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AGM 2022 QUESTIONS

	QUESTION	RESPONSE
Annual Report and Financial Statements	What kind of statement have we received from the auditors? Is it qualified or unqualified?	We received an unqualified opinion from the External Auditors. The Audited Financial Statements are available on the Company website at https://ciplaqcil.co.ug/wp-content/uploads/2022/05/CIPLA-FS-31-Mar-2022.pdf
Annual Report and Financial Statements	Which new products is CiplaQCIL undertaking?	<p>We are aggressively expanding our portfolio by introduction of Anti Diabetics, Cardiovascular, Pain Management, Antibiotics, Antifungal and MED products. Some of these products are already being manufactured at our existing facility.</p> <p>We are also in the process of setting up a new facility for the production of Oncology and Sickle Cell medicines.</p>
Annual Report and Financial Statements	I hope the Annual Report and Financial Statements this time will reflect a trade balance in surplus. The economy has been tough for some time now. As a member, I will appreciate some dividends this time round.	<p>We interpret 'trade surplus' to mean net profit after tax.</p> <p>Your Company returned a profit and a dividend of UShs. 2 per share was proposed by the directors and approved at the AGM.</p> <p>The dividend will be paid by the end of September as per the published AGM resolutions.</p>
Annual Report and Financial Statements	In general and, as requested previously, shareholders should be provided with an explanation of each resolution, e.g. the background, effect and any other pertinent information.	Shareholders were provided with information pertinent to the resolutions via email and through uploading on the AGM Portal and the website. This information was majorly in the Audited Accounts and Annual Report. The information included the profiles of directors up for re-election, Audited



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		<p>Accounts and Notes to the accounts, breakdown of directors' fees and record of attendance of meetings.</p> <p>In our quest for continual improvement, Management shall explore the possibility of providing more detailed information in a timely manner.</p>
Annual Report and Financial Statements	Since CiplaQCIL participated in the supply of Covid 19 vaccines, did the Company make some profits from that participation.	CiplaQCIL did not participate in the supply of COVID 19 vaccines.
Annual Report and Financial Statements	Has the Zambia Government finally paid its debt with Cipla?	<p>Government of Zambia has significantly reduced the long outstanding debt from Ugx. 43 billion to Ugx. 23 billion. The Government of Zambia continues to acknowledge the debt.</p> <p>Management is continuing to follow up on the payment of the remaining balance.</p>
Annual Report and Financial Statements	Could we change the auditors to reevaluate the way we do business, it seems old habits are not paying off	<p>The External Auditor is subjected to an annual performance review by the Audit & Risk Committee.</p> <p>The Committee during the year undertook a review of their performance and deemed them fit to continue for an additional period of 1 year subject to approval by shareholders at the AGM.</p>
Annual Report and Financial Statements	Are we able to get hard copies?	We did not make hard copies of the Annual Report since the AGM was virtual. Your Company is environment conscious and aims at reducing any burden on the environment. We encourage use of electronic annual reports. However, if any shareholder wishes to receive a hard copy, they can directly contact us on shareholder@ciplaqcil.co.ug .



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Annual Report and Financial Statements	Does the Government of Uganda pay for their orders in time? On strategy, do you have plans to incorporate biotech?	Government of Uganda sales are settled in time. CiplaQCIL is not planning to venture into biotech at the moment.
Annual Report and Financial Statements	What is the Company overall performance, e.g. in return on investment, operating costs, sales etc?	The Company's Audited Financial Statements highlighting the Company's overall performance are available on: https://ciplaqcil.co.ug/wp-content/uploads/2022/05/CIPLA-FS-31-Mar-2022.pdf
Annual Report and Financial Statements	What profit was made during the year	The Company made a profit of US\$ 24Bn. For further details, please review the Audited Financial Statements accessible on: https://ciplaqcil.co.ug/wp-content/uploads/2022/05/CIPLA-FS-31-Mar-2022.pdf
Annual Report and Financial Statements	Please advise why financials were received 2 days before AGM. Can we have it earlier to give time to analyze the information?	We acknowledge the delay in releasing the Annual Report to shareholders. This was due to challenges encountered in compilation. Management has put measures in place to ensure non-recurrence of such an incident. The Audited Financial Statements were however released to shareholders in May, 2022 and were also published on the website.
Annual Report and Financial Statements	Please explain the over 50% cost of sales reduction. What could drastically change in API contracts or costs that moved such a change? Does this demonstrate significant over costing in prior years? The product mix further didn't change that much to cause this Please shed light on the private and retail business (EBITDA growth and sales metric).	Cost of sales reduced by approx. 17% due to price reduction of raw materials and change in product mix.



