

**Balance Sheet as at March 31, 2006**

INR Millions

	Schedule No.	As at March 31,	
		2006	2005
<b>SOURCES OF FUNDS :</b>			
<b>[1] Shareholders' Funds :</b>			
Capital	1	314	314
Reserves and Surplus	2	7049	5830
		7363	6144
<b>[2] Loan Funds :</b>			
Secured Loans	3	3125	2874
Unsecured Loans	4	1207	841
		4332	3715
<b>[3] Deferred Tax Liability [ Net ]</b>	21[B-23]	1097	1012
<b>Total</b>		12792	10871
<b>APPLICATION OF FUNDS :</b>			
<b>[1] Fixed Assets :</b>	5		
Gross Block		10151	9505
Less : Depreciation, Amortisation and Impairment		3291	2721
Net Block		6860	6784
Capital work-in-progress		589	396
Preoperative & Project Expenses pending capitalisation / allocation [ Rs. 0.1 Millions ]	21 [B-16]	0	4
		7449	7184
<b>[2] Investments</b>	6	1851	1368
<b>[3] Current Assets, Loans and Advances :</b>			
Inventories	7	2128	1939
Sundry Debtors	8	1851	1088
Cash and Bank Balances	9	23	264
Loans and Advances	10	2086	1372
		6088	4663
<b>Less : Current Liabilities &amp; Provisions :</b>			
Liabilities	11	1999	1844
Provisions	12	597	575
		2596	2419
<b>Net Current Assets</b>		3492	2244
<b>[4] Miscellaneous Expenditure :</b> [to the extent not written off or adjusted]	13	0	75
<b>Total</b>		12792	10871
<b>Significant Accounting Policies and Notes on Accounts</b>	21		
<b>As per our report of even date</b>			
For R. R. Patel & Co., Chartered Accountants	For Mukesh M. Shah & Co., Chartered Accountants		Pankaj R. Patel Chairman & Managing Director
R. R. Patel Proprietor Membership No. 7871.	Mukesh M. Shah Partner Membership No. 30190.	Jyotindra B. Gor Chief Accounts Officer	Upen H. Shah Company Secretary
			Mukesh M. Patel Director
Ahmedabad, Dated : 28th April, 2006.			

**Profit And Loss Account for the year ended March 31, 2006**

INR Millions

	Schedule No.	Year ended March 31,	
		2006	2005
<b>INCOME :</b>			
<b>Sales and Income from Operations:</b>			
Gross Sales		<b>13082</b>	11253
Less : Excise Duty		<b>622</b>	619
Net Sales		<b>12460</b>	10634
Other Income from Operations	14	<b>377</b>	313
Total		<b>12837</b>	10947
<b>Other Income</b>	15	<b>379</b>	472
		<b>13216</b>	11419
<b>EXPENDITURE :</b>			
Consumption of Materials and Finished Goods	16	<b>5090</b>	4311
General Expenses	17	<b>4489</b>	4002
Research Expenses	18	<b>817</b>	710
Interest and Financial Charges	19	<b>205</b>	202
Depreciation, Amortisation and Impairment		<b>616</b>	566
		<b>11217</b>	9791
<b>Profit before Extra ordinary items and Tax</b>		<b>1999</b>	1628
Less: Extra-ordinary Expenses:			
Compensation under Voluntary Retirement Scheme		<b>111</b>	124
<b>Profit before Tax</b>		<b>1888</b>	1504
Less : Provision for Taxation	20	<b>239</b>	190
<b>Profit after Tax</b>		<b>1649</b>	1314
Add : Balance brought forward		<b>1490</b>	1064
<b>PROFIT AVAILABLE FOR APPROPRIATIONS</b>		<b>3139</b>	2378
<b>Appropriations :</b>			
Dividends :			
Proposed Dividend		<b>377</b>	377
Corporate Dividend Tax on Proposed Dividend		<b>53</b>	53
		<b>430</b>	430
Transfer to General Reserve		<b>328</b>	458
		<b>758</b>	888
<b>Balance carried to Balance Sheet</b>		<b>2381</b>	1490
<b>Basic and Diluted E P S [ in Rupees ]:</b>	21 [B-24]		
Before Extraordinary items		<b>28.02</b>	22.90
After Extraordinary items		<b>26.26</b>	20.93
<b>Significant Accounting Policies and Notes on Accounts</b>	21		

