

Cipla

Seventy-Eighth Annual Report

2013-2014

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

CONTENTS

Notice	2
From the Chairman	19
From the Managing Director and Global CEO	20
Directors' Report	22
Annexure to the Directors' Report	33
Report on Corporate Governance	39
Independent Auditors' Report	50
Annexure to the Independent Auditors' Report	52
Balance Sheet	54
Statement of Profit and Loss	55
Notes to the Accounts	56
Cash Flow Statement	94
Information on Subsidiaries	96
Independent Auditors' Report (Consolidated)	98
Balance Sheet (Consolidated)	100
Statement of Profit and Loss (Consolidated)	101
Notes to the Accounts (Consolidated)	102
Cash Flow Statement (Consolidated)	142
Attendance Slip	145
Form of Proxy	147
Ten-Year Highlights	Inside Back Cover

Cautionary Statement

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

Cipla Limited

Founder

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

Chairman

Dr. Y.K. Hamied

Vice-Chairman

Mr. M.K. Hamied

Managing Director and Global Chief Executive Officer

Mr. Subhanu Saxena

Whole-time Director

Mr. S. Radhakrishnan

Executive Director and Global Chief Financial Officer

Mr. Rajesh Garg

Non-Executive Directors

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

Bankers

Bank of Baroda
Canara Bank
Corporation Bank
Indian Overseas Bank
Standard Chartered Bank
The Hongkong & Shanghai Banking
Corporation Limited
Union Bank of India

Auditors

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

Registered Office

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

Website

www.cipla.com

CIPLA LIMITED

Registered Office : Cipla House, Peninsula Business Park, Ganpatrao Kadam Marg, Lower Parel, Mumbai – 400 013
Phone : (9122) 24826000, Fax : (9122) 24826893, Email : cosecretary@cipla.com, Website : www.cipla.com
Corporate Identity Number : L24239MH1935PLC002380

NOTICE

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

ORDINARY BUSINESS:

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

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

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

NOTICE *contd.*

SPECIAL BUSINESS:

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

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

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

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

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

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

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

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

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

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

NOTICE *contd.*

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

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

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

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

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

NOTICE *contd.*

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

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

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

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

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

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

NOTICE *contd.*

D. Other Perquisites:

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

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

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

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

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

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

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

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

By Order of the Board of Directors

Mumbai, 23rd July 2014

Mital Sanghvi
Company Secretary

NOTICE *contd.*

NOTES:

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

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

2. The Statement pursuant to section 102 of the Companies Act, 2013 ("the Act") is annexed hereunder and forms part of the Notice.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Friday, 8th August 2014 to Friday, 22nd August 2014, both days inclusive.
4. The dividend for the year ended 31st March 2014 as recommended by the Board, if sanctioned at the Meeting, will be paid to those members whose names appear in the Company's Register of Members on Thursday, 7th August 2014. In respect of shares held in dematerialised form, the dividend will be payable on the basis of beneficial ownership as per details furnished by National Securities Depository Limited and Central Depository Services (India) Limited.
5. Members holding shares in physical form are requested to forward all applications for transfers and all other shares-related correspondence (including intimation for change of address) to the Share Transfer Agents of the Company at the following address:

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

6. Members holding shares in dematerialised form may please note that, the bank details as furnished by the respective Depositories to the Company will be used for the purpose of distribution of dividend as directed by the Stock Exchanges. In the absence of electronic credit facility, the bank account details, if available, will be printed on the dividend warrants. Members holding shares in dematerialised form must give instructions, regarding bank accounts in which they wish to receive dividend, to their Depository Participants. The Company or the Share Transfer Agents will not act on any direct request from such members for change/deletion in such bank details.
7. Members who hold shares in physical form can nominate a person in respect of all the shares held by them singly or jointly. Members who hold shares in single name are advised, in their own interest, to avail of the nomination facility by filling Form No. SH-13 in duplicate with the Share Transfer Agents which, on request will supply blank forms. Members holding shares in the dematerialised form may contact the Depository Participant for recording nomination in respect of their shares.

NOTICE *contd.*

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

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

9. All unclaimed dividends up to the financial year ended 31st March 1995 have been transferred to the General Revenue Account of the Central Government. Members who have not encashed the dividend warrants for the said period(s) are requested to claim the amount from the Registrar of Companies, Maharashtra, CGO Complex, CBD Belapur, Navi Mumbai-400 614, by submitting an application in Form No.II.

Consequent to the amendment of the Companies Act, 1956, dividends that remain unclaimed for a period of seven years shall be transferred to Investor Education and Protection Fund (IEPF). Accordingly, unclaimed dividends from the financial year ended 31st March 1996 till 31st March 2006 have been transferred by the Company to IEPF.

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

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

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

NOTICE *contd.*

of the Notice) and clause 35B of the listing agreement, the Company is providing facility to exercise votes on the items of business given in the Notice through electronic voting system, to members holding shares as on 18th July 2014 (End of Day) being the cut-off date (i.e. record date for the purpose of Rule 20(3)(vii) of the Rules) fixed for determining voting rights of members, entitled to participate in the e-voting process, through the e-voting platform provided by Karvy Computershare Pvt. Ltd. ("Karvy").

- (a) The E-voting period commences from 10.00 a.m. on 28th August 2014 and ends on 6.00 p.m. on 30th August 2014. During this period, the members of the Company, holding shares either in physical form or in demat form, as on the cut-off date of 18th July 2014 may cast their vote electronically. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently.
- (b) Mr. B. Narasimhan, Practising Company Secretary or failing him Mr. Nilesh Trivedi, Practising Company Secretary has been appointed as the scrutinizer to scrutinize the e-voting process in a fair and transparent manner.

The instructions for e-voting are as under :

1. A. In case of Members receiving an email from Karvy :

- i. Launch internet browser by typing the URL: <https://evoting.karvy.com>
- ii. Enter the login credentials (i.e. User ID and password mentioned in the email). Your Folio No./DP ID – Client ID will be your User ID. However, if you are already registered with Karvy for e-voting, you can use your existing User ID and password for casting your vote.
- iii. After entering these details appropriately, click on "LOGIN".
- iv. You will now reach password change Menu wherein you are required to mandatorily change your password. The new password shall comprise minimum 8 characters with at least one upper case (A-Z), one lower case (a-z), one numeric (0-9) and a special character (@,#,\$,etc.). The system will prompt you to change your password and update your contact details like mobile number, email ID, etc., on first login. You may also enter a secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended that you do not share your password with any other person and that you take utmost care to keep your password confidential.
- v. You need to login again with the new credentials.
- vi. On successful login, the system will prompt you to select the Event i.e. Cipla Limited
- vii. On the voting page enter the number of shares (which represents the number of votes) as on the cut-off date i.e. 18th July 2014 under "FOR/AGAINST" or alternatively, you may partially enter any number in "FOR" and partially in "AGAINST" but the total number in "FOR/AGAINST" taken together should not exceed your total shareholding as on the cut-off date. You may also choose the option "ABSTAIN" and the shares held will not be counted under either head.
- viii. Members holding multiple folios/demat accounts shall choose the voting process separately for each of the folios/demat accounts.
- ix. Voting has to be done for each item of the Notice separately. In case you do not desire to cast your vote on any specific item it will be treated as abstained.

NOTICE *contd.*

- x. You may then cast your vote by selecting an appropriate option and click on "Submit".
- xi. A confirmation box will be displayed. Click "OK" to confirm else "CANCEL" to modify. Once you confirm, you will not be allowed to modify your vote. During the voting period, Members can login any number of times till they have voted on the Resolution(s).
- xii. Corporate/Institutional Members (i.e. other than Individuals, HUF, NRIs, etc.) are also required to send scanned certified true copy (PDF Format) of the Board Resolution/Authority Letter, etc., together with attested specimen signature(s) of the duly authorised representative(s), to the Scrutinizer at e-mail ID: ciplascrutinizer@gmail.com. They may also upload the same in the e-voting module in their login. The scanned image of the above mentioned documents should be in the naming format "Corporate Name_EVENT NO."

B. In case of Members receiving physical copy of the Notice of AGM :

- i. Launch internet browser by typing the URL: <https://evoting.karvy.com>
 - ii. Enter the login credentials (i.e. User ID and password mentioned in the e-voting form).
 - iii. Please follow all the steps from (iii) to (xii) as mentioned in (A) above, to cast your vote.
2. In case of any query pertaining to e-voting, please visit Help & FAQ's section available at Karvy's website <https://evoting.karvy.com> or contact Karvy Computershare Pvt. Ltd. on 1800 345 4001 (toll free).
 3. The Scrutinizer shall within a period not exceeding three working days from the conclusion of the e-voting period make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.
 4. The Scrutinizer's decision on the validity of the votes shall be final and binding.
 5. The Results on resolutions shall be declared on or after the AGM of the Company and the resolutions will be deemed to be passed on the AGM date subject to receipt of the requisite number of votes in favour of the resolutions.
 6. The Results declared along with the Scrutinizer's Report will be available on the website of the Company (www.cipla.com) and on Karvy's website (<https://evoting.karvy.com>) within two days of passing of the resolutions and shall also be communicated to Stock Exchanges.

STATEMENT UNDER SECTION 102 OF THE ACT SETTING OUT ALL MATERIAL FACTS CONCERNING THE SPECIAL BUSINESS IN THE NOTICE DATED 23rd JULY 2014

Item No. 6: Ordinary Resolution

Dr. H.R. Manchanda has done his M.B.B.S. from Mumbai University in the year 1951. He has also completed his F.R.C.S. from England and did his second F.R.C.S. from Edinburgh. He is a consultant surgeon at Breach Candy Hospital since 1960. He was on the panel of physicians for USA Visa work at Breach Candy Hospital.

He was the Professor of Surgery and Head of Surgery at J. J. Hospital and Grant Medical College during the period 1960-85. He has been a postgraduate examiner for Mumbai University and was a Board Member of The Haffkine Institute. He has worked with leading hospitals both in India and abroad.

NOTICE *contd.*

Nature of expertise in specific functional areas: General Surgery with special interest in Colorectal, Gastroenterological, Neck and Breast Surgery. He is the author of several articles on recent advances in treatment of Haemorrhoidal Surgery and Prolapse of Rectum.

He joined the Board of Directors of the Company in 1983. He is a Chairman of Stakeholders Relationship Committee and member of Share Committee of the Company.

He does not hold directorship of any other company. As on the date of this Notice, he holds 1,00,000 equity shares of ₹2 each in the Company. He does not hold any share in the Company for any other person on a beneficial basis.

Dr. H.R. Manchanda is not disqualified from being appointed as Director in terms of section 164 of the Act and has given his consent to act as a Director.

Dr. H.R. Manchanda retires by rotation at the ensuing Annual General Meeting under the erstwhile applicable provisions of Companies Act, 1956. In terms of section 149 and other applicable provisions of the Act, Dr. H.R. Manchanda being eligible and offering himself for appointment, is proposed to be appointed as an Independent Director for a term of 5 consecutive years upto 2nd September 2019. The Company has received, along with the requisite deposit, a notice under section 160 of the Act in writing from a member proposing his appointment as a Director of the Company.

In the opinion of the Board, Dr. H.R. Manchanda fulfils the conditions specified in the Act and rules made thereunder for his appointment as an Independent Director of the company and he is independent of the management. Copy of the draft letter of appointment of Dr. H.R. Manchanda as Independent Director setting out terms and conditions is available for inspection at the Registered Office of the Company during normal business hours on all working days.

Keeping in view his vast experience and knowledge, the Board considers that his continued association will be in the interest of the Company and therefore the Board recommends the resolution in relation to appointment of Dr. H.R. Manchanda as an Independent Director, for the approval by the shareholders of the Company.

Except for Dr. H.R. Manchanda, none of the other Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise in the resolution.

This Statement may be regarded as disclosure under Clause 49 of the Listing Agreement.

Item No. 7: Ordinary Resolution

Mr. V.C. Kotwal is a senior advocate of Bombay High Court. He is a Science & Law graduate from Mumbai University. He has been in the legal profession since the year 1961 and has been designated as Senior Advocate since the year 1983.

Nature of expertise in specific functional areas: Civil Law, Commercial Law, Admiralty & Shipping Litigation and Arbitration.

He joined the Board of Directors of the Company in 1989.

He does not hold directorship of any other company. As on the date of this Notice, he does not hold by himself or for any other person on a beneficial basis, any equity share in the Company.

Mr. V.C. Kotwal is not disqualified from being appointed as Director in terms of section 164 of the Act and has given his consent to act as a Director.

NOTICE *contd.*

Mr. V.C. Kotwal retires by rotation at the ensuing Annual General Meeting under the erstwhile applicable provisions of Companies Act, 1956. In terms of section 149 and other applicable provisions of the Act, Mr. V.C. Kotwal being eligible and offering himself for appointment, is proposed to be appointed as an Independent Director for a term of 5 consecutive years upto 2nd September 2019. The Company has received, along with the requisite deposit, a notice under section 160 of the Act in writing from a member proposing his appointment as a Director of the Company.

In the opinion of the Board, Mr. V.C. Kotwal fulfils the conditions specified in the Act and rules made thereunder for his appointment as an Independent Director of the company and he is independent of the management. Copy of the draft letter of appointment of Mr. V.C. Kotwal as an Independent Director setting out terms and conditions is available for inspection at the Registered Office of the Company during normal business hours on all working days.

Keeping in view his vast experience and knowledge, the Board considers that his continued association will be in the interest of the Company and therefore the Board recommends the resolution in relation to appointment of Mr. V.C. Kotwal as an Independent Director, for the approval by the shareholders of the Company.

Except for Mr. V.C. Kotwal, none of the other Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution.

This Statement may be regarded as disclosure under Clause 49 of the Listing Agreement.

Item No. 8: Ordinary Resolution

Mr. Ashok Sinha, aged 62 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: 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 Corporate Social Responsibility Committee of CMC Limited.

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 joined the Board of Directors of the Company in the year 2013. As on the date of this Notice, he holds chairmanship of Audit Committee and is a member of Nomination and Remuneration Committee and Mergers and Acquisitions Committee of the Company.

As on date of this Notice, he does not hold by himself or for any other person on a beneficial basis, any equity share in the Company.

Mr. Ashok Sinha is not disqualified from being appointed as Director in terms of section 164 of the Act and has given his consent to act as a Director.

In terms of section 149 and other applicable provisions of the Act, Mr. Ashok Sinha being eligible and offering himself for appointment, is proposed to be appointed as an Independent Director for a term of 5 consecutive years upto

NOTICE *contd.*

2nd September 2019. The Company has received, along with the requisite deposit, a notice under section 160 of the Act in writing from a member proposing his appointment as a Director of the Company.

In the opinion of the Board, Mr. Ashok Sinha fulfils the conditions specified in the Act and rules made thereunder for his appointment as an Independent Director of the company and he is independent of the management. Copy of the draft letter of appointment of Mr. Ashok Sinha as Independent Director setting out terms and conditions is available for inspection at the Registered Office of the Company during normal business hours on all working days.

Keeping in view his vast experience and knowledge, the Board considers that his continued association will be in the interest of the Company and therefore the Board recommends the resolution in relation to appointment of Mr. Ashok Sinha as an Independent Director, for the approval by the shareholders of the Company.

Except for Mr. Ashok Sinha, none of the other Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution.

This Statement may be regarded as disclosure under Clause 49 of the Listing Agreement.

Item No. 9: Ordinary Resolution

The Board of Directors appointed Dr. Peter Mugenyi as an Additional Director with effect from 12th February 2014 pursuant to section 161 of the Act read with the Company's Articles of Association. He holds office up to the date of ensuing Annual General Meeting.

Dr. Peter Mugenyi aged 66 years, is the Director and Co-founder of Joint Clinical Research Centre based in Kampala. He is highly regarded globally for his leadership in helping Africa battle its mounting AIDS epidemic. A pediatrician by training, Dr. Peter Mugenyi is recognized as one of the worlds' foremost specialists and researchers in the field of HIV/AIDS.

He does not hold Directorship of any other Company. As on the date of this Notice, he does not hold by himself or for any other person on a beneficial basis, any equity share in the Company.

Dr. Peter Mugenyi is not disqualified from being appointed as Director in terms of section 164 of the Act and has given his consent to act as a Director.

In terms of section 149 and other applicable provisions of the Act, Dr. Peter Mugenyi being eligible and offering himself for appointment, is proposed to be appointed as an Independent Director for a term of 5 consecutive years upto 2nd September 2019. The Company has received, along with the requisite deposit, a notice under section 160 of the Act in writing from a member proposing his appointment as a Director of the Company.

In the opinion of the Board, Dr. Peter Mugenyi fulfils the conditions specified in the Act and rules made thereunder for his appointment as an Independent Director of the company and he is independent of the management. Copy of the draft letter of appointment of Dr. Peter Mugenyi as Independent Director setting out terms and conditions is available for inspection at the Registered Office of the Company during normal business hours on all working days.

Keeping in view his vast experience and knowledge, it will be in the interest of the Company that Dr. Peter Mugenyi is appointed as an Independent Director and therefore the Board recommends the resolution for the approval by the shareholders of the Company.

NOTICE *contd.*

Except for Dr. Peter Mugenyi, none of the other Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution.

This Statement may be regarded as disclosure under Clause 49 of the Listing Agreement.

Item No. 10: Ordinary Resolution

The Board of Directors appointed Mr. Adil Zainulbhai as an Additional Director with effect from 23rd July 2014 pursuant to section 161 of the Act read with the Company's Articles of Association. He holds office up to the date of ensuing Annual General Meeting.

Mr. Adil Zainulbhai is currently Senior Advisor to McKinsey. He retired as Chairman of McKinsey, India after 34 years at McKinsey.

He has also been working with several parts of the government and led efforts around urbanization, inclusive growth and energy. He is very active in community and social causes.

He has co-edited the book, 'Reimagining India' which featured 60 authors including prominent businessmen, academicians, economists, authors and journalists. The book has been #1 in non-fiction in India on its release and #2 on Amazon's International Business List in the US.

Mr. Adil Zainulbhai grew up in Bombay and graduated in Mechanical Engineering from the Indian Institute of Technology. He also has an M.B.A. from Harvard Business School.

As on the date of this Notice, he holds directorships in the following companies : Harvard Business School Club of India, Reliance Industries Limited, Larsen & Toubro Limited and Network18 Media & Investments Limited.

As on the date of this Notice, Mr. Adil Zainulbhai holds chairmanship of Human Resources, Nomination and Remuneration Committee and membership of Audit Committee of Reliance Industries Limited.

He has been appointed as Chairman of Nomination and Remuneration Committee of the Company. He has also been appointed as member of Audit Committee and Corporate Social Responsibility Committee of the Company.

As on the date of this Notice, he does not hold by himself or for any other person on a beneficial basis, any equity share in the Company. Mr. Adil Zainulbhai is not disqualified from being appointed as Director in terms of section 164 of the Act and has given his consent to act as a Director.

In terms of section 149 and other applicable provisions of the Act, Mr. Adil Zainulbhai being eligible is proposed to be appointed as an Independent Director for a term of 5 consecutive years upto 2nd September 2019. The Company has received, along with the requisite deposit, a notice under section 160 of the Act in writing from a member proposing his appointment as a Director of the Company.

In the opinion of the Board, Mr. Adil Zainulbhai fulfils the conditions specified in the Act and rules made thereunder for his appointment as an Independent Director of the company and he is independent of the management. Copy of the draft letter of appointment of Mr. Adil Zainulbhai as Independent Director setting out terms and conditions is available for inspection at the Registered Office of the Company during normal business hours on all working days.

Keeping in view his vast experience and knowledge, it will be in the interest of the Company that Mr. Adil Zainulbhai is appointed as an Independent Director and therefore the Board recommends the resolution for the approval by the shareholders of the Company.

NOTICE *contd.*

Except for Mr. Adil Zainulbhai, none of the other Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution.

This Statement may be regarded as disclosure under Clause 49 of the Listing Agreement.

Item No. 11 : Ordinary Resolution

The Company had initially appointed Mr. Subhanu Saxena as the Chief Executive Officer of the Company with effect from 1st February 2013. Subsequently, Mr. Subhanu Saxena was appointed as Managing Director of the Company designated as "Managing Director and Global Chief Executive Officer" with effect from 16th July 2013 and his appointment as Managing Director was approved by the members at the Annual General Meeting of the Company held on 22nd August 2013.

As per the employment agreement, the remuneration of Mr. Subhanu Saxena was denominated in USD and provided for a currency adjustment mechanism whereby adjustments were to be made to the remuneration only in case of increase/decrease in excess of 10% to the reference rate of 1 USD = INR 54. Given that Mr. Subhanu Saxena is a UK citizen and based on his request, his salary has been denominated in GBP instead of USD. Accordingly, he would now be paid in INR equivalent of GBP. For arriving at the GBP salary, Company has considered the depreciation of INR against the USD with reference to USD-INR rate of 54 as stipulated in the employment agreement and applied the same depreciation rate to the present GBP rate. Accordingly, his salary has been converted from USD to GBP on the basis GBP 1 = INR 92 as against the prevailing rate of GBP 1 = INR 102.25 (approx). Considering the above, the existing clause on the currency rate adjustment has been deleted.

The employment agreement dated 15th July 2013 ("employment agreement") entered into between Mr. Subhanu Saxena and the Company provided for his remuneration in USD and did not provide for any increase in his remuneration for the entire tenure of his appointment. Accordingly, the Board at its meeting held on 23rd July 2014 approved an amendment to his employment agreement providing for an increment not exceeding 5% of the Annual Basic Salary prevailing at that time as may be approved by the Board of Directors from time to time.

The Board at its meeting held on 23rd July 2014 also approved revision in his remuneration for the financial year 2014-2015 by way of an increase of 3% to his Annual Basic Salary from GBP 880,000 to GBP 906,400 with effect from 1st April 2014. The aggregate limit of INR 1,59,60,000/- for accommodation and car will be increased by 10% effective January 2016 and 10% annually thereafter (on a calendar year basis).

Except for Mr. Subhanu Saxena, none of the other Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution.

Agreement dated 15th July 2013 entered into between the Company and Mr. Subhanu Saxena for his appointment as Managing Director and the amendment dated 23rd July 2014 thereto, is available for inspection at the Registered Office of the Company during normal business hours on all working days up to the date of ensuing Annual General Meeting.

Item No. 12 & 13: Ordinary Resolution

Mr. Rajesh Garg, aged 47 years has a BE from Punjab University and an MBA from Manchester Business School and University of Chicago, Graduate School of Business.

He has rich experience of over 22 years from diverse industries such as FMCG, Manufacturing and Retail Industry both in India and abroad. Prior to joining the Company he was working with UK retailer Tesco's Indian subsidiary where he was CFO & Strategy Director as well as member of the Board. He has also worked with Cadbury and Procter & Gamble in various senior management positions across North and South America, Europe and Asia.

NOTICE *contd.*

The Company initially appointed Mr. Rajesh Garg as the Global Chief Financial Officer of the Company with effect from 3rd June 2013 ("Joining Date").

The Board of Directors appointed Mr. Rajesh Garg as an Additional Director with effect from 1st April 2014 pursuant to section 161 of the Act read with the Company's Articles of Association. He holds the office up to the date of ensuing Annual General Meeting. The Company has received, along with the requisite deposit, a notice under section 160 of the Act in writing from a member proposing his appointment as a Director of the Company.

The Board of Directors also appointed Mr. Rajesh Garg as Whole-time Director of the Company designated as "Executive Director and Global Chief Financial Officer", under erstwhile sections 198, 309 read with Schedule XIII of the Companies Act, 1956, for a period of 5 years commencing from 1st April 2014 subject to the approval of the members in the General Meeting.

He does not hold directorship of any other Company. As on the date of this Notice, he does not hold by himself or for any other person on a beneficial basis any equity share in the Company. As on the date of this Notice, he is a member of Mergers and Acquisitions Committee of the Company.

At the time when Mr. Rajesh Garg was appointed as the Global Chief Financial Officer, he was paid a sign on bonus of ₹50,00,000. He was also paid a sign on bonus of ₹50,00,000 each on completion of 6 months and 1 year from the Joining Date.

The abstract of the terms of appointment of Mr. Rajesh Garg as the Whole-time Director of the Company (as approved by the Board of Directors at its meeting held on 13th March 2014), as required under section 302 of the Companies Act, 1956, has been circulated by the Company to all the members vide circular dated 28th March 2014. As stated above, he had joined the Company as its Global Chief Financial Officer on 3rd June, 2013. At the time of his appointment as Whole-time Director effective 1st April 2014 no increase in his remuneration was proposed. Accordingly, the board at its meeting held on 23rd July 2014 approved revision in his remuneration for the financial year 2014-15 by way of an increase of 3.5% to his Annual Fixed Salary from ₹3,81,92,004 to ₹3,95,28,720. Approval of the shareholders is accordingly sought for the appointment of Mr. Rajesh Garg as the Whole-time Director of the Company on the terms and conditions (including remuneration) set out hereinabove and the employment agreement dated 28th March 2014 entered into between Mr. Rajesh Garg and the Company.

Mr. Rajesh Garg is entitled for stock options in accordance with the Employee Stock Option Scheme 2013-B ("ESOS 2013-B") dated 16th September 2013, which has received the approval of the members of the Company. ESOS 2013-B entitles Mr. Rajesh Garg to 5,22,194 equity shares of the Company over a period of 5 years from the grant date.

Agreement executed between the Company and Mr. Rajesh Garg for his appointment as Whole-time Director is available for inspection at the Registered Office of the Company during normal business hours on all working days up to the date of ensuing Annual General Meeting.

Except for Mr. Rajesh Garg, none of the other Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution.

This Statement may be regarded as disclosure under Clause 49 of the Listing Agreement.

NOTICE *contd.*

Item No. 14: Ordinary Resolution

The Board, on the recommendation of the Audit Committee, has approved the appointment of Mr. D.H. Zaveri as the Cost Auditor to audit the cost records of pharmaceutical products manufactured by the Company for the financial year ending 31st March 2015 on a remuneration of ₹9,00,000 plus applicable taxes as well as the reimbursement of out of pocket expenses incurred for the purpose of cost audit.

In accordance with the provisions of section 148 of the Act read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors has to be ratified by the shareholders of the Company.

None of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution.

By Order of the Board of Directors

Mumbai, 23rd July 2014

Mital Sanghvi
Company Secretary

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.K. Hamied

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. He retired as the Executive Vice-Chairman of the Company effective 31st March 2014.

Mr. M.K. Hamied holds directorship of Globus Healthcare Limited. Mr. M.K. Hamied is the Chairman of Corporate Social Responsibility Committee and Share Committee and is a member of Stakeholders Relationship Committee and Nomination and Remuneration Committee of the Company.

Mr. M.K. Hamied and Dr. Y.K. Hamied are related to each other.

As on the date of Notice, Mr. M.K. Hamied holds 3,96,90,000 equity shares in the Company. Mr. M.K. Hamied does not hold any share in the Company for any other person on a beneficial basis.

B. Mr. S. Radhakrishnan

Mr. S. Radhakrishnan a qualified Chartered Accountant, possesses rich experience in financial, commercial, legal and allied areas. He has been with the Company for over 30 years. He joined the Board of Directors of the Company in 2010.

He is a member of the Audit Committee, Corporate Social Responsibility Committee, Share Committee, Stakeholders Relationship Committee and Mergers and Acquisitions Committee of the Company.

He does not hold directorship in any other Company.

He is not related to any Director of the Company.

By Order of the Board of Directors

Mumbai, 23rd July 2014

Mital Sanghvi
Company Secretary

FROM THE CHAIRMAN

Dear Shareholders,

I would like to take this opportunity to reiterate some fundamental values of your Company. For Cipla, ensuring access to medicines at affordable prices is essential. Most leading countries have realised that despite government support, medicines are becoming increasingly more expensive and therefore difficult to buy. This present trend offers an opportunity for a pharmaceutical company like Cipla. At the same time it places a great responsibility on us to supply reliable, good quality medicines on a long-term sustainable basis. We need to demonstrate clearly our willingness to promote affordable medicines so that no one should be denied medication. Companies like ours, must promote efficient and well-run businesses but at the same time have a humanitarian approach to healthcare. We are one of the few industries directly involved in prolonging and saving lives.

We have always believed that free competition is the only way to ensure fair prices and better availability of drugs. Over the years, Cipla has overcome innumerable hurdles in many areas and we will continue to navigate the path ahead as best possible. We strongly believe that there should be no monopolies in healthcare; and in that context, India should adopt a pragmatic Intellectual Property Rights (IPR) policy including in-licensing within the present framework of our international obligations.

Many countries such as Brazil, Thailand, Indonesia and Malaysia have already introduced compulsory licensing provisions. The Republic of South Africa is seriously reconsidering their position on IPR in order to promote affordable healthcare. India must also examine the monopoly position of drugs and build safeguards to ensure that this does not happen. India has always stood for the promotion of knowledge and consideration for the greater good. Both our nation and our Company have deep-rooted foundations based on human values. We sincerely believe that Cipla has the opportunity to show this to the world.



Dr. Y.K. Hamied

FROM THE MANAGING DIRECTOR AND GLOBAL CEO

Strategies for Growth

I am delighted to announce that we achieved a record ₹10,000 crore revenue in FY 2013-14. This is an important milestone for the Company and it was made possible by the coordinated and sustained efforts of Cipla colleagues in India and around the world.