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Annual Report and Financial Statements	The profitability achieved in the previous year seems to have had a strong reliance on the write back of a portion of the Govt of Zambia receivable. Is the profitability sustainable or a one-off?	The net impact of Zambia collection in the past Financial Year on Profit After Tax was approx. US\$ 11Bn. Excluding the impact of Zambia collection, the Profit After Tax was US\$ 13Bn which is more than 100% improvement from the previous year.
Annual Report and Financial Statements	You seem to have made a loss (as per the P&L statement) but have declared a dividend, the latter being welcome to me as a shareholder. However, this seem contradictory and unsustainable. Please confirm/educate me.	Your Company made a profit in FY 2021-22 and had distributable reserves. There is a published dividend policy that guided the dividend declaration. The Policy is available on https://ciplaqcil.co.ug/wp-content/uploads/2021/09/CiplaQCIL-Dividend-policy.pdf
Annual Report and Financial Statements	Are we making sound financial decision if our financial portfolio is not an impressive one-year in year-out, but continue to maintain a high administrative cost?	Financial portfolio has been interpreted as financial performance. Increase was due to inflationary adjustments to staff costs.
Share Price	<p>Why is the share going down almost every day? What are we not doing right?</p> <p>What is the projection of dividend for next 5 years</p> <p>What plans are there to revamp the share price? The share price/value has lost more than 50% of its value benched marked with IPO price.</p>	<p>The Board is focused on a consistent return to shareholders, profitable operations and sustainable growth. In the past year, the Company ensured access to information in terms of our growth drivers, profitable operations and return to shareholders.</p> <p>We continue to work towards improving the share price, however the Board recognizes factors that are beyond the control of the Board and Management which also have an impact on the share price. We will continue to work towards increasing the value of the Company through increased profitability and sustainability.</p>



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		Dividend is driven by dividend policy and is a balance between capital commitments and availability of distributable reserves. The Company's performance is improving year on year and we are confident that we shall maintain this momentum.
Shares	How do we increase shares?	To increase your shares, you will need to purchase more. Please contact your broker for assistance on acquisition of more shares. The list of USE approved brokers is available on: https://use.or.ug/content/trading-participants
Dividends	What is the valuation of the Company and when and how will they pay dividends to shareholders?	There are several company valuation models depending on the objective of the exercise. Any of these models could be used to obtain a valuation based on the objectives of the valuation.
Dividends	Has the Company been making losses only? Can we get informed of where the major problem came from?	The Company posted a profit in FY 2018-19, losses for FY 2019-20, FY 2020-21 before returning to profitable operations in FY 2021-22.
Dividends	The proposed dividend is too little taking into account that for a long time, no dividend was given. Why have a virtual AGM? Things have almost normalized. We have attended so many meetings of even bigger attendance.	Dividend is driven by dividend policy and is a balance between capital commitments and availability of distributable reserves. The Company's performance is improving year on year and we are confident that we shall maintain this momentum. Despite the ease of Covid restrictions, the Board deemed it fit to have a virtual AGM due to the need to remain vigilant in preventing the spread of Covid-19. We have also received a larger number of participants with virtual AGMs than physical.



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Dividends	<p>What is the dividend distribution and calculation?</p> <p>What was the basis for the proposed dividends?</p>	<p>Dividend is driven by dividend policy and is a balance between capital commitments and availability of distributable reserves. The Company's performance is improving year on year and we are confident that we shall maintain this momentum.</p> <p>The dividend pay-out is governed by a policy that was published to shareholders.</p> <p>The same can be found on the Company's website: https://ciplaqcil.co.ug/wp-content/uploads/2021/09/CiplaQCIL-Dividend-policy.pdf</p>
Dividend	<p>Will it increase or its static and how are you going to grow it?</p>	<p>Dividend is driven by dividend policy and is a balance between capital commitments and availability of distributable reserves. The Company's performance is improving year on year and we are confident that we shall maintain this momentum.</p> <p>The Board is optimistic that with improved performance, the dividend payout will increase.</p> <p>The Company is focusing on further increasing the profitability of the business to grow the dividend.</p>
Dividends	<p>What is the projection for next 5 years</p> <p>What will the possible returns be if I chose to reinvest my dividends for 24 months?</p>	<p>Dividend is driven by dividend policy and is a balance between capital commitments and availability of distributable reserves. The Company's performance is improving year on year and we are confident that we shall maintain this momentum.</p>