**As per our report of even date**For R. R. Patel & Co.,  
Chartered AccountantsFor Mukesh M. Shah & Co.,  
Chartered AccountantsPankaj R. Patel  
Chairman & Managing DirectorR. R. Patel  
Proprietor  
Membership No. 7871.Mukesh M. Shah  
Partner  
Membership No. 30190.Jyotindra B. Gor  
Chief Accounts OfficerUpen H. Shah  
Company SecretaryMukesh M. Patel  
Director

Ahmedabad, Dated : 28th April, 2006.

**Cash Flow Statement for the year ended March 31, 2006.**

Particulars	INR Millions	
	Year ended March 31,	
	2006	2005
<b>A Cash Flows from Operating Activities :-</b>		
Net profit before taxation and extraordinary items	1999	1628
Adjustments for :-		
Depreciation	616	566
[ Profit ] / Loss on sale of assets [ net ]	7	2
[ Profit ] / Loss on sale of investments [ net ]	0	(15)
[ Interest income ]	(67)	(47)
[ Dividend income ]	(377)	(456)
Interest expenses	175	186
Bad debts written off	17	19
Provision for doubtful debts	12	0
Provisions for retirement benefits	22	48
Provisions for probable product warranty claims and return of goods	11	11
Total	416	314
Operating profit before working capital changes	2415	1942
Adjustments for :-		
[ Increase ] / Decrease in trade receivables	(771)	548
[ Increase ] / Decrease in other receivables	(722)	(637)
[ Increase ] / Decrease in inventories	(189)	(336)
Increase / [ Decrease ] in trade payables & other liabilities	140	23
Total	(1542)	(402)
Cash generated from operations	873	1540
Interest received	69	38
[ Interest paid ]	(201)	(196)
[ Direct taxes paid ] [ Net of refunds ]	(148)	(109)
Total	(280)	(267)
Cash flow before extraordinary items	593	1273
Extraordinary income / [ expenditure ]	(36)	(52)
Net cash from operating activities	557	1221
<b>B Cash flows from investing activities :-</b>		
Purchase of fixed assets	(890)	(1158)
Pre-operative & Project expenses	(0)	(18)
Purchase of investments	(483)	0
Proceeds from sale of Investments	0	28
Proceeds from sale of fixed assets	11	129
Interest Received on long term investments	0	0
Dividend received	377	456
Net cash from investing activities	(985)	(563)

**Cash Flow Statement for the year ended March 31, 2006.**

Particulars	INR Millions	
	Year ended March 31,	
	2006	2005
<b>C Cash flows from financing activities :-</b>		
[ Borrowings ] [ net ]	617	(342)
[ Dividends paid ]	(377)	(376)
[ Tax on dividends paid ]	(53)	(48)
Net cash used in financing activities	187	(766)
<b>Net increase / (-) decrease in cash and cash equivalents</b>	<b>(241)</b>	<b>(108)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>264</b>	<b>372</b>
<b>Cash and cash equivalents at the close of the year</b>	<b>23</b>	<b>264</b>

**Notes to the cash flow statement**

- All figures in brackets are outflow.
- Previous year's figures have been regrouped wherever necessary.

Pankaj R. Patel  
Chairman & Managing Director

Jyotindra B. Gor  
Chief Accounts Officer

Upen H. Shah  
Company Secretary

Mukesh M. Patel  
Director

Ahmedabad, Dated : 28th April, 2006.

**Auditors' Report**

The Board of Directors,  
Cadila Healthcare Limited,  
Zydus Tower ,  
Sarkhej-Gandhinagar Highway,  
Ahmedabad - 380 015.