Our revenues were up by 22% year-on-year and we achieved an EBITDA of ₹2,133 crore. That means we are on track with the three-year plan. The numbers are important but they also show that we are laying the foundations to achieve the goals we have set out for the coming years.

We have ended year one of a two-year investment cycle. Last year, we identified certain strategic priorities to sustain our growth. These were: building the right organisational and governance models; developing a robust portfolio and pipeline; strong growth in key markets; and optimising our operations. We have made significant progress in the past year on all those fronts.

Building the Right Organisation

We have strengthened the organisation during the last 12 months by recruiting talented people and I am pleased to report that our core team is now well integrated. We have a good mix of people who have been in Cipla for several years and have been responsible for building this extraordinary Company, as well as some important new talent who bring with them invaluable experiences and an outside view.

Our new structure consists of the following:

- Five regional zones: India, North America, Europe, South Africa, and International (rest of the world).
- Three Strategic Business Units: Global Access (our business focused on HIV, Malaria and other infectious diseases), Active Pharmaceutical Ingredients (API), and Respiratory.
- Integrated Product Development organisation which includes formulations and API R&D, clinical, analytical and regulatory functions.
- The Quality function now reports directly to me and continues to be strengthened.

The next 24 months are crucial as we use this new structure to execute our priority initiatives. What we have put in place gives us the footing to achieve a leadership position in our areas of strength.

Portfolio Pipeline Priorities

Alongside our new Integrated Product Development structure we have established a project management and portfolio organisation structure to support our future growth. Our three-year pipeline of projects is secure and more than 80% of our critical launches are on track. One indication of the progress we are making is that our filing intensity has increased dramatically. In North America and Europe we have more than 90 filings; and in our International Business, more than 1,000 filings. Efficiency and productivity levels are up and we now have over 200 formulation development projects underway.

We have improved our product portfolio and have expanded applications across multiple technology platforms including inhaled, nanotechnology, sustained release formulations, melt extrusion, oros, and injections.

Through Cipla New Ventures we have started to build more innovation-led business streams, with investments in Biologicals, Regenerative Medicine, and Consumer Health.

FROM THE MANAGING DIRECTOR AND GLOBAL CEO *contd.*

Growth in Key Markets

We have strengthened our position in India and South Africa. In both regions we outperformed market growth and gained market share. Our European, International and API businesses also demonstrated very strong growth. In the past year we completed the acquisition and integration of companies in South Africa, Uganda and Croatia and we are on track with our plans. Africa contributes 25% of overall revenues, a testament to our focus on ensuring affordable access to patients across the world.

Operating Improvements

I am pleased to report that we have made gains in efficiency and productivity by process re-engineering and reduction in cycle times. We have also started the process of procurement transformation which helped offset part of the impact of a weak rupee on imports. We continue to focus on the On Time In Full (OTIF) levels, which are critical for our customers.

Looking Ahead

For the financial year 2014-15, we have these priorities:

1. Focus on key markets: We will further strengthen our position in India and South Africa, and build a front-end presence in select international markets.
2. Successfully launch our late stage pipeline: The focus will be on our European respiratory launches and proactive exploration of partnership opportunities to monetise our assets.
3. Continued investment in R&D: Our filing intensity will increase and we will continue to embed end-to-end project management and exploit our distinctive platform technologies.
4. Operational excellence, business simplification and disciplined cost management: We will enhance field force productivity, drive procurement effectiveness, cut waste and manage cost with a high degree of discipline. We will also look to rationalise our portfolio and simplify our business.
5. Build organisational capability: We will continue to build our world class R&D, regulatory, quality, and manufacturing capabilities. Further, we will focus on developing general management capabilities and providing growth opportunities to our colleagues as we build our presence in various international markets.

Innovation and technology alone cannot sustain Cipla. Our people are a critical component for our success. I wish to thank all of them for the year gone by. Together we are building an organisation to capitalise on our unique ability to transform the lives of millions around the world by making high quality, affordable medicines more accessible.



Subhanu Saxena

DIRECTORS' REPORT

The Directors take pleasure in presenting the Seventy-Eighth Annual Report of the Company along with the Audited Accounts for the financial year ended 31st March 2014.

Financial Summary

₹ in crore

Year ended 31 st March 2013			Year ended 31 st March 2014	
Standalone	Consolidated		Standalone	Consolidated
8524	8610	Gross total revenue	9760	10483
2012	2095	Profit before tax	1818	1880
1507	1545	Profit for the year	1389	1389
3110	3154	Surplus brought forward from last balance sheet	4269	4351
4617	4699	Profit available for appropriation	5658	5740
		Appropriations:		
161	161	Dividend	161	161
27	27	Tax on dividend	27	27
160	160	Transfer to general reserve	140	140
4269	4351	Surplus carried forward	5330	5412

DIVIDEND

The Directors recommend a dividend of ₹2 per share on 80,29,21,357 equity shares of ₹2 each for the year 2013-14 amounting to ₹160,58,42,714.

MANAGEMENT DISCUSSION AND ANALYSIS: 2013-14

Global Business Review

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

The Company's revenue from operations on a consolidated basis during the financial year 2013-14 amounted to ₹10,218 crore against ₹8,388 crore in the previous year, recording a growth of 21.8%. The income from operations for domestic business increased by 14.7%, from ₹3,569 crore in the previous financial year to ₹4,094 crore in the financial year under review. Total exports increased by 25.0% during the year to ₹5,659 crore.

During the year under review, operating margin reduced by 5.4%. This was primarily due to the change in product mix, higher investments in R & D and talent acquisition. As a result, profit for the year reduced by 10.1% to ₹1,389 crore from ₹1,545 crore in the previous financial year.

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

DIRECTORS' REPORT *contd.*

Global Roundup

1. Robust revenue from operations growth (22% vs. previous year); crossed ₹10,000 crore mark
2. Strong operating cash flow of more than 60% of operating profit for the year
3. More than 1,000 global filings
4. Completed three acquisitions
5. New organisation structure in place
6. Increase in efficiency and productivity levels in R&D and manufacturing

India

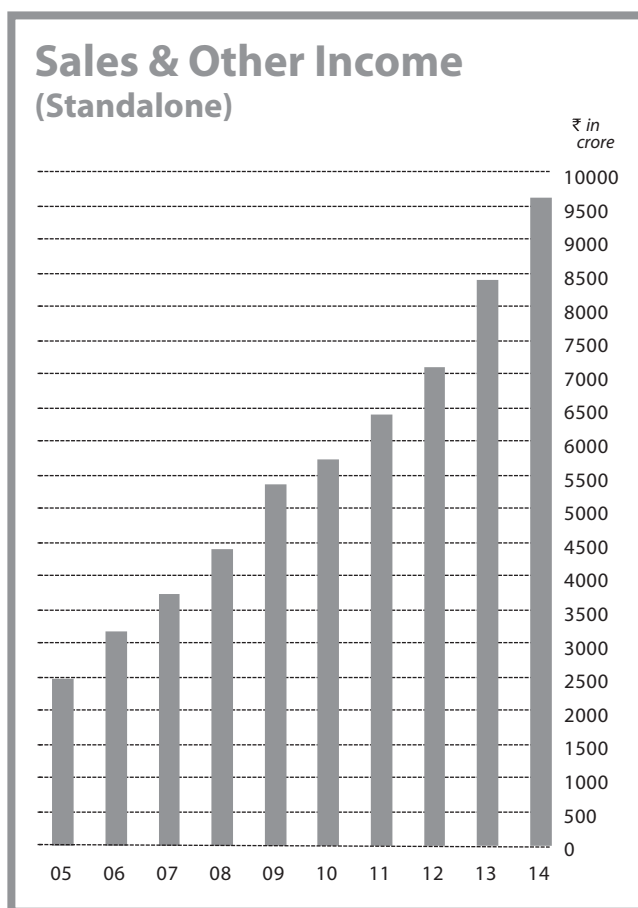
As India's second largest pharmaceutical company, Cipla is in a strong position to fulfil its commitment to provide modern medicine to everyone in the country. This year, despite the challenges, Cipla's domestic branded generics business revenues grew 15.5% versus industry growth of 9%. The generics business also performed well.

Over the last six months the market share for Cipla's branded generics grew 5.3%, rising steadily from the previously recorded 4.7%. Cipla continues to maintain its leadership in respiratory, paediatric and urology therapies. Legacy brands continue to perform well. The progressive product portfolio grew 23%, while the share of new product launches increased from 1.5% in Q1, 2012-13 to 3.5% in Q4, 2013-14. India business contributed 39.4% to overall revenues.

Cipla successfully launched Etacept, the Company's first biosimilar for the treatment of rheumatoid arthritis. As part of an in-licensing transaction, Cipla entered into a strategic alliance to market MSD's HIV drug, raltegravir, in India. Raltegravir is an important part of the third-line salvage regimen for HIV patients. It should be available to patients from mid-2015.

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

- Growth ahead of market growth
- Strengthen our leadership in therapy and geography by empowering our people
- Increase sales force productivity with the rollout of Customer Relationship Management (CRM) and Sales Force Automation (SFA) systems.



DIRECTORS' REPORT *contd.*

South Africa

The Company completed the acquisition of 100% of the share capital of Cipla Medpro in South Africa at ZAR 10 per share amounting to a total investment of ₹2,757 crore. This investment is aimed at further strengthening the Company's commitment to the African continent, and is aligned with the strategy of ascending the value chain by managing a front-end sales force in a market outside India. The acquisition enables Cipla to strengthen Medpro's position in the South African pharmaceutical market, support the optimisation of Medpro's manufacturing capability and drive Medpro's expansion into other African markets.

As one of the largest pharmaceutical companies in South Africa, Cipla Medpro has a market share of more than 5%. South Africa now contributes 13.2% to overall Cipla revenues on a consolidated basis. The Company has grown at 12% in the private market over the last three years. The Cipla brand inspires trust and has become a household name among consumers, pharmacies, prescribers and key opinion leaders.

The Company's revolutionary three-in-one antiretroviral treatment has helped Cipla entrench itself at the forefront of the fight against HIV/AIDS in South Africa. Its manufacturing facility at Durban provides the Company a competitive edge and is the first Pharmaceutical Inspection Convention (PIC) compliant facility in the country.

Capitalising on its defined future portfolio, key development and in-licensing projects, and streamlined global organisational structure, Cipla will leverage synergies from its international family. Plans are on track and the integration across manufacturing supply chain, finance and human resources is complete. The Company has leveraged its skill and scale to drive down costs in areas such as procurement.

Europe

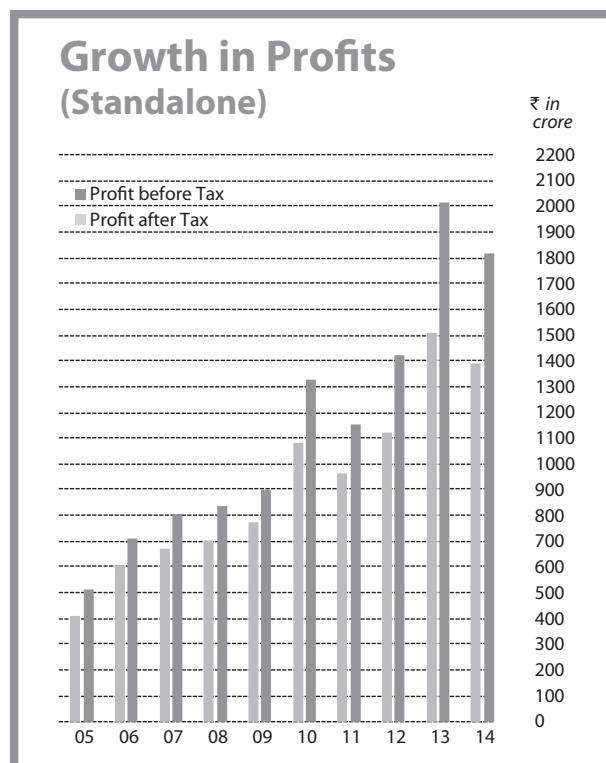
Cipla is making innovative, affordable medication accessible in over 30 countries across Europe. The European business contributed 5.7% to the overall revenues and recorded 40.9% growth for the year. As part of its European growth strategy, Cipla acquired Celeris, a pharmaceutical distribution company based in Croatia.

Cipla is focused on adding innovative elements to products, services and information through research and partnerships.

North America

In 2013-14 the Company's active pipeline has expanded from 36 to more than 50 products including several key respiratory products and other complex generics. Cipla has 16 filings in North America this year and received 13 approvals.

Cipla intends to bring its intellectual capacity and range of product technologies directly to the US market both under the Cipla label and those of its partner organisations. North America business contributed 6.8% to overall revenues and recorded 18.2% growth for the year, excluding a one-off impact in FY 2012-13.



DIRECTORS' REPORT *contd.*

International (rest of the world)

With a diverse range of more than 1,000 products and 180 global partners across 120 countries, Cipla has a presence in Africa, the Middle East, Latin America, Asia Pacific, China, and Russia. International contributes 24.5% of global organisation revenues and grew 30.3% over last year. Cipla's products are currently helping more than 1.7 million HIV patients, 55 million malaria patients, and 0.3 million patients in the area of reproductive and women's health.

This year saw us increase our shareholding in Quality Chemical Industries Limited (QCIL), Uganda to 51%. The Company also strengthened its pan-African network of partners.

Strategic Business Units

Core Areas of Competence

Restructuring the Company's core business areas into Strategic Business Units presents an opportunity to streamline and innovate across Cipla's global operations

Active Pharmaceutical Ingredients (API)

As the company that showed the way in manufacturing active pharmaceutical ingredients (APIs) in India, Cipla has expanded its portfolio to more than 200 products. Cipla's state-of-the-art API plants meet stringent quality and current good manufacturing practices (cGMP) requirements and environment and safety standards. All of them are approved by various international regulatory agencies including US Food and Drug Administration (USFDA).

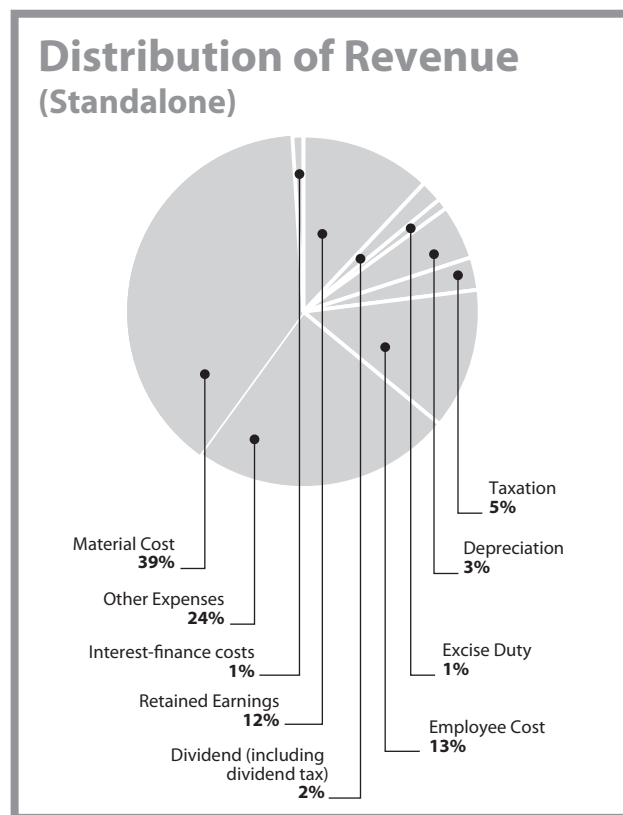
With the capacity to manufacture nearly 1,000 metric tonnes of APIs annually, the plants are geared to meet the diverse needs of both Indian and international customers. A significant portion of the APIs manufactured by Cipla are consumed internally. The third-party API business contributed 7.5% to the overall revenue and recorded 29% growth for the year.

Cipla has key strategic alliances in place with big pharmaceutical companies to support the development of new entities as an additional focus area. It has a robust portfolio process to create a pipeline of complex products.

The gastroenterology and antiretroviral segments continue to be major contributors to the business. By building deeper engagements, Cipla will develop and strengthen its key relationship with existing and new partners.

Respiratory

Cipla has delivered treatments for chronic obstructive airway diseases through innovative delivery mechanisms for over 30 years. This has resulted in the Company's ability to meet diverse needs of various patient types all over the world. Cipla has further strengthened its capabilities in development and commercialisation and now has a dedicated team of world-class specialists focused on driving Respiratory care.



DIRECTORS' REPORT *contd.*

The Company offers more than 65 different inhaled products and has the world's largest range of inhaled medications and devices. Across markets, Cipla offers a selection of metered dose inhalers (pMDIs) with dose indicators, innovative dry powder inhalers, nasal sprays, nebulisers, non-electrostatic spacers, and infant and baby masks. Today, the Company is one of the largest producers of pMDIs in the world.

Ensuring access and affordability is key to our mission, and over the years we have developed and implemented an operating model in several markets. This focuses on patient awareness and education, physician training, patient clinics, and counselling.

Global Access

Since its inception, Cipla's ethos has been firmly rooted in the "None shall be denied" philosophy. The Company strongly believes that access to high quality, affordable medicines is a basic human right, and not just a privilege for a few.

Cipla Global Access (C-GA) concentrates on four key therapy areas: HIV/ AIDS, Malaria, Multi Drug-Resistant Tuberculosis, and Reproductive Health. In FY 2013-14, Cipla's medicines in these therapies touched nearly 58 million lives. The Company aims to reach out to 80 million patients in these four therapies by 2020. Cipla has developed and fostered robust relationships with all the major global organisations and funding agencies that work toward this common cause. Additionally, Cipla has partnered with several global scientific research organisations to develop innovative, effective and affordable formulations for these four therapy areas.

Cipla is among the leading manufacturers of ARV drugs in the world. In 2001, we were the first pharmaceutical company to supply ARVs to countries with a high HIV burden at less than a dollar a day. In financial year 2013-14 alone, Cipla covered around 1.7 million HIV patients in 32 countries across the globe. Currently, we have 22 ARVs in our portfolio and about a dozen more in the development pipeline.

Cipla is one of the largest suppliers of antimalarial drugs in the world. We supplied nearly 55 million malaria treatments across all malaria endemic countries in FY 2013-14. Cipla has managed to quickly identify, develop, manufacture and supply low cost and state-of-the-art artemisinin-based combination therapy (ACTs) drugs in order to meet the challenge of drug-resistant malaria. All the ACTs supplied by Cipla are approved by WHO, and we are currently developing more antimalarials coupled with novel drug delivery systems.

The Company also has a strong second line TB (SLTB) portfolio, and is expanding its product portfolio for HIV/MDRTB co-infected patients. In FY 2013-14, Cipla's SLTB drugs catered to a moderate patient base globally, and this base is likely to increase significantly with the arrival of new diagnostic methods. Future development in the TB therapy area will be focused on newer molecules which can significantly reduce treatment timelines. Cipla's initiative also provides medication to 0.3 million patients in the area of reproductive and women's health. Cipla has aligned its strategy with international development initiatives to provide safe and effective contraceptive drugs for 120 million more women by 2020. Cipla also makes medications for infections such as hepatitis and schistosomiasis which pose major health threats in the Least Developed Countries (LDC).

Cipla New Ventures (CNV)

Incubators of Growth

This year Cipla launched its business-incubating unit, Cipla New Ventures (CNV). The division is aimed at bringing to Cipla a long-term direction for research and innovation in future therapies. Through Cipla New Ventures, the Company has started to build more innovation-led business streams with investments in biologicals, regenerative medicine, and consumer health. As an example, the Company recently invested in Chase Pharmaceuticals, an early stage drug development company in the US, focused on creating novel approaches to improve treatments for Alzheimer's.

DIRECTORS' REPORT *contd.*

Integrated Product Development (IPD)

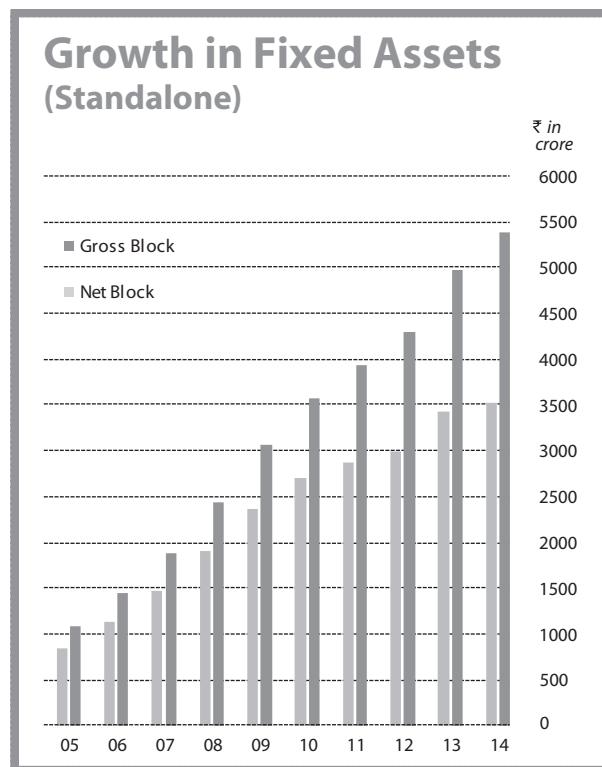
Investing in Knowledge

Cipla's IPD organisation includes formulations and API R&D, clinical, analytical, and regulatory functions.

Cipla's R&D expense increased from 5.1% of total revenue in FY 2012-13 to 5.4% in FY 2013-14. The Company has undertaken a major expansion of its R&D Centre with new buildings and facilities at Vikhroli, Mumbai.

Overall Cipla made significant progress across these priority areas:

- Development and regulatory approval processes were on track. Currently, there are over 200 development projects underway indicating a robust pipeline. In FY 2013-14, we had over 90 filings for formulations in Europe and North America and over 1,000 filings in other international markets. We also received more than 50 approvals in Europe and North America and more than 800 approvals in other international markets.
- Cipla has increased efficiency across all teams resulting in reduced timelines, development costs and more timely regulatory approvals. Process improvements in R&D, analytics, regulatory, procurement and the new project management division have helped improve turnaround time and throughput levels.
- Cipla has filed several formulation patent applications and is working on developing nanotechnology-based oral systems, microsphere-based and suspension-based depot injections, and sprinkle technology.
- To help identify and define our portfolio priorities a portfolio screening process was established to evaluate high potential opportunities, evaluate product rationalisation opportunities and assess high return innovations, and in-licensing opportunities. Cipla's Innovation Board, which was established with the intent of evaluating new and innovative opportunities has now completed a full year of operation.



Manufacturing

Taking it to the next level

Cipla's productivity improved significantly in the past year. The manufacturing division delivered 25% more by volume as compared to FY 2012-13, while keeping costs at levels similar to last year.

In order to build a strong foundation for growth, Cipla launched Jaagruti, a programme for transformation across various functions. This programme is aimed at reducing business complexity and strengthening operations. Under this initiative the manufacturing division freed up valuable resources using strategies of network optimisation, energy efficiency, better management of human resources, and a review of capital and operational expenses.

DIRECTORS' REPORT *contd.*

This also involved conducting sustainability reviews for Cipla's Goa and Kurkumbh operations with recommendations being made in areas that could be improved. Jaagruti initiatives have also been extended to Cipla's subsidiary locations in Satara, Kundaim and Sikkim.

Cipla's operations in Cipla Medpro, South Africa and in Cipla QCIL, Uganda were also aligned with practices in India for greater uniformity across the Company's global operations.

During the year under review, the Company has set up additional capacity for Active Pharmaceutical Ingredients (APIs) at Patalganga and Kurkumbh in Maharashtra. In particular, at Kurkumbh, Cipla has recently increased API capacity for antiretrovirals (ARVs). Besides the new facilities, all the existing facilities are upgraded regularly to meet current cGMP, safety and environmental standards. The Company has also scaled up its anti-cancer formulations facility at Goa.

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

Threats, Risks, Concerns

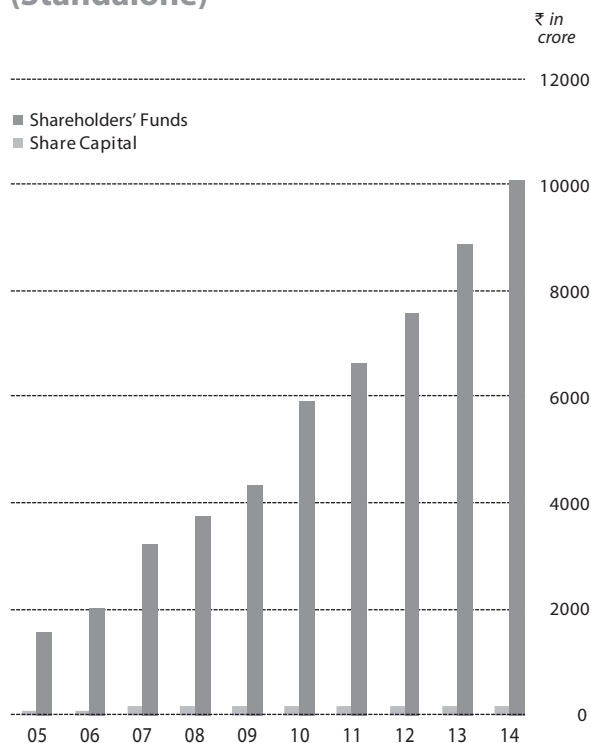
The pharmaceutical industry is subject to constant scrutiny by regulatory authorities, both Indian and international. The Company continues to be vigilant in maintaining the highest quality standards.

The implementation of the new pricing regulations has impacted Cipla's domestic business and the Company continues to take all measures to mitigate its effect.

With the recent change of the Central Government, the Indian pharmaceutical industry is eagerly awaiting new forward-looking policies which will encourage growth.

Cipla has some pending legal cases related to alleged overcharging in respect of certain drugs under the Drugs (Prices Control) Order, 1995. The aggregate amount of the demand notices received is about ₹1,768.51 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.

Growth in Shareholders' Funds (Standalone)



DIRECTORS' REPORT *contd.*

Health, Safety & Environment (HSE)

HSE measures remain an utmost priority for Cipla. During the year under review, no major hazardous accident at the workplace was recorded. HSE benchmarking at Cipla is achieved by strict adherence to national and international standards.

Cipla's manufacturing facilities including Goa, 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 process safety, road safety, and behavioural safety are regularly imparted to increase safety awareness at all working levels. Safety Week, Fire Service Day and Electrical Safety Day are celebrated at the manufacturing units to create awareness among employees. Learning visits across different industrial sectors are conducted with a view to strengthen the HSE knowledge base and implement best HSE practices.

Villagers and school children living around the Company's units across India also participate in such programmes. A well-equipped ambulance service is also made available to nearby villages in emergency situations. Medical camps covering various aspects like polio, asthma, blood donation, and dental are conducted in the surrounding villages. World Environment Day and Earth Day are celebrated by conducting a green drive programme of mass tree-plantation. The Company continues to maintain modern, well-equipped effluent treatment plant and effluent testing systems at its manufacturing facilities. Treated water from these zero-discharge facilities is recycled for utility purpose.

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.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Cipla's Corporate Responsibility policy is aligned to the nine principles of the National Voluntary Guidelines on Social, Economic and Environmental Responsibilities, a global ISO 26000 accredited standard, endorsed by the Government of India.

The Company's Corporate Responsibility policy seeks to ensure compliance with ethical standards in business practices, research and development, and marketing; addressing the challenges of improved access to medicines and their affordability; minimising environmental impacts and waste; and helping underprivileged communities to become resilient and self-reliant.

Initiatives executed in 2013-14 were grouped into five central themes of education, public health, occupational health and safety, environmental compliance, and employee welfare. The Company has an on-going drive to increase sustainability practices in energy, water conservation and waste minimisation across all its ISO 14001 certified plants. It supports health, welfare and educational activities in the communities around its facilities.

In the reporting period, Cipla donated medicines as a part of the relief work following the floods and landslides that hit Uttarakhand in northern India in June 2013.

In the last one year, Cipla offered grants to 23 NGOs, mainly engaged in education and health. The foundation helped with the construction of an English-medium school to provide education to more than 400 children of marginalised

DIRECTORS' REPORT *contd.*

and vulnerable communities including those living with HIV/AIDS. Cipla extended financial support to underprivileged patients including children with thalassaemia needing bone marrow transplants. Cipla employees are encouraged to contribute to society through a volunteering programme. Last year employees helped to rebuild a school and distribute solar lanterns to households in the village of Papra in Uttarakhand.

The Cipla Palliative Care and Training Centre in Pune has been offering free palliative care since 1997 and has provided care to more than 8,500 patients.

Cipla was recognised at the Global CSR Excellence & Leadership Awards 2014 in the category of 'Organisations with Best Corporate Social Responsibility Practices'.

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 - www.cipla.com. 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 2014 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;
- iv. prepared the annual accounts on a going concern basis.

Particulars of employees

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.

Change of Registered Office

The Registered Office of the Company was shifted from Mumbai Central, Mumbai-400 008 to Cipla House, Peninsula Business Park, Ganpatrao Kadam Marg, Lower Parel, Mumbai-400 013, effective 1st April 2014.