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		We do not publish forward looking information, but the Board is confident the positive performance trend will continue even beyond 5 years.
Dividends	How did the Company perform in the recent Covid-19 pandemic?	<p>Covid-19 pandemic presented both opportunities of new business and challenges of escalated costs.</p> <p>We received one-off orders from sovereigns around Africa boosting our sales by approx. Ugx. 24 billion.</p> <p>On the other hand, costs of raw materials and logistics of shipping escalated almost neutralizing the gains from the additional orders.</p>
Dividends	Congratulations!!! Hopefully you finally recognized the recoveries from the Zambia's debt for last year as expected with use of relevant accounting standards	<p>Thank you.</p> <p>The recoveries have been recorded according to the provisions of IFRS (the accounting standards).</p>
Dividends	Some shareholders have voted against the payment of 2shs per share. This means the Company needs to look at good dividends next time.	Dividend is driven by dividend policy and is a balance between capital commitments and availability of distributable reserves. The Company's performance is improving year on year and we are confident that we shall maintain this momentum.
Dividends	Clause 5 of the dividends policy: The percentage to be transferred to the reserves before declaring the dividends should be defined or stated, such as 5%, 10%, whatever it is, let it be specified for clarity.	Dividend declaration is a balance between capital commitments and availability of distributable reserves hence the percentage of reserves cannot be fixed.
Dividends	Doesn't the Company CiplaQCIL have a ceiling beyond which it does not supply the products (drugs) to another company before payment has been done for the previous goods	<p>There is a credit policy that guides credit sales.</p> <p>The policy guides on how customers are qualified for credit, credit limits and procedures that guide recovery should there be a default.</p>



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	<p>supplied? Otherwise, many impairments are going to come which affects the company performance negatively. Nevertheless, the big effect goes to shareholders not getting sizable dividends on their investments, continue to get peanut dividends.</p>	<p>IFRS requires that impairment is recognized at sale and retired at payment.</p> <p>Over the last 2 years, impairment of receivables has reduced significantly on account of recovery of debt and improved credit management.</p>
Dividends	<p>Covid-19 is done. Why is that you opted for online AGM?</p>	<p>Despite the ease of Covid restrictions, the Board deemed it fit to have a virtual AGM due to the need to remain vigilant in preventing the spread of Covid-19. We have also received a larger number of participants with virtual AGMs than physical.</p>
Remuneration of Directors	<p>Shouldn't the Directors remuneration be matched with the company performance i.e. with reduction of their remuneration if profitability is low?</p>	<p>In determining the remuneration of the Independent Non-Executive Directors, the Board considers the extent and nature of their responsibilities, and benchmarks with other organizations of a nature similar to that of CiplaQCIL.</p>
Remuneration of Directors	<p>Can we stop any incremental benefits and work on cost reduction until the company is profitable enough?</p>	<p>There have been no incremental benefits to directors. The directors' fee has been maintained since it was approved by shareholders at the 1st AGM since listing AGM held in 2019.</p>
Re-Appointment and Remuneration of Auditors	<p>I note that Dr. Ranjana Pathak missed a total of six meetings last year, in November, March and May. There is no mention of a plan to retire him. Shouldn't such a Director be requested to retire as he seems to have much bigger priorities?</p>	<p>Throughout the year, Dr. Ranjana only missed 2 meetings in March. A table showing attendance of meetings by all directors in the past financial year is available on page 49 of the Annual Report accessible at https://ciplaqcil.co.ug/wp-content/uploads/2022/08/CIPLA%20Annual%20Report%20final%20opt.pdf</p>



