore	
	2013	2012
28 Other Expenses		
Manufacturing Expenses	234.31	218.08
Stores and Spares	86.43	91.57
Power and Fuel	211.17	211.32
Repairs and Maintenance		
Machinery	75.27	63.80
Buildings	102.74	111.19
Travelling Expenses	181.70	132.56
Sales Promotion Expenses	177.74	139.18
Commission on Sales	209.58	275.16
Rates and Taxes	24.70	13.94
Freight and Forwarding	75.17	50.53
Conveyance and Vehicle Expenses	22.93	19.93
Rent	30.59	20.47
Insurance	12.28	9.65
Remuneration to Auditors		
Audit Fees	0.58	0.58
Tax Audit Fees	0.05	-
Certification Fees	0.17	0.15
Professional Fees	220.35	93.63
Telephone, Postage and Telegram	26.26	24.75
Directors' Sitting Fees	0.07	0.06
Contractual Services	65.58	50.85
Donations	0.62	5.67
Bad debts, provision for doubtful debts and advances (Net)	54.75	100.02
Loss on sale/discard of fixed assets (Net)	15.97	36.85
Printing and Stationery	51.61	43.10
Research - Clinical Trials, Samples and Grants	43.21	36.30
Miscellaneous Expenses	127.20	50.45
	2051.03	1799.79

NOTES TO THE ACCOUNTS *contd.*

		₹ in crore	
		2013	2012
29	Research and Development Expenditure		
	The amount of expenditure as shown in the respective heads of account is as under:		
	Capital Expenditure	61.32	17.40
	Revenue Expenditure charged to the Statement of Profit and Loss		
	Materials Consumed	22.01	44.02
	Employee Benefits Expense	116.53	83.42
	Power and Fuel	20.94	23.14
	Repairs and Maintenance	22.95	21.30
	Manufacturing Expenses	18.89	22.32
	Professional Fees	50.43	29.60
	Depreciation	35.25	20.99
	Research - Clinical Trials, Samples and Grants	31.33	28.07
	Printing and Stationery	1.94	4.67
	Travelling Expenses	5.49	4.28
	Other Research and Development Expenses	38.06	24.62
		363.82	306.43
		425.14	323.83
	Amount eligible for weighted deduction under section 35(2AB) of the Income Tax Act, 1961		
	Capital Expenditure	45.90	17.22
	Revenue Expenditure		
	Employee Benefits Expense	68.11	51.13
	Raw Materials and Consumables	22.01	20.38
	Research - Clinical Trials, Samples and Grants	31.33	27.80
	Other Expenditure	77.33	56.08
		198.78	155.39
		244.68	172.61

		₹ in crore	
		2013	2012
30	Net difference in foreign exchange credited to the Statement of Profit and Loss	80.36	52.18
		80.36	52.18

NOTES TO THE ACCOUNTS *contd.*

	₹ in crore	
	2013	2012
31 Value of Imports on C.I.F. basis		
Raw Materials and Packing Materials	1206.78	954.34
Components and Spare Parts	26.23	32.42
Capital Goods	83.21	146.50
	1316.22	1133.26

	₹ in crore	
	2013	2012
32 Expenditure in Foreign Currency		
Legal and Professional charges	86.30	35.24
Commission	101.02	128.52
Other Matters – Travelling, Registration Fees, etc.	87.02	32.18
	274.34	195.94

33 Lease Accounting

Where the Company is a Lessee

The Company has obtained certain premises for its business operations (including furniture and fixtures, therein as applicable) under cancellable operating lease or leave and license agreements ranging from 11 months to 5 years or longer which are subject to renewal at mutual consent. The cancellable lease arrangements can be terminated by either party after giving due notice. Lease payments are recognised in the Statement of Profit and Loss under "Rent" in Note 28.

Where the Company is a Lessor

The Company has given certain premises under operating lease or leave and license agreement. The Company retains substantially all risks and benefits of ownership of the leased asset and hence classified as operating lease. Lease income on such operating lease is recognised in the Statement of Profit and Loss under "Rent" in Note 23.

34 Foreign Exchange Derivatives and Exposures outstanding at the year end

				₹ in crore	
Nature of Instrument	Currency	Cross Currency		2013	2012
Forward contracts – Sold	USD	INR		1152.42	1105.21
Forward contracts – Bought	USD	INR		955.77	-
Unhedged foreign exchange exposures					
Receivables				385.17	401.69
Payables				389.54	373.11

Note: The Company uses forward contracts/derivatives for hedging purposes and/or reducing interest costs.

35 Segment Information

In accordance with AS-17 "Segment Reporting", segment information has been given in the Consolidated Financial Statements of Cipla Limited., and therefore, no separate disclosure on segment information is given in these financial statements.

NOTES TO THE ACCOUNTS *contd.*

		₹ in crore	
		2013	2012
36	Contingent Liabilities and Commitments (to the extent not provided for)		
	Contingent Liabilities		
	Claims against the Company not acknowledged as debt	6.51	1.88
	Guarantees (refer Note)	2750.66	100.51
	Letters of Credit	11.59	20.75
	Refund of Technical Know-how/Fees on account of non compliance of certain obligations as per respective agreements	2.54	27.19
	Income Tax	191.78	179.73
	Excise Duty/Service Tax	29.85	29.55
	Sales Tax	<u>3.99</u>	<u>3.64</u>
		2996.92	363.25
	Commitments		
	Estimated Amount of Contracts unexecuted on Capital Account	171.89	291.61
	Other Commitments	<u>824.85</u>	<u>665.21</u>
		996.74	956.82
		3993.66	1320.07

Note: On 15th May 2013 the shareholders of Cipla Medpro South Africa Ltd. ("Medpro"), a company incorporated in the Republic of South Africa and listed on JSE Ltd., have approved the Scheme of Arrangement ("Scheme") for Cipla Limited ("the Company") to acquire 100% of the ordinary share capital of Medpro at a price of ZAR 10 per share, and to settle all outstanding options to acquire Medpro shares. Based on Medpro's current shares and share options outstanding, the total consideration payable would be approximately ZAR 4518 million (approximately ₹2666 crore). Medpro is a distributor of the Company's products in South Africa and certain neighbouring countries. Guarantees disclosed under contingent liabilities include counter indemnity/guarantees furnished by the Company in an aggregate amount of ZAR 4520 million (approximately ₹2667 crore) in respect of bank guarantees which have been issued in connection with the Scheme by two South African banks in favour of the Takeover Regulation Panel, South Africa and which are valid until 10th September 2013. Implementation of the Scheme is still subject to regulatory and other approvals and conditions.

37 The Government of India has served demand notices in March 1995 and May 1995 on the Company in respect of six bulk drugs, claiming that an amount of ₹5.46 crore along with interest due thereon is payable into the DPEA under the Drugs (Prices Control) Order, 1979 on account of alleged unintended benefit enjoyed by the Company. The Company has filed its replies to the notices and has contended that no amount is payable into the DPEA under the Drugs (Prices Control) Order, 1979.

NOTES TO THE ACCOUNTS *contd.*

38 In 2003, the Company received notice of demand from the National Pharmaceutical Pricing Authority, Government of India on account of alleged overcharging in respect of certain drugs under the Drug Price Control Order. This was contested before the jurisdictional High Courts in Mumbai, Karnataka and Allahabad wherein it was held in favour of the Company. The orders of Hon'ble High Court of Allahabad and Bombay were challenged before the Hon'ble Supreme Court of India by the Government. Although in the challenge to the decision of the Hon'ble Bombay High Court, the Hon'ble Supreme Court of India restored the matter to the Hon'ble Bombay High Court in August 2003 for interpreting the Drug Policy on the basis of directions and principles laid down by them and the same was pending, in the challenge to the Hon'ble High Court of Allahabad's order, in Feb 2013, the Hon'ble Supreme Court of India transferred the Bombay High Court petition also before itself for a final hearing on both the matters. In an earlier order, the Hon'ble Supreme Court has already restrained the Government from taking any coercive action against the Company. The Company has been legally advised that on the basis of these orders there is no probability of demand crystallising. Hence no provision is considered necessary in respect of notice of demand aggregating to ₹1654.92 crore (inclusive of principal amount for the period July 1995 to April 2009 and interest upto January 2012).

39 Loans and Advances in the nature of Loans given to Subsidiaries and Associates

₹ in crore						
Sr. No.	Name of the Company	Nature	As at 31 st March 2013	Maximum balance during the year	As at 31 st March 2012	Maximum balance during the year
1.	Goldencross Pharma Pvt. Ltd.	Subsidiary	26.75	30.00	15.00	30.50
2.	Meditab Specialities Pvt. Ltd.	Subsidiary	124.48	242.81	242.81	248.31

- Notes: i. The above loans are repayable on demand.
 ii. Loan given to Meditab Specialities Pvt. Ltd. is interest-free.
 iii. Loans given to employees as per the Company's policy are not considered.

		No. of shares
Goldencross Pharma Pvt. Ltd. has made the following investments in its subsidiary		
a.	Four M Propack Pvt. Ltd.	58,000
Meditab Specialities Pvt. Ltd. has made the following investments in its subsidiaries		
a.	Meditab Holdings Ltd.	2,96,20,100
b.	Medispray Laboratories Pvt. Ltd.	51,020
c.	Sitec Labs Pvt. Ltd.	10,000
Meditab Holdings Ltd. has made the following investments in its subsidiaries		
a.	Meditab Pharmaceuticals South Africa (Pty) Ltd.	70,100
b.	Meditab Specialities New Zealand Ltd.	30,100

NOTES TO THE ACCOUNTS *contd.*

40 Related Party Disclosures

i. The related parties where control exists or where significant influence exists and with whom transactions have taken place:

a. Subsidiary Companies including step-down subsidiaries, associate companies and joint venture:

Sr. No.	Name of the Company
Subsidiaries (held directly)	
1.	Cipla FZE
2.	Goldencross Pharma Pvt. Ltd.
3.	Cipla (Mauritius) Ltd.
4.	Meditab Specialities Pvt. Ltd.
Subsidiaries (held indirectly)	
5.	Cipla (UK) Ltd.
6.	Cipla Australia Pty Ltd. (formerly Cipla-Oz Pty Ltd.)
7.	Cipla (EU) Ltd. (formerly STD Chemicals Ltd.)
8.	Medispray Laboratories Pvt. Ltd.
9.	Sitec Labs Pvt. Ltd.
10.	Four M Propack Pvt. Ltd.
11.	Meditab Holdings Ltd.
12.	Meditab Pharmaceuticals South Africa (Pty) Ltd.
13.	Meditab Specialities New Zealand Ltd.
14.	Cipla İlaç Ticaret Anonim Şirketi
15.	Cipla USA Inc. (w.e.f. 12 th September 2012)
16.	Cipla Kenya Ltd. (w.e.f. 8 th October 2012)
17.	Cipla Malaysia Sdn. Bhd. (w.e.f. 20 th March 2013)
Associates	
18.	Quality Chemical Industries Ltd.
19.	Stempeutics Research Pvt. Ltd.
20.	Biomab Holding Ltd.
21.	Mabpharm Pvt. Ltd. (w.e.f. 29 th October 2012)
Joint Venture	
22.	Aspen-Cipla Australia Pty Ltd.

b. Key Management Personnel:

1. Dr. Y.K. Hamied – Chairman and Managing Director
 2. Mr. M.K. Hamied – Joint Managing Director
 3. Mr. S. Radhakrishnan – Whole-time Director
 4. Mr. Subhanu Saxena – Chief Executive Officer (w.e.f. 1st February 2013)
-

NOTES TO THE ACCOUNTS *contd.*

40 Related Party Disclosures - *contd.*

c. Relatives of Key Management Personnel:

1. Mr. Kamil Hamied
2. Mrs. Samina Vaziralli

d. Entities over which Key Management Personnel are able to exercise significant influence:

1. Okasa Pvt. Ltd.
2. Okasa Pharma Pvt. Ltd.
3. Cipla Foundation

ii. Transactions during the year with related parties:

Particulars	₹ in crore									
	Subsidiaries		Associates/Joint Venture		Key Management Personnel including transactions with relatives of Key Management Personnel		Entities over which Key Management Personnel exercise significant influence		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Interest received	1.79	1.97	-	-	-	-	-	-	1.79	1.97
Loans repaid	192.60	59.50	-	-	-	-	-	-	192.60	59.50
Investment in Equity	0.80	0.00 ¹	51.74	114.78	-	-	-	-	52.54	114.78
Loans given	86.02	112.84	-	-	-	-	-	-	86.02	112.84
Remuneration	-	-	-	-	29.60	16.13	-	-	29.60	16.13
Purchase of Goods	244.99	189.25	-	-	-	-	81.37	58.11	326.36	247.36
Processing charges paid	28.18	33.86	-	-	-	-	23.44	21.04	51.62	54.90
Testing and Analysis charges paid	44.22	46.95	-	-	-	-	-	-	44.22	46.95
Research Grant paid	-	-	1.41	10.53	-	-	-	-	1.41	10.53
Freight charges paid	0.72	1.25	-	-	-	-	-	-	0.72	1.25
Sale of Goods	26.22	24.07	65.02	158.86	-	-	24.40	15.41	115.64	198.34
Sale of Fixed Assets	0.00 ²	0.01	0.64	-	-	-	0.00 ³	-	0.64	0.01
Purchase of Fixed Assets	0.12	-	-	-	-	-	-	-	0.12	-
Advances paid against Services	-	-	-	1.39	-	-	-	-	-	1.39
Processing charges received	3.27	1.86	-	-	-	-	1.43	0.49	4.70	2.35
Service charges paid	41.35	6.32	-	-	-	-	-	-	41.35	6.32
Service charges received	-	-	1.12	-	-	-	-	-	1.12	-
Donations given	-	-	-	-	-	-	0.36	5.31	0.36	5.31
Rent paid	0.01	0.01	-	-	-	-	0.28	0.28	0.29	0.29
Rent received	-	-	1.47	-	0.00 ⁴	0.00 ⁴	-	-	1.47	0.00 ⁴
Reimbursement of operating/ other expenses	1.03	-	-	-	-	-	1.14	-	2.17	-
Reimbursement received of operating/other expenses	0.02	-	-	-	-	-	0.07	-	0.09	-
Balances at end of the year										
Outstanding Payables	27.75	17.76	0.02	-	-	-	14.92	17.07	42.69	34.83
Outstanding Receivables	212.27	314.67	8.25	48.08	-	-	21.82	22.87	242.34	385.62

¹ ₹102.26

² ₹11250.00

³ ₹22623.00

⁴ ₹20040.00

NOTES TO THE ACCOUNTS *contd.*

40 Related Party Disclosures - *contd.*

Disclosures in respect of material related party transactions during the year:

	₹ in crore	
	2013	2012
A. Interest received		
Goldencross Pharma Pvt. Ltd.	1.79	1.97
	1.79	1.97
B. Loans repaid		
Goldencross Pharma Pvt. Ltd.	24.75	30.00
Meditab Specialities Pvt. Ltd.	167.85	29.50
	192.60	59.50
C. Investment in Equity		
Cipla (Mauritius) Ltd.	0.80	0.00 ¹
Aspen-Cipla Australia Pty Ltd.	-	0.00 ²
Biomab Holding Ltd.	-	114.78
Mabpharm Pvt. Ltd.	51.74	-
	52.54	114.78
D. Loans given		
Goldencross Pharma Pvt. Ltd.	36.50	30.00
Meditab Specialities Pvt. Ltd.	49.52	82.84
	86.02	112.84
E. Remuneration		
Dr. Y.K. Hamied	13.55	6.65
Mr. M.K. Hamied	5.44	5.02
Mr. S. Radhakrishnan	4.18	4.04
Mr. Subhanu Saxena	4.24	-
Mr. Kamil Hamied	1.50	0.22
Mrs. Samina Vaziralli	0.69	0.20
	29.60	16.13
F. Purchase of Goods		
Goldencross Pharma Pvt. Ltd.	211.84	167.68
Medispray Laboratories Pvt. Ltd.	16.68	8.64
Meditab Specialities Pvt. Ltd.	5.28	3.27
Four M Propack Pvt. Ltd.	11.19	9.66
Okasa Pharma Pvt. Ltd.	47.05	25.30
Okasa Pvt. Ltd.	34.32	32.81
	326.36	247.36
G. Processing charges paid		
Goldencross Pharma Pvt. Ltd.	3.73	2.94
Medispray Laboratories Pvt. Ltd.	4.88	5.34
Meditab Specialities Pvt. Ltd.	19.57	25.58
Okasa Pharma Pvt. Ltd.	8.93	8.51
Okasa Pvt. Ltd.	14.51	12.53
	51.62	54.90

NOTES TO THE ACCOUNTS *contd.*

40 Related Party Disclosures - *contd.*

	₹ in crore	
	2013	2012
H. Testing and Analysis charges paid		
Sitec Labs Pvt. Ltd.	44.22	46.95
	44.22	46.95
I. Research Grants paid		
Stempeutics Research Pvt. Ltd.	1.41	10.53
	1.41	10.53
J. Freight charges paid		
Four M Propack Pvt. Ltd.	0.72	0.80
Meditab Specialities Pvt. Ltd.	-	0.45
	0.72	1.25
K. Sale of Goods		
Goldencross Pharma Pvt. Ltd.	1.69	2.33
Meditab Specialities Pvt. Ltd.	5.58	4.82
Four M Propack Pvt. Ltd.	0.00 ³	0.01
Medispray Laboratories Pvt. Ltd.	18.94	16.91
Sitec Labs Pvt. Ltd.	0.00 ⁴	-
Okasa Pharma Pvt. Ltd.	17.92	10.04
Okasa Pvt. Ltd.	6.48	5.37
Quality Chemical Industries Ltd.	65.03	158.86
	115.64	198.34
L. Sale of Fixed Assets		
Meditab Specialities Pvt. Ltd.	-	0.01
Goldencross Pharma Pvt. Ltd.	0.00 ⁵	-
Okasa Pharma Pvt. Ltd.	0.00 ⁶	-
Mabpharm Pvt. Ltd.	0.64	-
	0.64	0.01
M. Purchase of Fixed Assets		
Meditab Specialities Pvt. Ltd.	0.12	-
	0.12	-
N. Advances paid against services		
Stempeutics Research Pvt. Ltd.	-	1.39
	-	1.39
O. Processing charges received		
Meditab Specialities Pvt. Ltd.	0.85	0.31
Medispray Laboratories Pvt. Ltd.	2.42	1.55
Okasa Pharma Pvt. Ltd.	0.24	0.30
Okasa Pvt. Ltd.	1.19	0.19
	4.70	2.35

NOTES TO THE ACCOUNTS *contd.*

40 Related Party Disclosures - *contd.*

	₹ in crore	
	2013	2012
P. Service charges paid		
Cipla (EU) Ltd.	11.90	4.06
Cipla (UK) Ltd.	24.78	1.66
Cipla Australia Pty Ltd.	4.17	0.60
Cipla İlaç Ticaret Anonim Şirketi	0.50	-
	41.35	6.32
Q. Service charges received		
Mabpharm Pvt. Ltd.	1.12	-
	1.12	-
R. Donations given		
Cipla Public Charitable Trust	-	0.31
Cipla Foundation	0.36	5.00
	0.36	5.31
S. Rent paid		
Okasa Pvt. Ltd.	0.28	0.28
Medispray Laboratories Pvt. Ltd.	0.01	0.01
	0.29	0.29
T. Rent received		
Dr. Y.K. Hamied	0.00 ⁷	0.00 ⁷
Mabpharm Pvt. Ltd.	1.47	-
	1.47	0.00⁷
U. Reimbursement of Operating/Other Expenses		
Goldencross Pharma Pvt. Ltd.	0.23	-
Meditab Specialities Pvt. Ltd.	0.80	-
Okasa Pharma Pvt. Ltd.	1.01	-
Okasa Pvt. Ltd.	0.13	-
	2.17	-
V. Reimbursement received of Operating/Other Expenses		
Goldencross Pharma Pvt. Ltd.	0.01	-
Meditab Specialities Pvt. Ltd.	0.01	-
Okasa Pharma Pvt. Ltd.	0.07	-
Okasa Pvt. Ltd.	0.00 ⁸	-
	0.09	-
W. Outstanding Payables		
Goldencross Pharma Pvt. Ltd.	7.15	3.61
Medispray Laboratories Pvt. Ltd.	1.95	1.15
Four M Propack Pvt. Ltd.	0.89	2.42
Sitec Labs Pvt. Ltd.	13.34	8.69
Okasa Pharma Pvt. Ltd.	9.71	10.40
Okasa Pvt. Ltd.	5.21	6.68
Cipla (EU) Ltd.	0.54	1.46
Cipla (UK) Ltd.	3.31	0.42
Cipla Australia Pty Ltd.	0.50	-
Cipla İlaç Ticaret Anonim Şirketi	0.07	-
Stempeutics Research Pvt. Ltd.	0.02	-
	42.69	34.83

NOTES TO THE ACCOUNTS *contd.*

40 Related Party Disclosures - *contd.*

	₹ in crore	
	2013	2012
X. Outstanding Receivables		
Goldencross Pharma Pvt. Ltd.	27.54	15.00
Meditab Specialities Pvt. Ltd.	178.68	296.81
Medispray Laboratories Pvt. Ltd.	6.05	2.86
Sitec Labs Pvt. Ltd.	0.00 ⁹	-
Stempeutics Research Pvt. Ltd.	-	1.39
Okasa Pharma Pvt. Ltd.	6.57	6.32
Okasa Pvt. Ltd.	15.25	16.55
Mabpharm Pvt. Ltd.	4.86	-
Quality Chemical Industries Ltd.	3.39	46.69
	242.34	385.62

¹ ₹50.29

⁶ ₹22623.00

² ₹51.97

⁷ ₹20040.00

³ ₹489.13

⁸ ₹8000.00

⁴ ₹36111.00

⁹ ₹26340.00

⁵ ₹11250.00

41 Basic and Diluted Earnings per share has been computed as under

	2013	2012
Profit for the Year (₹ in crore)	1507.11	1123.96
Weighted Average No. of Shares Outstanding	80,29,21,357	80,29,21,357
Basic and Diluted Earnings per share	₹18.77	₹14.00
Face value per share	₹2.00	₹2.00

As per our report of even date

For V. Sankar Aiyar & Co.,
Chartered Accountants
Firm Reg. No. 109208W

For R.G.N. Price & Co.,
Chartered Accountants
Firm Reg. No. 0027855

V. Mohan
Partner
Membership No. 17748

R. Rangarajan
Partner
Membership No. 41883

Mumbai, 29th May 2013

M.K. Hamied
Managing Director

Subhanu Saxena
Chief Executive Officer

H.R. Manchanda
Ramesh Shroff
M.R. Raghavan
Pankaj Patel
Ranjan Pai
Directors

S. Radhakrishnan
Whole-time Director

V.S. Mani
Chief Financial Officer

Mital Sanghvi
Company Secretary

Mumbai, 29th May 2013

CASH FLOW STATEMENT

₹ in crore

For the year ended 31 st March 2013	2013	2012
A Cash Flow from Operating Activities		
Net profit before tax	2011.86	1421.46
Adjustments for:		
Depreciation and Amortisation expense	303.03	282.07
Finance Costs	33.38	12.13
Unrealised foreign exchange gains (Net)	(11.18)	(27.56)
Bad debts, provision for doubtful debts and advances (Net)	54.75	100.02
Interest income	(5.75)	(8.97)
Dividend income	(90.66)	(36.29)
Profit on sale of current investments (Net)	(3.21)	(0.56)
Loss on sale/discard of fixed assets (Net)	15.97	36.85
Rent income	(2.80)	(2.83)
	293.53	354.86
Operating profit before working capital changes	2305.39	1776.32
Adjustments for :		
Increase in trade payables and other liabilities	180.39	10.08
Decrease/(Increase) in inventories	(518.87)	58.66
Decrease/(Increase) in trade and other receivables	(164.61)	122.30
	(503.09)	191.04
Cash generated from operations	1802.30	1967.36
Direct taxes paid (Net)	(420.96)	(322.27)
Net cash from operating activities	(A) 1381.34	1645.09
B Cash Flow from Investing Activities		
Purchase of fixed assets/Capital work-in-progress and Intangibles	(747.60)	(548.60)
Sale of fixed assets	4.21	4.28
Investment in subsidiaries	(0.80)	0.00*
Investment in associates	(10.10)	(114.78)
Investment in joint venture	-	0.00**
Share application money	-	(33.54)
Purchase of other investments	(18693.74)	(7468.07)
Sale of other investments	17182.80	7118.92
Interest received	3.68	9.23
Dividend received	90.66	36.29
Rent received	0.15	2.83
Loans repaid by/(given to) subsidiaries (Net)	106.58	(53.34)
Net cash used in investing activities	(B) (2064.16)	(1046.78)

CASH FLOW STATEMENT *contd.*

		₹ in crore	
		2013	2012
(C)	Cash Flow from Financing Activities		
	Proceeds from short term borrowings	955.45	200.00
	Repayment of short term borrowings	(0.51)	(627.56)
	Repayment of long term borrowings	(2.23)	(0.91)
	Interest paid	(33.25)	(12.13)
	Dividend paid	(160.58)	(160.58)
	Tax paid on dividend	(26.05)	(26.05)
	Net cash from/(used in) financing activities	(C) 732.83	(627.23)
	Net increase/(decrease) in cash and cash equivalents	(A)+(B)+(C) 50.01	(28.92)
	Cash and Cash Equivalents as at the beginning of the year	55.06	83.98
	Cash and Cash Equivalents as at the end of the year	105.07	55.06

* ₹50.29

** ₹51.97

- Notes: i. Cash and Cash Equivalents represent cash and bank balances and fixed deposits with banks.
 ii. Cash and Cash Equivalents includes ₹15.46 crore (Previous year ₹13.59 crore) on account of unclaimed dividend, which are not available for use by the Company.