Subsidiary Companies

The Company had 49 subsidiaries/step-down subsidiaries as on 31st March 2014. 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

DIRECTORS' REPORT *contd.*

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.

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.

Energy Conservation; R&D and Technology Absorption, Adaptation & Innovation; and Foreign Exchange Earnings & Outgo

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.

Disclosure under The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Company has in place a Policy on Prevention, Prohibition and Redressal of Sexual Harassment at workplace in line with the requirements of The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. An Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. The policy has set guidelines on the redressal and enquiry process that is to be followed by complainants and the ICC, whilst dealing with issues related to sexual harassment at the work place towards any women employees. All women employees (permanent, temporary, contractual and trainees) are covered under this policy. All employees are treated with dignity with a view to maintain a work environment free of sexual harassment whether physical, verbal or psychological.

The following is a summary of sexual harassment issues raised, attended and dispensed during the year 2013-14:

- No. of complaints received: 4
- No. of complaints disposed off: 4
- No. of cases pending for more than 90 days: Nil
- No. of workshops or awareness programme against sexual harassment carried out: 4
- Nature of action taken by the employer or District Officer: Out of 4 cases, one respondent was suspended, second was warned, third has resigned and the fourth was a contract employee who has also resigned.

Employee Stock Option Scheme

As required under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, the applicable disclosures as on 31st March 2014 are annexed to this report.

Directors

In March 2014, Mr. M.K. Hamied decided to move from an Executive position to the role of Non-Executive Vice-Chairman. He has contributed immensely to the company over the last 30 years and he will continue to contribute and support the Company.

DIRECTORS' REPORT *contd.*

Mr. Rajesh Garg was appointed as an Additional Director with effect from 1st April 2014 and holds office up to the date of the ensuing Annual General Meeting. He was appointed as Whole-time Director designated as "Executive Director and Global Chief Financial Officer" for a period of five years with effect from 1st April 2014 subject to the approval of the shareholders at the ensuing Annual General Meeting.

Dr. Peter Mugenyi and Mr. Adil Zainulbhai were appointed as Additional Directors with effect from 12th February 2014 and 23rd July 2014 respectively. They hold office up to the date of the ensuing Annual General Meeting.

Dr. Ranjan Pai resigned from the Board of Directors effective 30th August 2013, due to his increasing business commitments. Mr. M.R. Raghavan resigned from the Board of Directors effective 23rd July 2014, due to increase in workload owing to various initiatives on the social front that he has been associated with. The Directors place on record their appreciation of their contributions as members of the Board.

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, a practising Cost Accountant (Fellow Membership No. 8971) has been appointed to conduct the audit of cost records of pharmaceutical products for the financial year ended 31st March 2014. The due date for filing the Cost Audit Report for the year ended 31st March 2014 is 27th September 2014.

The due date for filing Cost Audit Report for the year ended 31st March 2013 was 27th September 2013 and the same was filed on 27th September 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

23rd July 2014

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 optimize consumption. Some of the specific measures undertaken are:
- Saving in gas due to reduction in utilisation of steam in utilities and dehumidifiers in Indore Factory.
 - In-house modification of auto dumping system for purified water distribution system and water for injection distribution system in Indore factory.
 - Implementation of electrical dehumidification instead of steam dehumidification in Indore factory.
 - Relocation as well as pipeline modification of air compressor near VAS area in Kurkumbh factory.
 - Requisition-based usage of HVAC and utilities in Bommasandra, Sikkim, Baddi and Patalganga factories.
 - Substantial savings in electricity consumption achieved by improving the power factor.
 - Reduction in fuel and water consumption by running the boilers on manual mode in Sikkim factory.

- 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 has 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 improved 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.

A. Power and Fuel Consumption

		2014	2013
1.	Electricity		
a.	Purchased		
	Units	kwh	169560810
	Total amount	₹ in crore	104.93
	Rate/Unit	₹	6.40
b.	Own generation		
	Through diesel generator		
	Units	kwh	16397002
	Units per litre of diesel oil	kwh	3.53
	Cost/Unit	₹	14.64
2.	Others/Internal generation		
	Light diesel oil/diesel oil/furnace oil		
	Quantity	kl	13119
	Total cost	₹ in crore	91.73
	Average rate	₹/kl	51149

ANNEXURE TO THE DIRECTORS' REPORT *contd.*

B. Consumption per Unit of Production

		2014	2013
1. Electricity			
Bulk drugs	(kwh/mt)	54293	62395
2. Light diesel oil/diesel oil/furnace oil			
Bulk drugs	(kl/mt)	4.78	5.77

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

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

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

- i. Development of new formulations for existing and newer active drug substances.
 - ii. Patenting of newer processes/newer products/newer drug delivery systems/newer medical devices/newer usage of drugs for both local and international markets.
 - iii. Development of new products, in APIs as well as formulations, specifically for export.
 - iv. Development of new innovative technology for the manufacture of existing APIs and their intermediates.
 - v. Development of new drug delivery systems for existing and newer active drug substances as also newer medical devices.
 - vi. Development of methods to improve safety procedures, effluent control, pollution control, etc.
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	5.58
b. Recurring	511.93
Total	517.51

The total R&D expenditure as a percentage of total revenue is around 5.4%.

ANNEXURE TO THE DIRECTORS' REPORT *contd.*

B. Technology Absorption, Adaptation and Innovation

1. Efforts, in brief, made towards technology absorption, adaptation and innovation:
 - a. Development and patenting of new molecular forms and methods of synthesis.
 - b. Development of new drug delivery systems.
2. Benefits derived as a result of the above efforts:
 - i. Improvement 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 ₹4947.96 crore for the financial year 2013-14. In addition, the Company earned ₹187.39 crore towards Technical know-how and Licensing fees and ₹14.53 crore for other services. The Company continues to leverage its strategic marketing alliances and partnerships in more than 160 countries.

2. Total foreign exchange used and earned:

During the year, the foreign exchange outgo was ₹1894.30 crore and the earnings in foreign exchange was ₹5149.88 crore. Details of the same have been given in Notes 22, 31 and 32 in the Notes to the Accounts.

On behalf of the Board,

Y.K. Hamied
Chairman

23rd July 2014

ANNEXURE TO THE DIRECTORS' REPORT *contd.*

Pursuant to the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999

The details of stock options as on 31st March 2014 under the Employee Stock Option Scheme 2013 ("ESOS 2013"); Employee Stock Option Scheme 2013-A ("ESOS 2013-A") and Employee Stock Option Scheme 2013-B ("ESOS 2013-B") are given below:

A. Summary of Status of ESOS granted

The position of the existing scheme is summarized as under -

Sr. No.	Particulars	ESOS 2013	ESOS 2013 - A	ESOS 2013 - B
1.	Options Granted	10,00,000	15,02,819	5,22,194
2.	The Pricing Formula	50% discount to Market Value	Face Value	50% discount to Market Value
3.	Options Vested and Exercisable	-	-	-
4.	Options Exercised	-	-	-
5.	Options Cancelled	-	31,022	-
6.	Options Lapsed	-	-	-
7.	Total Number of Options in force	10,00,000	14,71,797	5,22,194
8.	Variation in terms of ESOS	Not Applicable	Not Applicable	Not Applicable
9.	Total number of shares arising as a result of exercise of options	-	-	-
10.	Money realised by exercise of options during the year 2013-14	Nil	Nil	Nil
11.	Money realised by exercise of options till 31 st March 2014	Nil	Nil	Nil

B. Employee-wise details of options granted during the financial year 2013-14 to:

(i) Senior managerial personnel

Name of employee	No. of options granted
Mr. Subhanu Saxena	10,00,000
Mr. Rajesh Garg	5,22,194
Mr. S. Radhakrishnan	2,04,196
Dr. Ranjana Pathak	81,489
Mr. Christos Kartalis	62,182
Mr. Sameer Goel	60,171
Mr. Murali Neelakantan	53,373
Mr. Sudhanshu Priyadarshi	40,489
Mr. Davinder Singh	39,061

ANNEXURE TO THE DIRECTORS' REPORT *contd.*

Name of employee	No. of options granted
Mr. Chandru Chawla	30,809
Mr. Sanjay S Bhanushali	26,896
Mr. Vilas Murlidhar Dholye	26,487
Ms. Geena V Malhotra	26,406
Dr. Jaideep A Gogtay	19,767
Mr. Mital Sanghvi	4,993

(ii) Employees who were granted, during any one year, options amounting to 5% or more of the options granted during the year

Name of employee	No. of options granted
Mr. Subhanu Saxena	10,00,000
Mr. Rajesh Garg	5,22,194
Mr. S. Radhakrishnan	2,04,196

(iii) Identified employees who were granted option, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant.	None
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C. Diluted earnings per share pursuant to the issue of share on exercise of option calculated in accordance with AS - 20, "Earnings Per Share"	Diluted earnings per share of the company calculated after considering the effect of potential equity shares arising on account of exercise of options is ₹17.27
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D. Weighted average Fair Value of options granted during the year

Particulars	ESOS 2013	ESOS 2013 - A	ESOS 2013 - B
(a) Exercise price equals market price (₹)	Nil	Nil	Nil
(b) Exercise price is greater than market price (₹)	Nil	Nil	Nil
(c) Exercise price is less than market price (₹)	261.92	405.08	299.49

Weighted average Exercise price of options granted during the year

Particulars	ESOS 2013	ESOS 2013 - A	ESOS 2013 - B
(a) Exercise price equals market price (₹)	Nil	Nil	Nil
(b) Exercise price is greater than market price (₹)	Nil	Nil	Nil
(c) Exercise price is less than market price (₹)	197.50	2.00	220.78

- E.** The stock-based compensation cost calculated as per the intrinsic value method for the period 1st April 2013 to 31st March 2014 is ₹21.65 crore (standalone ₹18.40 crore). If the stock-based compensation cost was calculated as per the fair value method prescribed by SEBI, the total cost to be recognised in the financial statements for the period 1st April 2013 to 31st March 2014 would be ₹24.44 crore (standalone ₹21.26 crore). The effect of adopting the fair value method on the net income and earnings per share is presented below:

ANNEXURE TO THE DIRECTORS' REPORT *contd.*

Adjusted Net Income and Earning Per Share

Particulars	₹ in crore
Net Profit as reported (standalone ₹1388.34 crore)	1388.41
<i>Add:</i> Intrinsic Value Compensation Cost (standalone ₹18.40 crore)	21.65
<i>Less:</i> Fair Value Compensation Cost (standalone ₹21.26 crore)	24.44
Adjusted Net Profit (standalone ₹1385.48 crore)	1385.60
Earnings Per Share: Basic	
As Reported	₹17.29
Adjusted	₹17.26
Earnings Per Share: Diluted	
As Reported	₹17.27
Adjusted	₹17.23

F. Method and Assumptions used to estimate the fair value of options granted during the year:

The fair value has been calculated using the Black Scholes Option Pricing model.

The assumptions used in the model are as follows:

Variables		ESOS 2013	ESOS 2013 - A	ESOS 2013 - B
1.	Risk Free Interest Rate	7.86%	8.62%	8.76%
2.	Expected Life (in years)	5.70	4.33	5.70
3.	Expected Volatility	31.24%	25.38%	29.96%
4.	Expected Dividend Yield	0.51%	0.48%	0.45%
5.	Price of the underlying share in market at the time of the option grant. (₹)	395.00	415.02	441.55

On behalf of the Board,

Y.K. Hamied
Chairman

23rd July 2014

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	Mr. Subhanu Saxena ⁽¹⁾ Mr. S. Radhakrishnan Mr. Rajesh Garg ⁽²⁾
Non-Executive/Non-Independent Director	Dr. Y.K. Hamied Mr. M.K. Hamied ⁽³⁾
Non-Executive/Independent Directors	Dr. H.R. Manchanda Mr. V.C. Kotwal Mr. Pankaj Patel Mr. Ashok Sinha ⁽¹⁾ Dr. Peter Mugenyi ⁽⁴⁾ Mr. Ramesh Shroff ⁽⁵⁾ Dr. Ranjan Pai ⁽⁶⁾ Mr. M.R. Raghavan ⁽⁷⁾ Mr. Adil Zainulbhai ⁽⁸⁾

⁽¹⁾Appointed w.e.f. 16th July 2013

⁽²⁾Appointed w.e.f. 1st April 2014

⁽³⁾Re-appointed as Whole-time Director and designated as "Executive Vice-Chairman" effective 16th July 2013. Retired as Whole-time Director effective 31st March 2014 and continues to be the Vice-Chairman in a non-executive role effective 1st April 2014

⁽⁴⁾Appointed w.e.f. 12th February 2014

⁽⁵⁾Retired on 22nd August 2013 and did not seek re-appointment

⁽⁶⁾Resigned w.e.f. 30th August 2013

⁽⁷⁾Resigned w.e.f. 23rd July 2014

⁽⁸⁾Appointed w.e.f. 23rd July 2014

- Seven Board Meetings were held during the financial year 2013-14. The dates on which the meetings were held are: 29th May 2013; 15th July 2013; 9th August 2013; 22nd August 2013; 13th November 2013; 12th February 2014 and 13th March 2014.

REPORT ON CORPORATE GOVERNANCE *contd.*

- The information about the attendance of Directors at the Board Meetings during the financial year 2013-14 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 22 nd August 2013	No. of Directorships held in other Indian Public Companies	No. of Committee Memberships held in other Indian Public Companies
Dr. Y.K. Hamied	4	Yes	Nil	Nil
Mr. M.K. Hamied	7	Yes	1	Nil
Mr. Subhanu Saxena ⁽¹⁾	4	Yes	Nil	Nil
Mr. S. Radhakrishnan	6	Yes	Nil	Nil
Dr. H.R. Manchanda	6	Yes	Nil	Nil
Mr. V.C. Kotwal	3	No	Nil	Nil
Mr. Pankaj Patel	7	Yes	Nil	Nil
Mr. Ashok Sinha ⁽¹⁾	5	Yes	2	Nil
Dr. Peter Mugenyi ⁽²⁾	2	Not Applicable	Nil	Nil
Mr. Ramesh Shroff ⁽³⁾	1	No	Not Applicable	Not Applicable
Dr. Ranjan Pai ⁽⁴⁾	4	Yes	Not Applicable	Not Applicable
Mr. M.R. Raghavan ⁽⁵⁾	7	Yes	Nil	Nil

⁽¹⁾Appointed w.e.f. 16th July 2013

⁽²⁾Appointed w.e.f. 12th February 2014

⁽³⁾Retired on 22nd August 2013 and did not seek re-appointment

⁽⁴⁾Resigned w.e.f. 30th August 2013

⁽⁵⁾Resigned w.e.f. 23rd July 2014

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

As on 31st March 2014, Dr. Y.K. Hamied and Dr. H.R. Manchanda - Non-Executive Directors held 12,48,27,750 and 1,00,000 equity shares respectively in the share capital of the Company. None of the other Non-Executive Directors hold any equity shares in 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. Mr. Ashok Sinha was appointed as the Member of Audit Committee w.e.f. 16th July 2013 and later appointed as Chairman of the Audit Committee w.e.f. 22nd August 2013 consequent to retirement of Mr. Ramesh Shroff. Mr. M.R. Raghavan ceased to be the member of the Audit Committee w.e.f. 23rd July 2014. The Audit Committee currently comprises: Mr. Ashok Sinha - Chairman, Mr. Adil Zainulbhai - Member and Mr. S. Radhakrishnan - Member.

The Executive Director and Global Chief Financial Officer and other functional managers along with Internal Auditors, Statutory Auditors and Cost Auditors 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 under Clause 49 of the Listing Agreement with the Stock Exchanges and Companies Act 2013 and also such other functions as may be specifically delegated to it by the Board from time to time.

REPORT ON CORPORATE GOVERNANCE *contd.*

- Meetings and attendance during the financial year 2013-14:

The meetings of the Audit Committee were held on 29th May 2013; 9th August 2013; 25th September 2013; 13th November 2013 and 12th February 2014 during the financial year 2013-14. Mr. M.R. Raghavan and Mr. S. Radhakrishnan attended all five meetings during the year. Mr. Ramesh Shroff attended one meeting and Mr. Ashok Sinha attended four meetings during the year.

d. Remuneration to Directors

- The details of remuneration to Executive Directors during the financial year 2013-14 are given below:

Executive Directors	Salary (₹ in lakhs)	Commission (₹ in lakhs)	Perquisites and Allowances (₹ in lakhs)	Retiral Benefits (₹ in lakhs)	Sign on Bonus (₹ in lakhs)	Variable Bonus (₹ in lakhs)
Mr. M.K. Hamied ⁽¹⁾	120.00	300.00	253.97	243.25	Nil	Nil
Mr. Subhanu Saxena ⁽²⁾	202.50	Nil	769.56	24.30 ⁽³⁾	270.00	902.48
Mr. S. Radhakrishnan	120.00	145.50	86.99	14.40 ⁽³⁾	Nil	Nil

⁽¹⁾ Retired as Whole-time Director effective 31st March 2014 and continues to be the Vice-Chairman in a non-executive role effective 1st April 2014.

⁽²⁾ Appointed w.e.f. 16th July 2013

⁽³⁾ Exclusive of provision for leave encashment and contribution to the approved Group Gratuity Fund, which are actuarially determined on an overall basis.

- Service Contracts, Notice Period and Severance Fees:

The period of appointment of Mr. S. Radhakrishnan is for a term of 5 years from the date of appointment. The appointment can be terminated by either party by giving not less than three months' prior notice in writing to the other party. There is no separate provision for payment of severance fees.

The period of appointment of Mr. Subhanu Saxena is for a term of 5 years from the date of appointment. The appointment can be terminated by either party by giving not less than six months' prior notice in writing to the other party or pro-rata Basic Salary in lieu of notice. The severance fees payable shall be as per the terms and conditions laid down in the employment agreement entered into with him.

- Details of Stock Options granted to Executive Directors:

Executive Directors	No. of Options Granted	Vesting Schedule	Exercise Period
Mr. S. Radhakrishnan	2,04,196	31 st December 2014	5 years from the date of vesting of options
Mr. Subhanu Saxena	10,00,000	8 th April 2015 - 4,00,000 options 8 th April 2016 - 2,00,000 options 8 th April 2017 - 2,00,000 options 8 th April 2018 - 2,00,000 options	5 years from the date of vesting of options

REPORT ON CORPORATE GOVERNANCE *contd.*

- The details of remuneration to Non-Executive Directors during the financial year 2013-14 are given below:

Non-Executive Directors	Sitting Fees* (₹ in lakhs)	Commission (₹ in lakhs)
Dr. Y.K. Hamied	0.40	200.00
Dr. H.R. Manchanda	1.90	10.00
Mr. Ramesh Shroff	0.20	Nil
Mr. V.C. Kotwal	0.30	10.00
Mr. M.R. Raghavan	1.70	15.00
Mr. Pankaj Patel	1.60	10.00
Dr. Ranjan Pai	0.40	Nil
Mr. Ashok Sinha	0.90	14.25
Dr. Peter Mugenyi	0.20 [#]	3.00 [#]

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

[#]USD equivalent to INR amount paid to the Director.

The Commission payable to Non-Executive Directors is determined by the Board of Directors on the basis of recommendation of Nomination and Remuneration Committee.

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 Investors' Grievance Committee was re-designated as Stakeholders Relationship Committee on 7th April 2014 in accordance with the provisions of section 178 of the Companies Act, 2013. The Committee currently comprises: Dr. H.R. Manchanda – Chairman, Mr. M.K. Hamied - Member, Mr. Pankaj Patel - Member and Mr. S. Radhakrishnan - Member.
- During the financial year 2013-14, the Committee met on 29th May 2013; 9th August 2013, 13th November 2013 and 12th February 2014.
- 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, 62 investor grievances were received and all of them have been resolved.

f. General Body Meetings

- The Annual General Meeting of the Company for the financial year 2010-11 was 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.
- The Annual General Meeting of the Company for the financial year 2012-13 was held at Y.B. Chavan Auditorium, General Jagannath Bhonsale Marg, Mumbai - 400 021 at 3.00 p.m.
- Special Resolution granting consent to the holding of office or place of profit by Mrs. Samina Vaziralli, relative of Mr. M.K. Hamied, Director as member of management team was passed at the Annual General Meeting of the Company held on 25th August 2011.

REPORT ON CORPORATE GOVERNANCE *contd.*

- No Special Resolution was passed at the Annual General Meeting of the Company held on 17th August 2012.
- The following Special Resolutions were passed at the Annual General Meeting of the Company held on 22nd August 2013:
 - a) Appointment of Mr. Subhanu Saxena as Managing Director of the Company designated as “Managing Director and Global Chief Executive Officer” for a period of five years commencing from 16th July 2013 and concluding on 15th July 2018.
 - b) 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 from 16th July 2013 and concluding on 15th July 2015
 - c) Revision in terms of remuneration of Mr. Kamil Hamied, a relative of Mr. M.K. Hamied, Director
 - d) Revision in terms of remuneration of Mrs. Samina Vaziralli, a relative of Mr. M.K. Hamied, Director
 - e) Issuance of upto 84,44,528 stock options to the employees of the Company under Employee Stock Option Scheme 2013-A (“ESOS 2013-A”)
 - f) Issuance of stock options to the employees of Subsidiary Companies under Employee Stock Option Scheme 2013-A (“ESOS 2013-A”)
 - g) Issuance of 5,22,194 stock options to Mr. Rajesh Garg under Employee Stock Option Scheme 2013-B (“ESOS 2013-B”)
 - h) Payment of Commission not exceeding in aggregate, 1% per annum of Company’s Net Profits, to Non-Executive Directors of the Company for a period of five years commencing from 1st April 2013
- In April 2013, the Company obtained approval of the members through postal ballot for issuance of 10,00,000 stock options to Mr. Subhanu Saxena. 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 2013-14, 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.

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. Subhanu Saxena, Managing Director and Global Chief Executive Officer has declared that the Board Members and Senior Management have affirmed compliance with the Code of Conduct of the Company.

REPORT ON CORPORATE GOVERNANCE *contd.*

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.

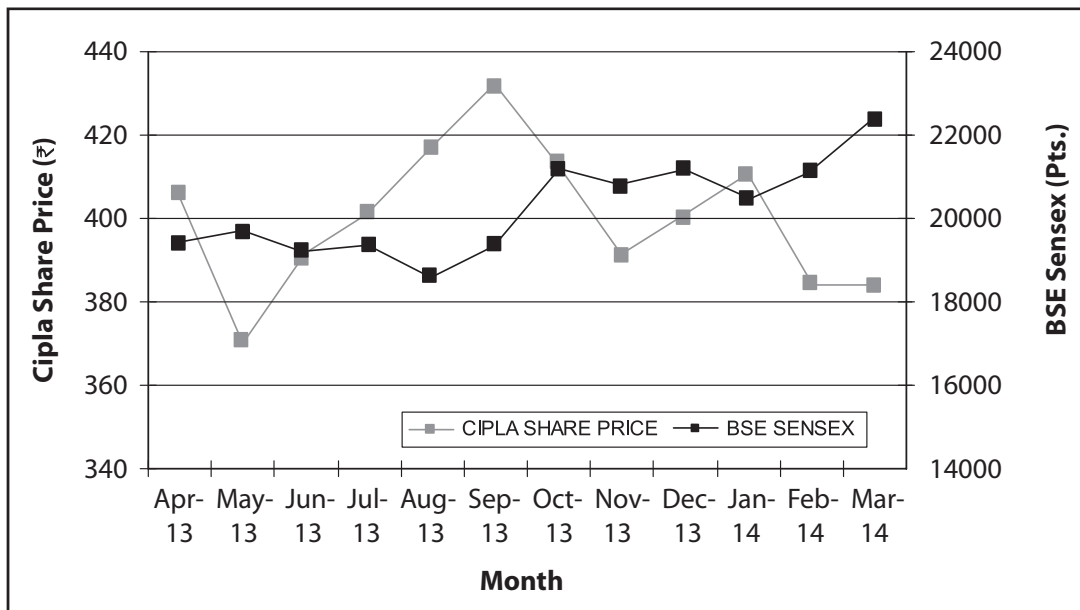
k. General Shareholder Information

- Date, Time and Venue of the AGM : Wednesday, 3rd September 2014 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 Financial Results (tentative) :
For the quarter ending 30th June 2014 : 1st week of August 2014
For the quarter and half-year ending
30th September 2014 : 1st week of November 2014
For the quarter and nine months
ending 31st December 2014 : 1st week of February 2015
For the year ending 31st March 2015 : Last week of May 2015
- Date of Book Closure : 8th August 2014 to 22nd August 2014 (both days inclusive)
- Dividend Payment Date : Will be dispatched/credited on or after 8th September 2014
- 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 2014-15.
- 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 2013-14 are given below. The Company's market capitalisation is included in the computation of BSE Sensex and S&P CNX NIFTY Index.

REPORT ON CORPORATE GOVERNANCE *contd.*

Year (2013-14)	BSE Limited			National Stock Exchange of India Limited		
	High (₹)	Low (₹)	Number of Shares Traded	High (₹)	Low (₹)	Number of Shares Traded
April	413.55	379.55	1845131	413.85	379.65	23302061
May	428.00	368.00	3619047	428.00	368.00	34696162
June	392.80	364.05	3492798	393.50	364.00	32160269
July	419.60	369.25	2309877	419.85	389.35	23454773
August	429.50	381.80	2840673	429.80	381.65	32695291
September	450.00	403.55	3046025	450.40	403.40	24728866
October	444.40	409.00	2176921	444.80	408.70	23222129
November	429.40	378.00	2549250	429.75	378.55	24932221
December	409.50	374.00	2776819	409.50	373.20	26880390
January	425.00	386.65	2582202	425.85	386.00	25050079
February	423.65	366.70	6617406	423.60	366.50	42510201
March	401.70	375.00	2376910	401.60	373.85	28272827

- Performance in comparison to BSE SENSEX – Year 2013-14



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 House,
Peninsula Business Park,
Ganpatrao Kadam Marg,
Lower Parel
Mumbai- 400 013
Tel: (022) 24826000/24826951
Fax: (022) 24826893
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.

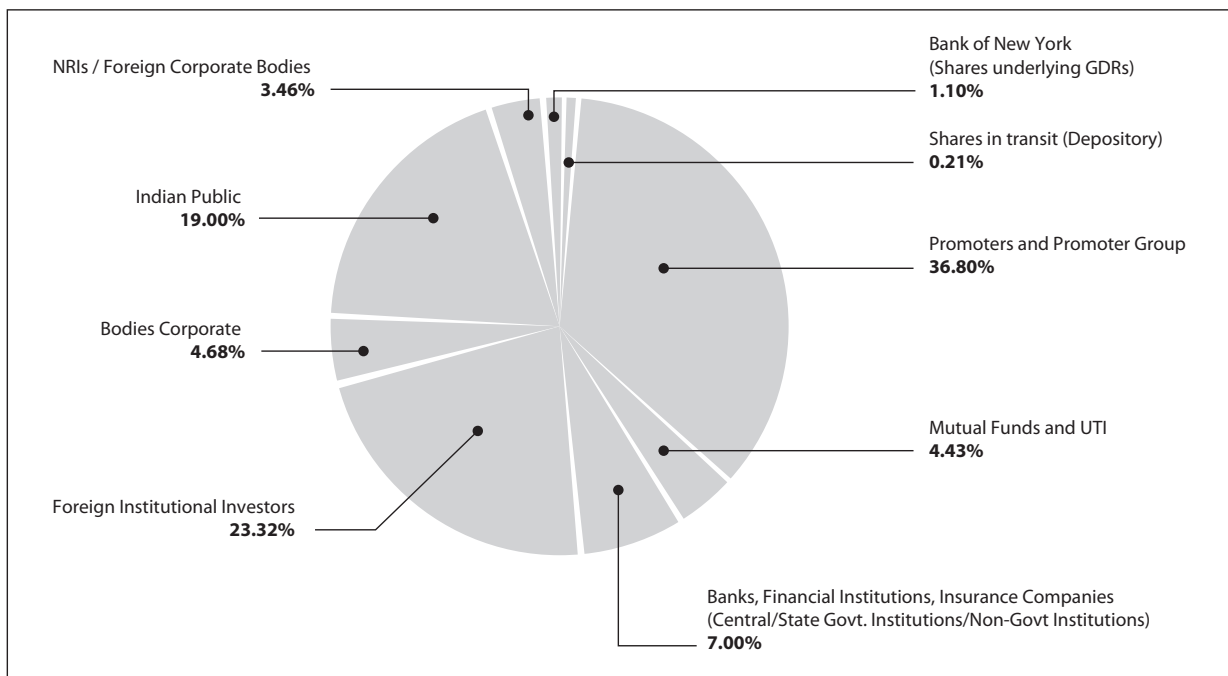
A predetermined process cycle at regular interval ensures transfer of shares (in physical form) within the stipulated time limit. In compliance with the requirement of Listing Agreement, periodic certificates issued by a Practising Company Secretary are filed with the Stock Exchanges.

