

# REPORT OF THE DIRECTORS TO THE MEMBERS OF THE COMPANY

Your Directors have pleasure in presenting the Audited Accounts of your Company for the financial year ended 31st December 2018.

## FINANCIAL RESULTS

	Rs. in million	
	2018	2017
Revenue from operations	27,708	24,914
Other income	897	807
Total income	28,605	25,721
Profit before tax	6,098	5,146
Tax expense	2,292	1,886
Profit for the year	3,806	3,260
Other comprehensive income (Net of tax)	13	(13)
Total comprehensive income for the year	3,819	3,247

Your Company does not propose to transfer any amount in the general reserves of the Company.

## DIVIDEND

An interim dividend of Rs.18 per equity share of Rs.10 was declared by the Board of Directors on 25th July 2018 and paid on 14th August 2018. Your Directors recommend payment of a final dividend of Rs. 66 per equity share of Rs.10. The total dividend for the financial year 2018 is Rs.84 per equity share of Rs.10.

The interim dividend and proposed final dividend, if approved by the members at the Annual General Meeting (AGM) scheduled on 7th May 2019, will result in cash outflow of Rs.1,935 million (excluding Dividend Distribution Tax) for the year 2018.

These dividends are in accordance with the Dividend Distribution Policy of the Company which is available on the Company's website [www.sanofiindialtd.com](http://www.sanofiindialtd.com).

As part of streamlining business processes for better efficiency, the Board intends to change the past practice of declaring small interim dividend at the half year and it would recommend final dividend only from the year 2019. This change is not intended at decreasing the payout ratio of dividend and the total dividend amount will continue to be decided by the Board as per the Dividend Distribution Policy.

## MANAGEMENT DISCUSSION AND ANALYSIS

As required by Regulation 34(2) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), a Management Discussion and Analysis Report is part of this Report.

The state of the affairs of the business along with the financial and operational developments has been discussed in detail in the Management Discussion and Analysis Report.

## DIRECTORS AND KEY MANAGERIAL PERSONNEL (KMP)

Mr. A. K. R. Nedungadi vide his letter dated 15th January 2018 informed the Company that he would like to resign as Independent Director with effect from 15th January 2018, in view of his involvement in various other matters requiring his immediate attention. The Board noted this resignation on 15th January 2018.

Mr. Lionel Guerin resigned as the Whole Time Director and Chief Financial Officer of the Company with effect from end of the day on 30th June 2018 to take up a new role within Sanofi group. He continued to be on the Board of the Company as Non-Executive Director and thereafter resigned as Non-Executive Director with effect from the end of the day on 25th July 2018.

The Board of Directors at its meeting held on 8th May 2018, appointed Mr. Charles Billard as Chief Financial Officer of the Company with effect from 1st July 2018. The Board of Directors at its meeting held on 25th July 2018, subject to approval of members and Central Government approved appointment of Mr. Charles Billard as Additional Director and Whole Time Director of the Company. The appointment as Whole Time Director was as per the provisions of Section 196 of the Companies Act, 2013 (the Act) except for clause (e) of Part I of Schedule V as Mr. Charles Billard was not resident in India for a continuous period of twelve months immediately preceding the date of his appointment as Whole Time Director. In terms of the provisions of Section 196 of the Act, the Company made

an application to the Central Government for this appointment on 21st November 2018. The Central Government vide its letter dated 4th February 2019 informed the Company that the application has been taken on record and would be considered after receipt of the copy of the shareholders' approval.

The necessary resolutions for appointment of Mr. Charles Billard as Director and Whole Time Director of the Company have been included in the Notice of the forthcoming AGM for the approval of the members.

As on 31st December 2018, Mr. Rajaram Narayanan, Managing Director; Mr. Charles Billard, Whole Time Director and Chief Financial Officer; Mr. Ashwani Sood, Whole Time Director and Mr. Girish Tekchandani, Company Secretary were designated as Key Managerial Personnel (KMP).

The Company has received declarations from all Independent Directors that they meet the criteria of independence as laid down under Section 149(6) of the Act and the Listing Regulations. In the opinion of the Board, the Independent Directors fulfill the conditions specified in these regulations and are independent of the management.

Dr. Shailesh Ayyangar and Mr. Cyril Grandchamp-Desraux retire by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment.

## **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

Information on conservation of energy, technology absorption and foreign exchange earnings and outgo pursuant to Section 134(3)(m) of the Act, read with Rule 8(3) of the Companies (Accounts) Rules, 2014 is given in **Annexure - A** to this Report.