As per our report of even date	M.K. Hamied <i>Managing Director</i>	S. Radhakrishnan <i>Whole-time Director</i>
For V. Sankar Aiyar & Co., <i>Chartered Accountants</i> Firm Reg. No. 109208W	For R.G.N. Price & Co., <i>Chartered Accountants</i> Firm Reg. No. 0027855	Subhanu Saxena <i>Chief Executive Officer</i>
V. Mohan <i>Partner</i> Membership No. 17748	R. Rangarajan <i>Partner</i> Membership No. 41883	V.S. Mani <i>Chief Financial Officer</i>
Mumbai, 29 th May 2013	H.R. Manchanda Ramesh Shroff M.R. Raghavan Pankaj Patel Ranjan Pai <i>Directors</i>	Mital Sanghvi <i>Company Secretary</i>
		Mumbai, 29 th May 2013

INFORMATION ON SUBSIDIARIES

Sr. No.	Name of the Subsidiary Company	Reporting Currency	Exchange Rate on 31.03.2013	Capital	Reserves	Total Assets	Total Liabilities	Investment other than investment in subsidiary	Turnover	Profit before Taxation	Provision for Taxation	Profit after Taxation	Proposed Dividend	Country
1	Cipla (EU) Ltd. (formerly STD Chemicals Ltd.)	GBP	82.2275	1.23	0.77	2.75	0.75	-	11.40	0.54	0.13	0.41	-	U.K.
2	Cipla (Mauritius) Ltd.	USD	54.2850	4.61	(0.26)	4.36	0.01	-	-	(0.09)	-	(0.09)	-	Mauritius
3	Cipla (UK) Ltd.	GBP	82.2275	1.23	1.00	4.72	2.49	-	23.73	1.13	0.28	0.85	-	U.K.
4	Cipla Australia Pty Ltd. (formerly Cipla-Oz Pty Ltd.)	AUD	56.6250	0.45	0.16	1.11	0.50	-	4.21	0.20	0.06	0.14	-	Australia
5	Cipla FZE	AED	14.7800	22.17	(2.05)	20.19	0.07	-	12.65	1.08	-	1.08	-	U.A.E.
6	Cipla İlaç Ticaret Anonim Şirketi	TRY	29.9807	0.15	0.01	0.21	0.05	-	0.50	0.03	0.02	0.01	-	Turkey
7	Cipla Kenya Ltd.	KES	0.6357	-	-	-	-	-	-	-	-	-	-	Kenya
8	Cipla Malaysia Sdn. Bhd.	MYR	17.5380	-	-	-	-	-	-	-	-	-	-	Malaysia
9	Cipla USA Inc.	USD	54.2850	0.54	-	0.54	-	-	-	-	-	-	-	U.S.A.
10	Four M Propack Pvt. Ltd.	INR	1.0000	0.06	15.43	16.18	0.69	2.34	11.87	0.81	0.03	0.78	-	India
11	Goldencross Pharma Pvt. Ltd.	INR	1.0000	0.05	210.82	245.21	34.34	-	211.61	21.45	4.05	17.40	-	India
12	Medispray Laboratories Pvt. Ltd.	INR	1.0000	0.05	60.35	78.02	17.62	27.23	73.93	29.12	9.90	19.22	-	India
13	Meditab Holdings Ltd.	USD	54.2850	160.79	62.52	224.44	1.13	218.13	-	114.27	-	114.27	-	Mauritius
14	Meditab Pharmaceuticals South Africa (Pty) Ltd.	ZAR	5.8725	0.04	(0.04)	0.00*	0.00**	-	-	(0.01)	-	(0.01)	-	South Africa
15	Meditab Specialities New Zealand Ltd.	NZD	45.4925	0.14	(0.14)	0.02	0.02	-	-	(0.03)	-	(0.03)	-	New Zealand
16	Meditab Specialities Pvt. Ltd.	INR	1.0000	0.60	128.16	313.99	185.23	25.47	39.05	127.69	25.27	102.42	-	India
17	Sitec Labs Pvt. Ltd.	INR	1.0000	0.01	5.24	55.37	50.12	-	47.54	0.11	(0.20)	0.31	-	India

* ₹73,535.45

** ₹20,083.95

M.K. Hamied
Managing Director

Subhanu Saxena
Chief Executive Officer

S. Radhakrishnan
Whole-time Director

V.S. Mani
Chief Financial Officer

H.R. Manchanda
Ramesh Shroff
M.R. Raghavan

Pankaj Patel
Ranjan Pai
Directors

Mital Sanghvi
Company Secretary

Mumbai, 29th May 2013

INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF CIPLA LIMITED AND ITS SUBSIDIARIES

To the Board of Directors of Cipla Limited

Report on the Financial Statements

1. We have audited the accompanying consolidated financial statements of Cipla Limited ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the Consolidated Balance Sheet as at 31st March 2013, and the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

2. The Company's Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with the accounting principles generally accepted in India including Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the consolidated financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31st March 2013;
 - ii. in the case of the Consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date; and
 - iii. in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF CIPLA LIMITED AND ITS SUBSIDIARIES *contd.*

Other Matters

7. Financial statements of certain subsidiaries, which reflect total assets of ₹653.40 crore as at 31st March 2013, total revenue of ₹469.04 crore and net cash inflows of ₹3.23 crore for the year then ended, have been audited by one of us.
8. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of ₹313.00 crore as at 31st March 2013, total revenue of ₹216.26 crore and net cash outflows of ₹2.31 crore for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.
9. We have relied on the unaudited financial statements of a subsidiary, whose financial statements reflect total assets of ₹0.21 crore as at 31st March 2013, total revenue of ₹0.50 crore and net cash inflows of ₹0.07 crore for the year then ended. The unaudited financial statements as approved by the Board of Directors of this company have been furnished to us by the Management and our report in so far as it relates to the amounts included in respect of the subsidiary is based solely on such approved unaudited financial statements.
10. We did not audit the consolidated financial statements of certain associates wherein the Group's share of profit aggregates to ₹11.38 crore. These consolidated financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.
11. We have relied on the unaudited financial statements/consolidated financial statements of an associate wherein the Group's share of loss aggregates to ₹17.59 crore. These figures, used for the consolidation, are based on the Management's estimates and are not audited by their auditors.
12. We have relied on the unaudited financial statements of a joint venture, whose financial statements reflect total assets of ₹500000 as at 31st March 2013, total revenue Nil and net cash inflows of ₹500000 for the year then ended. These figures, used for the consolidation, are based on the Management's estimates and are not audited by their auditors.

Our opinion is not qualified in respect of these matters.

For V. Sankar Aiyar & Co.,
Chartered Accountants
Firm Reg. No. 109208W

V. Mohan
Partner
Membership No. 17748

Mumbai, 29th May 2013

For R.G.N. Price & Co.,
Chartered Accountants
Firm Reg. No. 002785S

R. Rangarajan
Partner
Membership No. 41883

Mumbai, 29th May 2013

CONSOLIDATED BALANCE SHEET

		₹ in crore	
As at 31 st March 2013	Notes	2013	2012
Equity and Liabilities			
Shareholders' Funds			
Share Capital	3	160.58	160.58
Reserves and Surplus	4	8858.10	7478.35
Non-Current Liabilities			
Long Term Borrowings	5	0.55	3.25
Deferred Tax Liabilities (Net)	6	280.54	233.24
Other Non-Current Liabilities	7	30.00	30.00
Long Term Provisions	8	50.37	31.17
Current Liabilities			
Short Term Borrowings	9	966.38	10.20
Trade Payables	10	828.36	691.77
Other Current Liabilities	11	250.89	489.93
Short Term Provisions	12	232.00	221.29
		11657.77	9349.78
Assets			
Non-Current Assets			
Fixed Assets			
Tangible Assets	13	3609.97	3215.49
Intangible Assets		-	-
Capital Work-in-Progress		367.44	371.17
Intangible Asset under Development		10.35	-
Non-Current Investments	14	415.69	328.59
Long Term Loans and Advances	15	357.80	372.35
Other Non-Current Assets	16	5.11	5.37
Current Assets			
Current Investments	17	2116.75	940.52
Inventories	18	2387.07	1850.08
Trade Receivables	19	1668.84	1553.58
Cash and Bank Balances	20	143.01	90.46
Short Term Loans and Advances	21	573.46	568.19
Other Current Assets	22	2.28	53.98
		11657.77	9349.78
Notes to the Accounts	1 to 40		
As per our report of even date		M.K. Hamied <i>Managing Director</i>	S. Radhakrishnan <i>Whole-time Director</i>
For V. Sankar Aiyar & Co., <i>Chartered Accountants</i> Firm Reg. No. 109208W	For R.G.N. Price & Co., <i>Chartered Accountants</i> Firm Reg. No. 002785S	Subhanu Saxena <i>Chief Executive Officer</i>	V.S. Mani <i>Chief Financial Officer</i>
V. Mohan <i>Partner</i> Membership No. 17748	R. Rangarajan <i>Partner</i> Membership No. 41883	H.R. Manchanda Ramesh Shroff M.R. Raghavan Pankaj Patel Ranjan Pai <i>Directors</i>	Mital Sanghvi <i>Company Secretary</i>
Mumbai, 29 th May 2013			Mumbai, 29 th May 2013

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

		₹ in crore	
For the year ended 31 st March 2013	Notes	2013	2012
Income			
Revenue from Operations (Gross)	23	8388.02	7128.82
Less: Excise Duty		108.69	108.11
Revenue from Operations (Net)		8279.33	7020.71
Other Income	24	222.14	139.52
		8501.47	7160.23
Expenditure			
Cost of Materials Consumed	25a	2728.92	2326.35
Purchase of Traded Goods		514.30	407.30
Changes in Inventories of Finished Goods, Work-in-Process and Traded Goods	25b	(290.60)	5.65
Employee Benefits Expense	26	1036.26	772.50
Finance Costs	27	33.91	38.34
Depreciation and Amortisation Expense	28	330.48	312.22
Other Expenses	29	2092.60	1850.06
		6445.87	5712.42
Profit Before Exceptional Item and Tax		2055.60	1447.81
Exceptional Item			
Gain on Sale of Investment	36	39.77	-
Profit Before Tax		2095.37	1447.81
Tax Expense			
Current Tax		427.25	286.39
MAT Credit (entitlement)/utilisation		70.00	-
Deferred Tax		47.29	20.12
Prior Period Tax		(0.23)	-
Profit after tax for the year before share of Profit/(Loss) from Associates		1551.06	1141.30
Share of Profit/(Loss) from Associates		(6.21)	2.94
Profit for the Year		1544.85	1144.24
Earnings per share of face value of ₹2 each			
Basic and Diluted - Before Exceptional Item	40	₹18.75	₹14.25
Basic and Diluted - After Exceptional Item		₹19.24	₹14.25
Notes to the Accounts	1 to 40		
As per our report of even date		M.K. Hamied <i>Managing Director</i>	S. Radhakrishnan <i>Whole-time Director</i>
For V. Sankar Aiyar & Co., <i>Chartered Accountants</i> Firm Reg. No. 109208W	For R.G.N. Price & Co., <i>Chartered Accountants</i> Firm Reg. No. 0027855	Subhanu Saxena <i>Chief Executive Officer</i>	V.S. Mani <i>Chief Financial Officer</i>
V. Mohan <i>Partner</i> Membership No. 17748	R. Rangarajan <i>Partner</i> Membership No. 41883	H.R. Manchanda Ramesh Shroff M.R. Raghavan Pankaj Patel Ranjan Pai <i>Directors</i>	Mital Sanghvi <i>Company Secretary</i>
Mumbai, 29 th May 2013			Mumbai, 29 th May 2013

NOTES TO THE CONSOLIDATED ACCOUNTS

1 Significant Accounting Policies

A Basis of Preparation

The consolidated financial statements are prepared in accordance with the generally accepted accounting principles in India. The Company has prepared these consolidated financial statements to comply in all material respects with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 issued under sub-section (3C) of section 211 of the Companies Act, 1956. The consolidated financial statements have been prepared on an accrual basis and under the historical cost convention. Previous year figures have been recast/regrouped wherever necessary in order to conform to current year's presentation.

B Use of Estimates

The preparation of financial statements requires the Management of the Company to make estimates and assumptions that affect the reported balance of assets and liabilities, revenue and expenses and disclosures relating to contingent liabilities. The Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates. Any revision of accounting estimates is recognised prospectively in the current and future periods.

