

Corporate Social Responsibility: A Case of Cipla Limited

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ABSTRACT

Cipla Limited, a leading pharmaceutical company in India, has won accolades for its philanthropic services over the years. Serving humanity since incorporation, this company has long-established an impressive stature in society. In 2015 Government of India, by making amendments in the Companies Act, made it compulsory for India's businesses to make necessary contribution towards CSR activities. This case study explores the CSR activities undertaken by Cipla near its manufacturing unit in Baddi, Himachal Pradesh, about these mandated regulatory and policy changes introduced within India. This study also explores and documents the implications of these CSR activities on the General Public while developing an understanding of various stakeholders' perceptions in this context.

Keywords: Corporate Social Responsibility, Cipla, Health, Education, Environment, Community

1. Introduction

Indian pharmaceutical industry accounts for approximately 3.1 to 3.6 percent of the world's total pharmaceutical sector in terms of money and almost 10 percent in terms of size. Driven by increasing consumer spending, rapid urbanization and inflating healthcare insurance, this sector is believed to grow up to USD 55 billion by 2020, thus emerging at the sixth place in the world pharmaceutical market by absolute size. India accounts for 20 percent of the exports of generics throughout the globe in terms of volume is recognized as the world's largest provider of generic drugs. Also, more than 80 percent of the antiretroviral drugs to combat AIDS (Acquired Immuno Deficiency Syndrome) in the world are supplied by Indian pharmaceutical firms. The major players within this sector in India are Sun Pharmaceutical Limited, Lupin Limited, Dr. Reddy's Laboratories Limited, Cipla Limited, Aurobindo Pharma Limited etc.

Currently, Cipla is ranked as the third-largest player in the Indian pharmaceutical sector and holds a leadership position in the market across crucial therapy areas, including Respiratory, Antiretroviral (ARV) and Urology. With almost seven brands in the top 100 list, Cipla enjoys a total market share of 5.2 percent as of March 2017. During the fiscal year 2016-17, it surpassed the market growth rate of 9.8 percent by displaying a growth of 10.5 percent in the respiratory therapy segment and 19.4 percent from 13.7 percent in the Urology therapy segment. Its gastrointestinal therapy segment achieved a 10.4 percent growth compared to the overall market growth of 8.5

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percent in 2016-17. Some of India's powerful brands are nicotex, activkidsimmune boosters, activwomen daily calcium, cofsils, nicogum etc.

2. CIPLA Limited

Cipla, one of India's most critical pharmaceutical industries, was established in the year 1935 by Dr. K.A. Hamied as "Chemical, Industrial & Pharmaceutical Laboratories" with the vision to achieve self-sufficiency in the chemical and pharmaceutical industry in India. Its name was later officially changed in 1984 to "Cipla Ltd." Headquartered in Mumbai, Cipla employs more than 23000 people and offers more than 1500 products across various therapeutic categories. The company develops medicines to treat respiratory diseases, cardiovascular problems, arthritis, diabetes, obesity, depression and several other medical problems. It also offers the most extensive portfolio of inhalation products in the world.

Over the last eight decades, Cipla has become a global company, with its presence in over 80 countries worldwide, including the USA and South Africa. The company owns 43 state-of-art manufacturing facilities globally approved and has more than 100 global partners. Recognized among the market leaders in South Africa, Sri Lanka, North Africa and Yemen, Cipla is recognized as the third-largest pharmaceutical company within India and as the fourth-largest company within South Africa, respectively. With the successful leadership of Dr. Y.K. Hamied, Cipla has displayed a growth momentum of 10 percent in India in 2016-17. It reported revenue from operations of INR14630.24 crore in fiscal year 2016-17, an increase by 6 percent from INR 13790.10 crore in 2015-16.

True to its motto of 'Caring for Life,' Cipla works tirelessly ensuring the availability of superior and reasonably priced medicines to its patients, thus supporting them in need. It was the first company in the world to ensure the provision of triple ARV therapy for HIV patients at a very nominal price and uprooted its

technology to the needy countries. Being recognized by Economic Times among Best Asian Healthcare Brands of 2017 and being ranked as one of the most respected companies of 2017 in the pharmaceutical sector by Business World, Cipla has always observed a commercial philosophy based on humanitarian considerations. The company aims "to provide vital, essential and life-saving medicines to society at affordable prices."

2.1 Values at CIPLA

Cipla's Credo means core values that form the basis for dealings and a fundamental value system. This company was formed on the foundation of Care, i.e., "Caring for Life". In the face of changing times, in order to keep pace with the world, Cipla has adopted First Principles, which comprise of:

- One Cipla Credo: This core value system will guide Cipla in all its dealings with the outside world, including every conversation, every decision and every employee action.
- Winning Aspiration: The primary goals whose achievement will be facilitated by belief and values as outlined by Credo of the company.
- Cipla Leadership Essentials: This outlines the essential requirements that will help guide its employees in excelling and preparing for future dynamics.