We have examined the attached Cash Flow Statement of Cadila Healthcare Limited for the year ended March 31, 06. The statement has been prepared by the Company in accordance with the requirements of Clause No. 32 of the listing agreement with various Stock Exchanges and is based on and is derived from the audited Profit and Loss Account and Balance Sheet of the Company for the year ended March 31, 06 covered by our Report dated April 28, 06 to the members of the Company.

For R. R. Patel & Co.,  
Chartered Accountants

R. R. Patel  
Proprietor  
Membership No. 7871.

Ahmedabad, Dated : 28th April, 2006

For Mukesh M. Shah & Co.,  
Chartered Accountants

Mukesh M. Shah  
Partner  
Membership No. 30190.

Ahmedabad, Dated : 28th April, 2006

## Schedules forming part of the Balance Sheet

	INR Millions	
	As at March 31,	
	2006	2005
<b>Schedule : 1 - Capital :</b>		
<b>Authorised :</b>		
90,000,000 Equity Shares of Rs.5/- each	450	450
500,000 Preference Shares of Rs. 100/- each	50	50
	500	500
<b>Issued, Subscribed and Paid-up :</b>		
62,806,854 Equity Shares of Rs.5/- each fully paid-up	314	314
Notes : Of the above shares, [A] 33,034,332 shares were allotted as fully paid-up pursuant to the Scheme of Arrangement & Amalgamation without payments being received in cash.  [B] 14,885,122 shares were allotted as fully paid-up by way of Bonus shares.		
<b>Total</b>	314	314
<b>Schedule : 2 - Reserves &amp; Surplus :</b>		
<b>Capital Redemption Reserve Account:</b> Balance as per last Balance Sheet	32	32
<b>Share Premium Account :</b> Balance as per last Balance Sheet	2561	2561
<b>Debenture Redemption Reserve :</b> Balance as per last Balance Sheet	247	324
Less : Transfer to General Reserve	172	77
	75	247
<b>General Reserve :</b> Balance as per last Balance Sheet	1500	1100
Add : Transfer from Debenture Redemption Reserve	172	77
Add : Transfer from Profit and Loss Account	328	458
	2000	1635
Less : Adjustment for Impairment of Fixed Assets [ Net of deferred tax adjustments of Rs. Nil { Previous Year Rs. 68} Millions ]	0	135
	2000	1500
<b>Balance in Profit and Loss Account</b>	2381	1490
<b>Total</b>	7049	5830

## Schedules forming part of the Balance Sheet

		INR Millions	
		As at March 31,	
		2006	2005
<b>Schedule : 3 - Secured Loans :</b>		<b>300</b>	
<b>1 Privately Placed Debentures :</b>			
<b>A</b> Nil [ 70 ], 8.4 % Secured , Redeemable Non Convertible Debentures [ NCDs] of Rs. 7,000,000/- each consisting of two separately tradable principal parts [ STRPP ] as under:		<b>0</b>	490
- Nil [ STRPP 1 representing 30% of the face value of NCDs, redeemed at par on 20th August , 2004. ]			
- Nil [ STRPP 2 representing 70% of the face value of NCDs, redeemed at par on 20th August , 2005. ]			
<b>B</b> 60, 7 % Redeemable Non Convertible Debentures of Rs. 5,000,000/- [ As at 31-03-05 Rs. 8,333,333.33 ] each [ Redeemable in six equal half yearly installments commencing from Nov., 2004 ]	<b>1752</b>	<b>626</b>	500
		<b>300</b>	990
<b>2 Loans and Advances from Banks :</b>			
<b>A</b> Term Loans in Foreign Currency		<b>447</b>	0
<b>B</b> Working Capital Loans [Including Packing credit foreign currency loans Rs.43 { As at 31-03-05 - Rs. 443 } Millions]			490
<b>C</b> External Commercial Borrowings [ ECB ] in Foreign Currency			1394
		<b>2825</b>	1884
<b>Total</b>		<b>3125</b>	<b>2874</b>
<b>Securities for Loans :</b>			
1	[A] First charge by way of mortgage of immovable properties and hypothecation of movable properties of the API Unit of the Company at Ankleshwar, Corporate Office Complex of the Company at Ahmedabad and legal mortgage of selected Trade Marks of the Company [ Since released ].		
	[B] First charge by way of mortgage of office complex of the Company at Mumbai, a residential flat of the Company at Ahmedabad and legal mortgage of selected Trade Marks of the Company.		
2	[A] Secured by hypothecation of three trade marks of the Company.		
	[B] [ a ] Secured by way of hypothecation of inventories and book-debts , both present and future, of the specific divisions for which facilities are availed by the Company.		
	[ b ] Further secured by pledge of titles to the goods despatched, besides second charge on all the fixed assets of the Formulation Unit of the Company at Moraiya and Plant and Machinerics of the API Unit of the Company at Ankleshwar.		
	[ c ] The above charges rank " paripassue " amongst banks in the respective consortium.		