## **CASH FLOW AND CONSOLIDATED FINANCIAL STATEMENTS**

As required under Regulation 34 of the Listing Regulations, a Cash Flow Statement is part of the Annual Report.

The Company does not have any subsidiaries and hence not required to publish Consolidated Financial Statements.

## **CORPORATE GOVERNANCE**

As required by Regulation 34 of the Listing Regulations, a Report on Corporate Governance along with a Certificate of Compliance from the Auditors is part of this Report.

## **BUSINESS RESPONSIBILITY REPORT**

The Business Responsibility Report for the year ended 31st December 2018, as stipulated under Regulation 34 of the Listing Regulations is given in **Annexure – B** to this Report.

## **MEETINGS OF THE BOARD OF DIRECTORS**

Four meetings of the Board of Directors were held during the year. Dates of the meetings are given in the Report on Corporate Governance.

## **AUDIT COMMITTEE**

Details pertaining to composition of the Audit Committee are included in the Report on Corporate Governance. All the recommendations made by the Audit Committee were accepted by the Board.

## **FAMILIARIZATION PROGRAM FOR INDEPENDENT DIRECTORS**

The Directors are regularly informed during meetings of the Board and Committees on the activities of the Company, its operations and issues faced by the pharmaceutical industry. During the year, the Company organized a visit for the Directors to the manufacturing facility of the Company situated at Ankleshwar, Gujarat for familiarization with its operations.

The details of familiarization programs provided to the Directors of the Company are available on the Company's website [www.sanofiindialtd.com](http://www.sanofiindialtd.com).

## **SUBSIDIARIES, ASSOCIATE COMPANIES AND JOINT VENTURES**

Your Company does not have any subsidiaries, joint ventures or associate companies.

## **CORPORATE SOCIAL RESPONSIBILITY**

The Board of Directors has constituted a Corporate Social Responsibility (CSR) Committee to monitor implementation of CSR activities of your Company.

The details of the composition of the CSR Committee, CSR policy, CSR initiatives and activities undertaken during the year are given in the Annual Report on CSR activities in **Annexure – C** to this Report.

## RELATED PARTY TRANSACTIONS

All related party transactions which were entered into during the year under review were on arm's length basis and in the ordinary course of business. There were no materially significant related party transactions made by the Company with the Promoters, Directors and Key Managerial Personnel which may have a potential conflict with the interests of the Company at large.

Your Company had entered into material related party transactions with sanofi-aventis Singapore Pte. Ltd for the purchase and sale of products and services and with Shantha Biotechnics Private Limited to provide a loan. These transactions were in the ordinary course of business and at arm's length duly certified by the third party experts. The transactions were within the limits approved by the members.

The Board of Directors at its meeting held on 31st October 2018 approved extension of tenure of loan to Shantha Biotechnics Private Limited i.e. till 15th April 2020 with all other terms remaining same including the continuation of the corporate guarantee.

The Company has formulated a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions. The policy is available on the Company's website [www.sanofiindia.com](http://www.sanofiindia.com). Pursuant to Clause (h) of sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014, the particulars of contracts / arrangements entered into by the Company with related parties referred to in sub section (1) of Section 188 of the Act including certain arm's length transactions under third proviso thereto are required to be disclosed in Form AOC-2.

The Form AOC-2 envisages disclosure of material contracts or arrangements or transactions at arm's length basis. The details of the material Related Party Transactions in financial year ended 31st December 2018, as per the Policy on dealing with Related Parties adopted of the Company are disclosed in **Annexure – D** to this Report.

## DEPOSITS FROM PUBLIC

Your Company has not accepted any deposits from the public and as such no amount of principal or interest on deposits from the public was outstanding as on the date of the Balance Sheet.

## LOANS, GUARANTEES OR INVESTMENTS

The particulars of the loan to Shantha Biotechnics Private Limited are disclosed in Form AOC-2 which forms part of this Report.

Details of the loans and investments made by your Company are also given in the notes to the financial statements.

## RISK MANAGEMENT

The Board of Directors at its meeting held on 31st October 2018 constituted a Risk Management Committee. Your Company has implemented a mechanism for risk management and formulated a Risk Management Policy. The policy provides for creation of a risk register, identification of risks and formulating mitigation plans. The Audit Committee and the Board of Directors review the risk assessment and minimization procedures on regular basis.