- Distribution of shareholding as on 31st March 2014 (Class-wise distribution of Equity Shares)

Shareholding	No. of Folios	% of Total	No. of Shares	% of Total
1-2500	166949	97.35	24660586	3.07
2501-5000	1479	0.86	5444463	0.68
5001-10000	955	0.56	7111820	0.89
10001-15000	452	0.26	5619025	0.70
15001-20000	228	0.13	4019257	0.50
20001-25000	186	0.11	4237860	0.53
25001-50000	408	0.24	15104957	1.88
Above 50000	840	0.49	736723389	91.75
Total	171497	100.00	802921357	100.00
Physical Mode	1479	0.86	65970965	8.22
Electronic Mode	170018	99.14	736950392	91.78

REPORT ON CORPORATE GOVERNANCE *contd.*

- Shareholding Pattern as on 31st March 2014



- Dematerialisation of Shares and Liquidity

As on 31st March 2014, 91.78 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 2014, 88,66,996 GDRs were outstanding.

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

The Company has granted stock options to its employees and those of its subsidiaries under the Employee Stock Option Scheme(s). The Company shall allot equity shares from time to time, pursuant to the provisions of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the terms and conditions of the respective Employee Stock Option Scheme(s).

REPORT ON CORPORATE GOVERNANCE *contd.*

- Plant Locations

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

23rd July 2014

Y.K. Hamied
Chairman

REPORT ON CORPORATE GOVERNANCE *contd.*

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 2014.

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, 15th July 2014

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 2014, the Statement of Profit and Loss and 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") read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. 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, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 2014;
 - 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 read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013;
 - e. on the basis of written representations received from the directors as on 31st March 2014 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2014, 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 2014

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

R. Rangarajan
Partner
Membership No. 41883

Mumbai, 29th May 2014

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 in a phased manner to cover all the assets of the Company in a block of three years, 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, which were not material, have been appropriately dealt with in the books of account.
- c. The fixed assets that have been sold/disposed off 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, we have not observed any continuing failure to correct major weaknesses in such 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 lakhs 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 2014 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 2014, 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, Sales Tax and Service Tax that have not been deposited on account of dispute as at 31st March 2014 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 2012-13	CESTAT/High Court	50.45
Finance Act, 1994	Service Tax	2004-05 to 2012-13	Commissioner	25.09
State Sales Tax Acts	Sales Tax	2001-02 to 2012-13	State Sales Tax Tribunal/ Joint Commissioner	5.46

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 2014

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

R. Rangarajan
Partner
Membership No. 41883

Mumbai, 29th May 2014

BALANCE SHEET

₹ in crore

As at 31 st March 2014	Notes	2014	2013
Equity and Liabilities			
Shareholders' Funds			
Share Capital	2	160.58	160.58
Reserves and Surplus	3	9931.06	8708.94
Non-Current Liabilities			
Long Term Borrowings	4	0.43	0.55
Deferred Tax Liabilities	5	311.20	281.20
Other Long Term Liabilities	6	30.00	30.00
Long Term Provisions	7	73.99	47.34
Current Liabilities			
Short Term Borrowings	8	876.91	965.26
Trade Payables	9	962.56	827.09
Other Current Liabilities	10	333.20	242.62
Short Term Provisions	11	244.07	229.63
		12924.00	11493.21
Assets			
Non-Current Assets			
Fixed Assets			
Tangible Assets	12	3519.59	3418.29
Intangible Assets	12	4.60	-
Capital Work-in-Progress		319.64	339.99
Intangible Assets under Development		57.05	10.35
Non-Current Investments	13	3328.28	514.36
Long Term Loans and Advances	14	535.30	373.72
Other Non-Current Assets	15	61.57	61.57
Current Assets			
Current Investments	16	258.85	2087.46
Inventories	17	2511.16	2343.37
Trade Receivables	18	1728.10	1645.22
Cash and Bank Balances	19	46.04	105.07
Short Term Loans and Advances	20	515.56	591.53
Other Current Assets	21	38.26	2.28
		12924.00	11493.21
Notes to the Accounts	1 to 43		

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. 002785S

S. Radhakrishnan
Whole-time Director

Subhanu Saxena
Managing Director and Global
Chief Executive Officer

V. Mohan
Partner
Membership No. 17748

R. Rangarajan
Partner
Membership No. 41883

Ashok Sinha
V.C. Kotwal
Pankaj Patel
M.R. Raghavan
Directors

Rajesh Garg
Executive Director and Global
Chief Financial Officer

Mital Sanghvi
Company Secretary

Mumbai, 29th May 2014

Mumbai, 29th May 2014

STATEMENT OF PROFIT AND LOSS

₹ in crore

For the year ended 31 st March 2014	Notes	2014	2013
Income			
Revenue from Operations (Gross)	22	9479.41	8294.58
Less: Excise Duty		99.12	92.16
Revenue from Operations (Net)		9380.29	8202.42
Other Income	23	280.28	229.13
		9660.57	8431.55
Expenditure			
Cost of Materials Consumed	24a	3145.34	2646.83
Purchases of Stock-in-Trade	24b	773.40	706.89
Changes in Inventories of Finished Goods, Work-in-Process and Stock-in-Trade	24c	(158.12)	(290.75)
Employee Benefits Expense	25	1284.75	969.28
Finance Costs	26	127.86	33.38
Depreciation and Amortisation Expense	27	323.61	303.03
Other Expenses	28	2345.39	2051.03
		7842.23	6419.69
Profit Before Tax		1818.34	2011.86
Tax Expense			
Current Tax		400.00	386.00
MAT Credit utilisation		-	70.00
Deferred Tax		30.00	48.75
Profit for the year		1388.34	1507.11
Earnings per share of face value of ₹2 each			
Basic	41	₹17.29	₹18.77
Diluted	41	₹17.27	₹18.77
Notes to the Accounts	1 to 43		

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

S. Radhakrishnan
Whole-time Director

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Membership No. 17748

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Directors

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Executive Director and Global
Chief Financial Officer

Mital Sanghvi
Company Secretary

Mumbai, 29th May 2014

Mumbai, 29th May 2014

NOTES TO THE ACCOUNTS

1 Significant Accounting Policies

A. Basis of Preparation

The financial statements have been prepared and presented under the historical cost convention on an accrual basis of accounting and in accordance with Generally Accepted Accounting Principles (GAAP) in India. GAAP comprises Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 issued under sub-section (3C) of section 211 of the Companies Act, 1956, read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013, pronouncement of Institute of Chartered Accountants of India and guidelines issued by Securities and Exchange Board of India (SEBI).

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. Operating Cycle

All assets and liabilities have been classified as current or non-current as per Company's normal operating cycle and other criteria set out in the Revised Schedule VI.

D. Fixed Assets

Tangible assets are stated at the cost of acquisition and includes amount added on revaluation, less accumulated depreciation, Government grants, other subsidies and impairment losses if any. Cost of tangible assets comprises purchase price, non-refundable taxes, levies and any directly attributable cost of bringing the asset to its working condition for the intended use. Where several fixed assets are acquired for a consolidated price, the consideration is apportioned to fixed assets on fair value basis.

Capital work-in-progress includes cost of fixed assets that are not ready for their intended use.

Intangible assets are stated at the cost of acquisition, less accumulated amortisation and impairment losses if any. Cost of intangible assets comprises purchase price, non-refundable taxes, levies and any directly attributable cost of making the asset ready for its intended use.

E. Borrowing Costs

Borrowing costs consists of interest, ancillary costs and other costs in connection with the borrowing of funds and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to interest 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 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.

NOTES TO THE ACCOUNTS *contd.*

Intangible assets consisting of softwares are amortised using the Straight Line Method from the date they are available for use, over the estimated useful life not exceeding ten years.

G. 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, stock-in-trade and finished goods are valued at lower of cost and net realisable value. Finished goods and work-in-process 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

Long term investments are carried at cost, less provision for diminution (other than temporary) in value.

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

Investment 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.

J. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised when the Company has a present obligation as a result of a past event and 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.

Disclosure of contingent liabilities 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.

NOTES TO THE ACCOUNTS *contd.*

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 excise duty, 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 and Licensing 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 using the time proportionate method, based on rates implicit in the transaction.

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 are charged to the Statement of Profit and Loss for the year when the contributions to the respective funds accrue.

Post retirement benefit plans such as gratuity, leave encashment and provident fund 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.

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

M. Employee Stock Option Scheme

In accordance with the SEBI guidelines, the compensation cost of stock options granted to employees is calculated based on intrinsic value method, i.e. the excess of the market price of shares immediately prior to date of grant over the exercise price to be paid by the option holders. The compensation cost is amortised to the Statement of Profit and Loss over the vesting period of the stock option.

N. 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 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.

NOTES TO THE ACCOUNTS *contd.*

O. 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.

P. 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.

Q. Expenditure on Regulatory Approvals

Expenditure incurred for obtaining regulatory approvals and registration of products for overseas markets is charged to the Statement of Profit and Loss.

R. Government Grants and Subsidies

Capital subsidy/Government grants are recognised when there is a reasonable assurance that all relevant conditions will be complied with and it is reasonably certain that the ultimate collection will be made.

Capital subsidy/Government grants related to specific fixed 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 fixed assets by way of a reduced depreciation charge.

S. 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 straight line 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 straight line basis in accordance with the lease agreement.

T. 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	
	2014	2013
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**

	2014		2013	
	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	5,24,97,490	6.54	4,41,70,361	5.50

- **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.

- **Equity shares reserved for issue under employee stock options**

Refer Note 42 for number of stock options against which equity shares are to be issued by the Company upon vesting and exercise of those stock options by the option holders as per the relevant scheme(s).

NOTES TO THE ACCOUNTS *contd.*

	₹ in crore	
	2014	2013
3 Reserves and Surplus		
Capital Reserve	0.08	0.08
Securities Premium Reserve	1428.96	1428.96
Revaluation Reserve	8.97	8.97
Employee Stock Options Outstanding		
Employee Stock Options Outstanding		
As per last Balance Sheet	-	-
Add: Options granted during the year (net of cancellations)	92.05	-
Less: Exercised during the year	-	-
Balance at the end of the year (a)	92.05	-
Deferred Employee Stock Option Cost		
As per last Balance Sheet	-	-
Add: Options granted during the year	92.05	-
Less: Amortisations during the year	21.65	-
Less: Exercised during the year	-	-
Balance at the end of the year (b)	70.40	-
Net Balance at the end of the year (a-b)	21.65	-
General Reserve		
As per last Balance Sheet	3001.43	2841.43
Add: Transferred from the Statement of Profit and Loss	140.00	160.00
Balance at the end of the year	3141.43	3001.43
Surplus in the Statement of Profit and Loss		
As per last Balance Sheet	4269.50	3110.26
Add: Profit for the year	1388.34	1507.11
	5657.84	4617.37
Less: Appropriations		
Transferred to General Reserve	140.00	160.00
Proposed Dividend	160.58	160.58
Tax on Dividend	27.29	27.29
Balance at the end of the year	5329.97	4269.50
	9931.06	8708.94

	₹ in crore	
	2014	2013
4 Long Term Borrowings		
Unsecured		
Deferred Payment Liability - Sales Tax Deferral Loan	0.43	0.55
	0.43	0.55
Sales tax deferral loan is interest free and repayable in 3 equal instalments from the 10 th year.		

NOTES TO THE ACCOUNTS *contd.*

	₹ in crore	
	2014	2013
5 Deferred Tax Liabilities		
Deferred Tax Liabilities arising on account of		
Export Incentives	-	0.79
Depreciation	311.20	280.41
	311.20	281.20
	₹ in crore	
	2014	2013
6 Other Long Term Liabilities		
Security Deposits	30.00	30.00
	30.00	30.00
	₹ in crore	
	2014	2013
7 Long Term Provisions		
Provision for Employee Benefits - Leave Encashment (Note 25)	73.99	47.34
	73.99	47.34
	₹ in crore	
	2014	2013
8 Short Term Borrowings		
Loans Repayable on demand		
Secured		
Cash Credit from Banks (Secured by hypothecation of trade receivables and inventories)	-	9.49
Unsecured		
Packing Credit from Banks	876.91	955.77
	876.91	965.26
	₹ in crore	
	2014	2013
9 Trade Payables		
Micro, Small and Medium Enterprises	7.28	41.88
Others	955.28	785.21
	962.56	827.09

The information regarding Micro Enterprises and Small Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors. Amounts due as at 31st March 2014 in respect of enterprises covered under the 'Micro, Small and Medium Enterprises Development Act, 2006' (MSMDA) is ₹7.28 crore (Previous year ₹41.88 crore). The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act is Nil (Previous year Nil).

NOTES TO THE ACCOUNTS *contd.*

	₹ in crore	
	2014	2013
10 Other Current Liabilities		
Current maturities of Long Term Debt - Sales Tax Deferral Loan	0.06	0.14
Unclaimed Dividend*	15.87	15.46
Statutory Dues	42.94	28.39
Dues to Employees	89.17	37.77
Creditors for Capital Expenditure	44.35	56.48
Unclaimed Preference Share Capital	0.01	0.01
Security Deposits	1.97	1.50
Book Overdraft	38.94	33.43
Advance from Customers	99.85	69.31
Interest Payable	0.04	0.13
	333.20	242.62
* There are no amounts due and outstanding to be credited to Investor Education & Protection Fund.		

	₹ in crore	
	2014	2013
11 Short Term Provisions		
Provision for Employee Benefits - Leave Encashment (Note 25)	13.26	7.99
Employee Retirement Benefit Obligations - Gratuity (Note 25)	36.69	25.65
Provision for Bonus	6.25	8.12
Proposed Dividend	160.58	160.58
Tax on Proposed Dividend	27.29	27.29
	244.07	229.63

NOTES TO THE ACCOUNTS *contd.*

₹ in crore

12 Fixed Assets

Tangible Assets	GROSS BLOCK			DEPRECIATION/AMORTISATION			NET BLOCK			
	As at 01.04.13	Additions	Deletions/ Adjustments	As at 31.03.14	Upto 31.03.13	For the year 2013-14	Deletions/ Adjustments	Upto 31.03.14	As at 31.03.14	As at 31.03.13
Freehold Land	32.73	-	-	32.73	-	-	-	-	32.73	32.73
Leasehold Land	75.05	0.31	-	75.36	11.27	1.80	-	13.07	62.29	63.78
Plant and Equipments	3271.41	245.83	26.69	3490.55	1303.91	268.01	17.71	1554.21	1936.34	1967.50
Office Equipments	72.30	13.82	0.32	85.80	13.41	3.69	0.14	16.96	68.84	58.89
Furniture and Fixtures	113.40	10.17	0.54	123.03	41.26	7.36	0.36	48.26	74.77	72.14
Buildings and Flats	1409.54	163.53	0.04	1573.03	191.91	41.56	0.01	233.46	1339.57	1217.63
Vehicles	9.38	0.49	0.61	9.26	3.76	0.83	0.38	4.21	5.05	5.62
Total	4983.81	434.15	28.20	5389.76	1565.52	323.25	18.60	1870.17	3519.59	3418.29
Previous year	4298.18	738.84	53.21	4983.81	1295.52	303.02	33.02	1565.52		
Intangible Assets	As at 01.04.13	Addition	Deletions/ Adjustments	As at 31.03.14	Upto 31.03.13	For the year 2013-14	Deletions/ Adjustments	Upto 31.03.14	As at 31.03.14	As at 31.03.13
Software	-	4.96	-	4.96	-	0.36	-	0.36	4.60	-
Total	-	4.96	-	4.96	-	0.36	-	0.36	4.60	-
Previous year	-	-	-	-	-	-	-	-	-	-

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

ii. The above additions to tangible assets during the year includes ₹5.58 crore (Previous year ₹61.32 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 which stood at ₹9.07 crore 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

	2014	2013
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
15,50,001 (Previous year 8,50,001) Ordinary Shares of Cipla (Mauritius) Ltd. of USD 1 each, fully paid	8.08	3.96
45,07,40,684 (Previous year Nil) Ordinary Shares of Cipla Medpro South Africa (Pty) Ltd. of 0.1 Cent each, fully paid	2756.74	-
62,700 (Previous year Nil) Shares of Cipla Holding B.V. of EUR 100 each, fully paid	53.07	-
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 1,70,48,597) Equity Shares of Mabpharm Pvt. Ltd. of ₹10 each, fully paid	51.74	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 ₹40000)	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	0.18	0.17
Net Block	0.34	0.35
	3328.28	514.36
Aggregate amount of unquoted investments ₹3327.94 crore (Previous year ₹514.01 crore)		

NOTES TO THE ACCOUNTS *contd.*

	₹ in crore	
	2014	2013
14 Long Term Loans and Advances		
Secured, Considered Good		
Capital Advances [#]	1.58	7.03
Unsecured, Considered Good		
Capital Advances*	114.65	72.12
Security Deposits	36.29	30.03
Loan to Subsidiary (Includes amount referred to in Note 39)	234.15	-
Advance Taxes and TDS (Net of Provision for Tax ₹1291.20 crore; Previous year ₹663.50 crore)	108.42	223.11
VAT Receivable	39.37	34.22
Other Loans and Advances	0.84	7.21
	535.30	373.72
[#] Secured against Bank Guarantees		
* Includes ₹55.74 crore (Previous year ₹55.74 crore) paid to wholly owned subsidiary - Meditab Specialities Pvt. Ltd.		

	₹ in crore	
	2014	2013
15 Other Non-Current Assets		
Fixed Deposits as Margin Money (with maturity more than 12 months)	0.33	0.31
Capital Subsidy Receivable	61.24	61.26
	61.57	61.57

	₹ in crore			
	No. of units	2014	No. of units	2013
16 Current Investments				
Investments in Mutual Funds (Unquoted)				
Axis Mutual Fund "Axis Liquid Fund" - Direct Plan - Growth	-	-	1,54,071	20.00
Baroda Pioneer Mutual Fund "Baroda Pioneer Liquid Fund" - Plan B - Growth	1,46,096	21.45	12,00,494	161.17
Birla Sun Life Mutual Fund "Birla Sun Life Cash Plus" - Growth - Direct Plan	19,63,835	40.33	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
Deutsche Asset Management "DWS Insta Cash Plus Fund" - Direct Plan - Growth	-	-	7,26,876	141.11
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

NOTES TO THE ACCOUNTS *contd.*

		₹ in crore		
	No. of units	2014	No. of units	2013
16	Current Investments - contd.			
Franklin Templeton Mutual Fund "Templeton India Treasury Management Account" - Super Institutional Plan - Direct - Growth	81,114	15.50	-	-
ICICI Prudential Mutual Fund "ICICI Prudential Money Market Fund" - Direct Plan - Growth	5,64,290	10.00	-	-
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	1,71,883	21.41	3,54,872	40.43
JM Financial Mutual Fund "JM High Liquidity Fund" (Direct) - Growth Option (452)	-	-	2,15,84,260	68.97
JP Morgan Mutual Fund "JP Morgan India Liquid Fund" - Direct Plan - Growth	1,20,64,636	20.05	8,24,75,345	125.26
Kotak Mahindra Mutual Fund "Kotak Liquid Scheme" Plan A - Direct Plan - Growth	-	-	5,23,470	124.45
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	2,13,97,244	30.05	11,48,39,618	147.18
Pramerica Mutual Fund "Pramerica Liquid Fund" - Direct Plan - Growth Option	-	-	6,01,771	75.28
Principal Mutual Fund "Principal Cash Management Fund" - Direct Plan - Growth Option	-	-	11,27,268	128.45
Reliance Mutual Fund "Reliance Liquidity Fund" - Direct Growth Plan	1,03,852	20.04	7,55,484	133.29
Religare Invesco Mutual Fund "Religare Invesco Liquid Fund" - Direct Plan Growth	1,13,465	20.00	10,48,687	168.88
SBI Mutual Fund "SBI Magnum Insta Cash Fund" - Direct Plan - Growth	1,41,139	40.02	74,749	15.04
Sundaram BNP Paribas Mutual Fund "Sundaram Money Fund" - Direct Plan - Growth	-	-	3,66,72,109	90.60
Taurus Mutual Fund "Taurus Liquid Fund" - Direct Plan - Super Institutional Growth	1,44,481	20.00	11,58,404	146.43
Union KBC Mutual Fund "UKBC Liquid Fund" - Growth - Direct Plan	-	-	85,183	10.00
UTI Mutual Fund "UTI Liquid Cash Plan" - Institutional - Direct Plan - Growth	-	-	1,56,352	30.04
		258.85		2087.46
Aggregate amount of Unquoted Investments ₹258.85 crore (Previous year ₹2087.46 crore)				

NOTES TO THE ACCOUNTS *contd.*

	₹ in crore	
	2014	2013
17 Inventories (Refer Note - 24c)		
Raw Materials and Packing Materials (including Stock-in-transit of ₹151.61 crore; Previous year ₹120.23 crore)	1068.51	1058.84
Work-in-Process (including Stock-in-transit of ₹12.00 crore; Previous year ₹8.39 crore)	641.69	563.52
Finished Goods (including Stock-in-transit of ₹88.62 crore; Previous year ₹116.55 crore)	571.21	513.84
Stock-in-Trade (including Stock-in-transit of ₹20.33 crore; Previous year ₹19.93 crore)	229.75	207.17
	2511.16	2343.37

	₹ in crore	
	2014	2013
18 Trade Receivables		
Unsecured, Considered Good		
Outstanding over Six Months from date they were due for payment	68.65	12.16
Others	1659.45	1633.06
Unsecured, Considered Doubtful		
Outstanding over Six Months from date they were due for payment	57.79	75.44
Less: Allowance for Doubtful Debts	57.79	75.44
	-	-
	1728.10	1645.22

	₹ in crore	
	2014	2013
19 Cash and Bank Balances		
Cash and Cash Equivalents		
Balances with Banks	28.11	38.31
Cash on Hand	1.46	1.27
Other Bank Balances		
Balance earmarked for Unclaimed Dividend	15.87	15.46
Fixed Deposits as Margin Money (maturity less than 12 months)	0.60	0.03
Fixed Deposits (maturity less than 12 months)	-	50.00
	46.04	105.07

NOTES TO THE ACCOUNTS *contd.*

	₹ in crore	
	2014	2013
20 Short Term Loans and Advances		
Unsecured (Considered good unless otherwise stated)		
Inter Corporate Loans		
Considered Good (previous year includes amounts referred to in Note 39)	0.80	152.03
Considered Doubtful	2.25	2.25
	3.05	154.28
<i>Less: Allowance for Doubtful Loans</i>	2.25	2.25
	0.80	152.03
Interest Accrued on Inter Corporate Loans		
Considered Good	0.36	2.17
Considered Doubtful	0.46	0.46
	0.82	2.63
<i>Less: Allowance for Doubtful Interest</i>	0.46	0.46
	0.36	2.17
Balances with Statutory/Revenue Authorities	350.06	317.96
Others*		
Considered Good	164.34	119.37
Considered Doubtful	4.59	4.59
	168.93	123.95
<i>Less: Allowance for Doubtful Advances</i>	4.59	4.59
	164.34	119.37
	515.56	591.53
*Includes advances to sundry creditors, employee loans and prepaid expenses		

	₹ in crore	
	2014	2013
21 Other Current Assets		
Export Incentives Receivable	35.02	2.28
Other Current Assets*	3.24	-
	38.26	2.28
*Pertains to receivables from subsidiaries		

	₹ in crore	
	2014	2013
22 Revenue from Operations		
Sale of Products	9134.07	8107.53
Rendering of Services	40.89	27.03
Other Operating Revenue		
Export Incentives	47.62	63.21
Technical Know-how and Licensing Fees	202.52	65.93
Scrap Sales	39.12	30.88
Others	15.19	-
	9479.41	8294.58

NOTES TO THE ACCOUNTS *contd.*

22 Revenue from Operations - *contd.*

- **Details of Products sold**

	₹ in crore	
	2014	2013
Manufactured Goods		
Bulk Drugs	954.85	756.92
Tablets and Capsules	4833.18	4499.91
Liquids	266.61	286.36
Creams	144.95	108.73
Aerosols/Inhalation Devices	943.51	736.28
Injections/Sterile Solutions	867.36	653.46
Others	72.14	49.03
	8082.60	7090.69
Stock-in-Trade		
Bulk Drugs	94.45	121.80
Tablets and Capsules	516.25	433.96
Liquids	170.99	176.15
Creams	50.20	45.46
Aerosols/Inhalation Devices	47.61	49.66
Injections/Sterile Solutions	122.47	135.00
Others	49.50	54.81
	1051.47	1016.84
	9134.07	8107.53

- **Earnings in Foreign Exchange**

	₹ in crore	
	2014	2013
F.O.B. Value of Exports	4947.96	4426.16
Technical Know-how and Licensing Fees	187.39	60.43
Others - Service fees, etc	14.53	8.13
	5149.88	4494.72

	₹ in crore	
	2014	2013
23 Other Income		
Interest	13.92	5.75
Dividend on Current Investment	71.41	90.66
Net Gain on Sale of Current Investment	8.01	3.21
Insurance Claims	2.64	2.37
Rent	2.70	2.80
Sundry Balances Written Back	24.38	1.44
Miscellaneous Receipts	17.36	36.20
Net Gain on Foreign Currency Transaction and Translation	139.86	86.70
	280.28	229.13

NOTES TO THE ACCOUNTS *contd.*

		₹ in crore	
		2014	2013
24a	Cost of Materials Consumed		
	Consumption of Raw and Packing Materials		
	Opening Stock	1058.84	830.72
	Add: Purchases	3155.01	2874.95
		4213.85	3705.67
	Less: Closing Stock	1068.51	1058.84
		3145.34	2646.83
		3145.34	2646.83

• Break-up of Materials Consumed

		₹ in crore	
Class of Goods		2014	2013
	Bulk Drugs	1367.62	953.33
	Solvents	157.12	134.90
	Capsules	44.72	33.47
	Packing Material	812.29	663.69
	Others	900.90	977.36
		3282.65	2762.75
	Less: Recoverable Duties (included in the above cost)	137.31	115.92
	Total Consumption (Net of Cenvat)	3145.34	2646.83

• Consumption of Raw and Packing Materials/Spares and Components

		₹ in crore			
Class of Goods		2014		2013	
		Value	%	Value	%
	Purchased Indigenously	1537.46	47	1665.58	60
	Imported	1745.19	53	1097.17	40
		3282.65	100	2762.75	100
	Less: Recoverable Duties (included in the above Cost)	137.31		115.92	
	Total Consumption (Net of Cenvat)	3145.34		2646.83	

		₹ in crore	
		2014	2013
24b	Purchases of Stock-in-Trade		
	Bulk Drugs	104.93	99.96
	Tablets and Capsules	345.27	305.37
	Liquids	144.09	112.02
	Creams	32.86	29.08
	Aerosols/Inhalation Devices	34.42	37.26
	Injections/Sterile Solutions	96.04	89.68
	Others	15.79	33.52
		773.40	706.89

NOTES TO THE ACCOUNTS *contd.*

		₹ in crore	
		2014	2013
24c	Changes in Inventories of Finished Goods, Work-in-Process and Stock-in-Trade		
	Opening Stock		
	Work-in-Process	563.52	411.13
	Finished Goods	513.84	446.81
	Stock-in-Trade	207.17	135.84
		1284.53	993.78
	Less: Closing Stock		
	Work-in-Process	641.69	563.52
	Finished Goods	571.21	513.84
	Stock-in-Trade	229.75	207.17
		1442.65	1284.53
		(158.12)	(290.75)

• Break-up of Inventory

		₹ in crore	
		2014	2013
	Work-in-Process		
	Formulations	169.16	130.84
	Bulk Drugs	472.53	432.68
		641.69	563.52
	Finished Goods		
	Bulk Drugs	12.77	21.22
	Tablets and Capsules	337.46	285.48
	Liquids	22.15	29.46
	Creams	19.83	18.88
	Aerosols/Inhalation Devices	62.25	61.77
	Injections/Sterile Solutions	107.65	89.43
	Others	9.10	7.60
		571.21	513.84
	Stock-in-Trade		
	Bulk Drugs	16.83	30.96
	Tablets and Capsules	108.78	91.77
	Liquids	43.83	28.39
	Creams	7.72	6.89
	Aerosols/Inhalation Devices	4.38	5.64
	Injections/Sterile Solutions	37.40	31.78
	Others	10.81	11.74
		229.75	207.17

NOTES TO THE ACCOUNTS *contd.*

	₹ in crore	
	2014	2013
25 Employee Benefits Expense		
Salaries and Wages	1075.12	853.35
Contribution to Provident and Other Funds	54.60	44.40
Staff Gratuity	21.38	12.16
Expense on Employee Stock Option Scheme (Note 42)	18.41	-
Staff Welfare Expenses	115.24	59.37
	1284.75	969.28

- **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 terms 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, 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	
	2014	2013
Employees' Pension Scheme	13.15	12.59
Provident Fund	40.01	30.12
	53.16	42.71

- ii. Charge towards leave encashment to the Statement of Profit and Loss amounts to ₹51.01 crore (Previous year ₹18.92 crore).