## Schedules forming part of the Balance Sheet

### Schedule : 3 - Securities for Loans - Continue:

[C] [a] Rs. 748 Millions [ As at 31-03-05 - Rs. 876 Millions ] are secured by first equitable mortgage of immovable properties and hypothecation of movable properties, both present and future, of the Formulation Unit of the Company at Moraiya, save and except current assets charged to banks for working capital finance loans to rank " paripassue " between lenders at 2[C][c].

[b] Rs. 59 Millions [ As at 31-03-05 - Rs. 120 Millions ] are secured by first mortgage of immovable properties and hypothecation of movable properties, both present and future of the Formulation Unit situated at Ponda, Goa save and except current assets charged to Banks for working capital finance loans & to rank " paripassue " with 2[C][c].

[c] Rs. 540 [ As at 31-03-05 - Rs. 398 Millions ] are secured by securities mentioned at 2[C][a] & 2[C][b] above on " paripassue " basis.

[d] Rs. 405 Millions [ As at 31-03-05 - Rs. Nil ] are secured by " paripassue " first mortgage of immovable properties and hypothecation of movable properties, both present and future, of the API Unit-1 of the Company situated at Ankleshwar, save and except current assets charged to banks for working capital finance loans

#### INR Millions

#### As at March 31,

2006

2005

### Schedule : 4 - Unsecured Loans :

**1 Fixed Deposits** [ Rs. 0.05 { As at 31-03-05 Rs. 0.05 } Millions ]

0

0

**2 Short - term Loans:**

**A** From Banks [ Including Foreign Currency Loans Rs. 177 { As at 31-03-05 - Rs. Nil } Millions ]

304

0

**B** From a Financial Institution in foreign currency

458

402

762

402

**3 Other Loans and Advances :**

**A Interest free deemed loan against deferment of sales tax :**

**a** From a Financial Institution

193

193

**b** Deferred amount

217

210

410

403

**B From a Financial Institution**

2

3

**C From Others**

33

33

445

439

**Total**

1207

841

Note : Loan at [ 3 - A ] is subject to first and / or second charge to be created on the fixed assets of the Formulation Unit of the Company at Moraiya, to rank " paripassue " with other lenders. Pending creation of this security, amount upto Rs. 85 Millions is secured by personal guarantee of the Managing Director of the Company.

## Schedules forming part of the Balance Sheet

## Schedule : 5 - Fixed assets :

Nature of Fixed Assets	INR - Millions												
	Gross Block			Depreciation			Impairment			Net Block			
	As at 31-03-05	Additions During the year	Sales and / or adj. during the year	As at 31-03-06	Upto 31-03-05	For the year	On Sales and / or adj. during the year	Upto 31-03-06	For the year	On Sales and / or adj. during the year	Up to 31-03-06	As at 31-03-06	As at 31-03-05
Freehold Land	108	6	0	114	0	0	0	0	0	0	0	114	108
Leasehold Land	82	28	0	110	7	1	0	8	0	0	0	102	75
Buildings	1965	109	0	2074	269	57	0	326	0	0	0	1748	1696
Plant & Machinery	4204	507	42	4669	1203	276	34	1445	115	2	2	3109	2886
Furnitures, Fixtures & Office Equipments	367	17	8	376	114	21	3	132	6	0	0	238	247
Vehicles	168	37	14	191	56	15	7	64	0	0	0	127	112
Trademark, patents & Designs	1881	0	0	1881	556	184	0	740	31	0	0	1110	1294
Technical know-how	675	6	0	681	261	59	0	320	52	0	0	309	362
Commercial Rights	55	0	0	55	51	1	0	52	0	0	0	3	4
<b>Total</b>	<b>9505</b>	<b>710</b>	<b>64</b>	<b>10151</b>	<b>2517</b>	<b>614</b>	<b>44</b>	<b>3087</b>	<b>204</b>	<b>2</b>	<b>2</b>	<b>6860</b>	<b>6784</b>
2004 - 2005	8460	1207	162	9505	1984	565	32	2517	0	204	0	6784	