These principles form the basis of what a company is in the present and what the company aspires to be in the future. As well said by Dr. Y K Hamied, "Our work is not just about making medicines; it is about making a difference." These first principles serve as the company's blueprints to mark history and create something invaluable for society.

2.2 CIPLA Foundation

Since its constitution, Cipla, driven by its mission statement "None shall be denied the opportunity to build a happy, healthy and productive life," has been working persistently towards improving the lives of vulnerable

groups in society. In the year 2010, on the instance of Cipla's Platinum Jubilee, the Cipla foundation was set up by contributing a sum of INR 5 crore to facilitate its social works like provision of Care and financial aid to communities in dire need of healthcare and education facilities. This foundation was registered in the year 2011, and with its help and Cipla has established primary partnerships as its implementing partners with more than 14 NGOs for its social causes. Driven by Cipla's Credo that "Every Life Matters" and guided by its vision of "Caring for Life," the foundation has been implementing the company's social responsibility initiatives in the following areas:

- Health
- Education
- Skill Advancement
- Disaster Response

3. CIPLA'S CSR Policy

Cipla has assimilated the philosophy of 'Caring for Life' in its people, products and processes impeccably. By being a good corporate citizen and contributing relentlessly towards various CSR activities, the company has continuously proved its mantle as a socially responsible company. The company's corporate responsibility vision is *"We strive to be an admired & trusted company by conducting our business ethically in a socially and environmentally responsible manner."*

To be accepted as a respected and trusted company, Cipla is guided by its two mission statements: to create value for its stakeholders and make sustainable development. This mission achievement is further facilitated by four central strategic pillars in the corporate responsibility framework, which are:

- "Safe and Quality Products at Affordable Cost"
- "Valuing our People"
- "Helping the Environment and Sustainability"

- "Empowering our Communities"

The CSR Committee of Cipla, under the chairmanship of Mr. M.K. Hamied, comprises five members who guide the formulation and monitoring of its corporate social responsibility policy. They also propose and decide on the CSR initiatives and the expenditure thereupon to be undertaken by Cipla on these activities. The company's activities are carried out by "Cipla Foundation," "Cipla Cancer and Aids Foundation," and with the help of various NGOs working as its implementing partners.

3.1 CSR Activities at CIPLA

"The developing world has to be viewed on humanitarian grounds as it requires access to medicines at affordable prices so that none shall be denied medication. It is a basic fundamental human right."

Dr. Y. K. Hamied (Chairman)

Cipla was included in the 'Change the World' list published by Fortune Magazine in 2016 as one of the world's 50 corporates, positively impacting society through their core business strategy activities. Born with a patient-centered and community-focused approach, it has been carrying out its social responsibility work since incorporation. It was among the few companies in India that reported their CSR expenditure voluntarily. It reported money spent on CSR activities for the first time in the financial year 2012-13. Later on, in response to regulatory requirements, it also started reporting money spent on each activity, individually. In the year 2016-17, the company spent INR 28.25 crore on various CSR activities. It carries out its social responsibility work in four areas: 'Healthcare,' 'Skill Advancement and Education,' 'Disaster Response,' and 'Environment.'

Healthcare: Cipla Cancer and Aids Foundation (CCAF) established the "Cipla Palliative Care and Training Centre" in the year 1997 at Pune, with a purpose to provide full care to terminally ill cancer patients at zero cost. To alleviate suffering and anxiety of illness for patients and their families, this home-based

cancer care center improves its patients' quality of life through its holistic care regime. It serves by integrating palliative medicine with curative therapy and, to date, has touched the lives of more than 12000 patients. With an ambition to reduce cancer treatment's overall cost and make medicine affordable for cancer patients, the company has also reduced its selected cancer drugs' selling price. In alignment with WHO's 2030 mission to eliminate Hepatitis globally, the company is conducting several educational initiatives to create awareness about Hepatitis-C.