C Principles of Consolidation

The consolidated financial statements relate to Cipla Limited ("the Company"), its subsidiaries and associates. The consolidated financial statements have been prepared on the following basis:

- a. The financial statements of the Company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions and resulting unrealised profits or losses. Unrealised losses resulting from intra-group transactions are eliminated unless cost cannot be recovered.
- b. The difference between the cost of investment in the subsidiaries, over the net assets at the time of acquisition of the shares in the subsidiaries is recognised in the financial statements as Goodwill/Capital Reserve as the case may be.
- c. Entities in which the Company has significant influence but not a controlling interest are considered as associates and investment therein are reported according to the equity method i.e. the investment is initially recorded at cost identifying any Goodwill/Capital Reserve arising at the time of acquisition. The carrying amount of the investment is adjusted thereafter for the post acquisition change in the investor's share of net assets of the associate, based on the available information. The Consolidated Statement of Profit and Loss includes the investor's share of Profit/Loss of the operations of the associate.
- d. Interest in Joint Venture have been accounted by using the proportionate consolidation method.
- e. The financial statements of the subsidiaries and associates used in consolidation are drawn up to the same reporting date as of the Company.
- f. The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner, as the Company's separate financial statements.
- g. The subsidiaries, associates and joint venture considered in the consolidated financial statements are:

Name of the Company	Country of Incorporation	% ownership interest as at 31 st March 2013	With effect from
Subsidiaries (held directly)			
Cipla FZE	United Arab Emirates	100	04/10/2006
Goldencross Pharma Pvt. Ltd.	India	100	14/05/2010

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

Name of the Company	Country of Incorporation	% ownership interest as at 31 st March 2013	With effect from
Cipla (Mauritius) Ltd.	Mauritius	100	27/01/2011
Meditab Specialities Pvt. Ltd.	India	100	01/10/2010
Subsidiaries (held indirectly)			
Four M Propack Pvt. Ltd.	India	100	14/05/2010
Cipla (UK) Ltd.	United Kingdom	100	27/01/2011
Cipla Australia Pty Ltd. (formerly Cipla-Oz Pty Ltd.)	Australia	100	04/03/2011
Cipla (EU) Ltd. (formerly STD Chemicals Ltd.)	United Kingdom	100	27/01/2011
Medispray Laboratories Pvt. Ltd.	India	100	01/10/2010
Sitec Labs Pvt. Ltd.	India	100	01/10/2010
Meditab Holdings Ltd.	Mauritius	100	01/10/2010
Meditab Pharmaceuticals South Africa (Pty) Ltd.	South Africa	100	14/01/2011
Meditab Specialities New Zealand Ltd.	New Zealand	100	21/01/2011
Cipla İlaç Ticaret Anonim Şirketi ¹	Turkey	100	20/02/2012
Associates			
Quality Chemical Industries Ltd. ¹	Uganda	36.55	01/10/2010
Stempeutics Research Pvt. Ltd. ²	India	49	01/10/2010
Biomab Holding Ltd. ³	HongKong	25	01/09/2011
Jiangsu Cdymax Pharmaceuticals Co. Ltd. ¹	China	48.22	10/02/2012
Mabpharm Pvt. Ltd. ²	India	25	29/10/2012
Joint Venture			
Aspen-Cipla Australia Pty Ltd.	Australia	50	18/10/2011

¹ Unaudited financials for 3 months ending on 31st March 2013 have been considered for consolidation purposes.

² Unaudited financials for the financial year 2012-13 have been considered for consolidation purposes.

³ The reporting date does not coincide with that of the parent company. The financials for the period ending on 31st December 2012 was considered for consolidation purposes.

During the year, the Company through its subsidiary/step-down subsidiary incorporated the below mentioned wholly owned subsidiaries. In view of the Management, there were no significant transactions from the date of incorporation till 31st March 2013. Their consolidation, therefore, is not considered necessary.

Name of the Company	Date of Incorporation
Cipla USA Inc.	12/09/2012
Cipla Kenya Ltd.	08/10/2012
Cipla Malaysia Sdn. Bhd.	20/03/2013

D Fixed Assets

Fixed assets are stated at cost of acquisition (net of recoverable taxes and Government grants and other subsidies, wherever availed) or construction or other amounts substituted for historical costs on revaluation less accumulated depreciation. Where several fixed assets are acquired for a consolidated price, the consideration is apportioned to Fixed Assets on fair value basis.

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

E Borrowing Costs

Borrowing costs attributable to acquisition and/or construction of qualifying assets are capitalised as a part of the cost of such assets, up to the date such assets are ready for their intended use. Other borrowing costs are charged to the Statement of Profit and Loss.

F Depreciation

Depreciation on fixed assets is provided by the parent company on the Straight Line Method at the rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956. The depreciation on fixed assets in Indian subsidiaries is provided on the Written Down Value method at the rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956.

All individual items of fixed assets, where the actual cost does not exceed ₹5000 have been written off entirely in the year of acquisition.

Cost of leasehold land including premium is amortised over the primary period of lease.

G Valuation of Inventories

Raw materials and packing materials are valued at lower of cost and net realisable value after providing for obsolescence, if any. However, these items are considered to be realisable at cost if the finished products, in which they will be used, are expected to be sold at or above cost.

Work-in-process and finished goods are valued at lower of cost and net realisable value. Work-in-process and finished goods include costs of raw material, labour, conversion costs and other costs incurred in bringing the inventories to their present location and condition.

Cost of finished goods includes excise duty, wherever applicable.

Cost of inventories is computed on weighted average basis.

H Investments

Non-current investments, other than investment in associates, are stated at cost, less any provision for diminution (other than temporary) in value.

Current investments are stated at lower of cost and fair value.

Investments in Associates are accounted and disclosed as per AS-23, "Investment in Associates."

Investments property is carried at cost, less depreciation computed in a manner prescribed for Fixed Assets.

I Foreign Exchange Transactions

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction.

Foreign currency monetary assets and liabilities and forward contracts are restated at year end exchange rates. Exchange differences arising on the settlement of foreign currency monetary items or on reporting Company's foreign currency monetary items at rates different from those at which they were initially recorded during the year or reported in the previous financial statements, are recognised as income or expense in the year in which they arise.

Non-monetary foreign currency items are carried at the rates prevailing on the date of the transaction.

In respect of forward contracts, the premium or discount on these contracts is recognised as income or expenditure over the period of the contract. Any profit or loss arising on cancellation or renewal of such contracts is recognised as income or expense of the year.

Foreign branches are identified as integral foreign operations. All transactions are translated at rates prevailing on the date of transaction. Monetary assets and liabilities of the branch are restated at the year end rates.

Overseas subsidiaries are classified as non integral operations as per AS-11, "The Effects of Changes in Foreign Exchange Rates." All the assets and liabilities are translated using exchange rate prevailing at the Balance Sheet date and income/expenditure are translated using average exchange rate prevailing during the reporting period. The resultant translation exchange gain/loss, have been disclosed as "Foreign Currency Translation Reserve" under Reserves and Surplus.

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

J Provisions, Contingent Liabilities and Contingent Assets

A provision is recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date.

A disclosure of contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent Assets are neither recognised nor disclosed in the financial statements.

K Revenue Recognition

Revenue is recognised to the extent that is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Revenue from sale of goods is recognised when significant risks and rewards of ownership of the goods have been passed to the buyer, which ordinarily coincides with despatch of goods to customers. Revenues are recorded at invoice value, net of sales tax, returns and trade discounts.

Revenue from rendering of services are recognised on completion of services.

Benefits on account of entitlement of export incentives are recognised as and when the right to receive is established.

Technical Know-how/Fees are recognised as and when the right to receive such income is established as per terms and conditions of relevant agreement.

Interest income is recognised on time proportion basis.

Dividend income is recognised when the right to receive is established.

L Employee Benefits

Liability on account of short term employee benefits is recognised on an undiscounted and accrual basis during the period when the employee renders service/vesting period of the benefit.

Post retirement contribution plans such as Employees' Pension Scheme and Employees' Provident Fund (for employees other than those who are covered under Employees' Provident Fund Trust) are charged to the Statement of Profit and Loss for the year when the contributions to the respective funds accrue.

Periodic contributions towards post retirement benefit plan such as provident fund administered through an Employees' Provident Fund Trust are charged to the Statement of Profit and Loss.

Post retirement benefit plans such as gratuity and leave encashment are determined on the basis of actuarial valuation made by an independent actuary as at the Balance Sheet date. Actuarial gains and losses are recognised immediately in the Statement of Profit and Loss.

M Income Tax

Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the provisions of local Income Tax Laws as applicable to the financial year.

Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income of the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date.

The Company offsets, on a year-on-year basis, the current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

N Impairment of Assets

At each Balance Sheet date, the Company assesses whether there is any indication that any asset may be impaired. If any such indication exists, the carrying value of such assets is reduced to its estimated recoverable amount and the amount of such impairment loss is charged to the Statement of Profit and Loss. If, at the Balance Sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

O Research and Development

Revenue expenditure on Research and Development is recognised as expense in the year in which it is incurred.

Capital expenditure on Research and Development is shown as addition to Fixed Assets.

P Expenditure on Regulatory Approvals

Expenditure incurred for obtaining regulatory approvals and registration of products for overseas markets is charged to revenue.

Q Government Grants and Subsidies

Capital subsidy/Government grants are accounted for where it is reasonably certain that the ultimate collection will be made.

Capital subsidy/Government grants related to specific depreciable assets are shown as deduction from the gross value of the asset concerned in arriving at its book value. The grant/subsidy is thus recognised in the Statement of Profit and Loss over the useful life of such depreciable assets by way of a reduced depreciation charge.

R Leases

Where the Company is a Lessee

Lease rentals on assets taken on operating lease are recognised as expense in the Statement of Profit and Loss on an accrual basis over the lease term in accordance with the lease agreement.

Where the Company is a Lessor

Lease rentals on assets given on operating lease are recognised as income in the Statement of Profit and Loss on an accrual basis in accordance with the lease agreement.

S Earnings Per Share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit attributable to equity shareholders and the weighted average number of shares outstanding are adjusted for the effect of all dilutive potential equity shares from the exercise of options on unissued share capital. The number of equity shares is the aggregate of the weighted average number of equity shares and the weighted average number of equity shares which would be issued on the conversion of all the dilutive potential equity shares into equity shares.

- 2** The audited/unaudited financial statements of foreign subsidiaries/associates/joint venture have been prepared in accordance with the Generally Accepted Accounting Principles of its country of incorporation or International Financial Reporting Standards. The differences in accounting policies of the Company and its subsidiaries/joint venture are not material.

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

	₹ in crore	
	2013	2012
3 Share Capital		
Authorised		
87,50,00,000 Equity Shares of ₹2 each (Previous year 87,50,00,000 Equity Shares of ₹2 each)	175.00	175.00
	175.00	175.00
Issued		
80,39,24,752 Equity Shares of ₹2 each (Previous year 80,39,24,752 Equity Shares of ₹2 each)	160.78	160.78
	160.78	160.78
Subscribed & Paid-up		
80,29,21,357 Equity Shares of ₹2 each fully paid (Previous year 80,29,21,357 Equity Shares of ₹2 each fully paid)	160.58	160.58
	160.58	160.58

- There is no change in the shares outstanding at the beginning and at the end of the reporting date and immediately preceding reporting date.

- **Details of Shareholders holding more than 5 percent shares in the Company**

	2013		2012	
	Number of shares	% Holding	Number of shares	% Holding
Dr. Y.K. Hamied	12,48,27,750	15.55	12,48,27,750	15.55
Mrs. Farida Hamied	4,19,14,937	5.22	4,19,14,937	5.22
Mrs. Sophie Ahmed	4,59,82,000	5.73	4,59,82,000	5.73
Life Insurance Corporation of India	4,41,70,361	5.50	8,01,53,536	9.98

- **Terms and Rights attached to Equity Shares**

The Company has only one class of equity shares having a par value of ₹2 per share. Each holder of equity share is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholder.

	₹ in crore	
	2013	2012
4 Reserves and Surplus		
Capital Reserve	0.08	0.08
Securities Premium Reserve	1428.96	1428.96
Revaluation Reserve	8.97	8.97

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

		₹ in crore	
		2013	2012
4	Reserves and Surplus - <i>contd.</i>		
	General Reserve		
	As per last Balance Sheet	2841.43	2716.43
	Add: Transferred from the Statement of Profit and Loss	160.00	125.00
	Balance at the end of the year	3001.43	2841.43
	Capital Reserve on Consolidation	28.06	28.06
	Foreign Currency Translation Reserve	39.24	16.47
	Surplus in the Statement of Profit and Loss		
	As per last Balance Sheet	3154.38	2321.77
	Add: Profit for the year	1544.85	1144.24
		4699.23	3466.01
	Less: Appropriations		
	Transferred to General Reserve	160.00	125.00
	Proposed Dividend	160.58	160.58
	Tax on Dividend	27.29	26.05
	Balance at the end of the year	4351.36	3154.38
		8858.10	7478.35

		₹ in crore	
		2013	2012
5	Long Term Borrowings		
	Unsecured		
	Deferred Payment Liability - Sales Tax Deferral Loan*	0.55	2.20
	Other Loans and Advances	-	1.05
		0.55	3.25
	* VAT Deferral scheme is for 10 years, hence liability is repayable in 3 installments from the 10 th year.		