## Notes :

- Buildings include Rs. 0.02 Millions being the value of Shares held in Co-operative Societies.
- Additions of Rs. 208 [ Previous Year - Rs. 213 ] Millions in Research Assets during the year are included in additions column, under the respective heads, of gross block as above.
- Legal title of some of the immovable properties Acquired under the scheme of Amalgamation are in the process of being transferred in the name of the Company.

## Schedules forming part of the Balance Sheet

INR Millions

	Nos.[*]	Face Value[**]	As at March 31,	
			2006	2005
<b>Schedule : 6 - Investments [ At cost ] :</b>				
<b>Long Term Investments :</b>				
<b>In Government Securities [Unquoted] :</b>				
National Savings Certificates [ Lodged with Govt. Auth. as security ] [ Rs. 16,350/-]^			0	0
Kisan Vikas Patra [ Lodged with Sales Tax Auth. as security ] [ Rs. 9,000 ]^			0	0
			0	0
<b>In Shares, Debentures and Bonds :</b>				
<b>Subsidiary companies [ Unquoted ] :</b>				
In fully paid-up equity shares of :				
Zydus Pharmaceuticals Ltd.	950000	10	10	10
Dialforhealth India Ltd.	5000000	10	50	50
German Remedies Ltd.	24000	100	2	2
Zydus International Pvt. Ltd. , Ireland	7104400	€ 1.462838	563	470
	(6079000)	[ £ 1 ]		
Sub-total			625	532
<b>Trade Investments :</b>				
<b>Quoted :</b>				
In fully paid-up equity shares of :				
Carnation Nutra-Analogue Foods Ltd [ Refer note no. B - 1 of Sch. no. 21 ]	1711183 [0]	10	245	0
			245	0
<b>Unquoted :</b>				
In fully paid-up equity shares of :				
Companies under the same Management :				
Zydus Altana Healthcare Pvt. Ltd.	10000000	10	100	100
Zydus Mayne Oncology Pvt. Ltd.	7500000 [0]	10	75	0
Sarabhai Zydus Animal Health Ltd.	27000000	10	270	270
BSV Research and Development Pvt. Ltd.	500000 [0]	10	65	0
BSV Pharma Pvt. Ltd.	500000 [0]	10	5	0
			515	370
In fully paid-up Series B & C Convertible Preferred Stock of: Onconova Therapeutic Inc. USA	802638	\$0.01	187	187
			702	557
			947	557
<b>Other Investments :</b>				
<b>Quoted :</b>				
In fully paid-up Equity Shares of :				
Housing Development Finance Corporation Ltd. [ Refer note no. B - 1 of Sch. no. 21 ]	43900	10	1	1
HDFC Bank Ltd. [ Rs. 10,850/- ]^	800	10	0	0
Saket Projects Ltd. [ Rs. 50,000/- ]^	5000	10	0	0
			1	1
In fully paid-up Bonds of Unit Trust of India :				
- 6.6% Tax free ARS Bonds	391712	100	39	39
- 6.75% Tax free US-64 Bonds	34515	100	4	4
			43	43
			44	44