Cipla also supports various NGOs engaged in serving the patients suffering from HIV/AIDS and cancer worldwide. Manavaya, which is a Pune based NGO, receives support from the company for its activities which include engaging in care and reestablishment of children with HIV/AIDS who are given up by their families and facilitating poor communities from 10 villages living in the outskirts of Pune with a mobile health care unit. Snehalaya, another NGO that provides education to more than 400 children living with HIV/AIDS and belonging to marginalized communities in Ahmednagar (Maharashtra), receives financial aid from Cipla to construct an English medium school for such children. SNEHA (Society for Nutrition, Education and Health Action) also receives contribution from Cipla Foundation to deliver essential medicines to more than 10000 children suffering from illnesses such as bronchitis, respiratory tract infections, acute gastroenteritis, fungal infections and bronchial asthma, living in slums of Mumbai (including Kurla, Govandi, Mankhurd and Dharavi). The company has also collaborated with an NGO from Mumbai named Ummeed to provide early mediations to children from economically weaker sections, thus promoting their short-term development and improving their education and employability in the long term. Cipla Foundation also supports the Indian Institute of Cerebral Palsy to provide specialized and comprehensive cerebral palsy patients.

To contribute towards the cause of sanitation, Cipla has sponsored the construction

and renovation of sanitation blocks in areas around Goa, Vikhroli, Patalganga, Kurkumbh and Bengaluru. It sponsors medical camps, runs mobile health vans for marginalized communities around its manufacturing plants. Cipla also extended its financial support to underprivileged patients and children with thalassemia needing bone marrow transplants.

It also runs the BreatheFree initiative to improve the diagnosis of respiratory diseases by creating awareness through print, radio and digital media. To date, this program has reached out to 8 million patients. Also, 5000 patients were engaged under the 'Save your lungs Dilli' campaign in the NCR region of Delhi to create awareness about lung care amongst high air pollution levels.

Skill advancement and education: Cipla supports education in schools located close to its manufacturing facilities through distributing awards and scholarships to meritorious students, constructing buildings such as toilets and science laboratories, and organizing seminars on health and hygiene topics for adolescents etc. The company rebuilt a school building and distributed solar lanterns to every household in Papua village in Uttarakhand. It also conducts fire safety and road safety training programs at various schools near its manufacturing facilities.

Cipla's Palliative Care and Training Centre runs a training course certified by IAPC for doctors and nurses and provides learning lessons in palliative care for all the interested groups. Also, it operates a school to train young boys and girls from economically weaker section of society, free of charge as nursing assistants, which is also recognized by the Indian Association of Palliative Care (IAPC), as a training resource and has established a center for training caregivers in order to serve the children adequately with special development needs. This center provides training to parents, pediatricians, teachers and social workers in identifying, diagnosing, and managing the developmental needs of specially-abled children more effectively.

The company also runs various community

outreach programs to, directly and indirectly, serve various underprivileged communities around its plants in Sikkim, Madhya Pradesh, Karnataka, Maharashtra, Goa Himachal Pradesh, states within India. Under its Bal Shiksha Abhiyan and Bal Vatikaprogram and in partnership with Mumbai Smiles, an NGO from Vikhroli (Maharashtra), two Balwadis near its manufacturing facilities have been established with an intent to promote education, health awareness and nutrition among kids by direct involvement with their parents. In collaboration with Himalayan Social Institute, the company has established Balvatika in each of the three slums in Baddi to ensure infants' nursery education.

Cipla supported Stree Mukti Sanghatana by training students from teenagers on stress management, adolescence, family life education, career guidance, value education and de-addiction information. In collaboration with the NIIT foundation, it has established learning stations named "Hole-in the wall" to make it possible for students from local government schools to have computer education, thus supporting computer literacy and improving the overall quality of education in underserved areas of Baddi, Kurkumbh and Indore. It also supports various NGOs that empower physically challenged people by providing them with skill training in the industry-relevant arenas to ensure better livelihood for them.

Disaster response: This company has been very active in responding to natural disasters by reaching out to affected communities. It supports them by organizing health camps, helping them rebuild their shelters, assisting them in restoring their livelihood and aiding child-friendly spaces to ensure a secure environment for the recovery of vulnerable children. It has supported disaster relief programs in various states, including Maharashtra, Tamil Nadu and Assam.

Environment: Cipla, concerning environmental issues of the planet Earth, has initiated several initiatives leading to a reduction in its impact on the surrounding environment and address major global environmental issues

like climate change and global warming.

Water Conservation: Cipla works towards maintaining ecological balance by carrying out different projects in Kurkumbh, Patalganga and Goa to conserve natural resources and protect the environment. These projects include the development of horticulture, solar and rainwater harvesting in various schools, vermicompost and compost pit, watershed development, various other water conservation activities and animal husbandry. Also, the company carries out an environment day celebration, mass plantation of trees, organic gardening workshops near its plants at Verna and Rawanfond in Goa.

Waste Management: The company maintains modern and well-designed effluent treatment plants and waste management facilities at its manufacturing facilities. At all API manufacturing facilities of the company, zero-liquid discharge status is maintained. It also utilizes treated water from these "zero discharge" facilities to maintain a green belt at all its locations. A unique watershed project to help tribals and villagers around Patalganga of Raigadh district in Maharashtra is also under execution.