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Re-Appointment and Remuneration of Auditors	Could we change the auditors to reevaluate the way we do business, it seems old habits are not paying off. We're having a hard time understanding this as our investment is being devalued over 30% annually	The External Auditors are subjected to an annual performance review by the Audit & Risk Committee. The Committee during the year undertook a review of their performance and deemed them fit to continue for an additional period of 1 year subject to approval by shareholders at the AGM.
Election of Directors	How are directors chosen?	The Board has put in place a Nominations & Remuneration Committee that is charged with reviewing the skill set available on the Board to ensure at all times, the Board has the necessary balance of skill and experience to enable achievement of its mandate. The Nominations & Remuneration Committee reviews potential candidates for appointment as directors and recommends the preferred candidate to the Board for approval. Newly appointed Directors hold office until the first AGM after their appointment where they retire from office and are presented to shareholders for re-appointment.
Remuneration of Directors	Are you saying that the remuneration of Directors has been the same since 2019?	Yes, remuneration of Independent Non-Executive Directors has been the same since it was 1st approved by shareholders at the AGM in 2019.
Re-Appointment and Remuneration of Auditors	How many years have the current auditors been working with Cipla Quality Chemical Industries Ltd. Best Practice and Good Corporate Governance requires Rotation and/or changing of the Company Auditors after they have spent three years auditing and advising the Company. Are you compliant in this respect?	The current External Auditors have been with the Company for 3 years. The External Auditors are subjected to an annual performance review by the Audit & Risk Committee. The Board is cognizant of the fact that there are no clear guidelines (including best practice) on time frame for rotation of External Auditors. The Committee during the year undertook a review of their performance and deemed them fit to continue for an additional period of 1 year subject to approval by shareholders at the AGM.
Remuneration of Directors	Payment should relate to dividend payments, if share dividends is low let their pay reflect that and vice versa	In determining the remuneration of the Independent Non-Executive Directors, the Board considers the extent and nature of their responsibilities, and benchmarks with other organizations of a nature



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		similar to that of CiplaQCIL. The Board is cognizant of the need to provide a remuneration sufficient to attract a caliber of directors necessary to enable it execute its mandate.
Remuneration of Directors	Was this discussed with the Risk Function? I envisage conflict of interest	Approval of remuneration of Directors is the ultimate responsibility of shareholders at an AGM. The Board through its Nomination and Remuneration Committee sets the remuneration suitable to attract and retain a caliber of directors on the Board necessary to enable it execute its mandate and thereafter recommends it to shareholders for approval.
Re-Appointment and Remuneration of Auditors	Re-appointment of Directors; besides the provision in AOA what else could justify the renewal?	The Nominations & Remuneration Committee reviews potential candidates for appointment as directors and recommends the preferred candidate to the Board for approval. Newly appointed Directors hold office until the first AGM after their appointment where they retire from office and are presented to shareholders for re-appointment. The Board undertakes an annual Board Evaluation to evaluate performance of the Board and a per assessment to evaluate each director's performance.
Remuneration of Directors	Please share the baseline salaries for the directors as set by the remuneration committee	This information was circulated to shareholders via email and is on page 53 of the Annual Report accessible on: https://ciplaqcil.co.ug/wp-content/uploads/2022/08/CIPLA%20Annual%20Report%20final%20opt.pdf
Remuneration of Directors	What is the criteria used to apportion these amounts and are they competitive enough or there is an over payment regarding?	In determining the remuneration of the Independent Non-Executive Directors, the Board considers the extent and nature of their responsibilities, and benchmarks with other organizations of a nature similar to that of CiplaQCIL.
Others	What was the cause for the loss of the major Tender (Presidential Malaria Initiative?)	Tender is a highly competitive space wherein the Company competes with global pharma companies. The loss of last year's tender was mainly attributed to pricing of the products.



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Others	There is some research being done by MUK as of this year on HIV vaccine its work in progress, will it have an effect on the tablets we give the public?	We are not aware of developments in Makerere University, however if a vaccine could be developed, it will be of the greatest benefit to humanity. At CiplaQCIL, we have begun to diversify our product portfolio and business model to cater for the changing pharmaceutical landscape.
Others	Earlier on, there was a mention of expansion to West Africa. How far is the development that side?	We have made headwinds into DRC and South Sudan and are planning to explore opportunities in Tanzania in FY 2023.
Others	Any views on the NCDs since they outweigh all the diseases we are addressing.	We are aggressively expanding our portfolio by introduction of Anti Diabetics, Cardiovascular, Pain Management, Antibiotics, Antifungal and MED products. Some of these products are already being manufactured at our existing facility. We are also in the process of setting up a new facility for the production of Oncology and Sickle Cell medicines.
Others	How has CiplaQCIL addressed the issue of youth and gender mainstreaming?	Our main contribution so far is in the area of reducing unemployment. Approx. 80% of our workforce is youth while 30% are female.
Others	Are there plans to increase revenue? If so, what are they?	Our medium-term expansion plans are mainly organic. Your Company will venture into new treatment areas with the largest investment being a factory for cancer and sickle anemia medicines. There are new treatment lines for distribution to the private markets.
Others	Does the company intend to expand to produce Diabetes medicine working with other companies?	There are plans to produce diabetics medicines, not in collaboration with Novo Nodics. However, no partnership could be denied in future if we have mutual interest.
Others	When will CiplaQCIL start investing in cannabis cultivation for medical use?	Company has no plans of investing in products related to cannabis.