## Schedules forming part of the Balance Sheet

INR Millions

	Nos.[*]	Face Value[**]	As at March 31,	
			2006	2005
<b>Schedule : 6 - Investments (At cost) : continue :</b>				
<b>Unquoted :</b>				
In fully paid-up equity shares of :				
Pharmaceutical Business Group [I] Ltd.	999800	10	10	10
Bharuch Enviro Infrastructure Ltd. [ Rs. 12,140/- ]^	1214	10	0	0
Bharuch Eco - Aqua Infrastructure Ltd	625813	10	6	6
	[568920]			
Enviro Infrastructure Co. Ltd.	50000	10	1	1
Green Environment Co-OP Service [ Rs. 5,000/- ]^	50	100	0	0
Avra Laboratories P Ltd.	250000	10	2	2
Co. Op. Bank of Ahmedabad Ltd. [ Rs. 50/- ]^	2	25	0	0
			19	19
In fully paid-up Bonds of :				
Rural Electrification corporation Ltd.				
- 5.15 % , 5 Year Capital Gains Bonds, Series - III	10500	10000	105	105
National Housing Bank Ltd.				
- 5.10 % , 5 Year Capital Gains Bonds, 2002	10000	10000	100	100
National Bank for Agricultural & Rural Development				
- 5 % , 5 Year Capital Gains Bonds.	1000	10000	10	10
[ Lock-in-period for all the above Bonds - upto March, 07 ]			215	215
			234	234
<b>Total Other Investments</b>			278	278
<b>Total Investments in Shares , Debentures &amp; Bonds</b>			1850	1367
<b>Contribution to the Corpus of Gujarat Venture Capital Fund:</b>				
1990 [ Rs. 50,000/- { As at 31-03-05 Rs. 85,000/- } ]^	-	-	0	0
1995	-	-	1	1
			1	1
<b>Total [ Aggregate Book Value of Investments ]</b>			1851	1368
Unquoted			1562	1324
Quoted [ Market Value Rs 294 { As at 31-03-05 Rs. 75 } Millions}}			289	44
<b>Total</b>			1851	1368
Notes : In " Nos. [*]" figures of Previous year are same unless stated in [ ]				
In " Face Value [**]" , figures in Indian Rupees unless stated otherwise.				
[]^ Figures in bracket denote Rupees.				
<b>Schedule : 7 - Inventories :</b>				
[As taken, valued and certified by the management]				
[ Valued at lower of cost and net realisable value ]				
Stores and Spare Parts			32	44
Stock-in-Trade :				
Raw Materials			564	496
Packing Materials			145	64
Finished Goods			1004	968
			1713	1528
Works-in-progress			383	367
<b>Total</b>			2128	1939

## Schedules forming part of the Balance Sheet

INR Millions 1718

	As at March 31,	
	2006	2005
<b>Schedule : 8 - Sundry Debtors : [ Unsecured ] :</b>		
Debts outstanding for a period exceeding six months :		
Considered good	133	109
Considered doubtful	21	9
Total	154	118
Less: Provision for doubtful debts	21	9
	133	109
Other debts - Considered good :		
Due from subsidiary companies [ Refer note no. B - 9 of Sch.no.21 ]	327	3
Others	1391	976
		979
<b>Total</b>	<b>1851</b>	<b>1088</b>
<b>Schedule : 9 - Cash and Bank Balances :</b>		
Cash balance on hand	4	5
Bank Balances :		
With Scheduled Banks :		
In Current Accounts [ Rs. 0.4 Millions ]	0	8
In Fixed Deposit Accounts	5	244
[Out of this, fixed deposits of Rs. 3 { As at 31-03-05 Rs.58 } Millions have been pledged with Banks as Margin Money for Guarantees issued and fixed deposits of Rs. 0.3 { As at 31-03-05 Rs. 0.3 } Millions have been pledged with Sales-tax Authorities and fixed deposits of Rs. 1.7 { As at 31-03-05 Rs. Nil } Millions is under " Lien " with ICICI Securities Limited ] [ Refer Note No. B - 1 of Sch. No. 21 ]		
In Foreign Currency Current Accounts	10	5
	15	257
With Other Banks :		
In Current Account in foreign currency with :		
International Moscow Bank, Moscow,	2	1
[ Maximum amount outstanding during the year Rs. 2 { Previous year - Rs. 3 } Millions ]		
International Exchange Bank, Philippines,	1	0
[ Maximum amount outstanding during the year Rs. 1 { Previous year - Rs. Nil } Millions ]		
JSP Pension Bank Aval Kiev, Ukraine	1	1
[ Maximum amount outstanding during the year Rs. 6 { Previous year - Rs. 1 } Million ]		
	4	2
<b>Total</b>	<b>23</b>	<b>264</b>