		₹ in crore	
		2013	2012
6	Deferred Tax Liabilities (Net)		
	Deferred Tax Liabilities arising on account of		
	Export Incentives	0.78	17.51
	Depreciation	281.26	216.56
	Others	(1.50)	(0.83)
		280.54	233.24

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

	₹ in crore	
	2013	2012
7 Other Non-Current Liabilities		
Security Deposits	30.00	30.00
	<u>30.00</u>	<u>30.00</u>

	₹ in crore	
	2013	2012
8 Long Term Provisions		
Provision for Employee Benefits - Leave Encashment (Note 26)	50.35	31.17
Others	0.02	-
	<u>50.37</u>	<u>31.17</u>

	₹ in crore	
	2013	2012
9 Short Term Borrowings		
Loans Repayable on demand		
From Banks		
Secured		
Cash Credit (Secured against receivables and moveable assets including stocks, both present and future)	9.49	10.00
Unsecured		
Packing Credit	955.77	-
From Others		
Unsecured		
Inter Corporate Borrowings	1.12	0.20
	<u>966.38</u>	<u>10.20</u>

	₹ in crore	
	2013	2012
10 Trade Payables		
Micro, Small and Medium Enterprises	42.04	14.13
Others	786.32	677.64
	<u>828.36</u>	<u>691.77</u>

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

10 Trade Payables - *contd.*

The details of amounts outstanding to Micro, Small and Medium Enterprises based on available information with the Company is as under:

	₹ in crore	
	2013	2012
i. The principal amount and the interest due thereon remaining unpaid to suppliers		
a. Principal	-	-
b. Interest due thereon	-	-
ii. a. The delayed payments of principal paid beyond the appointed date during the entire accounting year	-	-
b. Interest actually paid under section 16 of the Micro, Small and Medium Enterprises Development Act, 2006	-	-
iii. a. Normal interest accrued during the year, for all the delayed payments, as per the agreed terms	-	-
b. Normal interest payable for the period of delay in making payment, as per the agreed terms	-	-
iv. a. Total interest accrued during the year	-	-
b. Total interest accrued during the year and remaining unpaid	-	-

	₹ in crore	
	2013	2012
11 Other Current Liabilities		
Current maturities of Long Term Debt		
Sales Tax Deferral Loan	0.14	0.72
Term Loan from Bank	-	15.00
Interest accrued but not due on Term Loan from Bank	0.60	0.01
Unclaimed Dividend*	15.46	13.59
Statutory Dues	31.49	22.06
Dues to Employees	39.89	24.10
Creditors for Capital Expenditure	57.14	42.12
Unclaimed Preference Share Capital	0.01	0.01
Security Deposits	1.59	1.82
Book Overdraft	34.50	24.95
Advance from Customers	69.94	106.66
Advance received against sale of investment	-	238.89
Interest Payable	0.13	-
	250.89	489.93
*There are no amounts due and outstanding to be credited to Investor Education & Protection Fund.		

	₹ in crore	
	2013	2012
12 Short Term Provisions		
Provision for Employee Benefits - Leave Encashment (Note 26)	9.90	8.04
Employee Retirement Benefit Obligations - Gratuity (Note 26)	26.11	17.39
Provision for Bonus	8.12	9.23
Proposed Dividend	160.58	160.58
Tax on Proposed Dividend	27.29	26.05
	232.00	221.29

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

₹ in crore

13 Fixed Assets - Tangible Assets

ASSETS	GROSS BLOCK			DEPRECIATION/AMORTISATION			NET BLOCK		
	As at 01.04.12	Additions	Deletions/ Adjustments	Upto 31.03.12	For the year 2012-13	Deletions/ Adjustments	Upto 31.03.13	As at 31.03.13	As at 31.03.12
Freehold Land	33.36	0.75	-	-	-	-	-	34.11	33.36
Leasehold Land	80.53	0.37	0.02	9.83	1.85	-	11.68	69.20	70.70
Plant and Machinery	3239.60	302.16	50.83	1160.21	275.34	31.50	1404.05	2086.88	2079.39
Office Equipments	60.57	15.18	0.88	11.14	3.42	0.32	14.24	60.63	49.43
Furniture and Fixtures	119.65	9.77	1.78	40.70	8.48	0.91	48.27	79.37	78.95
Buildings and Flats	1082.97	416.31	0.08	184.91	40.49	0.00*	225.40	1273.80	898.06
Vehicles	9.67	1.72	1.50	4.07	0.89	1.05	3.91	5.98	5.60
Total	4626.35	746.26	55.09	1410.86	330.47	33.78	1707.55	3609.97	3215.49
Previous year	4240.00	461.08	74.73	1146.15	312.19	47.48	1410.86		

* ₹6210.27

Notes: i. The gross value of Buildings and Flats includes the cost of shares in Co-operative Housing Societies.

ii. The gross block is net of Government grants/other subsidies ₹0.30 crore (Previous year Nil).

iii. The above additions to fixed assets during the year includes ₹61.32 crore (Previous year ₹17.40 crore) used for Research and Development.

iv. Freehold Land at Mumbai Central and Vikhroli, were revalued on 16th March 1985 and was again revalued on 21st March 1990 along with Freehold Land at Bengaluru on the basis of valuation report of approved valuers resulting in an increase in book value by ₹8.97 crore.

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

	₹ in crore	
	2013	2012
14 Non-Current Investments		
Trade Investments		
Investments in Equity Instruments (Unquoted)		
Investment in Wholly Owned Subsidiaries		
50,000 (Previous year 50,000) Equity Shares of Cipla İlaç Ticaret Anonim Şirketi of TRY 1 each, fully paid	0.00*	0.14
1,000 (Previous year Nil) Shares of Cipla USA Inc. of USD 0.01 par value for USD 1,00,000, fully paid	0.54	-
100 (Previous year Nil) Ordinary Shares of Cipla Kenya Ltd. of KES 1,000 each	0.01	-
2 (Previous year Nil) Ordinary Shares of Cipla Malaysia Sdn. Bhd. of MYR 1 each - ₹71.84 (Previous year Nil)	0.00	-
Investment in Associates		
87,33,333 (Previous year 87,33,333) Ordinary Shares of Biomab Holding Ltd. of USD 1 each, fully paid (including Goodwill of ₹54.31 crore)	116.88	114.77
7,310 (Previous year 7,310) Ordinary Shares of Quality Chemical Industries Ltd. of UGX 5000 each, fully paid	23.48	7.67
48.22% (Previous year 48.22%) Equity Interest in Jiangsu Cdymax Pharmaceuticals Co. Ltd. (Net of Capital Reserve of ₹5.17 crore)	110.83	95.12
1,44,25,813 (Previous year 1,30,07,393) Equity Shares of Stempeutics Research Pvt. Ltd. of ₹10 each, fully paid [including Goodwill of ₹2.43 crore (Previous year ₹0.28 crore)]	6.75	13.57
1,70,48,597 (Previous year Nil) Equity Shares of Mabpharm Pvt. Ltd. of ₹10 each, fully paid (including Goodwill of ₹26.07 crore)	51.74	-
Investment in Joint Venture		
1 (Previous year 1) Ordinary Share of Aspen-Cipla Australia Pty Ltd. of AUD 1, fully paid	0.00*	0.00#
Other Investments		
Investments in Equity Instruments (Unquoted)		
16.50% (Previous year 16.50%) Equity Interest in Shanghai Desano Pharmaceuticals Co. Ltd.	103.14	96.66
1,000 (Previous year 1,000) Equity Shares of The Saraswat Co-operative Bank Ltd. of ₹10 each fully paid - ₹10000 (Previous year - ₹10000)	0.00	0.00
Investments in Government and Trust Securities		
National Savings Certificates - ₹41000 (Previous year - ₹40000)	0.00	0.00

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

14 Non-Current Investments - *contd.*

		₹ in crore	
		2013	2012
Investment property (at cost less accumulated depreciation)			
Cost of Building given on Operating Lease	2.75		1.07
Less: Accumulated Depreciation	0.43		0.41
Net Block		2.32	0.66
		415.69	328.59
Aggregate amount of unquoted investments - ₹413.37 crore (Previous year - ₹327.93 crore)			
*Nil on Consolidation			
# ₹51.97			

		₹ in crore	
		2013	2012
15 Long Term Loans and Advances			
Secured, Considered Good			
Capital Advances#		7.03	1.76
Unsecured, Considered Good			
Capital Advances		19.37	22.48
Security Deposits		30.77	24.72
MAT Credit Entitlement Receivable		-	70.00
Advance Taxes and TDS (Net of Provision for Tax ₹663.50 crore; Previous year ₹526.61 crore)		245.01	208.70
Balances with Statutory/Revenue Authorities		6.07	3.26
VAT Receivable		42.34	33.58
Other Loans and Advances		7.21	7.85
		357.80	372.35
# Secured against Bank Guarantees			

		₹ in crore	
		2013	2012
16 Other Non-Current Assets			
Fixed Deposits as Margin Money (maturity more than 12 months)		4.86	5.19
Interest Accrued on deposits but not due		0.25	0.18
		5.11	5.37

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

	₹ in crore			
	No. of units	2013	No. of units	2012
17 Current Investments				
Investments in Mutual Funds (Unquoted)				
Axis Mutual Fund "Axis Liquid Fund" - Direct Plan - Growth	1,54,071	20.00	-	-
Axis Mutual Fund - "Axis Fixed Term Plan" Series 23 (3 Months) - Growth	-	-	50,00,000	5.00
Axis Mutual Fund "Axis Liquid Fund" - Institutional Growth	-	-	2,52,756	30.00
Baroda Pioneer Mutual Fund "Baroda Pioneer Liquid Fund" - Plan B - Growth	12,00,494	161.17	-	-
Baroda Pioneer Mutual Fund "Baroda Pioneer Liquid Fund" - Institutional Growth	-	-	81,570	10.01
Birla Sun Life Mutual Fund "Birla Cash Plus" - Institutional Premium Growth	-	-	19,72,187	33.84
Birla Sun Life Mutual Fund "Birla Sun Life Cash Plus" - Growth - Direct Plan	56,48,719	106.00	-	-
Birla Sun Life Mutual Fund "Birla Sun Life Floating Rate Fund Short Term Plan" - Growth - Direct Plan	16,06,630	25.00	-	-
Birla Sun Life Mutual Fund "Birla Sun Life Floating Rate Fund" - Short Term - IP - Growth	-	-	14,58,285	20.75
Birla Sun Life Mutual Fund "Birla Sun Life Cash Plus" - Daily Dividend - Direct Plan - Reinvestment	2,33,598	2.35	-	-
Daiwa Mutual Fund "Daiwa Liquid Fund" - Institutional Plan - Growth Option	-	-	1,21,859	14.61
Deutsche Asset Management "DWS Insta Cash Plus Fund" - Direct Plan - Growth	7,26,876	141.11	-	-
Deutsche Asset Management "DWS Insta Cash Plus Fund" - Super Institutional Plan Growth	-	-	18,95,798	26.39
Deutsche Asset Management "DWS Ultra Short Term Fund" - Direct Plan - Growth	35,95,053	5.00	-	-
DSP Blackrock Mutual Fund "DSP Blackrock Liquidity Fund" - Direct Plan - Growth	92,66,104	121.91	-	-
Edelweiss Mutual Fund "Edelweiss Fixed Maturity Plan - Series 5" - Growth Plan	-	-	1,00,00,000	10.00
Edelweiss Mutual Fund "Edelweiss Liquid Fund" - Super Institutional Growth	-	-	1,01,92,623	10.80
Franklin Templeton Mutual Fund "Templeton India Treasury Management Account" - Super Institutional Plan Growth	-	-	1,99,584	31.82
HDFC Mutual Fund "HDFC Cash Management" - Savings Plan Growth	-	-	1,76,63,721	39.50

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

	₹ in crore			
	No. of units	2013	No. of units	2012
17 Current Investments - contd.				
ICICI Prudential Mutual Fund "ICICI Prudential Liquid Plan" - Super Institutional Growth	-	-	22,52,438	35.68
ICICI Prudential Mutual Fund "ICICI Prudential Liquid" - Direct Plan - Growth	77,30,182	133.94	-	-
ICICI Prudential Mutual Fund "ICICI Prudential Liquid" - Direct Plan - Daily Dividend	26,93,617	26.94	2,56,236	2.61
IDBI Mutual Fund "IDBI Liquid Fund" - Growth - Direct	71,565	9.00	-	-
Indiabulls Mutual Fund "Indiabulls Liquid Fund" - Direct Plan Growth	3,54,872	40.43	-	-
JM Financial Mutual Fund "JM High Liquidity Fund" (Direct) - Growth Option (452)	2,15,84,260	68.97	-	-
JM Financial Mutual Fund "JM High Liquidity Fund" - Super Institutional Plan - Growth	-	-	1,72,33,780	28.93
JP Morgan Mutual Fund "JP Morgan India Liquid Fund" - Direct Plan - Growth	8,24,75,345	125.26	-	-
JP Morgan Mutual Fund "JP Morgan India Liquid Fund" - Super Institutional Growth Plan	-	-	2,38,07,567	33.05
Kotak Mahindra Mutual Fund "Kotak Liquid Scheme" Plan A - Direct Plan - Growth	5,23,470	124.45	-	-
Kotak Mahindra Mutual Fund "Kotak Liquid" - Institutional Premium Growth	-	-	37,93,348	8.25
L&T Mutual Fund "L&T Liquid Fund" Direct Plan - Growth	1,55,629	25.00	-	-
Morgan Stanley Mutual Fund "Morgan Stanley Liquid Fund" Direct Growth Plan	3,04,488	35.03	-	-
Peerless Mutual Fund "Peerless Liquid Fund" - Direct Plan Growth	11,48,39,618	147.18	-	-
Peerless Mutual Fund "Peerless Liquid Fund" - Super Institutional Growth	-	-	2,81,19,991	32.91
Pramerica Mutual Fund "Pramerica Liquid Fund" - Direct Plan - Growth Option	6,01,771	75.28	-	-
Pramerica Mutual Fund "Pramerica Liquid Fund" - Growth Option	-	-	3,69,831	42.27
Principal Mutual Fund "Principal Cash Management Fund" - Direct Plan - Growth Option	11,27,268	128.45	-	-
Reliance Mutual Fund "Reliance Liquid Fund - Treasury Plan" Institutional - Growth Option	-	-	1,34,78,017	35.15