NOTES TO THE ACCOUNTS *contd.*

25 Employee Benefits Expense - *contd.*

c. Disclosures for defined benefit plans based on actuarial reports as on 31st March 2014

	₹ in crore	
	2014 Gratuity (Funded Plan)	2013 Gratuity (Funded Plan)
i. Change in defined benefit obligation		
Opening defined benefit obligation	59.39	46.52
Interest cost	4.90	3.95
Current service cost	9.80	6.68
Actuarial (gain)/loss on obligations	3.86	5.23
Benefits paid	(3.52)	(2.99)
Liability at the end of the year	<u>74.43</u>	<u>59.39</u>
ii. Change in fair value of assets		
Opening fair value of plan assets	33.74	29.03
Expected return on plan assets	2.78	2.47
Actuarial gain/(loss)	(1.77)	1.23
Contributions by employer	10.00	4.00
Transfer of plan assets	-	-
Benefits paid	(3.52)	(2.99)
Closing fair value of plan assets	<u>41.23</u>	<u>33.74</u>
iii. Amount recognised in Balance Sheet		
Present value of obligations as at year end	(74.43)	(59.39)
Direct Obligations	(3.48)	-
Fair value of plan assets as at year end	41.23	33.74
Net asset/(liability) recognised	<u>(36.68)</u>	<u>(25.65)</u>
iv. Expenses recognised in Statement of Profit and Loss		
Current service cost	9.80	6.68
Interest on defined benefit obligation	4.90	3.95
Expected return on plan assets	(2.78)	(2.47)
Net actuarial (gain)/loss recognised in the current year	5.63	4.00
Direct Payments	0.35	-
Direct Obligations	3.48	-
Transfer of plan assets	-	-
Total expense recognised in Statement of Profit and Loss	<u>21.38</u>	<u>12.16</u>
v. Actual return on plan assets		
Expected return on plan assets	2.78	2.47
Actuarial gain/(loss) on plan assets	(1.77)	1.23
Actual return on plan assets	<u>1.01</u>	<u>3.70</u>

NOTES TO THE ACCOUNTS *contd.*

25 Employee Benefits Expense - *contd.*

	₹ in crore	
	2014 Gratuity (Funded Plan)	2013 Gratuity (Funded Plan)
vi. Asset information		
Insurer managed funds	100%	100%
vii. Experience adjustments		
Defined benefit obligation	74.43	59.39
Plan assets	(41.23)	(33.74)
Deficit/(Surplus)	33.20	25.65
Experience adjustment on plan liabilities -(gain)/loss	3.95	0.20
Experience adjustment on plan assets -(gain)/loss	1.77	(1.23)
viii. Expected employer's contribution for the next year	40.36	32.81

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	2014	2013
Discounted rate (per annum)	9.30%	8.25%
Expected rate of return on plan assets (per annum)	9.30%	8.25%
Expected rate of future salary increase	5.00%	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.

- Amount for current and previous four periods are as follows :

	₹ in crore				
	2014	2013	2012	2011	2010
Gratuity					
Defined benefit obligation	74.43	59.39	46.52	33.23	26.14
Plan assets	(41.23)	(33.74)	(29.03)	(26.36)	(21.84)
(Surplus)/Deficit	33.20	25.65	17.49	6.87	4.30
Experience adjustment on plan liabilities -(gain)/loss	3.95	0.20	11.22	9.36	2.61
Experience adjustment on plan assets -(gain)/loss	1.77	(1.23)	(0.21)	0.56	(0.57)

NOTES TO THE ACCOUNTS *contd.*

25 Employee Benefits Expense - *contd.*

- d. The following table sets out the status of the provident fund plan and the amounts recognised in the group's financial statements as on 31st March 2014

	₹ in crore	
	2014 Provident Fund (Funded Plan)	2013 Provident Fund (Funded Plan)
i. Change in defined benefit obligation		
Opening defined benefit obligation	283.12	203.10
Interest cost	26.71	18.52
Current service cost	40.48	29.97
Past service cost	-	-
Employee contribution	60.03	47.27
Liability transferred in	7.50	6.19
Actuarial (gain)/loss on obligations	-	-
Benefits paid	(25.72)	(21.92)
Liability at the end of the year	<u>392.12</u>	<u>283.13</u>
ii. Change in fair value of assets		
Opening fair value of plan assets	287.57	205.92
Expected return on plan assets	26.71	18.52
Actuarial gain/(loss)	1.26	1.63
Contributions by employer	100.52	77.24
Transfer of plan assets	7.50	6.18
Benefits paid	(25.72)	(21.92)
Closing fair value of plan assets	<u>397.84</u>	<u>287.57</u>
iii. Amount recognised in Balance Sheet		
Present value of obligations as at year end	(392.12)	(283.13)
Direct obligations	-	-
Fair value of plan assets as at year end	397.84	287.57
Funded status	(5.72)	(4.44)
Unrecognised actuarial gain/(loss)	-	-
Net asset/(liability) recognised	<u>-</u>	<u>-</u>
iv. Expenses recognised in Statement of Profit and Loss		
Current service cost	40.48	29.97
Past service cost	-	-
Interest cost	26.71	18.52
Interest on defined benefit obligation	-	-
Expected return on plan assets	(26.71)	(18.52)
Net actuarial (gain)/loss recognised in the current year	-	-
Transfer of plan assets	-	-
Total expense recognised in Statement of Profit and Loss	<u>40.48</u>	<u>29.97</u>

NOTES TO THE ACCOUNTS *contd.*

25 Employee Benefits Expense - *contd.*

	₹ in crore	
	2014 Provident Fund (Funded Plan)	2013 Provident Fund (Funded Plan)
v. Actual return on plan assets		
Expected return on plan assets	26.71	18.52
Actuarial gain/(loss) on plan assets	(1.26)	(1.63)
Actual return on plan assets	<u>25.45</u>	<u>16.89</u>
vi. Asset information		
Investment in PSU bonds	188.90	138.70
Investment in Government Securities	157.55	105.94
Bank Special deposit	15.58	15.58
Investment in other securities	24.23	17.74
Private Sector Bonds	11.08	9.11
Equity/Insurer Managed Funds/Mutual Funds	0.50	0.50
Total Assets at the end of the year	<u>397.84</u>	<u>287.57</u>
vii. Principal Actuarial assumptions used		
Discounted rate (per annum)	9.30%	8.25%
Expected rate of return on plan assets (per annum)	8.75%	8.50%
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.	5.00%	4.00%
viii. Experience adjustments		
Defined benefit obligation	392.12	283.13
Plan assets	(397.84)	(287.57)
Deficit/(Surplus)	<u>(5.72)</u>	<u>(4.44)</u>
Experience adjustment on plan liabilities - (gain)/loss	-	-
Experience adjustment on plan assets - (gain)/loss	1.26	1.63

	₹ in crore	
	2014	2013
26 Finance Costs		
Interest expense	37.83	27.04
Other Borrowing Costs	15.38	-
Applicable Loss on Foreign Currency Transaction and Translation	74.65	6.34
	<u>127.86</u>	<u>33.38</u>

NOTES TO THE ACCOUNTS *contd.*

	₹ in crore	
	2014	2013
27 Depreciation and Amortisation Expense		
Depreciation on Tangible Assets	323.25	303.03
Amortisation of Intangible Assets	0.36	-
	323.61	303.03

	₹ in crore	
	2014	2013
28 Other Expenses		
Manufacturing Expenses	250.31	234.31
Stores and Spares	84.05	86.43
Power and Fuel	191.84	211.17
Repairs and Maintenance		
Machinery	51.37	67.43
Buildings	29.92	30.93
Travelling Expenses	264.39	204.63
Sales Promotion Expenses	199.62	177.74
Commission on Sales	234.12	209.58
Rates and Taxes	39.45	24.70
Freight and Forwarding	90.72	75.17
Rent	44.09	30.59
Insurance	14.63	12.28
Payment to Auditors		
Audit Fees	0.67	0.58
Tax Audit Fees	0.05	0.05
Certification Fees	0.03	0.17
Professional Fees	344.82	220.35
Postage and Telephone Expenses	21.74	26.26
Directors' Sitting Fees	0.08	0.07
Contractual Services	88.64	65.58
Donations	9.98	0.62
Bad debts, provision for doubtful debts and advances (Net)	27.54	54.75
Loss on sale/discard of fixed assets (Net)	6.95	15.97
Research - Clinical Trials, Samples and Grants	94.36	43.21
Miscellaneous Expenses	256.02	258.46
	2345.39	2051.03

NOTES TO THE ACCOUNTS *contd.*

		₹ in crore	
		2014	2013
29	Research and Development Expenditure		
	The amount of expenditure as shown in the respective heads of account is as under:		
	Capital Expenditure	5.58	61.32
	Revenue Expenditure charged to Statement of Profit and Loss		
	Materials Consumed	72.88	22.01
	Employee Benefits Expense	148.95	116.53
	Power and Fuel	21.38	20.94
	Repairs and Maintenance	24.23	22.95
	Manufacturing Expenses	21.82	18.89
	Professional Fees	46.38	50.43
	Depreciation	39.29	35.25
	Research - Clinical Trials, Samples and Grants	62.92	31.33
	Printing and Stationery	1.73	1.94
	Travelling Expenses	8.97	5.49
	Other Research and Development Expenses	63.38	38.06
		511.93	363.82
		517.51	425.14
	Amount eligible for weighted deduction under sub-section (2AB) of section 35 of the Income Tax Act, 1961		
	Capital Expenditure	4.95	45.90
	Revenue Expenditure		
	Employee Benefits Expense	70.35	68.11
	Raw Materials and Consumables	72.88	22.01
	Research - Clinical Trials, Samples and Grants	62.92	31.33
	Other Expenditure	86.17	77.33
		292.32	198.78
		297.27	244.68
		₹ in crore	
		2014	2013
30	Net difference in foreign exchange credited to the Statement of Profit and Loss	65.21	80.36
		65.21	80.36
		₹ in crore	
		2014	2013
31	Value of Imports on C.I.F. basis		
	Raw Materials and Packing Materials	1330.64	1206.78
	Components and Spare Parts	30.70	26.23
	Capital Goods	64.71	83.21
		1426.05	1316.22

NOTES TO THE ACCOUNTS *contd.*

	₹ in crore	
	2014	2013
32 Expenditure in Foreign Currency		
Legal and Professional charges	239.82	86.30
Interest	1.67	-
Commission	131.15	101.02
Other Matters – Travelling, Registration fees etc.	95.61	87.02
	468.25	274.34

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 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	2014	2013
Forward contracts – Sold	USD	INR	1261.14	1152.42
Forward contracts – Bought	USD	INR	826.83	955.77
Unhedged foreign exchange exposures				
Receivables			311.72	385.17
Payables			452.70	389.54

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 Ltd., and therefore, no separate disclosure on segment information is given in these financial statements.

NOTES TO THE ACCOUNTS *contd.*

		₹ in crore	
		2014	2013
36	Contingent Liabilities and Commitments (to the extent not provided for)		
	Contingent Liabilities		
	Claims against the Company not acknowledged as debt	4.82	6.51
	Guarantees (refer Note)	152.38	2750.66
	Letters of Credit	9.32	11.59
	Refund of Technical Know-how and Licensing Fees on account of non compliance of certain obligations as per respective agreements	2.95	2.54
	Income Tax	100.29	191.78
	Excise Duty/Service Tax	80.93	29.85
	Sales Tax	5.46	3.99
		356.15	2996.92
	Commitments		
	Estimated Amount of Contracts unexecuted on Capital Account	200.88	171.89
	Other Commitments	644.33	824.85
		845.21	996.74
	<i>Note: Guarantees disclosed under Contingent Liabilities during previous year includes counter indemnity/guarantees furnished by the Company in an aggregate amount of ZAR 4520 million (approximately ₹2667 crore) in relation to acquisition of Cipla Medpro South Africa (Pty) Ltd.</i>		
		1201.36	3993.66

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.

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 Drugs (Prices Control) Order, 1995. 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 February 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 received by the Company up to date aggregating to ₹1768.51 crore.

NOTES TO THE ACCOUNTS *contd.*

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	Maximum	As at	Maximum
			31 st March 2014	balance during the year	31 st March 2013	balance during the year
1.	Goldencross Pharma Pvt. Ltd.	Subsidiary	-	26.75	26.75	30.00
2.	Meditab Specialities Pvt. Ltd.	Subsidiary	234.15	234.15	124.48	242.81

Notes: i. Loan given to Meditab Specialities Pvt. Ltd. is interest free and repayable at the end of six years.
ii. 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 Specialities Pvt. Ltd. has made the following investments in its associates		
a.	Stempeutics Research Pvt. Ltd.#	1,58,44,233
Meditab Holdings Ltd. has made the following investments in its subsidiaries		
a.	Meditab Pharmaceuticals South Africa (Pty) Ltd.	1,00,000
b.	Meditab Specialities New Zealand Ltd.	50,000
c.	Cipla Quality Chemical Industries Ltd.	46,60,749

* Loan outstanding ₹41 crore (Previous year ₹41.50 crore) and interest free. Maximum loan outstanding ₹41.50 crore (Previous year ₹47.45 crore)

Loan outstanding ₹2.94 crore (Previous year Nil) bearing interest @ 8.25% p.a. Maximum loan outstanding ₹2.94 crore (Previous year Nil)

NOTES TO THE ACCOUNTS *contd.*

40 Related Party Disclosures

- i. The related parties where control exists or where significant influence exists and with whom transaction 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.
5.	Cipla Medpro South Africa (Pty) Ltd. (formerly Cipla Medpro South Africa Ltd.)#
6.	Cipla Holding B.V.®
Subsidiaries (held indirectly)	
7.	Cipla (UK) Ltd.
8.	Cipla Australia Pty. Ltd.
9.	Cipla (EU) Ltd.
10.	Medispray Laboratories Pvt. Ltd.
11.	Sitec Labs Pvt. Ltd.
12.	Four M Propack Pvt. Ltd.
13.	Meditab Holdings Ltd.
14.	Meditab Pharmaceuticals South Africa (Pty) Ltd.
15.	Meditab Specialities New Zealand Ltd.
16.	Cipla İlaç Ticaret Anonim Şirketi
17.	Cipla USA Inc.
18.	Cipla Kenya Ltd.
19.	Cipla Malaysia Sdn. Bhd.
20.	Cipla Europe NV*
21.	Cipla Quality Chemical Industries Ltd. (formerly Quality Chemical Industries Ltd.) **
22.	Celeris d.o.o. ***
23.	Cipla Medpro Manufacturing Proprietary Ltd.#
24.	Galilee Marketing Proprietary Ltd.#
25.	Inyanga Trading 386 Proprietary Ltd.#
26.	Xeragen Laboratories Proprietary Ltd.#
27.	Cipla Medpro Holdings Proprietary Ltd.#
28.	Cape to Cairo Exports Proprietary Ltd.#
29.	Cipla Agrimed Proprietary Ltd.#

NOTES TO THE ACCOUNTS *contd.*

Sr. No.	Name of the Company
30.	Cipla Dibcare Proprietary Ltd.#
31.	Cipla Health Care Proprietary Ltd.#
32.	Cipla Life Sciences Proprietary Ltd.#
33.	Cipla-Medpro Proprietary Ltd.#
34.	Cipla-Medpro Distribution Centre Proprietary Ltd.#
35.	Cipla Medpro ARV Proprietary Ltd.#
36.	Cipla Medpro Botswana Proprietary Ltd.#
37.	Cipla Medpro Cardio Respiratory Proprietary Ltd.#
38.	Cipla Medpro Research and Development Proprietary Ltd.#
39.	Cipla Nutrition Proprietary Ltd.#
40.	Cipla Personal Care Proprietary Ltd.#
41.	Cipla Vet Proprietary Ltd.#
42.	Gardian Cipla Proprietary Ltd.#
43.	Medpro Gen Proprietary Ltd.#
44.	Medpro Holdings Proprietary Ltd.#
45.	Medpro Pharmaceutica Proprietary Ltd.#
46.	Medpro Pharmaceutica Africa Proprietary Ltd.#
47.	Medpro-On-Line Proprietary Ltd.#
48.	Med Man Care Proprietary Ltd.#
49.	Smith and Couzin Proprietary Ltd.#
	Associates
50.	Quality Chemical Industries Ltd.##
51.	Stempeutics Research Pvt. Ltd.
52.	Mabpharm Pvt. Ltd.
	Joint Venture
53.	Aspen-Cipla Australia Pty Ltd.

@ With effect from 28/08/2013

* With effect from 30/09/2013

** With effect from 20/11/2013

*** With effect from 04/12/2013

With effect from 15/07/2013

from 01/10/2010 upto 19/11/2013

b. Key Management Personnel:

1. Mr. M.K. Hamied – Executive Vice-Chairman
2. Mr. S. Radhakrishnan – Whole-time Director
3. Mr. Subhanu Saxena – Managing Director and Global Chief Executive Officer

NOTES TO THE ACCOUNTS *contd.*

40 Related Party Disclosures - *contd.*

- c. Relatives of Key Management Personnel:
1. Dr. Y.K. Hamied
 2. Mr. Kamil Hamied
 3. 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 Cancer and AIDS Foundation
 4. Hamied Foundation (earlier known as Dr. K. A. Hamied Foundation)
 5. 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	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Interest received	0.67	1.79	-	-	-	-	-	-	0.67	1.79
Loans repaid	34.65	192.60	-	-	-	-	-	-	34.65	192.60
Investment in Equity	57.19	0.80	-	51.74	-	-	-	-	57.19	52.54
Loans Given	117.57	86.02	-	-	-	-	-	-	117.57	86.02
Remuneration	-	-	-	-	36.10	29.60	-	-	36.10	29.60
Purchase of Goods	287.21	244.99	-	-	-	-	66.44	81.37	353.65	326.36
Processing charges paid	22.16	28.18	-	-	-	-	23.47	23.44	45.63	51.62
Testing and Analysis charges paid	48.00	44.22	-	-	-	-	-	-	48.00	44.22
Research Grant paid	-	-	-	1.41	-	-	-	-	-	1.41
Freight charges paid	1.57	0.72	-	-	-	-	-	-	1.57	0.72
Sale of Goods	549.44	26.21	28.34	65.03	-	-	30.17	24.40	607.95	115.64
Sale of Fixed Assets	1.90	0.00*	-	0.64	-	-	1.17	0.00 [†]	3.07	0.64
Purchase of Fixed Assets	0.01	0.12	-	-	-	-	0.04	-	0.05	0.12
Processing charges received	2.40	3.27	-	-	-	-	0.71	1.43	3.11	4.70
Service charges paid	167.94	41.35	0.00**	-	-	-	1.82	-	169.76	41.35
Service charges received	-	-	13.62	1.12	-	-	-	-	13.62	1.12
Donations given	-	-	-	-	-	-	9.59	0.36	9.59	0.36
Rent paid	-	0.01	-	-	-	-	0.40	0.28	0.40	0.29
Rent received	-	-	2.95	1.47	0.00 [®]	0.00 [®]	-	-	2.95	1.47
Reimbursement of operating/ other expenses	0.04	1.03	-	-	-	-	0.47	1.14	0.51	2.17
Reimbursement received of operating/other expenses	8.03	0.02	0.08	-	-	-	0.03	0.07	8.14	0.09
Balances at end of the year										
Outstanding payables	52.51	27.75	0.02	0.02	-	-	19.93	14.92	72.46	42.69
Outstanding receivables	619.43	212.27	14.39	8.25	-	-	10.12	21.82	643.94	242.34

* ₹11250

† ₹22623

** ₹25000

® ₹20040

NOTES TO THE ACCOUNTS *contd.*

40 Related Party Disclosures - *contd.*

Disclosures in respect of related party transactions during the year:

	₹ in crore	
	2014	2013
A. Interest received		
Goldencross Pharma Pvt. Ltd.	0.67	1.79
	0.67	1.79
B. Loans repaid		
Goldencross Pharma Pvt. Ltd.	26.75	24.75
Meditab Specialities Pvt. Ltd.	7.90	167.85
	34.65	192.60
C. Investment in Equity		
Cipla (Mauritius) Ltd	4.12	0.80
Cipla Holding B.V.	53.07	-
Mabpharm Pvt. Ltd.	-	51.74
	57.19	52.54
D. Loans given		
Goldencross Pharma Pvt. Ltd.	-	36.50
Meditab Specialities Pvt. Ltd.	117.57	49.52
	117.57	86.02
E. Remuneration		
Dr. Y.K. Hamied ⁹	2.00	13.55
Mr. M.K. Hamied	6.88	5.44
Mr. S. Radhakrishnan	3.67	4.18
Mr. Subhanu Saxena	21.69	4.24
Mr. Kamil Hamied	0.96	1.50
Mrs. Samina Vaziralli	0.90	0.69
	36.10	29.60
F. Purchase of Goods		
Goldencross Pharma Pvt. Ltd.	252.07	211.84
Medispray Laboratories Pvt. Ltd.	13.11	16.68
Meditab Specialities Pvt. Ltd.	0.73	5.28
Four M Propack Pvt. Ltd.	7.89	11.19
Cipla Medpro Manufacturing Proprietary Ltd.	12.34	-
Sitec Labs Pvt. Ltd.	1.07	-
Okasa Pharma Pvt. Ltd.	44.38	47.05
Okasa Pvt. Ltd.	22.06	34.32
	353.65	326.36
G. Processing charges paid		
Goldencross Pharma Pvt. Ltd.	3.23	3.73
Medispray Laboratories Pvt. Ltd.	5.42	4.88
Meditab Specialities Pvt. Ltd.	13.51	19.57
Okasa Pharma Pvt. Ltd.	8.73	8.93
Okasa Pvt. Ltd.	14.74	14.51
	45.63	51.62

NOTES TO THE ACCOUNTS *contd.*

40 Related Party Disclosures - *contd.*

	2014	₹ in crore 2013
H. Testing and Analysis charges paid		
Sitec Labs Pvt. Ltd.	48.00	44.22
	48.00	44.22
I. Research Grants paid		
Stempeutics Research Pvt. Ltd.	-	1.41
	-	1.41
J. Freight charges paid		
Four M Propack Pvt. Ltd.	0.37	0.72
Meditab Specialities Pvt. Ltd.	0.74	-
Goldencross Pharma Pvt. Ltd.	0.46	-
	1.57	0.72
K. Sale of Goods		
Goldencross Pharma Pvt. Ltd.	2.06	1.69
Meditab Specialities Pvt. Ltd.	2.77	5.58
Four M Propack Pvt. Ltd.	0.00 ¹	0.00 ²
Medispray Laboratories Pvt. Ltd.	12.82	18.94
Cipla Quality Chemical Industries Ltd.	28.34	65.03
Sitec Labs Pvt. Ltd.	0.01	0.00 ³
Cipla (EU) Ltd.	3.52	-
Cipla Agrimed Proprietary Ltd.	0.54	-
Cipla Life Sciences Proprietary Ltd.	17.78	-
Cipla Vet Proprietary Ltd.	2.57	-
Cipla Medpro South Africa (Pty) Ltd.	507.37	-
Okasa Pharma Pvt. Ltd.	27.64	17.92
Okasa Pvt. Ltd.	2.53	6.48
	607.95	115.64
L. Sale of Fixed Assets		
Meditab Specialities Pvt. Ltd.	0.79	-
Goldencross Pharma Pvt. Ltd.	0.69	0.00 ⁴
Four M Propack Pvt. Ltd.	0.04	-
Medispray Laboratories Pvt. Ltd.	0.22	-
Sitec Labs Pvt. Ltd.	0.16	-
Mabpharm Pvt. Ltd.	-	0.64
Okasa Pharma Pvt. Ltd.	1.00	0.00 ⁵
Okasa Pvt. Ltd.	0.17	-
	3.07	0.64
M. Purchase of Fixed Assets		
Meditab Specialities Pvt. Ltd.	0.01	0.12
Okasa Pharma Pvt. Ltd.	0.04	-
	0.05	0.12

NOTES TO THE ACCOUNTS *contd.*

40 Related Party Disclosures - *contd.*

	₹ in crore	
	2014	2013
N. Processing charges received		
Meditab Specialities Pvt. Ltd.	0.38	0.85
Medispray Laboratories Pvt. Ltd.	2.02	2.42
Okasa Pharma Pvt. Ltd.	0.45	0.24
Okasa Pvt. Ltd.	0.26	1.19
	3.11	4.70
O. Service charges paid		
Mabpharm Pvt. Ltd.	0.00 ¹⁰	-
Cipla (EU) Ltd.	49.99	11.90
Cipla (UK) Ltd.	65.71	24.78
Cipla Australia Pty Ltd.	13.30	4.17
Cipla İlaç Ticaret Anonim Şirketi	1.02	0.50
Cipla USA Inc	31.38	-
Cipla Kenya Ltd.	1.51	-
Cipla Malaysia Sdn. Bhd.	5.03	-
Hamied Foundation	1.82	-
	169.76	41.35
P. Service charges received		
Mabpharm Pvt. Ltd.	1.64	1.12
Cipla Quality Chemical Industries Ltd.	11.98	-
	13.62	1.12
Q. Donations given		
Cipla Foundation	7.27	0.36
Cipla Cancer and AIDS Foundation	2.32	-
	9.59	0.36
R. Rent paid		
Okasa Pvt. Ltd.	0.40	0.28
Medispray Laboratories Pvt. Ltd.	-	0.01
	0.40	0.29
S. Rent received		
Dr. Y.K. Hamied ⁹	0.00 ⁶	0.00 ⁶
Mabpharm Pvt. Ltd.	2.95	1.47
	2.95	1.47
T. Reimbursement of Operating/Other Expenses		
Goldencross Pharma Pvt. Ltd.	-	0.23
Meditab Specialities Pvt. Ltd.	0.02	0.80
Medispray Laboratories Pvt Ltd.	0.02	-
Okasa Pharma Pvt. Ltd.	0.37	1.01
Okasa Pvt. Ltd.	0.10	0.13
	0.51	2.17

NOTES TO THE ACCOUNTS *contd.*

40 Related Party Disclosures - *contd.*

	₹ in crore	
	2014	2013
U. Reimbursement received of Operating/Other Expenses		
Goldencross Pharma Pvt. Ltd.	0.15	0.01
Meditab Specialities Pvt. Ltd.	0.02	0.01
Cipla (EU) Ltd.	0.41	-
Cipla Australia Pty Ltd.	0.11	-
Cipla (UK) Ltd.	1.12	-
Cipla Agrimed Proprietary Ltd.	0.01	-
Cipla Life Sciences Proprietary Ltd.	0.26	-
Cipla Vet Proprietary Ltd.	0.10	-
Cipla Medpro South Africa (Pty) Ltd.	4.51	-
Cipla Quality Chemical Industries Ltd.	0.04	-
Cipla USA Inc	1.29	-
Four M Propack Pvt. Ltd.	0.01	-
Medispray Laboratories Pvt. Ltd.	0.04	-
Mabpharm Pvt. Ltd.	0.04	-
Okasa Pharma Pvt. Ltd.	0.03	0.07
Okasa Pvt. Ltd.	-	0.00 ⁷
	8.14	0.09
V. Outstanding Payables		
Goldencross Pharma Pvt. Ltd.	23.21	7.15
Medispray Laboratories Pvt. Ltd.	-	1.95
Four M Propack Pvt. Ltd.	0.55	0.89
Sitec Labs Pvt. Ltd.	7.55	13.34
Cipla (EU) Ltd.	-	0.54
Cipla (UK) Ltd.	4.87	3.31
Cipla Australia Pty Ltd.	0.69	0.50
Cipla Kenya Ltd.	0.53	-
Cipla İlaç Ticaret Anonim Şirketi	0.07	0.07
Cipla USA Inc.	2.49	-
Cipla Medpro Manufacturing Proprietary Ltd.	12.04	-
Cipla Malaysia Sdn. Bhd.	0.51	-
Stempeutics Research Pvt. Ltd.	0.02	0.02
Okasa Pharma Pvt. Ltd.	19.93	9.71
Okasa Pvt. Ltd.	-	5.21
	72.46	42.69

NOTES TO THE ACCOUNTS *contd.*

40 Related Party Disclosures - *contd.*

	₹ in crore	
	2014	2013
W. Outstanding Receivables		
Goldencross Pharma Pvt. Ltd.	-	27.54
Meditab Specialities Pvt. Ltd.	287.48	178.68
Medispray Laboratories Pvt. Ltd.	6.06	6.05
Sitec Labs Pvt. Ltd.	-	0.00 ⁸
Cipla Quality Chemical Industries Ltd.	5.21	3.39
Cipla (EU) Ltd.	0.63	-
Cipla Agrimed Proprietary Ltd.	0.53	-
Cipla Life Sciences Proprietary Ltd.	14.24	-
Cipla Vet Proprietary Ltd.	1.66	-
Cipla Medpro South Africa (Pty) Ltd.	305.94	-
Celeris d.o.o.	2.89	-
Mabpharm Pvt. Ltd.	9.18	4.86
Okasa Pharma Pvt. Ltd.	-	6.57
Okasa Pvt. Ltd.	10.12	15.25
	643.94	242.34

¹ ₹19459.21

² ₹489.13

⁹ Non-Executive Chairman effective 1st April 2013

³ ₹36111.00

⁴ ₹11250.00

¹⁰ ₹25000.00

⁵ ₹22623.00

⁶ ₹20040.00

⁷ ₹8000.00

⁸ ₹26339.99

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

	2014	2013
Profit for the Year (₹ in crore)	1388.34	1507.11
Basic Weighted Average No. of Shares Outstanding	80,29,21,357	80,29,21,357
Basic Earnings per share	₹17.29	₹18.77
ESOS outstanding	11,58,193	-
Diluted Weighted Average No. of Shares Outstanding	80,40,79,550	80,29,21,357
Diluted Earnings per share	₹17.27	₹18.77
Face value per share	₹2.00	₹2.00

NOTES TO THE ACCOUNTS *contd.*

42 Employees stock option schemes

The Company has implemented "ESOS 2013", "ESOS 2013 - A" and "ESOS 2013 - B" as approved by the shareholders on 8th April 2013, 22nd August 2013 and 22nd August 2013 respectively. Details of the Options granted during the year under the Scheme(s) are as given below:

Scheme Details	Grant date	No. of Options granted	Exercise Price (₹) per option	Vesting period	Exercise Period
ESOS 2013	09-Apr-13	10,00,000	197.50	5 years	5 years from Vesting date
ESOS 2013 - A	31-Oct-13	11,07,511	2.00	1 to 2 years	5 years from Vesting date
ESOS 2013 - A	31-Dec-13	3,10,114	2.00	1 to 2 years	5 years from Vesting date
ESOS 2013 - A	12-Feb-14	85,194	2.00	2 years	5 years from Vesting date
ESOS 2013 - B	16-Sep-13	5,22,194	220.78	5 years	5 years from Vesting date

The options are granted at an exercise price, which is in accordance with the relevant SEBI guidelines in force, at the time of such grants. Each option entitles the holder to exercise the right to apply for and seek allotment of one equity share of ₹2 each.