Energy Conservation: Several initiatives targeting reducing greenhouse gas emissions (GHG) and focusing on conserving energy and natural resources were undertaken. Goa and Sikkim manufacturing plants, 'Voulte' (Japan-made Fourth-Generation ETP sludge dewatering equipment), were installed to reduce the energy consumption by over 99 percent. At its Kurkumbh and Bommasandra sites, environment-friendly and energy-efficient digesters for waste treatment are installed. Also, energy-efficient wastewater treatment technology named Phytorid to treat sewage is installed in the Indore plant. The company has thoroughly maintained Zero Liquid discharge status at each one of its manufacturing sites. Several other initiatives aimed at efficient energy use include installing solar power plants at Goa, Kurkumbh and Vikhroli and fixation of LED lights at Bommasandra, Sikkim, Virgonagar, Goa, Kurkumbh, Patalganga,

Baddi and Indore are undertaken. Also, old motors and pumps are replaced with energy-efficient ones at Kurkumbh and Patalganga plants. Due to all such efforts, the company has saved 2 percent energy on a year-on-year basis. The company's manufacturing plants have received several awards like National Award for Excellence in Energy Management, Awards for best environment, health and safety practices, etc.

4. Stake holders Viewpoints

To interpret Cipla's partners' perspectives on CSR activities, field visits and personal one-to-one interviews were organized. The employees interviewed elaborated that the company mainly runs four critical programs in its Baddi area of operation. The first one being Balvatika which was started in the year 2014 to provide pre-school education to children from slums within an age group of 3-6 years. A company runs three Balvatika centers in the Baddi area, with each center fulfilling the educational needs of at least 30 kids from slums. The students in these centers are also provided with mid-day meals, a set of uniforms, books and stationery items free of cost. Since 2014, the company has linked almost 100 students from these Balvatikas with local Government schools to provide them with formal education.

The second program, named Mobile Health Plan, is being carried by Cipla in partnership with Helpage India. This program focused on providing health services to residents of slums and rural areas provides them with free consultation and medicines. A weekly schedule is prepared, thus covering an area within the radius of 10 km around the company's location. A team of four members consisting of a social protection officer, a driver, a medical officer and a pharmacist travel to various villages and conduct free OPDs. Since 2014, this program has conducted almost 80000 OPDs around the Baddi area. The needy people are provided with free medicines by the company.

Cipla, in partnership with Baddi University, has started a degree program in B.Sc Medical. The company sponsors the education of

interested candidates from Himachal Pradesh, having poor financial background. At present second batch consisting of 45 students is being supported by the company. The company has also established a skill development and rehabilitation center for students with disabilities in AmbujaManovikasKender, located in the Ropar district.

In collaboration with Ambuja Cement Foundation, Cipla has also established a skill and development center at AmbujaManovikas Kendra in Ropar, Punjab, in 2016. This center provides skill training to disabled children to make them self-dependent and capable of helping their families economically. The trades for training are allocated according to the interest and IQ level of each student. The three trades in which such children are trained are artificial jewelry making, pottery products making and bakery. Training is provided for one year, and after completion, they are assisted in job placement. To date, 56 students have been rehabilitated, out of which 15 students are earning between INR 1000 to INR 10000 per month.

5. Conclusion & Emerging Challenges

After calculating the average of the net profit of the previous three years, which is INR 1669.22 crore, Cipla was prescribed to spend INR 33.38 crore in the year 2016-17, but it spent INR 28.25 crore with a total of INR 5.13 crore were left unspent as per recommendations by Companies Act, 2013. In 2015-16, the company spent INR 13.43 crore on CSR activities, indicating significant progress towards pursuing its social responsibility goals. Though the company is highly regarded in our society but not spending an appropriate amount on social responsibility projects may smear the company's reputation to a certain extent, especially when other industry players are autonomously spending way more than government recommendations towards various social upliftment projects.

The company should identify other unrecognized and unaddressed avenues of society and make efforts towards plugging

those cavities. Instead of following the league and carrying out similar social interventions like health, education, sanitation, etc., new issues in the CSR domain should be addressed by Cipla Limited. The most effective CSR program, a pharmaceutical company, can implement is ensuring the provision of drugs to needy ones who cannot afford them. Though Cipla has been undertaking various projects focusing on donating drugs to marginalized people, there is an enormous scope to take up such activities more vigorously on a broader level and create a difference in society.

Also, with the tightening of patent laws in India, Cipla will have to invest even more in research and development to create more effective and affordable drugs for society and

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