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

	₹ in crore			
	No. of units	2013	No. of units	2012
17 Current Investments - contd.				
Reliance Mutual Fund "Reliance Liquidity Fund" - Direct Growth Plan	7,55,484	133.29	-	-
Religare Mutual Fund "Religare Liquid Fund" - Direct Plan Growth	10,48,687	168.88	-	-
SBI Mutual Fund "SBI Magnum Insta Cash Fund - Liquid Floater" - Direct Plan - Growth	74,749	15.04	-	-
Sundaram BNP Paribas Mutual Fund "Sundaram Money Fund" - Super Institutional Growth	-	-	1,42,77,965	32.25
Sundaram BNP Paribas Mutual Fund "Sundaram Money Fund" - Direct Plan - Growth	3,66,72,109	90.60	-	-
Tata Mutual Fund "Tata Liquid Super High Investment Fund" - Appreciation	-	-	92,289	18.26
Taurus Mutual Fund "Taurus Liquid Fund" - Direct Plan - Super Institutional Growth	11,58,404	146.43	-	-
Taurus Mutual Fund "Taurus Liquid Fund" - Super Institutional Growth	-	-	86,529	10.00
Union KBC Mutual Fund "UKBC Liquid Fund" - Growth - Direct Plan	85,183	10.00	-	-
Union KBC Mutual Fund "UKBC Liquid Fund" - Growth	-	-	3,79,362	40.70
UTI Mutual Fund "UTI Fixed Income Interval Fund" - Quaterty Interval Plan Series - I - Institutional Growth Plan	-	-	84,85,939	10.00
UTI Mutual Fund "UTI Liquid Cash Plan" - Institutional Growth Option	-	-	74,765	13.15
UTI Mutual Fund "UTI Liquid Cash Plan" - Institutional - Direct Plan - Growth	1,56,352	30.04	-	-
Investments in Equity Instruments held for sale (Unquoted)				
Nil (Previous year - 3,30,50,000) Ordinary Shares of Desano Holdings Ltd. of USD 1 each		-		364.59
		2116.75		940.52
Aggregate amount of unquoted investments - ₹2116.75 crore (Previous year - ₹940.52 crore)				

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

	₹ in crore	
	2013	2012
18 Inventories		
Raw Materials and Packing Materials (including Stock-in-Transit of ₹120.23 crore; Previous year ₹103.49 crore)	1096.03	849.64
Work-in-Process (including Stock-in-Transit of ₹8.39 crore; Previous year ₹8.75 crore)	569.56	416.77
Finished Goods (including Stock-in-Transit of ₹116.55 crore; Previous year ₹90.13 crore)	514.31	447.83
Traded Goods	207.17	135.84
	2387.07	1850.08

	₹ in crore	
	2013	2012
19 Trade Receivables		
Unsecured, Considered Good		
Outstanding over Six Months	16.00	91.40
Others	1652.84	1462.18
Unsecured, Considered Doubtful		
Outstanding over Six Months	75.44	138.66
Less: Allowance for Doubtful Debts	75.44	138.66
	-	-
	1668.84	1553.58

	₹ in crore	
	2013	2012
20 Cash and Bank Balances		
Cash and Cash Equivalents		
Balances with Banks	75.95	73.87
Fixed Deposits as Margin Money (maturity less than 3 months)	0.03	-
Cash on Hand	1.36	1.76
Other Bank Balances		
Balance earmarked For Unclaimed Dividend	15.46	13.59
Fixed Deposits as Margin Money (maturity less than 12 months)	0.21	1.24
Fixed Deposits (maturity less than 12 months)	50.00	-
	143.01	90.46

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

		₹ in crore	
		2013	2012
21	Short Term Loans and Advances		
	Unsecured (Considered good, unless otherwise stated)		
	Inter Corporate Loans		
	Considered Good	0.80	0.80
	Considered Doubtful	2.25	2.25
		3.05	3.05
	<i>Less: Allowance for Doubtful Loans</i>	2.25	2.25
		0.80	0.80
	Interest Accrued		
	Considered Good	2.82	0.82
	Considered Doubtful	0.46	0.46
		3.28	1.28
	<i>Less: Allowance for Doubtful Interest</i>	0.46	0.46
		2.82	0.82
	Share Application Money - Pending Allotment	4.41	41.64
	Balances with Statutory/Revenue Authorities	325.46	308.01
	Capital Subsidies Receivable	107.43	107.43
	Others*		
	Considered Good	132.54	109.49
	Considered Doubtful	4.59	-
		137.13	109.49
	<i>Less: Allowance for Doubtful Advances</i>	4.59	-
		132.54	109.49
		573.46	568.19
	*Includes advances to sundry creditors, employee loans and prepaid expenses		

		₹ in crore	
		2013	2012
22	Other Current Assets		
	Export Incentives Receivable	2.28	53.98
		2.28	53.98

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

		₹ in crore	
		2013	2012
23	Revenue from Operations		
	Sale of Products	8195.51	6955.81
	Rendering of Services	31.44	29.35
	Other Operating Revenue		
	Export Incentives	63.55	81.11
	Technical Know-how/Fees	65.93	31.03
	Scrap Sales	31.59	26.23
	Others	-	5.29
		8388.02	7128.82

		₹ in crore	
		2013	2012
24	Other Income		
	Interest	4.41	8.41
	Dividend	91.64	36.40
	Net Gain on Sale of Current Investment	3.21	0.56
	Insurance Claims	2.59	1.16
	Rent	2.83	2.84
	Sundry Balances Written Back	1.69	0.45
	Miscellaneous Receipts	25.94	22.34
	Net Gain on Foreign Currency Transaction and Translation	89.83	67.36
		222.14	139.52

		₹ in crore	
		2013	2012
25a	Cost of Materials Consumed		
	Consumption of Raw and Packing Materials		
	Opening Stock	849.64	900.07
	Add: Purchases	2975.31	2275.92
		<u>3824.95</u>	<u>3175.99</u>
	Less: Closing Stock	1096.03	849.64
		2728.92	2326.35
		2728.92	2326.35

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

		₹ in crore	
		2013	2012
25b	Changes in Inventories of Finished Goods, Work-in-Process and Traded Goods		
	Opening Stock		
	Work-in-Process	416.77	413.57
	Finished Goods	447.83	439.36
	Traded Goods	135.84	153.16
		1000.44	1006.09
	Less: Closing Stock		
	Work-in-Process	569.56	416.77
	Finished Goods	514.31	447.83
	Traded Goods	207.17	135.84
		1291.04	1000.44
		(290.60)	5.65

		₹ in crore	
		2013	2012
26	Employee Benefits Expense		
	Salaries and Wages	910.60	677.93
	Contribution to Provident and Other Funds	50.82	37.06
	Staff Gratuity	12.76	16.22
	Staff Welfare Expenses	62.08	41.29
		1036.26	772.50

- **Employee Benefits**

- i. **Short Term Employee Benefits**

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. Benefits such as salaries, wages, short term compensated absences, etc., and the expected cost of bonus, ex-gratia are recognised in the period in which the employee renders the related service.

- ii. **Long Term Employee Benefits**

The disclosures as per the revised AS-15 are as under:

- a. **Brief description of the Plans**

- Defined Contribution Plan**

The Company's defined contribution plan are Employees' Pension Scheme (under the provisions of Employees' Provident Funds and Miscellaneous Provisions Act, 1952) and Government Provident Fund, since the Company has no further obligation beyond making the contributions.

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

26 Employee Benefits Expense - *contd.*

Defined Benefit and other Long term Benefit Plans

The Company has two schemes for long term benefits namely, Provident Fund and Gratuity:

- The Provident Fund Plan, a funded scheme is operated by the Cipla Employees' Provident Fund Trust for certain employees, which is recognised by the Income Tax authorities and administered through trustees/appropriate authorities. The Guidance Note on Implementing the revised AS-15, "Employee Benefits (revised 2005)" issued by Accounting Standards Board (ASB) states benefit involving employer established provident funds, which require interest shortfalls to be recompensed, are to be considered as defined benefit plans. Accordingly, the Company has considered the provident fund as defined benefit plan.
- The Company provides for gratuity, a defined benefit plan based on actuarial valuation as of the Balance Sheet date, based upon which, the Company contributes all the ascertained liabilities to the Insurer Managed Funds.

The employees of the Company are also entitled to leave encashment. The provision is made based on actuarial valuation for leave encashment at the year end.

b. Charge to the Statement of Profit and Loss

i Based on contribution

	₹ in crore	
	2013	2012
Employees' Pension Scheme	13.25	12.18
Provident Fund	31.96	22.55
	45.21	34.73

- ii. Charge towards leave encashment to the Statement of Profit and Loss amounts to ₹20.27 crore (Previous year ₹12.05 crore).

c. Disclosures for defined benefit plans based on actuarial reports as on 31st March 2013

	₹ in crore	
	2013 Gratuity (Funded Plan)	2012 Gratuity (Funded Plan)
i. Change in defined benefit obligation		
Opening defined benefit obligation	49.27	35.18
Interest cost	4.19	2.90
Current service cost	7.18	5.86
Actuarial (gain)/loss on obligations	5.45	10.16
Benefits paid	(3.15)	(4.83)
Liability at the end of the year	62.94	49.27
ii. Change in fair value of assets		
Opening fair value of plan assets	31.88	29.00
Expected return on plan assets	2.71	2.39
Actuarial gain/(loss)	1.18	0.22

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

26 Employee Benefits Expense - *contd.*

	₹ in crore	
	2013 Gratuity (Funded Plan)	2012 Gratuity (Funded Plan)
Contributions by employer	4.20	5.10
Transfer of plan assets	-	-
Benefits paid	(3.15)	(4.83)
Closing fair value of plan assets	<u>36.82</u>	<u>31.88</u>
iii. Amount recognised in Balance Sheet		
Present value of obligations as at year end	(62.95)	(49.35)
Fair value of plan assets as at year end	36.82	31.80
Net asset/(liability) recognised	<u>(26.13)</u>	<u>(17.55)</u>
iv. Expenses recognised in Statement of Profit and Loss		
Current service cost	7.18	5.86
Interest on defined benefit obligation	4.19	2.90
Expected return on plan assets	(2.71)	(2.39)
Net actuarial (gain)/loss recognised in the current year	4.28	9.97
Transfer of plan assets	-	-
Total expense recognised in Statement of Profit and Loss	<u>12.94</u>	<u>16.34</u>
v. Actual return on plan assets		
Expected return on plan assets	2.71	2.39
Actuarial gain/(loss) on plan assets	1.18	0.22
Actual return on plan assets	<u>3.89</u>	<u>2.61</u>
vi. Asset information		
Insurer managed funds	100%	100%
vii. Experience adjustments		
Defined benefit obligation	62.95	49.27
Plan assets	(36.82)	(31.88)
Deficit/(Surplus)	<u>26.13</u>	<u>17.39</u>
Experience adjustment on plan liabilities - (gain)/loss	0.19	11.40
Experience adjustment on plan assets - (gain)/loss	1.26	0.19
viii. Expected employer's contribution for the next year	34.15	7.33

The actuarial calculations used to estimate commitments and expenses in respect of gratuity and compensated absences are based on the following assumptions which if changed, would affect the commitment's size, funding requirements and expense:

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

26 Employee Benefits Expense - *contd.*

Principal Actuarial assumptions used	2013	2012
Discounted rate (per annum)	8.25%	8.50%
Expected rate of return on plan assets (per annum)	8.25%	8.50%
Expected rate of future salary increase	4.00%	4.00%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in employment market.