Stock Option activity under the Scheme(s) for the year ended 31st March 2014 is set out below:

ESOS 2013

Particulars	No. of options	Weighted Average Exercise Price (₹) per option	Range of Exercise Price (₹) per option	Weighted Average remaining Contractual life (years)
Outstanding at the beginning of the year				
Granted during the year	10,00,000	197.50	197.50	-
Forfeited/Cancelled during the year	-	-	-	-
Exercised during the year	-	-	-	-
Outstanding at the end of the year	10,00,000	197.50	197.50	7.23
Exercisable at the end of the year	-	-	-	-

ESOS 2013 - A

Particulars	No. of options	Weighted Average Exercise Price (₹) per option	Range of Exercise Price (₹) per option	Weighted Average remaining Contractual life (years)
Outstanding at the beginning of the year				
Granted during the year	15,02,819	2.00	2.00	-
Forfeited/Cancelled during the year	31,022	-	-	-
Exercised during the year	-	-	-	-
Outstanding at the end of the year	14,71,797	2.00	2.00	6.36
Exercisable at the end of the year	-	-	-	-

NOTES TO THE ACCOUNTS *contd.*

42 Employees stock option schemes - *contd.*

ESOS 2013 - B

Particulars	No. of options	Weighted Average Exercise Price (₹) per option	Range of Exercise Price (₹) per option	Weighted Average remaining Contractual life (years)
Outstanding at the beginning of the year				
Granted during the year	5,22,194	220.78	220.78	-
Forfeited/Cancelled during the year	-	-	-	-
Exercised during the year	-	-	-	-
Outstanding at the end of the year	5,22,194	220.78	220.78	7.67
Exercisable at the end of the year	-	-	-	-

The Black Scholes valuation model has been used for computing weighted average fair value considering the following inputs:

Particulars	ESOS 2013	ESOS 2013 - A	ESOS 2013 - B
Expected Dividend yield	0.51%	0.48%	0.45%
Expected volatility	31.24%	25.38%	29.96%
Risk-free interest rate	7.86%	8.62%	8.76%
Weighted average share price (₹)	395.00	415.02	441.55
Exercise price (₹)	197.50	2.00	220.78
Expected life of Options granted in years	5.70	4.33	5.70
Weighted average fair value of Options (₹)	261.92	405.08	299.49

The stock-based compensation cost calculated as per the intrinsic value method for the period 1st April 2013 to 31st March 2014 is ₹18.40 crore (excluding ₹3.25 crore pertaining to Options granted to employees of subsidiary companies and step-down subsidiary companies). If the stock-based compensation cost was calculated as per the fair value method prescribed by SEBI, the total cost to be recognised in the financial statements for the period 1st April 2013 to 31st March 2014 would be ₹21.26 crore. The effect of adopting the fair value method on the net income and earnings per share is presented below:

NOTES TO THE ACCOUNTS *contd.*

42 Employees stock option schemes - *contd.*

		₹ in crore	
Particulars		2014	2013
Profit after tax as reported		1388.34	-
<i>Add: ESOS cost using intrinsic value method</i>		18.40	-
<i>Less: ESOS cost using fair value method</i>		21.26	-
Adjusted profit after tax		1385.48	-
Earnings per share			
Basic			
	As reported	₹17.29	-
	Adjusted	₹17.26	-
Diluted			
	As reported	₹17.27	-
	Adjusted	₹17.23	-

43 Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.

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

S. Radhakrishnan
Whole-time Director

Subhanu Saxena
Managing Director and Global
Chief Executive Officer

V. Mohan
Partner
Membership No. 17748

R. Rangarajan
Partner
Membership No. 41883

Ashok Sinha
V.C. Kotwal
Pankaj Patel
M.R. Raghavan
Directors

Rajesh Garg
Executive Director and Global
Chief Financial Officer

Mumbai, 29th May 2014

Mital Sanghvi
Company Secretary

Mumbai, 29th May 2014

CASH FLOW STATEMENT

For the year ended 31 st March 2014		2014	2013
		₹ in crore	
(A)	Cash Flow from Operating Activities		
	Net profit before tax	1818.34	2011.86
	Adjustments for:		
	Depreciation and amortisation expense	323.61	303.03
	Finance costs	127.86	33.38
	Unrealised foreign exchange gains (Net)	(35.61)	(11.18)
	Expense on Employee Stock Option Scheme (ESOS)	18.41	-
	Bad debts and provision for doubtful debts and advances (Net)	27.54	54.75
	Interest income	(13.92)	(5.75)
	Dividend income	(71.41)	(90.66)
	Profit on sale of investments (Net)	(8.01)	(3.21)
	Loss on sale/discard of fixed assets (Net)	6.95	15.97
	Rent income	(2.70)	(2.80)
		372.72	293.53
	Operating profit before working capital changes	2191.06	2305.39
	Adjustments for :		
	Increase in trade payables and other liabilities	252.54	180.39
	Increase in inventories	(167.78)	(518.87)
	Increase in trade and other receivables	(178.03)	(164.61)
		(93.27)	(503.09)
	Cash generated from operations	2097.79	1802.30
	Direct taxes paid (Net)	(285.31)	(420.96)
	Net cash from operating activities	(A) 1812.48	1381.34
(B)	Cash Flow from Investing Activities		
	Purchase of fixed assets/Capital work-in-progress and Intangibles	(502.03)	(747.60)
	Sale of fixed assets	2.55	4.21
	Investment in subsidiaries	(2813.92)	(0.80)
	Investment in associates	-	(10.10)
	Purchase of current investments	(17913.80)	(18693.74)
	Sale of current investments	19750.42	17182.80
	Interest received	15.74	3.68
	Dividend received	71.41	90.66
	Rent received	5.34	0.15
	Loans repaid by/(given to) subsidiaries (Net)	(82.92)	106.58
	Net cash used in investing activities	(B) (1467.21)	(2064.16)

CASH FLOW STATEMENT *contd.*

₹ in crore

For the year ended 31 st March 2014	2014	2013
(C) Cash Flow from Financing Activities		
Proceeds from/(Repayment of) short-term borrowings (Net)	(112.81)	954.94
Repayment of long-term borrowings	(0.13)	(2.23)
Interest paid	(103.48)	(33.25)
Dividend paid	(160.58)	(160.58)
Tax paid on dividend	(27.29)	(26.05)
Net cash from/(used in) financing activities (C)	(404.29)	732.83
Net increase/(decrease) in cash and cash equivalents (A)+(B)+(C)	(59.02)	50.01
Cash and Cash Equivalents as at the beginning of the year	105.07	55.06
Exchange difference on translation of foreign currency cash and cash equivalents	(0.01)	-
Cash and Cash Equivalents as at the end of the year	46.04	105.07

- Notes:
- The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in AS-3, "Cash Flow Statement".
 - Cash and Cash Equivalents represent cash and bank balances and fixed deposits with banks.
 - Cash and Cash Equivalents includes ₹15.87 crore (Previous year ₹15.46 crore) on account of unclaimed dividend, which are not available for use by the Company.

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. 002785S

S. Radhakrishnan
Whole-time Director

Subhanu Saxena
Managing Director and Global
Chief Executive Officer

V. Mohan
Partner
Membership No. 17748

R. Rangarajan
Partner
Membership No. 41883

Ashok Sinha
V.C. Kotwal
Pankaj Patel
M.R. Raghavan
Directors

Rajesh Garg
Executive Director and Global
Chief Financial Officer

Mital Sanghvi
Company Secretary

Mumbai, 29th May 2014

Mumbai, 29th May 2014

INFORMATION ON SUBSIDIARIES

Sr. No.	Name of the Subsidiary Company	Reporting Currency	Exchange Rate on 31.03.2014	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.	GBP	99.7650	1.50	3.04	10.79	6.25	-	51.38	2.72	0.62	2.10	-	U.K.
2	Cipla (Mauritius) Ltd.	USD	59.9150	9.29	(0.72)	8.58	0.01	-	-	(0.44)	-	(0.44)	-	Mauritius
3	Cipla (UK) Ltd.	GBP	99.7650	1.50	3.28	14.82	10.04	-	66.91	3.19	1.13	2.06	-	U.K.
4	Cipla Australia Pty. Ltd.	AUD	55.2975	1.38	0.47	2.93	1.08	-	13.14	0.63	0.32	0.31	-	Australia
5	Cipla FZE	AED	16.3125	24.47	(2.28)	22.28	0.09	-	-	(0.02)	-	(0.02)	-	U.A.E.
6	Cipla İlaç Ticaret Anonim Şirketi	TRY	28.0070	0.14	0.04	0.23	0.05	-	0.96	0.04	0.01	0.03	-	Turkey
7	Cipla Kenya Ltd.	KES	0.6931	0.01	(0.03)	1.17	1.19	-	1.47	(0.01)	0.02	(0.03)	-	Kenya
8	Cipla Malaysia Sdn. Bhd.	MYR	18.3525	1.06	0.17	1.30	0.07	-	4.86	0.23	0.06	0.17	-	Malaysia
9	Cipla USA Inc.	USD	59.9150	1.80	1.42	5.53	2.31	-	30.41	1.43	0.01	1.42	-	U.S.A.
10	Cipla Medpro South Africa (Pty) Ltd.	ZAR	5.6500	0.25	349.86	781.32	431.21	-	108.59	(81.08)	(21.21)	(59.87)	-	South Africa
11	Cape to Cairo Exports Proprietary Ltd.	ZAR	5.6500	-	-	-	-	-	-	-	-	-	-	South Africa
12	Cipla Agrimed Proprietary Ltd.	ZAR	5.6500	-	32.38	64.04	31.66	-	87.65	17.83	5.04	12.79	-	South Africa
13	Cipla Dibcare Proprietary Ltd.	ZAR	5.6500	-	0.21	0.21	-	-	0.23	0.23	-	0.23	-	South Africa
14	Cipla Health Care Proprietary Ltd.	ZAR	5.6500	-	8.69	8.70	0.01	-	0.15	0.13	-	0.13	-	South Africa
15	Cipla Life Sciences Proprietary Ltd.	ZAR	5.6500	-	138.78	142.07	3.29	-	22.03	23.82	6.15	17.67	-	South Africa
16	Cipla Medpro ARV Proprietary Ltd.	ZAR	5.6500	-	0.30	0.30	-	-	-	-	-	-	-	South Africa
17	Cipla Medpro Cardio Respiratory (Pty) Ltd.	ZAR	5.6500	-	-	-	-	-	-	-	-	-	-	South Africa
18	Cipla Medpro Manufacturing (Pty) Ltd.	ZAR	5.6500	-	(0.01)	-	0.01	-	-	-	-	-	-	South Africa
19	Cipla Medpro Research and Development (Pty) Ltd.	ZAR	5.6500	-	-	-	-	-	-	-	-	-	-	South Africa
20	Cipla-Medpro Proprietary Ltd.	ZAR	5.6500	-	252.65	277.25	24.60	-	60.31	51.20	23.99	27.21	-	South Africa
21	Cipla Personal Care Proprietary Ltd.	ZAR	5.6500	-	5.32	5.32	-	-	-	0.10	-	0.10	-	South Africa
22	Cipla Vet Proprietary Ltd.	ZAR	5.6500	-	26.85	27.44	0.59	15.66	26.51	12.79	2.42	10.37	3.96	South Africa
23	Cipla-Medpro Distribution Centre Proprietary Ltd.	ZAR	5.6500	-	0.30	3.83	3.53	-	50.36	-	-	-	-	South Africa
24	Galilee Marketing Proprietary Ltd.	ZAR	5.6500	-	-	0.01	0.01	-	-	-	-	-	-	South Africa
25	Gardian Cipla Proprietary Ltd.	ZAR	5.6500	-	0.12	0.12	-	-	-	-	-	-	-	South Africa
26	Inyanga Trading 386 Proprietary Ltd.	ZAR	5.6500	-	30.13	786.08	755.95	-	-	-	-	-	-	South Africa
27	Medpro Gen Proprietary Ltd.	ZAR	5.6500	-	-	-	-	-	-	-	-	-	-	South Africa
28	Medpro Holdings Proprietary Ltd.	ZAR	5.6500	-	-	-	-	-	-	-	-	-	-	South Africa
29	Medpro Pharmaceutica Africa Proprietary Ltd.	ZAR	5.6500	-	-	-	-	-	-	-	-	-	-	South Africa
30	Medpro Pharmaceutica Proprietary Ltd.	ZAR	5.6500	-	387.55	1446.85	1059.30	-	1638.94	3.30	12.17	(8.87)	-	South Africa
31	Medpro-On-Line Proprietary Ltd.	ZAR	5.6500	-	-	-	-	-	-	-	-	-	-	South Africa
32	Cipla Nutrition Proprietary Ltd.	ZAR	5.6500	-	(4.50)	3.63	8.13	-	4.88	(4.26)	(1.19)	(3.07)	-	South Africa

INFORMATION ON SUBSIDIARIES *contd.*

Sr. No.	Name of the Subsidiary Company	Reporting Currency	Exchange Rate on 31.03.2014	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
33	Smith and Cousin Proprietary Ltd.	ZAR	5.6500	-	-	-	-	-	-	-	-	-	South Africa
34	Xeragen Laboratories Proprietary Ltd.	ZAR	5.6500	7.74	7.74	-	-	-	-	-	-	-	South Africa
35	Cipla Medpro Botswana Proprietary Ltd.	ZAR	5.6500	-	0.01	0.01	-	-	-	-	-	-	South Africa
36	Cipla Medpro Holdings Proprietary Ltd.	ZAR	5.6500	5.50	413.54	408.04	24.22	9.77	(0.74)	-	(0.74)	-	South Africa
37	Med Man Care Proprietary Ltd.	ZAR	5.6500	-	-	-	-	-	-	-	-	-	South Africa
38	Cipla Holding B.V.	EUR	82.6850	51.84	51.32	1.87	-	-	(2.38)	-	(2.38)	-	Netherlands
39	Cipla Europe NV	EUR	82.6850	33.90	30.55	2.58	-	-	(5.93)	-	(5.93)	-	Belgium
40	Celeris d.o.o.	HRK	10.8031	0.02	19.06	11.72	-	21.16	9.32	2.00	7.32	-	Croatia
41	Cipla Quality Chemical Industries Ltd.	UGX	42.4541	0.24	155.69	45.48	-	289.87	35.74	-	35.74	-	Uganda
42	Four M Propack Pvt. Ltd.	INR	1.0000	0.06	14.77	0.79	0.49	8.56	(1.52)	(0.01)	(1.51)	-	India
43	Goldencross Pharma Pvt. Ltd.	INR	1.0000	0.05	247.24	17.62	-	250.17	24.18	5.43	18.75	-	India
44	Medispray Laboratories Pvt. Ltd.	INR	1.0000	0.05	96.16	13.90	52.37	67.04	31.21	9.35	21.86	-	India
45	Meditab Holdings Ltd.	USD	59.9150	267.34	335.24	0.01	22.47	-	(1.12)	-	(1.12)	-	Mauritius
46	Meditab Pharmaceuticals South Africa (Pty) Ltd.	ZAR	5.6500	0.06	0.01	-	-	-	(0.01)	-	(0.01)	-	South Africa
47	Meditab Specialities New Zealand Ltd.	NZD	51.8000	0.26	0.09	0.03	-	-	(0.04)	-	(0.04)	-	New Zealand
48	Meditab Specialities Pvt. Ltd.	INR	1.0000	0.60	413.81	295.95	36.16	29.10	(11.28)	(0.39)	(10.89)	-	India
49	Sitec Labs Pvt. Ltd.	INR	1.0000	0.01	55.71	50.37	-	52.22	0.20	0.11	0.09	-	India

“-” represents amounts less than 0.01 crore and rounded off.

S. Radhakrishnan <i>Whole-time Director</i>	Subhanu Saxena <i>Managing Director and Global Chief Executive Officer</i>
Ashok Sinha V.C. Kotwal Pankaj Patel M.R. Raghavan <i>Directors</i>	Rajesh Garg <i>Executive Director and Global Chief Financial Officer</i>
	Mital Sanghvi <i>Company Secretary</i> Mumbai, 29 th May 2014

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, associates and joint venture (collectively referred to as "the Group"), which comprise the Consolidated Balance Sheet as at 31st March 2014, the Consolidated Statement of Profit and Loss and 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 Group 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") read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. 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 Group'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, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. 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 and based on the consideration of the reports of the other auditors on the financial statements/consolidated financial statements of the subsidiaries, associates and joint venture as noted below, 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 2014;
 - 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/consolidated financial statements of 4 subsidiaries, which reflect total assets of ₹771.58 crore as at 31st March 2014, total revenue of ₹344.39 crore and net cash outflows of ₹2.26 crore for the year then ended, have been audited by one of us.
8. We did not audit the financial statements/consolidated financial statements of 45 subsidiaries, whose financial statements/consolidated financial statements reflect total assets of ₹4098.71 crore as at 31st March 2014, total revenue of ₹1424.84 crore and net cash outflows of ₹196.03 crores for the year then ended or from the date of acquisition upto the end of the year in case of subsidiaries acquired during the year. These financial statements/consolidated financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of those auditors.
9. We did not audit the consolidated financial statements of 2 associates wherein the Group's share of profit (net) aggregates to ₹2.43 crore, including 1 associate wherein the Group's share of profit amounts to ₹3.36 crore for the period from 1st April 2013 upto the date of conversion from associate to subsidiary. 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 those auditors.
10. We have relied on the unaudited financial statements/consolidated financial statements of 3 associates, wherein the Group's share of loss aggregates to ₹14.75 crore. These figures, used for the consolidation, are based on the Management's estimates and are not audited by their auditors.
11. We have relied on the unaudited financial statements of a joint venture, whose financial statements reflect total assets of ₹3247 as at 31st March 2014, total revenue of Nil and net cash inflows of Nil 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 2014

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

R. Rangarajan
Partner
Membership No. 41883

Mumbai, 29th May 2014

CONSOLIDATED BALANCE SHEET

₹ in crore

As at 31 st March 2014	Notes	2014	2013
Equity and Liabilities			
Shareholders' Funds			
Share Capital	2	160.58	160.58
Reserves and Surplus	3	9889.77	8858.10
Minority Interest			
		49.58	-
Non-Current Liabilities			
Long Term Borrowings	4	317.87	0.55
Deferred Tax Liabilities (Net)	5	311.85	281.57
Other Long Term Liabilities	6	32.57	30.00
Long Term Provisions	7	77.44	50.37
Current Liabilities			
Short Term Borrowings	8	910.47	966.38
Trade Payables	9	979.53	828.36
Other Current Liabilities	10	408.67	250.89
Short Term Provisions	11	264.91	232.00
		13403.24	11658.80
Assets			
Non-Current Assets			
Fixed Assets			
Tangible Assets	12	3995.94	3609.97
Intangible Assets	12	7.44	-
Goodwill on Consolidation (Net)		2493.09	-
Capital Work-in-Progress		353.64	367.44
Intangible Assets under Development		88.20	10.35
Non-Current Investments	13	397.14	415.69
Deferred Tax Assets (Net)	14	2.88	1.03
Long Term Loans and Advances	15	301.49	357.80
Other Non-Current Assets	16	112.05	112.54
Current Assets			
Current Investments	17	311.43	2116.75
Inventories	18	2895.26	2387.07
Trade Receivables	19	1638.89	1668.84
Cash and Bank Balances	20	175.16	143.01
Short Term Loans and Advances	21	595.49	466.03
Other Current Assets	22	35.14	2.28
		13403.24	11658.80

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

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

S. Radhakrishnan
Whole-time Director

Subhanu Saxena
Managing Director and Global
Chief Executive Officer

V. Mohan
Partner
Membership No. 17748

R. Rangarajan
Partner
Membership No. 41883

Ashok Sinha
V.C. Kotwal
Pankaj Patel
M.R. Raghavan
Directors

Rajesh Garg
Executive Director and Global
Chief Financial Officer

Mital Sanghvi
Company Secretary

Mumbai, 29th May 2014

Mumbai, 29th May 2014

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

		₹ in crore	
For the year ended 31 st March 2014	Notes	2014	2013
Income			
Revenue from Operations (Gross)	23	10217.53	8388.02
Less: Excise Duty		117.14	108.69
Revenue from Operations (Net)		10100.39	8279.33
Other Income	24	265.37	222.14
		10365.76	8501.47
Expenditure			
Cost of Materials Consumed	25a	3376.22	2725.89
Purchases of Stock-in-Trade		562.86	517.32
Changes in Inventories of Finished Goods, Work-in-Process and Stock-in-Trade	25b	(64.25)	(290.60)
Employee Benefits Expense	26	1542.96	1036.02
Finance Costs	27	145.74	33.91
Depreciation and Amortisation Expense	28	372.64	330.48
Other Expenses	29	2549.55	2092.85
		8485.72	6445.87
Profit Before Exceptional Item and Tax		1880.04	2055.60
Exceptional Item			
Gain on Sale of Investment		-	39.77
Profit Before Tax		1880.04	2095.37
Tax Expense			
Current Tax		436.96	427.25
MAT Credit utilisation		-	70.00
Deferred Tax		26.42	47.29
Prior Period Tax		-	(0.23)
Profit after tax before share of Profit/ (Loss) from associates and minority interest		1416.66	1551.06
Share of Loss from Associates		(12.32)	(6.21)
Share of minority interest		(15.93)	
Profit for the year		1388.41	1544.85
Earnings per share of face value of ₹2 each			
Basic - Before Exceptional Item	39	₹17.29	₹18.75
Basic - After Exceptional Item	39	₹17.29	₹19.24
Diluted - Before Exceptional Item	39	₹17.27	₹18.75
Diluted - After Exceptional Item	39	₹17.27	₹19.24
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

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

S. Radhakrishnan
Whole-time Director

Subhanu Saxena
Managing Director and Global
Chief Executive Officer

V. Mohan
Partner
Membership No. 17748

R. Rangarajan
Partner
Membership No. 41883

Ashok Sinha
V.C. Kotwal
Pankaj Patel
M.R. Raghavan
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Rajesh Garg
Executive Director and Global
Chief Financial Officer

Mital Sanghvi
Company Secretary

Mumbai, 29th May 2014

Mumbai, 29th May 2014

NOTES TO THE CONSOLIDATED ACCOUNTS

1 Significant Accounting Policies

A. Basis of Preparation

The financial statements have been prepared and presented under the historical cost convention on an accrual basis of accounting and in accordance with Generally Accepted Accounting Principles (GAAP) in India. GAAP comprises Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 issued under sub-section (3C) of section 211 of the Companies Act, 1956, read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013, pronouncement of Institute of Chartered Accountants of India and guidelines issued by Securities and Exchange Board of India (SEBI).

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. Operating Cycle

All assets and liabilities have been classified as current or non-current as per each Company's normal operating cycle and other criteria set out in the Revised Schedule VI.

D. Principles of Consolidation

The consolidated financial statements relate to Cipla Limited (the 'Company'), its subsidiaries, joint venture 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 unrealized profits. 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 Company's share of equity 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 for the purpose of 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.

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

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 2014	% ownership interest as at 31 st March 2013	With effect from
Subsidiaries (held directly)				
Cipla FZE	United Arab Emirates	100	100	04/10/2006
Goldencross Pharma Pvt. Ltd.	India	100	100	14/05/2010
Cipla (Mauritius) Ltd.	Mauritius	100	100	27/01/2011
Meditab Specialities Pvt. Ltd.	India	100	100	01/10/2010
Cipla Medpro South Africa (Pty) Ltd. (formerly Cipla Medpro South Africa Ltd.)	South Africa	100	-	15/07/2013
Cipla Holding B.V.	Netherlands	100	-	28/08/2013
Subsidiaries (held indirectly)				
Four M Propack Pvt. Ltd.	India	100	100	14/05/2010
Cipla (UK) Ltd.	United Kingdom	100	100	27/01/2011
Cipla Australia Pty Ltd.	Australia	100	100	04/03/2011
Cipla (EU) Ltd.	United Kingdom	100	100	27/01/2011
Medispray Laboratories Pvt. Ltd.	India	100	100	01/10/2010
Sitec Labs Pvt. Ltd.	India	100	100	01/10/2010
Meditab Holdings Ltd.	Mauritius	100	100	01/10/2010
Meditab Pharmaceuticals South Africa (Pty) Ltd.	South Africa	100	100	14/01/2011
Meditab Specialities New Zealand Ltd.	New Zealand	100	100	21/01/2011
Cipla İlaç Ticaret Anonim Şirketi	Turkey	100	100	20/02/2012
Cipla USA Inc.	USA	100	100	12/09/2012
Cipla Kenya Ltd.	Kenya	100	100	08/10/2012
Cipla Malaysia Sdn. Bhd.	Malaysia	100	100	20/03/2013
Cipla Europe NV	Belgium	100	-	30/09/2013
Cipla Quality Chemical Industries Ltd. (formerly Quality Chemical Industries Ltd.)®	Uganda	51.05	-	20/11/2013
Celeris d.o.o. *	Croatia	100	-	04/12/2013
Cipla Medpro Manufacturing Proprietary Ltd. #	South Africa	100	-	15/07/2013
Galilee Marketing Proprietary Ltd. #	South Africa	100	-	15/07/2013
Inyanga Trading 386 Proprietary Ltd. #	South Africa	100	-	15/07/2013
Xeragen Laboratories Proprietary Ltd. #	South Africa	100	-	15/07/2013
Cipla Medpro Holdings Proprietary Ltd. #	South Africa	100	-	15/07/2013
Cape to Cairo Exports Proprietary Ltd. #	South Africa	100	-	15/07/2013
Cipla Agrimed Proprietary Ltd. #	South Africa	100	-	15/07/2013
Cipla Dibcare Proprietary Ltd. #	South Africa	100	-	15/07/2013

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

Name of the Company	Country of Incorporation	% ownership interest as at 31 st March 2014	% ownership interest as at 31 st March 2013	With effect from
Cipla Health Care Proprietary Ltd.#	South Africa	100	-	15/07/2013
Cipla Life Sciences Proprietary Ltd. #	South Africa	100	-	15/07/2013
Cipla-Medpro Proprietary Ltd. #	South Africa	100	-	15/07/2013
Cipla-Medpro Distribution Centre Proprietary Ltd. #	South Africa	100	-	15/07/2013
Cipla Medpro ARV Proprietary Ltd.#	South Africa	100	-	15/07/2013
Cipla Medpro Botswana Proprietary Ltd. #	South Africa	100	-	15/07/2013
Cipla Medpro Cardio Respiratory Proprietary Ltd.#	South Africa	100	-	15/07/2013
Cipla Medpro Research and Development Proprietary Ltd. #	South Africa	100	-	15/07/2013
Cipla Nutrition Proprietary Ltd.#	South Africa	80	-	15/07/2013
Cipla Personal Care Proprietary Ltd. #	South Africa	100	-	15/07/2013
Cipla Vet Proprietary Ltd.#	South Africa	100	-	15/07/2013
Gardian Cipla Proprietary Ltd. #	South Africa	100	-	15/07/2013
Medpro Gen Proprietary Ltd.#	South Africa	100	-	15/07/2013
Medpro Holdings Proprietary Ltd. #	South Africa	100	-	15/07/2013
Medpro Pharmaceutica Proprietary Ltd. #	South Africa	100	-	15/07/2013
Medpro Pharmaceutica Africa Proprietary Ltd. #	South Africa	100	-	15/07/2013
Medpro-On-Line Proprietary Ltd. #	South Africa	100	-	15/07/2013
Med Man Care Proprietary Ltd. #	South Africa	100	-	15/07/2013
Smith and Couzin Proprietary Ltd.#	South Africa	100	-	15/07/2013
Associates				
Quality Chemical Industries Ltd.	Uganda	-	36.55	01/10/2010 to 19/11/2013
Stempeutics Research Pvt. Ltd. **	India	49.00	49.00	01/10/2010
Biomab Holding Ltd. **	HongKong	25.00	25.00	01/09/2011
Jiangsu Cdymax Pharmaceuticals Co. Ltd. **	China	48.22	48.22	10/02/2012
Mabpharm Pvt. Ltd. **	India	25.00	25.00	29/10/2012
Joint Venture				
Aspen-Cipla Australia Pty Ltd.	Australia	50.00	50.00	18/10/2011

** Unaudited financials have been considered for consolidation purposes

Cipla Medpro South Africa Ltd. ('Medpro'), a pharmaceutical company, incorporated in South Africa became a wholly owned subsidiary of the Company on 15th July 2013.