## DIRECTORS' RESPONSIBILITY STATEMENT

As required by Section 134(3) of the Act, your Directors, to the best of their knowledge and belief, confirm that:

1. in the preparation of the annexed accounts for the financial year ended 31st December 2018 all the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. your Directors have selected such accounting policies and applied them consistently and made judgments 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 and of the profit of the Company for that year;
3. your Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. the said accounts have been prepared on a going concern basis;
5. internal financial controls to be followed by the Company have been laid down and that internal controls are adequate and were operating effectively; and
6. proper systems to ensure compliance with the provisions of all applicable laws have been devised and that such systems are adequate and operating effectively.

## **COST AUDIT**

Pursuant to Section 148 of the Act read with the Companies (Cost Records and Audit) Rules, 2014, the cost records maintained by the Company in respect of bulk drugs and formulations are required to be audited. Your Directors have, on the recommendation of the Audit Committee, appointed M/s. Kirit Mehta & Co., Cost Accountants to audit the cost accounts maintained by the Company for bulk drugs and formulations for the financial year ending 31st December 2019.

As required by the Act, the remuneration payable to the Cost Auditor is required to be placed before the members in General Meeting for their ratification. Accordingly, a resolution seeking approval of the remuneration payable to M/s. Kirit Mehta & Co. as fixed by the Board is included in the Notice convening the AGM of the Company.

## **AUDITORS**

M/s. Price Waterhouse & Co. Chartered Accountants LLP (PW) (Firm Registration Number 304026E / E300009) were appointed as Statutory Auditors of your Company to hold office from the conclusion of the Sixty-first AGM held in the year 2017, until the conclusion of the Sixty-sixth AGM to be held in the year 2022. However, this will be subject to PW remaining eligible to conduct statutory audits of the listed companies in India, in view of the ongoing litigation regarding the two year ban imposed on PW by the authorities.

The Statutory Auditors have issued an unqualified audit report on the annual accounts of the Company for the year ended 31st December 2018.

## **REPORTING OF FRAUD BY AUDITORS**

During the year under review, the Statutory Auditors, Cost Auditors and Secretarial Auditor have not reported any instances of frauds committed in the Company by its Officers or Employees to the Audit Committee under section 143(12) of the Act, details of which needs to be mentioned in this Report.

## **PERSONNEL**

Disclosures with respect to the remuneration of Directors, KMPs and employees as required under Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given in **Annexure – E** to this Report.

Details of employee remuneration as required under provisions of section 197(12) of the Act read with Rule 5(2) and 5(3) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 form part of this Report. However, the reports and accounts are being sent to the shareholders excluding the aforesaid remuneration. Any shareholder interested in inspection of the documents pertaining to the above information or desiring a copy thereof may write to the Company Secretary.

## **PREVENTION OF SEXUAL HARASSMENT POLICY**

The Company has in place a Prevention of Sexual Harassment Policy in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. An Internal Committee has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy.

During the year 2018, the Company received three complaints of alleged sexual harassment. These complaints were investigated by the Internal Committee and on its recommendations, appropriate disciplinary and corrective actions were taken by the Company.

## **SECRETARIAL AUDIT**

Pursuant to the provisions of Section 204 of the Act and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, your Directors had appointed M/s. S. N. Ananthasubramanian & Co., a firm of Company Secretaries in Practice, to undertake the Secretarial Audit of your Company.

The Secretarial Auditors have issued an unqualified audit report for the year ended 31st December 2018.

Their report is annexed herewith as **Annexure – F** to this Report.

## **EXTRACT OF ANNUAL RETURN**

As required by Section 92(3) of the Act read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014, extract of the Annual Return in Form MGT-9 is annexed herewith as **Annexure – G** to this Report.

## **MATERIAL CHANGES AND COMMITMENTS AFTER THE FINANCIAL YEAR**

No material changes and commitments have occurred after the closure of the financial year ended 31st December 2018 till the date of this Report, which would affect the financial position of your Company.

There has been no change in the nature of business of your Company.

## **ACKNOWLEDGEMENTS**

Your Directors place on record their deep appreciation to employees at all levels for their hard work, dedication and commitment.

The Board also places on record its appreciation for the support and co-operation your Company has been receiving from the medical fraternity, suppliers, distributors, retailers, business partners, government departments both at central & state level and all other stakeholders.

By Authority of the Board

**ADITYA NARAYAN**  
CHAIRMAN  
DIN: 00012084

26th February 2019