- Amounts for the current and previous four periods are as follows:

	₹ in crore				
	2013	2012	2011	2010	2009
Gratuity					
Defined benefit obligation	62.95	49.27	35.16	26.60	20.96
Plan assets	36.82	31.88	29.01	22.72	16.74
(Surplus)/Deficit	26.13	17.39	6.15	3.88	4.22
Experience adjustment on plan liabilities - (gain)/loss	0.19	11.40	10.19	2.61	(2.45)
Experience adjustment on plan assets - (gain)/loss	1.26	0.19	(0.43)	0.57	(0.18)

	₹ in crore	
	2013	2012
27 Finance Costs		
Interest Expense	27.57	23.84
Applicable Loss on Foreign Currency Transaction and Translation	6.34	14.50
	33.91	38.34

	₹ in crore	
	2013	2012
28 Depreciation and Amortisation Expense		
Depreciation on Tangible Assets	330.48	312.22
	330.48	312.22

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

	₹ in crore	
	2013	2012
29 Other Expenses		
Manufacturing Expenses	219.19	197.11
Stores and Spares	91.79	97.47
Power and Fuel	233.12	235.35
Repairs and Maintenance		
Machinery	84.91	72.55
Buildings	111.66	120.21
Travelling Expenses	182.85	133.09
Sales Promotion Expenses	177.76	139.19
Commission on Sales	211.79	275.96
Rates and Taxes	26.45	16.16
Freight and Forwarding	76.72	52.46
Conveyance and Vehicle Expenses	24.35	21.32
Rent	34.57	23.54
Insurance	13.61	10.47
Remuneration to Auditors		
Audit Fees	0.83	0.80
Tax Audit Fees	0.07	0.01
Certification Fees	0.17	0.15
Professional Fees	186.48	94.27
Telephone, Postage and Telegram	26.88	25.13
Directors Sitting Fees	0.10	0.09
Contractual Services	76.20	59.54
Donations	0.62	5.69
Bad debts and provision for doubtful debts and advances (Net)	56.53	100.09
Loss on sale/discard of fixed assets (Net)	16.29	36.86
Printing and Stationery	53.41	44.82
Research - Clinical Trials, Samples and Grants	43.21	36.30
Miscellaneous Expenses	143.04	51.43
	2092.60	1850.06

	₹ in crore	
	2013	2012
30 Net difference in foreign exchange credited to the Statement of Profit and Loss		
	81.07	52.86
	81.07	52.86

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

31 Lease Accounting

Where the Company is a Lessee

The Company has obtained certain premises for its business operations (including furniture and fixtures, therein as applicable) under cancellable and non cancellable operating lease or leave and license agreements ranging from 11 months to 5 years or longer which are subject to renewal at mutual consent. The cancellable lease arrangements can be terminated by either party after giving due notice. Lease payments are recognised in the Statement of Profit and Loss under "Rent" in Note 29.

The details of non-cancellable operating leases contracted by subsidiaries/step-down subsidiaries, but not recognised in the financial statements are as below:

	₹ in crore	
	2013	2012
Minimum lease payments:		
Not later than one year	1.28	0.19
Later than one year but not later than five years	0.43	0.21
Later than 5 years	-	-
	<u>1.71</u>	<u>0.40</u>

Where the Company is a Lessor

The Company has given certain premises under operating lease or leave and license agreement. The Company retains substantially all risks and benefits of ownership of the leased asset and hence classified as operating lease. Lease income on such operating lease is recognised in the Statement of Profit and Loss under "Rent" in Note 24.

	₹ in crore	
	2013	2012
32 Contingent Liabilities and Commitments (to the extent not provided for)		
Contingent Liabilities		
Claims against the Company not acknowledged as debt	6.51	1.88
Guarantees (refer Note)	2754.37	104.61
Letters of Credit	11.59	20.75
Refund of Technical Know-how/Fees on account of non compliance of certain obligations as per respective agreements	2.54	27.19
Income Tax	193.49	181.44
Excise Duty/Service Tax	29.92	29.62
Sales Tax	3.99	3.64
	<u>3002.41</u>	<u>369.13</u>
Commitments		
Estimated Amount of Contracts unexecuted on Capital Account	174.16	294.08
Other Commitments	904.07	683.77
	<u>1078.23</u>	<u>977.85</u>
	<u>4080.64</u>	<u>1346.98</u>

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

32 Contingent Liabilities and Commitments - *contd.*

Note: On 15th May 2013 the shareholders of Cipla Medpro South Africa Ltd. ("Medpro"), a company incorporated in the Republic of South Africa and listed on JSE Ltd., have approved the Scheme of Arrangement ("Scheme") for Cipla Limited ("the Company") to acquire 100% of the ordinary share capital of Medpro at a price of ZAR 10 per share, and to settle all outstanding options to acquire Medpro shares. Based on Medpro's current shares and share options outstanding, the total consideration payable would be approximately ZAR 4518 million (approximately ₹2666 crore). Medpro is a distributor of Company's products in South Africa and certain neighbouring countries. Guarantees disclosed under contingent liabilities include counter indemnity/guarantees furnished by the Company in an aggregate amount of ZAR 4520 million (approximately ₹2667 crore) in respect of bank guarantees which have been issued in connection with the Scheme by two South African banks in favour of the Takeover Regulation Panel, South Africa and which are valid until 10th September 2013. Implementation of the Scheme is still subject to regulatory and other approvals and conditions.

33 The Government of India has served demand notices in March 1995 and May 1995 on the Company in respect of six bulk drugs, claiming that an amount of ₹5.46 crore along with interest due thereon is payable into the DPEA under the Drugs (Prices Control) Order, 1979 on account of alleged unintended benefit enjoyed by the Company. The Company has filed its replies to the notices and has contended that no amount is payable into the DPEA under the Drugs (Prices Control) Order, 1979.

34 In 2003, the Company received notice of demand from the National Pharmaceutical Pricing Authority, Government of India on account of alleged overcharging in respect of certain drugs under the Drug Price Control Order. This was contested before the jurisdictional High Courts in Mumbai, Karnataka and Allahabad wherein it was held in favour of the Company. The orders of Hon'ble High Court of Allahabad and Bombay were challenged before the Hon'ble Supreme Court of India by the Government. Although in the challenge to the decision of the Hon'ble Bombay High Court, the Hon'ble Supreme Court of India restored the matter to the Hon'ble Bombay High Court in August 2003 for interpreting the Drug Policy on the basis of directions and principles laid down by them and the same was pending, in the challenge to the Hon'ble High Court of Allahabad's order, in Feb 2013, the Hon'ble Supreme Court of India transferred the Bombay High Court petition also before itself for a final hearing on both the matters. In an earlier order, the Hon'ble Supreme Court has already restrained the Government from taking any coercive action against the company. The Company has been legally advised that on the basis of these orders there is no probability of demand crystallising. Hence no provision is considered necessary in respect of notice of demand aggregating to ₹1654.92 crore (inclusive of principal amount for the period July 1995 to April 2009 and interest upto January 2012).

35 In March 2006, Meditab Specialities Pvt. Ltd. (the Subsidiary Company) acquired on lease, land admeasuring 123.20 hectares in Kerim Industrial Estate at Bhut Khamb, Taluka Ponda, Goa from Goa Industrial Development Corporation (GIDC) for setting up and development of Special Economic Zone (SEZ) for pharmaceutical products. Thereafter, the Subsidiary Company entered into sub-lease of this land with an SEZ occupier with an undertaking to provide infrastructural facilities. Following public agitation, the State Government of Goa brought about changes in policy regarding SEZ in the State of Goa which had the effect of the Subsidiary Company not pursuing its development activity and GIDC on instructions of the State Government of Goa issued show cause for revoking allotment of land. The Subsidiary Company's writ petition on the challenge to the show cause was disposed by Hon'ble Bombay High Court stating that the decision of the State Government of Goa was competent to alter the SEZ policy. It was also held that the Subsidiary Company may apply for re-allotment of the same land to be utilised for purpose other than SEZ. The Subsidiary Company filed Special Leave Petition before the Hon'ble Supreme Court and in which parties were directed to maintain status quo.

The Subsidiary Company has been legally advised that it has good case both on facts and on law in succeeding in its appeal. The Management is therefore of the view that no provision is required to be made on the amount incurred so far towards cost of land and on the development of SEZ amounting to ₹26.68 crore (Previous year ₹26.68 crore) as at 31st March 2013.

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

36 During the year, Meditab Specialities Pvt. Ltd. and Meditab Holdings Ltd. (together referred to as “Meditab Group”) has divested its investment in Desano Holdings Ltd. The resultant gain (net of foreign exchange loss) on the said sale has been disclosed as an exceptional item in the Statement of Profit and Loss.

37 Related Party Disclosures

- i. The related parties where control exists or where significant influence exists and with whom transactions have taken place:
- a. Associates:
 - 1. Quality Chemical Industries Ltd.
 - 2. Stempeutics Research Pvt. Ltd.
 - 3. Biomab Holding Ltd.
 - 4. Jiangsu Cdymax Pharmaceuticals Co. Ltd.
 - 5. Mabpharm Pvt. Ltd. (w.e.f. 29th October 2012)
 - b. Subsidiaries:
 - 1. Cipla USA Inc.
 - 2. Cipla Kenya Ltd.
 - 3. Cipla Malaysia Sdn. Bhd.
 - c. Key Management Personnel:
 - 1. Dr. Y.K. Hamied – Chairman and Managing Director
 - 2. Mr. M.K. Hamied – Joint Managing Director
 - 3. Mr. S. Radhakrishnan – Whole-time Director
 - 4. Mr. Subhanu Saxena – Chief Executive Officer (w.e.f. 1st February 2013)
 - d. Relatives of Key Management Personnel:
 - 1. Mr. Kamil Hamied
 - 2. Mrs. Samina Vaziralli
 - e. Entities over which Key Management Personnel are able to exercise significant influence:
 - 1. Okasa Pvt. Ltd.
 - 2. Okasa Pharma Pvt. Ltd.
 - 3. Cipla Foundation
-

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

37 Related Party Disclosures - *contd.*

ii. Transactions during the year with related parties:

Particulars	₹ in crore							
	Associates		Key Management Personnel including transactions with relatives of Key Management Personnel		Entities over which Key Management Personnel exercise significant influence		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Investment in Equity	66.93	120.42	-	-	-	-	66.93	120.42
Remuneration	-	-	29.60	16.13	-	-	29.60	16.13
Purchase of Goods	-	-	-	-	81.85	58.67	81.85	58.67
Processing charges paid	-	-	-	-	24.38	21.76	24.38	21.76
Research Grant paid	1.41	10.53	-	-	-	-	1.41	10.53
Sale of Goods	65.03	158.86	-	-	24.62	15.53	89.65	174.39
Sale of Fixed Assets	0.64	-	-	-	0.04	-	0.68	-
Advances paid against Services	-	1.39	-	-	-	-	-	1.39
Processing charges received	-	-	-	-	1.68	0.94	1.68	0.94
Service charges received	1.12	-	-	-	0.55	-	1.67	-
Donations given	-	-	-	-	0.36	5.31	0.36	5.31
Rent paid	-	-	-	-	0.28	0.28	0.28	0.28
Rent received	1.47	-	0.00 ¹	0.00 ¹	0.00 ²	0.00 ²	1.47	0.00 ³
Reimbursement of operating/other expenses	-	-	-	-	1.15	-	1.15	-
Reimbursement received of operating/other expenses	-	-	-	-	0.07	-	0.07	-
Balances at end of the year								
Outstanding Payables	0.02	-	-	-	15.23	18.42	15.25	18.42
Outstanding Receivables	8.25	48.08	-	-	22.37	25.59	30.62	73.67

¹ ₹20040.00

² ₹36000.00

³ ₹56040.00

Disclosures in respect of material related party transactions during the year:

	₹ in crore	
	2013	2012
A. Investment in Equity		
Aspen-Cipla Australia Pty Ltd.	-	0.00 ¹
Biomab Holding Ltd.	-	114.78
Mabpharm Pvt. Ltd.	51.74	-
Stempeutics Research Pvt. Ltd.	15.19 ²	5.64
	66.93	120.42
B. Remuneration		
Dr. Y.K. Hamied	13.55	6.65
Mr. M.K. Hamied	5.44	5.02
Mr. S.Radhakrishnan	4.18	4.04
Mr. Subhanu Saxena	4.24	-
Mr. Kamil Hamied	1.50	0.22
Mrs. Samina Vaziralli	0.69	0.20
	29.60	16.13

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

37 Related Party Disclosures - *contd.*

	₹ in crore	
	2013	2012
C. Purchase of Goods		
Okasa Pharma Pvt. Ltd.	47.12	25.77
Okasa Pvt. Ltd.	34.73	32.90
	81.85	58.67
D. Processing charges paid		
Okasa Pharma Pvt. Ltd.	9.01	8.72
Okasa Pvt. Ltd.	15.37	13.04
	24.38	21.76
E. Research Grants paid		
Stempeutics Research Pvt. Ltd.	1.41	10.53
	1.41	10.53
F. Sale of Goods		
Okasa Pharma Pvt. Ltd.	18.09	10.10
Okasa Pvt. Ltd.	6.53	5.43
Quality Chemical Industries Ltd.	65.03	158.86
	89.65	174.39
G. Sale of Fixed Assets		
Okasa Pharma Pvt. Ltd.	0.04	-
Mabpharm Pvt. Ltd.	0.64	-
	0.68	-
H. Advances paid against Services		
Stempeutics Research Pvt. Ltd.	-	1.39
	-	1.39
I. Processing charges received		
Okasa Pharma Pvt. Ltd.	0.26	0.45
Okasa Pvt. Ltd.	1.42	0.49
	1.68	0.94
J. Service charges received		
Mabpharm Pvt. Ltd.	1.12	-
Okasa Pharma Pvt. Ltd.	0.37	-
Okasa Pvt. Ltd.	0.18	-
	1.67	-
K. Donations given		
Cipla Public Charitable Trust	-	0.31
Cipla Foundation	0.36	5.00
Hamied Foundation	-	0.00 ³
	0.36	5.31