© On 20th November 2013, the Company through its wholly owned step down subsidiary, acquired additional 14.5% stake in Quality Chemical Industries Ltd., Uganda ('QCIL'). Consequent to the acquisition of aforesaid additional stake the Company holds 51.05% stake in QCIL

* On 4th December 2013, the Company through its wholly owned subsidiary, acquired 100% stake in Celeris d.o.o., Croatia.

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

E. Fixed Assets

Tangible assets are stated at the cost of acquisition and includes amount added on revaluation, less accumulated depreciation, Government grants, other subsidies and impairment losses if any. Cost of tangible assets comprises purchase price, non-refundable taxes, levies and any directly attributable cost of bringing the asset to its working condition for the intended use. Where several fixed assets are acquired for a consolidated price, the consideration is apportioned to fixed assets on fair value basis.

Capital work-in-progress includes cost of fixed assets that are not ready for their intended use.

Intangible assets are stated at the cost of acquisition, less accumulated amortisation and impairment losses if any. Cost of intangible assets comprises purchase price, non-refundable taxes, levies and any directly attributable cost of making the asset ready for its intended use.

F. Borrowing Costs

Borrowing costs consists of interest, ancillary costs and other costs in connection with the borrowing of funds and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to interest 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.

G. Depreciation

Depreciation on fixed assets is provided by the Company on the straight line method at the rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956 in the parent company.

The depreciation on fixed assets in Indian subsidiaries is provided on written down value method at the rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956. The depreciation on fixed assets in foreign subsidiaries is provided on a systematic basis over the estimated useful life of the assets.

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 primary period of lease.

Intangible assets consisting of softwares are amortised using the Straight Line Method from the date they are available for use, over the estimated useful life not exceeding ten years.

H. Inventories

Raw materials and packing materials are valued at lower of cost or 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, stock-in-trade and finished goods are valued at lower of cost and net realisable value. Finished goods and work-in-process 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.

I. Investments

Long term 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".

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

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

J. 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 at the closing rate as on 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.

K. 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.

Disclosure of contingent liabilities 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.

L. 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 excise duty, 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 and Licensing 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.

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

M. 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.

Post retirement benefit plans such as gratuity, leave encashment and provident fund 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.

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.

N. Employee Stock Option Scheme

In accordance with the SEBI guidelines, the compensation cost of stock options granted to employees is calculated based on intrinsic value method, i.e. the excess of the market price of shares immediately prior to date of grant over the exercise price to be paid by the option holders. The compensation cost is amortised to the Statement of Profit and Loss over the vesting period of the stock option.

O. 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.

P. 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.

Q. 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.

R. Expenditure on Regulatory Approvals

Expenditure incurred for obtaining regulatory approvals and registration of products for overseas markets is charged to the Statement of Profit and Loss.

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

S. 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.

T. Leases

Where the Company is Lessee

Lease rentals on assets taken on operating lease are recognised as expense in the Statement of Profit and Loss on straight line basis over the lease term in accordance with the lease agreement. Assets acquired under lease where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. The rent obligations net of interest charges are reflected as secured loans.

Where the Company is Lessor

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

U. 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 CONSOLIDATED ACCOUNTS *contd.*

₹ in crore

	2014	2013
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**

	2014		2013	
	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	5,24,97,490	6.54	4,41,70,361	5.50

- **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.

- **Equity shares reserved for issue under employee stock options**

Refer to Note 40 for number of stock options against which equity shares are to be issued by the Company upon vesting and exercise of those stock options by the option holders as per the relevant scheme(s).

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

	₹ in crore	
	2014	2013
3 Reserves and Surplus		
Capital Reserve	0.08	0.08
Securities Premium Reserve	1428.96	1428.96
Revaluation Reserve	8.97	8.97
Employee Stock Options Outstanding		
Employee Stock Options Outstanding		
As per last Balance Sheet	-	-
Add: Options granted during the year (net of cancellations)	92.05	-
Less: Exercised during the year	-	-
Balance at the end of the year (a)	92.05	-
Deferred Employee Stock Option		
As per last Balance Sheet	-	-
Add: Options granted during the year	92.05	-
Less: Amortisations during the year	21.65	-
Less: Exercised during the year	-	-
Balance at the end of the year (b)	70.40	-
Net Balance at the end of the year (a-b)	21.65	-
General Reserve		
As per last Balance Sheet	3001.43	2841.43
Add: Transferred from the Statement of Profit and Loss	140.00	160.00
Balance at the end of the year	3141.43	3001.43
Capital Reserve on Consolidation	-	28.06
Foreign Currency Translation Reserve		
As per last Balance Sheet	39.24	16.47
Add: Exchange rate differences on translations during the year (Net)	(162.44)	22.77
Balance at the end of the year	(123.22)	39.24
Surplus in the Statement of Profit and Loss		
As per last Balance Sheet	4351.36	3154.38
Add: Profit for the year	1388.41	1544.85
	5739.77	4699.23
Less: Appropriations		
Transferred to General Reserve	140.00	160.00
Proposed Dividend	160.58	160.58
Tax on Dividend	27.29	27.29
Balance at the end of the year	5411.90	4351.36
	9889.77	8858.10

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

	₹ in crore	
	2014	2013
4 Long Term Borrowings		
Secured*		
Term Loans from banks	316.96	-
Finance Lease	0.48	-
Unsecured		
Deferred Payment Liability - Sales Tax Deferral Loan [#]	0.43	0.55
	<u>317.87</u>	<u>0.55</u>
* Includes:		
i. Loans of a subsidiary company located in South Africa aggregating to ₹316.96 crore. These loans carry interest at JIBAR rate and are secured through guarantees and the cession of trade receivables, cash balances, insurances and the pledge and hypothecation of rights in intellectual property held by subsidiaries. The loans are repayable in full on 31 st March 2017.		
ii. Liabilities held under finance lease arrangements of a subsidiary company located in South Africa amounting to ₹0.48 crore, secured by plant and machinery which are repayable over a period of five years at prime less 0.5%.		
[#] Sales tax deferral loan is interest free and repayable in 3 equal instalments from the 10 th year.		

	₹ in crore	
	2014	2013
5 Deferred Tax Liabilities (Net)		
Tax effect of items constituting Deferred Tax Liabilities		
On differences between book and tax depreciation	409.29	281.15
Others	0.61	0.78
Less: Tax effect of items constituting Deferred Tax Assets		
Expenses allowable on cash basis	5.13	0.36
Carry forward of losses	89.14	-
Others	3.78	-
	<u>311.85</u>	<u>281.57</u>

	₹ in crore	
	2014	2013
6 Other Long Term Liabilities		
Security Deposits	30.00	30.00
Others	2.57	-
	<u>32.57</u>	<u>30.00</u>

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

	₹ in crore	
	2014	2013
7 Long Term Provisions		
Provision for Employee Benefits - Leave Encashment (Note 26)	77.41	50.35
Employee Retirement Benefit Obligations - Gratuity (Note 26)	0.03	-
Others	-	0.02
	<u>77.44</u>	<u>50.37</u>

	₹ in crore	
	2014	2013
8 Short Term Borrowings		
Loans Repayable on demand		
From Banks		
Secured		
Cash Credit from Banks (Secured against receivable and moveable assets including stocks, both present and future)	0.36	9.49
Current maturities of finance lease obligations	4.57	-
Other loans and advances	28.63	-
Unsecured		
Packing Credit from Banks	876.91	955.77
Inter Corporate Borrowings	-	1.12
	<u>910.47</u>	<u>966.38</u>

	₹ in crore	
	2014	2013
9 Trade Payables		
Micro, Small and Medium Enterprises	8.10	42.04
Others	971.43	786.32
	<u>979.53</u>	<u>828.36</u>

The information regarding Micro Enterprises and Small Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

Amounts due as at 31st March 2014 in respect of enterprises covered under the 'Micro, Small and Medium Enterprises Development Act, 2006' (MSMDA) is ₹8.10 crore (Previous year ₹42.04 crore).

The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act is Nil (Previous year Nil).

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

	₹ in crore	
	2014	2013
10 Other Current Liabilities		
Current maturities of Long Term Debt		
Sales Tax Deferral Loan	0.06	0.14
Term Loan from Bank	19.51	-
Interest accrued but not due on Term Loan from Bank	-	0.60
Unclaimed Dividend*	15.87	15.46
Statutory Dues	56.25	31.49
Dues to Employees	96.51	39.89
Creditors for Capital Expenditure	44.56	57.14
Unclaimed Preference Share Capital	0.01	0.01
Security Deposits	2.06	1.59
Book Overdraft	38.95	34.50
Advance from Customers	106.59	69.94
Interest Payable	0.04	0.13
Others	28.26	-
	<u>408.67</u>	<u>250.89</u>
* There are no amounts due and outstanding to be credited to Investor Education & Protection Fund.		

	₹ in crore	
	2014	2013
11 Short Term Provisions		
Provision for Employee Benefits - Leave Encashment (Note 26)	26.63	9.90
Employee Retirement Benefit Obligations - Gratuity (Note 26)	37.38	26.11
Provision for Bonus	12.28	8.12
Proposed Dividend	160.58	160.58
Tax on Proposed Dividend	27.29	27.29
Others	0.75	-
	<u>264.91</u>	<u>232.00</u>

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

₹ in crore

12 Fixed Assets

	GROSS BLOCK				DEPRECIATION/AMORTISATION				NET BLOCK		
	As at 01.04.13	Additions on Acquisition	Deletions/ Adjustments	Foreign currency translation adjustments	As at 31.03.14	As at 01.04.13	Additions on Acquisition	Deletions/ Adjustments	Foreign currency translation adjustments	As at 31.03.14	As at 31.03.13
Tangible Assets											
Freehold Land	34.11	-	-	-	34.11	-	-	-	-	34.11	34.11
Leasehold Land	80.88	1.24	0.31	(0.06)	82.37	11.68	-	1.86	-	68.83	69.20
Leasehold Buildings	-	102.21	8.06	(6.48)	97.36	-	23.60	2.60	(1.61)	72.77	-
Plant and Machinery	3490.93	264.81	274.66	(16.44)	3982.96	1404.05	74.08	300.95	(4.75)	2229.69	2086.88
Office Equipment	74.87	10.93	16.15	(0.72)	100.85	14.24	7.62	5.63	(0.55)	74.09	60.63
Furniture and Fixtures	127.64	22.75	11.70	(1.34)	158.24	48.27	10.61	10.37	(0.64)	91.75	79.37
Buildings and Flats	1499.20	39.25	163.53	(1.95)	1699.99	225.40	9.24	47.70	(0.48)	1418.14	1273.80
Vehicles	9.89	5.69	1.09	(0.32)	15.74	3.91	4.60	1.30	(0.25)	6.56	5.98
Total	5317.52	446.88	475.50	(27.31)	6171.62	1707.55	129.75	370.41	(8.28)	2175.68	3609.97
Previous year	4626.35	-	746.26	55.09	5317.52	1410.86	-	330.47	33.78	1707.55	-
Intangible Assets											
Software	-	5.46	6.45	(0.35)	11.56	-	2.35	2.13	(0.23)	4.12	-
Total	-	5.46	6.45	(0.35)	11.56	-	2.35	2.13	(0.23)	4.12	-
Previous year	-	-	-	-	-	-	-	-	-	-	-

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 Nil (Previous year ₹0.30 crore).

iii. The above additions to tangible assets during the year includes ₹5.58 crore (Previous year ₹61.32 crore) used for Research and Development.

iv. Freehold Land at Mumbai Central and Vikhroli, were revalued on 16th March 1985 and were again revalued on 21st March 1990 along with Freehold Land at Bengaluru which stood at ₹9.07 crore 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	
	2014	2013
13 Non-Current Investments		
Trade Investments		
Investments in Equity Instruments (Unquoted)		
Investment in Wholly Owned Subsidiaries		
3,000 (Previous year 1,000) Shares of Cipla USA Inc. of USD 0.01 par value each	0.00*	0.54
100 (Previous year 100) Ordinary Shares of Cipla Kenya Ltd. of KES 1,000 each	0.00*	0.01
5,78,500 (Previous year 2) Ordinary Shares of Cipla Malaysia Sdn. Bhd. of MYR 1 each (Previous year ₹71.84)	0.00*	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 (Previous year ₹54.31 crore)]	110.39	116.88
7,310 (Previous year 7,310) Equity Shares of Quality Chemical Industries Ltd. of UGX 5000 each, fully paid	-	23.48
48.22% (Previous year 48.22%) Equity Interest in Jianguo Cdyman Pharmaceuticals Co. Ltd. [Net of Capital Reserve of ₹5.17 crore (Previous year ₹5.17 crore)]	106.72	110.83
1,58,44,233 (Previous year 1,44,25,813) Equity Shares of Stempeutics Research Pvt. Ltd. of ₹10 each, fully paid [including Goodwill of ₹8.52 crore (Previous year ₹2.43 crore)]	13.14	6.75
1,70,48,597 (Previous year 1,70,48,597) Equity Shares of Mabpharm Pvt. Ltd. of ₹10 each, fully paid [including Goodwill of ₹26.07 crore (Previous year ₹26.07 crore)]	50.82	51.74
Other Investments		
Investments in Equity Instruments (Unquoted)		
16.50% (Previous year 16.50%) Equity Interest in Shanghai Desano Pharmaceuticals Co. Ltd.	113.84	103.14
1,000 (Previous year 1,000) Equity Shares of The Saraswat Co-operative Bank Ltd. ₹10 each fully paid ₹10000 (Previous year ₹10000)	0.00	0.00
500 (Previous year Nil) shares of Old Mutual Plc ZAR 12245	0.01	-
Investments in Government and Trust securities		
National Savings Certificates - ₹41000 (Previous year ₹41000)	0.00	0.00

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

	₹ in crore	
	2014	2013
13 Non-Current Investments - <i>contd.</i>		
Investment property (at cost less accumulated depreciation)		
Cost of Building given on Operating Lease	2.67	2.75
Less : Accumulated Depreciation	0.45	0.43
Net Block	2.22	2.32
	397.14	415.69
Aggregate amount of unquoted investments - ₹394.92 crore (Previous year ₹413.37 crore)		
* Nil on Consolidation		

	₹ in crore	
	2014	2013
14 Deferred Tax Assets (Net)		
Tax effect of items constituting Deferred Tax Assets		
Expenses allowable on cash basis	1.70	1.15
Carry forward of losses	1.81	-
Less: Tax effect of items constituting Deferred Tax Liabilities		
On differences between book and tax depreciation	0.51	0.12
Others	0.12	-
	2.88	1.03

	₹ in crore	
	2014	2013
15 Long Term Loans and Advances		
Secured, Considered Good		
Capital Advances [#]	2.20	7.03
Unsecured Considered Good		
Capital Advances	61.57	19.37
Security Deposits	36.99	30.77
Advance Taxes and TDS (Net of Provision for Tax ₹1291.20 crore; Previous year ₹663.50 crore)	153.29	245.01
Balances with Statutory/Revenue Authorities	-	6.07
VAT Receivable	40.29	42.34
Other Loans and Advances	7.15	7.21
	301.49	357.80
[#] Secured against Bank Guarantees		

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

	₹ in crore	
	2014	2013
16 Other Non-Current Assets		
Fixed Deposits as Margin Money (with maturity more than 12 months)	4.30	4.86
Interest Accrued on deposits but not due	0.34	0.25
Capital Subsidy Receivable	107.41	107.43
	112.05	112.54

	₹ in crore			
	No. of units	2014	No. of units	2013
17 Current Investments				
Investments in Mutual Funds (Unquoted)				
Axis Mutual Fund "Axis Liquid Fund" - Direct Plan - Growth	-	-	1,54,071	20.00
Baroda Pioneer Mutual Fund "Baroda Pioneer Liquid Fund" - Plan B - Growth	1,46,096	21.45	12,00,494	161.17
Birla Sun Life Mutual Fund "Birla Sun Life Cash Plus" - Growth - Direct Plan	19,63,835	40.33	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
Deutsche Asset Management "DWS Insta Cash Plus Fund" - Direct Plan - Growth	-	-	7,26,876	141.11
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
Franklin Templeton Mutual Fund "Templeton India Treasury Management Account" - Super Institutional Plan - Direct - Growth	81,114	15.50	-	-
ICICI Prudential Mutual Fund "ICICI Prudential Money Market Fund" - Direct Plan - Growth	5,64,290	10.00	-	-
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	1,71,883	21.41	3,54,872	40.43
JM Financial Mutual Fund "JM High Liquidity Fund" (Direct) - Growth Option (452)	-	-	2,15,84,260	68.97

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

	₹ in crore			
	No. of units	2014	No. of units	2013
17 Current Investments - contd.				
JP Morgan Mutual Fund "JP Morgan India Liquid Fund" - Direct Plan - Growth	1,20,64,636	20.05	8,24,75,345	125.26
Kotak Mahindra Mutual Fund "Kotak Liquid Scheme" Plan A - Direct Plan - Growth	-	-	5,23,470	124.45
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	2,13,97,244	30.05	11,48,39,618	147.18
Pramerica Mutual Fund "Pramerica Liquid Fund" - Direct Plan - Growth Option	-	-	6,01,771	75.28
Principal Mutual Fund "Principal Cash Management Fund" - Direct Plan - Growth Option	-	-	11,27,268	128.45
Reliance Mutual Fund "Reliance Liquidity Fund" - Direct Growth Plan	1,03,852	20.04	7,55,484	133.29
Religare Invesco Mutual Fund "Religare Invesco Liquid Fund" - Direct Plan Growth	1,13,465	20.00	10,48,687	168.88
SBI Mutual Fund "SBI Magnum Insta Cash Fund" - Direct Plan - Growth	1,41,139	40.02	74,749	15.04
Sundaram BNP Paribas Mutual Fund "Sundaram Money Fund" - Direct Plan - Growth	-	-	3,66,72,109	90.60
Taurus Mutual Fund "Taurus Liquid Fund" - Direct Plan - Super Institutional Growth	1,44,481	20.00	11,58,404	146.43
Union KBC Mutual Fund "UKBC Liquid Fund" - Growth - Direct Plan	-	-	85,183	10.00
UTI Mutual Fund "UTI Liquid Cash Plan" - Institutional - Direct Plan - Growth	-	-	1,56,352	30.04
ICICI Prudential Liquid - Direct Plan - Daily Dividend	-	-	26,93,617	26.94
Birla Sunlife Cash Plus Daily Dividend Direct Reinvestment	-	-	2,33,589	2.35
Birla Sun Life Mutual Fund Cash Plus - Growth - Direct Plan	23,863	0.49	-	-
Frankin Templeton - Treasury Management Account Super Institutional Plan - Direct - Growth	1,50,742	28.79	-	-
ICICI Prudential Liquid - Direct Plan - Growth	23,29,221	23.30	-	-
		311.43		2116.75
Aggregate amount of unquoted investments - ₹311.43 crore (Previous year ₹2116.75 crore)				

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

	₹ in crore	
	2014	2013
18 Inventories		
Raw Materials and Packing Materials (including Stock-in-Transit of ₹153.25 crore; Previous year ₹120.23 crore)	1138.92	1096.03
Work-in-Process (including Stock-in-Transit of ₹12.00 crore; Previous year ₹8.39 crore)	653.63	569.56
Finished Goods (including Stock-in-Transit of ₹162.01 crore; Previous year ₹116.55 crore)	579.10	514.31
Stock-in-Trade (including Stock-in-Transit of ₹20.33 crore; Previous year ₹19.93 crore)	523.61	207.17
	2895.26	2387.07

	₹ in crore	
	2014	2013
19 Trade Receivables		
Unsecured, Considered Good		
Outstanding over Six Months	70.31	16.00
Others	1568.58	1652.84
Unsecured, Considered Doubtful		
Outstanding over Six Months	59.17	75.44
Less: Allowance for Doubtful Debts	59.17	75.44
	-	-
	1638.89	1668.84

	₹ in crore	
	2014	2013
20 Cash and Bank Balances		
Cash and Cash Equivalents		
Balances with Banks	140.81	75.95
Cash on Hand	1.79	1.36
Other Bank Balances		
Balance earmarked For Unclaimed Dividend	15.87	15.46
Fixed Deposits as Margin Money (maturity less than 12 months)	16.69	0.24
Fixed Deposits (maturity less than 12 months)	-	50.00
	175.16	143.01

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

	₹ in crore	
	2014	2013
21 Short Term Loans and Advances		
Unsecured (Considered good, unless otherwise stated)		
Inter Corporate Loans		
Considered Good	15.87	0.80
Considered Doubtful	2.25	2.25
	18.12	3.05
<i>Less: Allowance for Doubtful Loans</i>	2.25	2.25
	15.87	0.80
Interest Accrued on Inter Corporate Loans		
Considered Good	0.36	2.82
Considered Doubtful	0.46	0.46
	0.82	3.28
<i>Less: Allowance for Doubtful Interest</i>	0.46	0.46
	0.36	2.82
Share Application Money - Pending Allotment	3.53	4.41
Balances with Statutory/Revenue Authorities	369.10	325.46
Others*		
Considered Good	206.63	132.54
Considered Doubtful	6.37	4.59
	213.00	137.13
<i>Less: Allowance for Doubtful Advances</i>	6.37	4.59
	206.63	132.54
	595.49	466.03
*Includes advances to sundry creditors, employee loans and prepaid expenses		

	₹ in crore	
	2014	2013
22 Other Current Assets		
Export Incentives Receivable	35.14	2.28
	35.14	2.28

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

	₹ in crore	
	2014	2013
23 Revenue from Operations		
Sale of Products	9869.94	8195.51
Rendering of Services	46.62	31.44
Other Operating Revenue		
Export Incentives	48.14	63.55
Technical Know-how and Licensing Fees	202.52	65.93
Scrap Sales	40.01	31.59
Others	10.30	-
	10217.53	8388.02

	₹ in crore	
	2014	2013
24 Other Income		
Interest	17.11	4.41
Dividend on Current Investment	73.89	91.64
Net Gain on Sale of Current Investment	7.86	3.21
Insurance Claims	2.64	2.59
Rent	2.75	2.83
Sundry Balances Written Back	24.42	1.69
Miscellaneous Receipts	21.28	25.94
Net Gain on Foreign Currency Transaction and Translation	115.42	89.83
	265.37	222.14

	₹ in crore	
	2014	2013
25a Cost of Materials Consumed		
Consumption of Raw Material and Packing material		
Opening Stock	1096.03	849.64
<i>Add:</i> Opening Stock of Subsidiaries acquired during the year	50.69	-
<i>Add:</i> Purchases	3368.42	2972.28
	4515.14	3821.92
<i>Less:</i> Closing Stock	1138.92	1096.03
	3376.22	2725.89
	3376.22	2725.89

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

		₹ in crore	
		2014	2013
25b	Changes in Inventories of Finished Goods, Work-in-Process and Stock-in-Trade		
	Opening Stock		
	Work-in-Process	569.56	416.77
	Finished Goods	514.31	447.83
	Stock-in-Trade	207.17	135.84
	<i>Add: Opening Stock of Subsidiaries acquired during the year</i>		
	Work-in-Process	16.82	-
	Finished Goods	11.76	-
	Stock-in-Trade	372.46	-
		1692.08	1000.44
	<i>Less: Closing Stock</i>		
	Work-in-Process	653.63	569.56
	Finished goods	579.10	514.31
	Stock-in-Trade	523.60	207.17
		1756.33	1291.04
		(64.25)	(290.60)

		₹ in crore	
		2014	2013
26	Employee Benefits Expense		
	Salaries and Wages	1298.90	910.18
	Contribution to Provident and Other Funds	71.27	51.12
	Staff Gratuity	21.64	12.66
	Staff Welfare Expenses	128.79	62.06
	Expense on Employee Stock Option Scheme (Note 40)	22.36	-
		1542.96	1036.02

- **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 terms compensated absences, etc., and the expected cost of bonus, ex-gratia are recognised in the period in which the employee renders the related service.

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

26 Employee Benefits Expense - *contd.*

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.

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 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	
	2014	2013
Employees' Pension Scheme	13.87	13.25
Provident Fund	42.03	31.96
	55.90	45.21

- ii. Charge towards leave encashment to the Statement of Profit and Loss amounts to ₹52.29 crore (Previous year ₹20.27 crore).

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

26 Employee Benefits Expense - *contd.*

c. Disclosures for defined benefit plans based on actuarial reports as on 31st March 2014

	₹ in crore	
	2014 Gratuity (Funded Plan)	2013 Gratuity (Funded Plan)
i. Change in defined benefit obligation		
Opening defined benefit obligation	62.94	49.27
Interest cost	5.18	4.19
Current service cost	10.69	7.18
Actuarial (gain)/loss on obligations	3.20	5.45
Benefits paid	(3.57)	(3.15)
Liability at the end of the year	78.44	62.94
ii. Change in fair value of assets		
Opening fair value of plan assets	36.82	31.88
Expected return on plan assets	3.03	2.71
Actuarial gain/(loss)	(1.84)	1.18
Contributions by employer	10.08	4.20
Transfer of plan assets	-	-
Benefits paid	(3.57)	(3.15)
Closing fair value of plan assets	44.52	36.82
iii. Amount recognised in Balance Sheet		
Present value of obligations as at year end	(78.45)	(62.95)
Direct obligations	(3.48)	-
Fair value of plan assets as at year end	44.52	36.82
Net asset/(liability) recognised	(37.41)	(26.13)
iv. Expenses recognised in Statement of Profit and Loss		
Current service cost	10.69	7.18
Interest on defined benefit obligation	5.18	4.19
Expected return on plan assets	(3.03)	(2.71)
Net actuarial (gain)/loss recognised in the current year	5.03	4.28
Direct payments	0.35	-
Direct obligations	3.48	-
Transfer of plan assets	-	-
Total expense recognised in Statement of Profit and Loss	21.70	12.94

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

26 Employee Benefits Expense - *contd.*

	₹ in crore	
	2014 Gratuity (Funded Plan)	2013 Gratuity (Funded Plan)
v. Actual return on plan assets		
Expected return on plan assets	3.03	2.71
Actuarial gain/(loss) on plan assets	(1.83)	1.18
Actual return on plan assets	<u>1.20</u>	<u>3.89</u>
vi. Asset information		
Insurer managed funds	100%	100%
vii. Experience adjustments		
Defined benefit obligation	78.45	62.95
Plan assets	(44.52)	(36.82)
Deficit/(Surplus)	<u>33.93</u>	<u>26.13</u>
Experience adjustment on Plan liabilities - (gain)/loss	4.02	0.19
Experience adjustment on Plan assets - gain/(loss)	1.83	1.26
viii. Expected employer's contribution for the next year	40.82	34.15

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	2014	2013
Discounted rate (per annum)	9.30%	8.25%
Expected rate of return on plan assets (per annum)	9.30%	8.25%
Expected rate of future salary increase	5.00%	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 current and previous four periods are as follows:

	₹ in crore				
	2014	2013	2012	2011	2010
Gratuity					
Defined benefit obligation	78.45	62.95	49.27	35.16	26.60
Plan assets	(44.52)	(36.82)	(31.88)	(29.01)	(22.72)
(Surplus)/Deficit	<u>33.93</u>	26.13	17.39	6.15	3.88
Experience adjustment on Plan Liabilities - (gain)/loss	4.02	0.19	11.40	10.19	2.61
Experience adjustment on plan assets - (gain)/loss	1.83	1.26	0.19	(0.43)	0.57

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

26 Employee Benefits Expense - *contd.*

d. The following table sets out the status of the provident fund plan and the amounts recognised in the group's financial statements as on 31st March 2014

	₹ in crore	
	2014 Provident Fund (Funded Plan)	2013 Provident Fund (Funded Plan)
i. Change in defined benefit obligation		
Opening defined benefit obligation	283.12	203.10
Interest cost	26.71	18.52
Current service cost	40.48	29.97
Past service cost	-	-
Employee contribution	60.03	47.27
Liability transferred in	7.50	6.19
Actuarial (gain)/loss on obligations	-	-
Benefits paid	(25.72)	(21.92)
Liability at the end of the year	<u>392.12</u>	<u>283.13</u>
ii. Change in fair value of assets		
Opening fair value of plan assets	287.57	205.92
Expected return on plan assets	26.71	18.52
Actuarial gain/(loss)	1.26	1.63
Contributions by employer	100.52	77.24
Transfer of plan assets	7.50	6.18
Benefits paid	(25.72)	(21.92)
Closing fair value of plan assets	<u>397.84</u>	<u>287.57</u>
iii. Amount recognised in Balance Sheet		
Present value of obligations as at year end	(392.12)	(283.13)
Direct obligations	-	-
Fair value of plan assets as at year end	397.84	287.57
Funded status	(5.72)	(4.44)
Unrecognised actuarial gain/(loss)	-	-
Net asset/(liability) recognised	<u>-</u>	<u>-</u>
iv. Expenses recognised in Statement of Profit and Loss		
Current service cost	40.48	29.97
Past service cost	-	-
Interest cost	26.71	18.52
Interest on defined benefit obligation	-	-
Expected return on plan assets	(26.71)	(18.52)
Net actuarial (gain)/loss recognised in the current year	-	-

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

26 Employee Benefits Expense - *contd.*

	₹ in crore	
	2014 Provident Fund (Funded Plan)	2013 Provident Fund (Funded Plan)
Direct Payments	-	-
Direct Obligations	-	-
Transfer of plan assets	-	-
Total expense recognised in Statement of Profit and Loss	40.48	29.97
v. Actual return on plan assets		
Expected return on plan assets	26.71	18.52
Actuarial gain/(loss) on plan assets	(1.26)	(1.63)
Actual return on plan assets	25.45	16.89
vi. Asset information		
Investment in PSU bonds	188.90	138.70
Investment in Government Securities	157.55	105.94
Bank Special deposit	15.58	15.58
Investment in other securities	24.23	17.74
Private Sector Bonds	11.08	9.11
Equity/Insurer Managed Funds/Mutual Funds	0.50	0.50
Total Assets at the end of the year	397.84	287.57
vii. Principal Actuarial assumptions used		
Discounted rate (per annum)	9.30%	8.25%
Expected rate of return on plan assets (per annum)	8.75%	8.50%
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.	5.00%	4.00%
viii. Experience adjustments		
Defined benefit obligation	392.12	283.13
Plan assets	(397.84)	(287.57)
Deficit/(Surplus)	(5.72)	(4.44)
Experience adjustment on Plan Liabilities - (gain)/loss	-	-
Experience adjustment on Plan assets - gain/(loss)	1.26	1.63

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

	₹ in crore	
	2014	2013
27 Finance Costs		
Interest Paid	55.71	27.57
Other Borrowing Costs	15.38	-
Applicable Loss on Foreign Currency Transaction and Translation	74.65	6.34
	<u>145.74</u>	<u>33.91</u>

	₹ in crore	
	2014	2013
28 Depreciation and Amortisation Expense		
Depreciation on Tangible Assets	370.51	330.48
Amortisation of Intangible Assets	2.13	-
	<u>372.64</u>	<u>330.48</u>

	₹ in crore	
	2014	2013
29 Other Expenses		
Manufacturing Expenses	247.54	222.06
Stores and Spares	91.49	91.15
Power and Fuel	218.63	233.12
Repairs and Maintenance		
Machinery	63.47	77.06
Buildings	35.78	34.21
Travelling Expenses	275.38	207.24
Sales Promotion Expenses	258.71	177.77
Commission on Sales	239.51	211.79
Rates and Taxes	40.19	26.06
Freight and Forwarding	110.96	76.66
Rent	70.64	35.61
Insurance	23.68	13.61
Remuneration to Auditors		
Audit Fees	3.24	0.83
Tax Audit Fees	0.07	0.07
Certification Fees	0.03	0.17
Professional Fees	198.09	186.24
Telephone, Postage and Telegram	24.77	26.88

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

	₹ in crore	
	2014	2013
Directors Sitting Fees	0.13	0.10
Contractual Services	100.30	73.89
Donation	10.30	0.62
Bad debts, provision for doubtful debts and advances (Net)	23.19	56.53
Loss on sale/discard of fixed assets (Net)	13.89	16.59
Research - Clinical Trials, Samples and Grants	105.84	43.21
Miscellaneous Expenses	393.72	281.37
	2549.55	2092.85

	₹ in crore	
	2014	2013
30 Net Difference in foreign exchange credited to the Statement of Profit and Loss	40.77	83.49
	40.77	83.49

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	
	2014	2013
Minimum lease payments:		
Not later than 1 year	15.72	1.28
Later than 1 year but not later than 5 years	45.55	0.43
Later than 5 years	20.01	-
	81.28	1.71

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

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

	₹ in crore	
	2014	2013
Minimum lease payments:		
Not later than one year	4.80	-
Later than 1 year but not later than 5 years	0.48	-
Later than 5 years	-	-
Total minimum lease payments	<u>5.28</u>	<u>-</u>
Interest		
Not later than 1 year	(0.21)	-
Later than 1 year but not later than 5 years	(0.02)	-
Later than 5 years	-	-
Present Value	<u>5.05</u>	<u>-</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 Statement of Profit and Loss under 'Rent' in Note 24.

	₹ in crore	
	2014	2013
32 Contingent Liabilities and Commitments (to the extent not provided for)		
Contingent Liabilities		
Claims against the Company not acknowledged as debt	4.82	6.51
Guarantees (refer Note)	156.09	2754.37
Letters of Credit	9.32	11.59
Refund of Technical Know-how and Licensing Fees on account of non-compliance of certain obligations as per respective agreements	2.95	2.54
Income Tax	102.01	193.49
Excise Duty/Service Tax	82.00	29.92
Sales Tax	5.46	3.99
	<u>362.65</u>	<u>3002.41</u>
Commitments		
Estimated amount of contracts unexecuted on Capital Account	203.25	174.16
Other Commitments	754.16	904.07
	<u>957.41</u>	<u>1078.23</u>
<i>Note: Guarantees disclosed under Contingent Liabilities during previous year includes counter indemnity/guarantees furnished by the Company in an aggregate amount of ZAR 4520 million (approximately ₹2667 crore) in relation to acquisition of Cipla Medpro South Africa (Pty) Ltd.</i>		
	<u>1320.06</u>	<u>4080.64</u>

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

- 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 Drugs (Prices Control) Order, 1995. 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 February 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 received by the Company up to date aggregating to ₹1768.51 crore.
- 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 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 2014.

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

36 Related Party Disclosures

- i. The related parties where control exists or where significant influence exists and with whom transaction have taken place:
 - a. Associates:
 - 1. Quality Chemical Industries Ltd. (from 01/10/2010 upto 19/11/2013)
 - 2. Stempeutics Research Pvt. Ltd.
 - 3. Mabpharm Pvt. Ltd.
 - b. Joint Venture:
 - 1. Aspen-Cipla Australia Pty Ltd.
 - c. Key Management Personnel:
 - 1. Mr. M.K. Hamied – Executive Vice-Chairman
 - 2. Mr. S. Radhakrishnan – Whole-time Director
 - 3. Mr. Subhanu Saxena - Managing Director and Global Chief Executive Officer
 - d. Relatives of Key Management Personnel:
 - 1. Dr. Y.K. Hamied
 - 2. Mr. Kamil Hamied
 - 3. 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 Cancer and AIDS Foundation
 - 4. Hamied Foundation (earlier known as Dr. K. A. Hamied Foundation)
 - 5. Cipla Foundation
-

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

36 Related Party Disclosures - *contd.*

ii. Transactions during the year with related parties:

Particulars	₹ in crore							
	Associates/ Joint Venture		Key Management Personnel including transactions with relatives of Key Management Personnel		Entities over which Key Management Personnel exercise significant influence		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Investment in Equity	9.90	66.93	-	-	-	-	9.90	66.93
Loan given	2.94	-	-	-	-	-	2.94	-
Remuneration	-	-	36.40	29.60	-	-	36.40	29.60
Purchase of Goods	-	-	-	-	66.52	81.85	66.52	81.85
Processing charges paid	-	-	-	-	23.67	24.38	23.67	24.38
Research Grants paid	-	1.41	-	-	-	-	-	1.41
Sale of Goods	-	65.03	-	-	30.32	24.62	30.32	89.65
Sale of Fixed Assets	-	0.64	-	-	1.17	0.04	1.17	0.68
Purchase of Fixed Assets	-	-	-	-	0.04	-	0.04	-
Processing charges received	-	-	-	-	0.80	1.68	0.80	1.68
Service charges received	1.64	1.12	-	-	-	0.55	1.64	1.67
Service charges paid	0.00 ¹	-	-	-	1.82	-	1.82	-
Testing and Analysis charges received	0.00 ¹	-	-	-	0.34	-	0.34	-
Donations given	-	-	-	-	9.59	0.36	9.59	0.36
Rent paid	-	-	-	-	0.40	0.28	0.40	0.28
Rent received	2.95	1.47	0.00 ²	0.00 ²	-	0.00 ³	2.95	1.47
Reimbursement of operating/other expenses	-	-	-	-	0.49	1.15	0.49	1.15
Reimbursement received of operating/other expenses	0.04	-	-	-	0.03	0.07	0.07	0.07
Balances at end of the year								
Outstanding Payables	0.02	0.02	-	-	20.28	15.23	20.30	15.25
Outstanding Receivables	9.18	4.86	-	-	12.74	25.76	21.92	30.62

¹25000

²20040

³36000

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

36 Related Party Disclosures - *contd.*

Disclosures in respect of related party transactions during the year:

	₹ in crore	
	2014	2013
A. Investment in Equity		
Mabpharm Pvt. Ltd.	-	51.74
Stempeutics Research Pvt. Ltd.	9.90¹	15.19 ¹
	9.90	66.93
B. Loan Given		
Stempeutics Research Pvt. Ltd.	2.94	-
	2.94	-
C. Remuneration		
Dr. Y.K. Hamied ⁸	2.30	13.55
Mr. M.K. Hamied	6.88	5.44
Mr. S.Radhakrishnan	3.67	4.18
Mr. Kamil Hamied	0.96	1.50
Mrs. Samina Vaziralli	0.90	0.69
Mr. Subhanu Saxena	21.69	4.24
	36.40	29.60
D. Purchase of Goods		
Okasa Pharma Pvt. Ltd.	44.38	47.12
Okasa Pvt. Ltd.	22.14	34.73
	66.52	81.85
E. Processing charges paid		
Okasa Pharma Pvt. Ltd.	8.91	9.01
Okasa Pvt. Ltd.	14.76	15.37
	23.67	24.38
F. Research Grants paid		
Stempeutics Research Pvt. Ltd.	-	1.41
	-	1.41
G. Sale of Goods		
Quality Chemical Industries Ltd.	-	65.03
Okasa Pharma Pvt. Ltd.	27.79	18.09
Okasa Pvt. Ltd.	2.53	6.53
	30.32	89.65
H. Sale of Fixed Assets		
Mabpharm Pvt. Ltd.	-	0.64
Okasa Pharma Pvt. Ltd.	1.00	0.04
Okasa Pvt. Ltd.	0.17	-
	1.17	0.68
I. Purchase of Fixed Assets		
Okasa Pharma Pvt. Ltd.	0.04	-
	0.04	-

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

36 Related Party Disclosures - *contd.*

	2014	₹ in crore 2013
J. Processing Charges Received		
Okasa Pharma Pvt. Ltd.	0.48	0.26
Okasa Pvt. Ltd.	0.32	1.42
	0.80	1.68
K. Service Charges Received		
Mabpharm Pvt. Ltd.	1.64	1.12
Okasa Pharma Pvt. Ltd.	-	0.37
Okasa Pvt. Ltd.	-	0.18
	1.64	1.67
L. Service Charges Paid		
Mabpharm Pvt. Ltd.	0.00 ²	-
Hamied Foundation	1.82	-
	1.82	-
M. Testing and Analysis Charges Received		
Mabpharm Pvt. Ltd.	0.00 ³	-
Okasa Pharma Pvt. Ltd.	0.16	-
Okasa Pvt. Ltd.	0.18	-
	0.34	-
N. Donations Given		
Cipla Cancer and AIDS Foundation	2.32	-
Cipla Foundation	7.27	0.36
	9.59	0.36
O. Rent Paid		
Okasa Pvt. Ltd.	0.40	0.28
	0.40	0.28
P. Rent Received		
Dr. Y.K. Hamied ⁸	0.00 ⁴	0.00 ⁴
Mabpharm Pvt. Ltd.	2.95	1.47
Okasa Pvt. Ltd.	-	0.00 ⁵
	2.95	1.47
Q. Reimbursement of operating/other expenses		
Okasa Pharma Pvt. Ltd.	0.37	1.01
Okasa Pvt. Ltd.	0.12	0.14
	0.49	1.15

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

36 Related Party Disclosures - *contd.*

	₹ in crore	
	2014	2013
R. Reimbursement received of operating/other expenses		
Okasa Pharma Pvt. Ltd.	0.03	0.07
Okasa Pvt. Ltd.	-	0.00 ⁶
Mabpharm Pvt. Ltd.	0.04	-
	<u>0.07</u>	<u>0.07</u>
S. Outstanding Payables		
Stempeutics Research Pvt. Ltd.	0.02	0.02
Okasa Pharma Pvt. Ltd.	20.24	9.78
Okasa Pvt. Ltd.	0.04	5.45
	<u>20.30</u>	<u>15.25</u>
T. Outstanding Receivables		
Cipla USA Inc.	-	0.02
Cipla Kenya Ltd.	-	0.01
Cipla Malaysia Sdn. Bhd.	-	0.00 ⁷
Quality Chemical Industries Ltd.	-	3.39
Mabpharm Pvt. Ltd.	9.18	4.86
Okasa Pharma Pvt. Ltd.	0.10	6.76
Okasa Pvt. Ltd.	12.64	15.58
	<u>21.92</u>	<u>30.62</u>

¹includes share application money of ₹3.53 crore (Previous year ₹4.41 crore)

²25000.00

³17977.00

⁴20040.00

⁵36000.00

⁶8000.00

⁷37456.65

⁸Non-Executive Chairman effective 1st April 2013

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

37 Foreign Exchange Derivatives and Exposures outstanding at the year end

				₹ in crore	
Nature of Instrument	Currency	Cross Currency	2014	2013	
Forward contracts – Sold	USD	INR	1261.14	1152.42	
Forward contracts – Bought	USD	INR	826.83	955.77	
Unhedged foreign exchange exposures					
Receivables			327.92	410.19	
Payables			457.91	401.07	

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

38 Segment Information

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

											₹ in crore	
	India		U.S.A.		South Africa		Rest of the World		Total			
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013		
Segment Revenue	4147.40	3619.44	861.38	1197.27	1402.09	656.44	3591.07	2711.04	10001.94	8184.19		
Carrying Amount of Segment Assets	8145.67	6810.18	233.88	117.33	804.16	426.49	203.40	1065.47	9387.11	8419.47		
Carrying Amount of Other Unallocated Assets	-	-	-	-	-	-	-	-	77.28	81.84		
Capital Expenditure	475.61	752.68	-	-	271.66	-	118.99	0.31	866.25	752.99		

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

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

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

	2014	2013
Profit for the Year-Before Exceptional item (₹ in crore)	1388.41	1505.08
Basic Weighted Average No. of Shares Outstanding	80,29,21,357	80,29,21,357
Basic Earnings per share - Before Exceptional item	₹17.29	₹18.75
Diluted Weighted Average No. of Shares Outstanding	80,40,79,550	80,29,21,357
Diluted Earnings per share - Before Exceptional item	₹17.27	₹18.75
Profit for the Year - After Exceptional item (₹ in crore)	1388.41	1544.85
Basic Weighted Average No. of Shares Outstanding	80,29,21,357	80,29,21,357
Basic Earnings per share - After Exceptional item	₹17.29	₹19.24
ESOS outstanding	11,58,193	-
Diluted Weighted Average No. of Shares Outstanding	80,40,79,550	80,29,21,357
Diluted Earnings per share - After Exceptional item	₹17.27	₹19.24
Face value per share	₹2.00	₹2.00

40 Employees stock option schemes

The Company has implemented "ESOS 2013", "ESOS 2013 - A" and "ESOS 2013 - B" as approved by the shareholders on 8th April 2013, 22nd August 2013 and 22nd August 2013 respectively. Details of the Options granted during the year under the Scheme(s) are as given below:

Scheme Details	Grant date	No. of Options granted	Exercise Price (₹) per option	Vesting period	Exercise Period
ESOS 2013	09-Apr-13	10,00,000	197.50	5 years	5 years from Vesting date
ESOS 2013 - A	31-Oct-13	11,07,511	2.00	1 to 2 years	5 years from Vesting date
ESOS 2013 - A	31-Dec-13	3,10,114	2.00	1 to 2 years	5 years from Vesting date
ESOS 2013 - A	12-Feb-14	85,194	2.00	2 years	5 years from Vesting date
ESOS 2013 - B	16-Sep-13	5,22,194	220.78	5 years	5 years from Vesting date

The options are granted at an exercise price, which is in accordance with the relevant SEBI guidelines in force, at the time of such grants. Each option entitles the holder to exercise the right to apply for and seek allotment of one equity share of ₹2 each.

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

40 Employees stock option schemes - *contd.*

Stock Option activity under the Scheme(s) for the year ended 31st March 2014 is set out below:

ESOS 2013

Particulars	No. of options	Weighted Average Exercise Price (₹) per option	Range of Exercise Price (₹) per option	Weighted Average remaining Contractual life (years)
Outstanding at the beginning of the year				
Granted during the year	10,00,000	197.50	197.50	-
Forfeited/Cancelled during the year	-	-	-	-
Exercised during the year	-	-	-	-
Outstanding at the end of the year	10,00,000	197.50	197.50	7.23
Exercisable at the end of the year	-	-	-	-

ESOS 2013 - A

Particulars	No. of options	Weighted Average Exercise Price (₹) per option	Range of Exercise Price (₹) per option	Weighted Average remaining Contractual life (years)
Outstanding at the beginning of the year				
Granted during the year	15,02,819	2.00	2.00	-
Forfeited/Cancelled during the year	31,022	-	-	-
Exercised during the year	-	-	-	-
Outstanding at the end of the year	14,71,797	2.00	2.00	6.36
Exercisable at the end of the year	-	-	-	-

ESOS 2013 - B

Particulars	No. of options	Weighted Average Exercise Price (₹) per option	Range of Exercise Price (₹) per option	Weighted Average remaining Contractual life (years)
Outstanding at the beginning of the year				
Granted during the year	5,22,194	220.78	220.78	-
Forfeited/Cancelled during the year	-	-	-	-
Exercised during the year	-	-	-	-
Outstanding at the end of the year	5,22,194	220.78	220.78	7.67
Exercisable at the end of the year	-	-	-	-

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

40 Employees stock option schemes - *contd.*

The black scholes valuation model has been used for computing weighted average fair value considering the following inputs:

Particulars	ESOS 2013	ESOS 2013 - A	ESOS 2013 - B
Expected Dividend yield	0.51%	0.48%	0.45%
Expected volatility	31.24%	25.38%	29.96%
Risk-free interest rate	7.86%	8.62%	8.76%
Weighted average share price (₹)	395.00	415.02	441.55
Exercise price (₹)	197.50	2.00	220.78
Expected life of options granted in years	5.70	4.33	5.70
Weighted average fair value of Options (₹)	261.92	405.08	299.49

The stock-based compensation cost calculated as per the intrinsic value method for the period 1st April 2013 to 31st March 2014 is ₹21.65 crore (Standalone ₹18.40 crore) . If the stock-based compensation cost was calculated as per the fair value method prescribed by SEBI, the total cost to be recognised in the financial statements for the period 1st April 2013 to 31st March 2014 would be ₹24.44 crore (Standalone ₹21.26 crore). The effect of adopting the fair value method on the net income and earnings per share is presented below:

Particulars	₹ in crore	
	2014	2013
Profit after tax as reported	1388.41	-
Add: ESOS cost using intrinsic value method	21.65	-
Less: ESOS cost using fair value method	24.44	-
Adjusted profit after tax	1385.61	-
Earnings per share		
Basic		
As reported	₹17.29	-
Adjusted	₹17.26	-
Diluted		
As reported	₹17.27	-
Adjusted	₹17.23	-

NOTES TO THE CONSOLIDATED ACCOUNTS *contd.*

41 Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.

As per our report of even date			
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	S. Radhakrishnan <i>Whole-time Director</i>	Subhanu Saxena <i>Managing Director and Global Chief Executive Officer</i>
V. Mohan <i>Partner</i> Membership No. 17748	R. Rangarajan <i>Partner</i> Membership No. 41883	Ashok Sinha V.C. Kotwal Pankaj Patel M.R. Raghavan <i>Directors</i>	Rajesh Garg <i>Executive Director and Global Chief Financial Officer</i>
			Mital Sanghvi <i>Company Secretary</i> Mumbai, 29 th May 2014
Mumbai, 29 th May 2014			

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 st March 2014		2014	2013
		₹ in crore	
A	Cash Flow from Operating Activities		
	Net profit before tax	1880.05	2095.38
	Adjustments for:		
	Depreciation and amortisation expense	372.64	330.48
	Finance costs	145.74	33.91
	Unrealised foreign exchange gains (Net)	(20.19)	(11.52)
	Unrealised foreign exchange gain on translation (Net)	(20.99)	-
	Expense on Employee Stock Option Scheme	22.36	-
	Bad debts and provision for doubtful debts and advances (Net)	23.19	56.53
	Interest income	(17.11)	(4.41)
	Dividend income	(73.89)	(91.64)
	Impairment loss	86.99	-
	Profit on sale of current investments (Net)	(7.86)	(3.21)
	Profit on sale of investment in associates (Net)	-	(39.77)
	Other non-cash adjustments	30.77	-
	Loss on sale/discard of fixed assets (Net)	13.89	16.29
	Rent income	(2.75)	(2.84)
		552.79	283.82
	Operating profit before working capital changes	2432.84	2379.20
	Adjustments for :		
	Increase/(Decrease) in trade payables and other liabilities	(135.17)	182.77
	Decrease/(Increase) in inventories	(174.66)	(536.99)
	Decrease/(Increase) in trade and other receivables	(252.03)	(165.62)
		(561.86)	(519.84)
	Cash generated from operations	1870.98	1859.36
	Direct taxes paid (Net)	(308.27)	(461.69)
	Net cash from operating activities	(A) 1562.71	1397.67
B	Cash Flow from Investing Activities		
	Purchase of fixed assets/Capital work-in-progress and Intangibles	(569.55)	(756.73)
	Sale of fixed assets	2.94	5.03
	Cash paid for acquisitions, net of cash acquired	(2578.49)	(0.54)
	Investment in associates	(10.78)	(20.88)
	Sale of investment in associates	-	158.02
	Share application money	(3.53)	(4.41)
	Purchase of current investments	(18028.63)	(18720.41)
	Sale of current investments	19842.06	17182.80
	Interest received	18.75	2.41
	Dividend received	73.89	91.64
	Rent received	5.40	0.18
	Short term deposits given (Net)	(1.92)	-
	Net cash used in investing activities	(B) (1249.86)	(2062.89)

CONSOLIDATED CASH FLOW STATEMENT *contd.*

₹ in crore

For the year ended 31 st March 2014	2014	2013
C Cash Flow from Financing Activities		
Proceeds from/(Repayment of) short-term borrowings (Net)	(112.47)	956.06
Proceeds from/(Repayment of) long-term borrowings (Net)	155.79	(18.48)
Interest paid	(121.08)	(33.18)
Dividend paid	(160.58)	(160.58)
Tax paid on dividend	(27.29)	(26.05)
Net cash from/(used in) financing activities	(C)	717.77
Net increase in cash and cash equivalents	(A)+(B)+(C)	52.55
Cash and Cash Equivalents as at the beginning of the year	143.01	90.46
Exchange difference on translation of foreign currency cash and cash equivalents	(15.07)	-
Cash and Cash Equivalents as at the end of the year	175.16	143.01

- Notes:
- The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the AS-3, "Cash Flow Statement".
 - Cash and Cash Equivalents represent cash and bank balances and fixed deposits with banks.
 - Cash and Cash Equivalents includes ₹15.87 crore (Previous year ₹15.46 crore) on account of unclaimed dividend, which are not available for use by the Company.

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

S. Radhakrishnan
Whole-time Director

Subhanu Saxena
Managing Director and Global
Chief Executive Officer

V. Mohan
Partner
Membership No. 17748

R. Rangarajan
Partner
Membership No. 41883

Ashok Sinha
V.C. Kotwal
Pankaj Patel
M.R. Raghavan
Directors

Rajesh Garg
Executive Director and Global
Chief Financial Officer

Mital Sanghvi
Company Secretary

Mumbai, 29th May 2014

Mumbai, 29th May 2014

NOTES

CIPLA LIMITED

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

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

Corporate Identity Number : L24239MH1935PLC002380

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-Eighth Annual General Meeting of the Company at Y. B. Chavan Auditorium, General Jagannath Bhosale Marg, Mumbai-400 021 on Wednesday, 3rd September 2014.

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





CIPLA LIMITED

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

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

Corporate Identity Number : L24239MH1935PLC002380

PROXY FORM

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies
(Management and Administration) Rules, 2014]

Name of the member (s): _____ Email: _____

Registered address: _____

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

I/We, being the member(s) of _____ shares of the above named Company, hereby
appoint:

1. Name: _____ Email: _____

Address: _____

Signature: _____

or failing him

2. Name: _____ Email: _____

Address: _____

Signature: _____

or failing him

3. Name: _____ Email: _____

Address: _____

Signature: _____

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the Seventy-Eighth Annual General Meeting of the Company, to be held on Wednesday, 3rd September 2014 at 3.00 p.m. at Y. B. Chavan Auditorium, General Jagannath Bhosale Marg, Mumbai-400 021 and at any adjournment thereof in respect of such resolutions as are indicated below:



Resolution Number	Resolution
1	Adoption of audited Balance Sheet as at 31 st March 2014, the Statement of Profit and Loss for the year ended on that date together with the reports of the Board of Directors and Auditors thereon
2	Declaration of Dividend
3	Re-appointment of Mr. M.K. Hamied retiring by rotation
4	Re-appointment of Mr. S. Radhakrishnan retiring by rotation
5	Re-appointment of Auditors and fixing their remuneration
6	Appointment of Dr. H.R. Manchanda as an Independent Director
7	Appointment of Mr. V. C. Kotwal as an Independent Director
8	Appointment of Mr. Ashok Sinha as an Independent Director
9	Appointment of Dr. Peter Mugenyi as an Independent Director
10	Appointment of Mr. Adil Zainulbhai as an Independent Director
11	Revision of remuneration of Mr. Subhanu Saxena designated as Managing Director and Global Chief Executive Officer
12	Appointment of Mr. Rajesh Garg as a Director of the Company
13	Appointment of Mr. Rajesh Garg as Whole-time Director designated as Executive Director and Global Chief Financial Officer of the Company
14	Approval of remuneration of the Cost Auditor

Signed this _____ day of _____ 2014

Affix
15 p.
Revenue
Stamp

Signature of the proxy holder

Signature(s) of the
Shareholder(s)

Notes:

- This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.**
- A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote on poll instead of himself and a proxy need not be a member of the Company.**
- Pursuant to the provisions of section 105 of the Companies Act, 2013 read with the Companies (Management and Administration Rules), 2014, a person can act as proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the company carrying voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.
- Notwithstanding the above the Proxies can vote on such other items which may be tabled at the meeting by the shareholders present.

TEN-YEAR HIGHLIGHTS

Standalone	₹ in crore									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Statement of Profit and Loss										
Total Revenue	9660.57	8431.55	7125.80	6422.73	5713.24	5315.82	4338.21	3763.72	3207.95	2482.87
Profit before Tax	1818.34	2011.86	1421.46	1151.39	1324.99	901.31	838.36	807.98	709.85	514.61
Profit after Tax	1388.34	1507.11	1123.96	960.39	1081.49	776.81	701.43	668.03	607.64	409.61
Dividend	160.58	160.58	160.58	224.81	160.58	155.46	155.46	155.46	155.46	104.96
Tax on Dividend	27.29	27.29	26.05	36.72	26.67	26.42	26.42	26.42	21.80	14.95
Retained Earnings	1200.47	1319.24	937.32	698.86	894.24	594.93	519.55	486.15	430.38	289.70
Balance Sheet										
Fixed Assets	3900.88	3768.63	3346.11	3120.72	2695.41	2358.81	1894.48	1461.26	1143.62	844.87
Investments (Current and Non-Current)	3587.13	2601.82	1035.15	570.65	265.10	81.32	94.75	117.80	22.43	18.30
Other Net Assets (Current and Non-Current)	3792.17	3746.08	3413.67	3574.51	3137.80	3015.01	2456.19	1893.42	1384.08	970.60
Total	11280.18	10116.53	7794.93	7265.88	6098.31	5455.14	4445.42	3472.48	2550.13	1833.77
Share Capital	160.58	160.58	160.58	160.58	160.58	155.46	155.46	155.46	59.97	59.97
Reserves and Surplus	9931.06	8708.94	7389.70	6452.37	5753.51	4195.29	3600.36	3080.81	1923.30	1493.66
Shareholders' Funds	10091.64	8869.52	7550.28	6612.95	5914.09	4350.75	3755.82	3236.27	1983.27	1553.63
Loan Funds (Current and Non-Current)	877.34	965.81	12.20	440.48	5.07	940.24	540.45	123.56	468.91	191.20
Net Deferred Tax	311.20	281.20	232.45	212.45	179.15	164.15	149.15	112.65	97.95	88.94
Total	11280.18	10116.53	7794.93	7265.88	6098.31	5455.14	4445.42	3472.48	2550.13	1833.77

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