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

37 Related Party Disclosures - *contd.*

	₹ in crore	
	2013	2012
L. Rent paid		
Okasa Pvt. Ltd.	0.28	0.28
	0.28	0.28
M. Rent received		
Dr. Y.K. Hamied	0.00 ⁴	0.00 ⁴
Mabpharm Pvt. Ltd.	1.47	-
Okasa Pvt. Ltd.	0.00 ⁵	0.00 ⁵
	1.47	0.00
N. Reimbursement of Operating/Other Expenses		
Okasa Pharma Pvt. Ltd.	1.01	-
Okasa Pvt. Ltd.	0.14	-
	1.15	-
O. Reimbursement received of Operating/Other Expenses		
Okasa Pharma Pvt. Ltd.	0.07	-
Okasa Pvt. Ltd.	0.00 ⁶	-
	0.07	-
P. Outstanding Payables		
Okasa Pharma Pvt. Ltd.	9.78	11.63
Okasa Pvt. Ltd.	5.45	6.79
Stempeutics Research Pvt. Ltd.	0.02	-
	15.25	18.42
Q. Outstanding Receivables		
Stempeutics Research Pvt. Ltd.	-	1.39
Okasa Pharma Pvt. Ltd.	6.76	6.98
Okasa Pvt. Ltd.	15.58	18.61
Mabpharm Pvt. Ltd.	4.86	-
Cipla USA Inc.	0.02	-
Cipla Kenya Ltd.	0.01	-
Cipla Malaysia Sdn. Bhd.	0.00 ⁷	-
Quality Chemical Industries Ltd.	3.39	46.69
	30.62	73.67

¹ ₹51.97

² includes share application money of ₹4.41 crore

³ ₹15000.00

⁴ ₹20040.00

⁵ ₹36000.00

⁶ ₹8000.00

⁷ ₹37456.65

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

38 Foreign Exchange Derivatives and Exposures outstanding at the year end

				₹ in crore	
Nature of Instrument	Currency	Cross Currency	2013	2012	
Forward contracts – Sold	USD	INR	1152.42	1105.21	
Forward contracts – Bought	USD	INR	955.77	-	
Unhedged foreign exchange exposures					
Receivables			410.19	417.06	
Payables			401.07	379.45	

Note: The Company uses forward contracts/derivatives for hedging purposes and/or reducing interest costs.

39 Segment Information

- i. Information about primary business segments:
The Company is exclusively in the pharmaceutical business segment.
- ii. Information about secondary geography segments:

									₹ in crore
	India		U.S.A.		Rest of the World		Total		
	2013	2012	2013	2012	2013	2012	2013	2012	
Segment Revenue	3619.44	3160.87	1197.27	521.32	3367.48	3225.89	8184.19	6908.08	
Carrying Amount of Segment Assets	6810.18	5794.74	117.33	145.99	1491.96	1371.29	8419.47	7312.02	
Carrying Amount of other unallocated Assets	-	-	-	-	-	-	81.84	135.29	
Capital Expenditure	752.68	546.91	-	-	0.31	-	752.99	546.91	

- Notes:
- a. The Segment Revenue in the geographical segments considered for disclosure are as follows:
 - Segment Revenue on the basis of customer location.
 - Segment Assets and Capital Expenditure on the basis of asset location.
 - b. Segment Revenue and Assets include the respective amounts identifiable to each of the segments.

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

40 Basic and Diluted Earnings per share (EPS) has been computed as under

	2013	2012
Profit for the Year - Before Exceptional item (₹ in crore)	1505.08	1144.24
Weighted Average No. of Shares Outstanding	80,29,21,357	80,29,21,357
Basic and Diluted EPS - Before Exceptional item	₹18.75	₹14.25
Profit for the Year - After Exceptional item (₹ in crore)	1544.85	1144.24
Weighted Average No. of Shares Outstanding	80,29,21,357	80,29,21,357
Basic and Diluted EPS - After Exceptional item	₹19.24	₹14.25
Face value per share	₹2.00	₹2.00

As per our report of even date	M.K. Hamied <i>Managing Director</i>	S. Radhakrishnan <i>Whole-time Director</i>
For V. Sankar Aiyar & Co., <i>Chartered Accountants</i> Firm Reg. No. 109208W	For R.G.N. Price & Co., <i>Chartered Accountants</i> Firm Reg. No. 002785S	Subhanu Saxena <i>Chief Executive Officer</i>
V. Mohan <i>Partner</i> Membership No. 17748	R. Rangarajan <i>Partner</i> Membership No. 41883	V.S. Mani <i>Chief Financial Officer</i>
	H.R. Manchanda Ramesh Shroff M.R. Raghavan Pankaj Patel Ranjan Pai <i>Directors</i>	Mital Sanghvi <i>Company Secretary</i>
Mumbai, 29 th May 2013		Mumbai, 29 th May 2013

CONSOLIDATED CASH FLOW STATEMENT

₹ in crore

For the year ended 31 st March 2013	2013	2012
A Cash Flow from Operating Activities		
Net profit before tax	2095.38	1447.81
Adjustments for:		
Depreciation and Amortisation expense	330.48	312.22
Finance Costs	33.91	23.84
Unrealised foreign exchange gains (Net)	(11.52)	(28.14)
Bad debts and provision for doubtful debts and advances (Net)	56.53	100.09
Interest income	(4.41)	(8.41)
Dividend income	(91.64)	(36.40)
Profit on sale of current investments (Net)	(3.21)	(0.56)
Profit on sale of investment in associates (Net)	(39.77)	-
Loss on sale/discard of fixed assets (Net)	16.29	36.86
Rent income	(2.83)	(2.84)
	283.83	396.66
Operating profit before working capital changes	2379.21	1844.47
Adjustments for:		
Increase in trade payables and other liabilities	182.77	57.45
Decrease/(Increase) in inventories	(536.99)	56.08
Decrease/(Increase) in trade and other receivables	(165.62)	86.23
	(519.84)	199.76
Cash generated from operations	1859.37	2044.23
Direct taxes paid (Net)	(461.69)	(331.47)
Net cash from operating activities	(A) 1397.68	1712.76
B Cash Flow from Investing Activities		
Purchase of fixed assets/Capital work-in-progress and Intangibles	(756.73)	(561.06)
Sale of fixed assets	5.03	4.55
Cash paid for acquisition, net of cash acquired	(0.54)	(0.14)
Investment in associates	(20.88)	(311.20)
Sale of investment in associates	158.02	-
Advance received towards sale of investments in associates	-	238.84
Investment in joint venture	-	0.00*
Share application money	(4.41)	(33.54)
Purchase of other investments	(18720.41)	(7470.68)
Sale of other investments	17182.80	7118.92
Interest received	2.41	7.26
Dividend received	91.64	36.40
Rent received	0.17	2.84
Short term deposits repaid	-	2.71
Net cash used in investing activities	(B) (2062.90)	(965.10)

CONSOLIDATED CASH FLOW STATEMENT *contd.*

	₹ in crore	
	2013	2012
(C) Cash Flow from Financing Activities		
Proceeds from short term borrowings	956.57	200.00
Repayment of short term borrowings	(0.51)	(711.80)
Repayment of long term borrowings	(18.48)	(30.91)
Interest paid	(33.18)	(23.83)
Dividend paid	(160.58)	(160.58)
Tax paid on dividend	(26.05)	(26.05)
Net cash from/(used in) financing activities	(C) 717.77	(753.17)
Net increase/(decrease) in cash and cash equivalents	(A)+(B)+(C) 52.55	(5.51)
Cash and Cash Equivalents as at the beginning of the year	90.46	95.97
Cash and Cash Equivalents as at the end of the year	143.01	90.46

* ₹51.97

- Notes: i. Cash and Cash Equivalents represent cash and bank balances and fixed deposits with banks.
 ii. Cash and Cash Equivalents includes ₹15.46 crore (Previous year ₹13.59 crore) on account of unclaimed dividend, which are not available for use by the Company.

As per our report of even date	M.K. Hamied <i>Managing Director</i>	S. Radhakrishnan <i>Whole-time Director</i>
For V. Sankar Aiyar & Co., <i>Chartered Accountants</i> Firm Reg. No. 109208W	For R.G.N. Price & Co., <i>Chartered Accountants</i> Firm Reg. No. 002785S	Subhanu Saxena <i>Chief Executive Officer</i>
V. Mohan <i>Partner</i> Membership No. 17748	R. Rangarajan <i>Partner</i> Membership No. 41883	V.S. Mani <i>Chief Financial Officer</i>
Mumbai, 29 th May 2013	H.R. Manchanda Ramesh Shroff M.R. Raghavan Pankaj Patel Ranjan Pai <i>Directors</i>	Mital Sanghvi <i>Company Secretary</i>
		Mumbai, 29 th May 2013

CIPLA LTD.

Regd. Office : Mumbai Central, Mumbai-400 008

ATTENDANCE SLIP

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL

Folio No.: _____ DP ID No.: _____ Client ID No.: _____

Name/s: _____

(1st name)

(Joint Holder)

I//We record my/our presence at the Seventy-Seventh Annual General Meeting of the Company at Y. B. Chavan Auditorium, General Jagannath Bhosale Marg, Mumbai-400 021 on Thursday, 22nd August 2013.

Signature(s) of the Shareholder(s)/Proxy: _____

Note: Only Shareholders of the Company or their Proxies whose names are registered with the Company will be allowed to attend the meeting.



CIPLA LTD.

Regd. Office : Mumbai Central, Mumbai-400 008

FORM OF PROXY

Folio No.: _____ DP ID No.: _____ Client ID No.: _____ No. of Shares held _____

I//We, _____

of _____

being a member/members of CIPLA LIMITED, hereby appoint _____

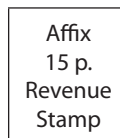
of _____ or failing him

of _____ or failing him

of _____ as

my/our proxy to vote for me/us and on my/our behalf at the Seventy-Seventh Annual General Meeting of the Company to be held on Thursday, 22nd August 2013 at 3.00 p.m. and at any adjournment thereof.

Signed this _____ day of _____ 2013.



Signature(s) of the Shareholder(s)

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND PROXY NEED NOT BE A MEMBER.
2. This form, duly completed and signed across the stamp, should reach the Registered Office of the Company not less than 48 hours before the meeting.



TEN-YEAR HIGHLIGHTS

Standalone	₹ in crore									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Statement of Profit and Loss										
Total Revenue	8431.55	7125.80	6422.73	5713.24	5315.82	4338.21	3763.72	3207.95	2482.87	2090.99
Profit before Tax	2011.86	1421.46	1151.39	1324.99	901.31	838.36	807.98	709.85	514.61	404.09
Profit after Tax	1507.11	1123.96	960.39	1081.49	776.81	701.43	668.03	607.64	409.61	306.69
Dividend	160.58	160.58	224.81	160.58	155.46	155.46	155.46	155.46	104.96	89.96
Tax on Dividend	27.29	26.05	36.72	26.67	26.42	26.42	26.42	21.80	14.95	11.53
Retained Earnings	1319.24	937.32	698.86	894.24	594.93	519.55	486.15	430.38	289.70	194.11*
Balance Sheet										
Fixed Assets	3768.63	3346.11	3120.72	2695.41	2358.81	1894.48	1461.26	1143.62	844.87	603.57
Investments (Current and Non-Current)	2601.82	1035.15	570.65	265.10	81.32	94.75	117.80	22.43	18.30	180.37
Other Net Assets (Current and Non-Current)	3746.08	3413.67	3574.51	3137.80	3015.01	2456.19	1893.42	1384.08	970.60	756.64
Total	10116.53	7794.93	7265.88	6098.31	5455.14	4445.42	3472.48	2550.13	1833.77	1540.58
Share Capital	160.58	160.58	160.58	160.58	155.46	155.46	155.46	59.97	59.97	59.97
Reserves and Surplus	8708.94	7389.70	6452.37	5753.51	4195.29	3600.36	3080.81	1923.30	1493.66	1204.08
Net Worth	8869.52	7550.28	6612.95	5914.09	4350.75	3755.82	3236.27	1983.27	1553.63	1264.05
Loan Funds (Current and Non-Current)	965.81	12.20	440.48	5.07	940.24	540.45	123.56	468.91	191.20	210.58
Deferred Tax	281.20	232.45	212.45	179.15	164.15	149.15	112.65	97.95	88.94	65.95
Total	10116.53	7794.93	7265.88	6098.31	5455.14	4445.42	3472.48	2550.13	1833.77	1540.58

* After adjustments of earlier years

www.cipla.com