## Schedules forming part of the Balance Sheet

INR Millions

	As at March 31,	
	2006	2005
<b>Schedule : 10 - Loans and Advances :</b>		
[Considered Good, unsecured unless otherwise stated ]		
Advances to subsidiary companies [ Refer note no. B-10 of Sch.no. 21 ]	<b>1005</b>	504
Advances recoverable in cash or in kind or for value to be received :		
Secured:		
Advances to a Joint Venture Company [ Refer note no. B - 5, 6-A & 11 of Sch.no. 21 ]	<b>125</b>	159
Others [ Rs. 0.2 Millions ]	<b>0</b>	1
	<b>125</b>	160
Unsecured :		
Others [ Include loan to Officers Rs. 0.2 { as at 31-03-05 Rs. 0.2 } Millions ] [ Maximum balance due during the year Rs. 1 { Previous Year Rs. 0.2 } Millions ]	<b>830</b>	540
	<b>1960</b>	1204
Advance payment of direct taxes [ net of provision ]	<b>41</b>	47
Balances with Custom / Central Excise / Sales Tax Authorities	<b>76</b>	110
Interest receivable from others	<b>9</b>	11
<b>Total</b>	<b>2086</b>	1372
<b>Schedule : 11 - Current Liabilities :</b>		
Acceptances	<b>190</b>	231
Sundry Creditors :		
Small scale Industrial Undertakings	<b>20</b>	13
For Capital Goods	<b>59</b>	50
Others	<b>1612</b>	1377
Subsidiary Companies [ Rs. 0.4 Millions ]	<b>0</b>	61
	<b>1691</b>	1501
Advances from Debtors	<b>58</b>	26
Trade Deposits	<b>12</b>	12
Investor Education and Protection Fund [ * ] :		
Unclaimed dividends	<b>9</b>	9
Matured but unclaimed Fixed Deposits [ Rs. 0.01 {As at 31-03-05 Rs. 0.01 } Millions ]	<b>0</b>	0
Interest payable on matured but unclaimed fixed deposits [ Rs. 0.01 { As at 31-03-05 Rs. 0.01 } Millions ]	<b>0</b>	0
Total [*][ There are no amounts due and outstanding to be credited to Investor Education and Protection Fund ]	<b>9</b>	9
Interest accrued but not due on loans	<b>39</b>	65
<b>Total</b>	<b>1999</b>	1844
<b>Schedule : 12 - Provisions :</b>		
Proposed dividend	<b>377</b>	377
Corporate Dividend Tax on Proposed Dividend	<b>53</b>	53
Provision for claims for product warranties and return of goods	<b>11</b>	11
Provision for retirement benefits	<b>156</b>	134
<b>Total</b>	<b>597</b>	575
<b>Schedule : 13 - Miscellaneous Expenditure [ To the extent not written off or adjusted ] :</b>		
Preliminary Expenses [ Rs. Nil { as at 31-03-05 Rs. 0.08 } Millions ]	<b>0</b>	0
Compensation under Voluntary Retirement Scheme	<b>0</b>	75
<b>Total</b>	<b>0</b>	75

## Schedules forming part of the Profit and Loss Account

	INR Millions	
	Year ended March 31,	
	2006	2005
<b>Schedule : 14 - Other Income from operations :</b>		
Income from Contract Manufacturing and Processing Charges [ T.D.S. Rs. 7.5 { Previous year - Rs.2.7 } Millions ]	251	136
Export Incentives	55	130
Surplus on account of fluctuations in foreign exchange rates [ Net ]	26	16
Miscellaneous Income	45	31
<b>Total</b>	<b>377</b>	<b>313</b>
<b>\Schedule : 15 - Other Income :</b>		
<b>A Dividends [ Gross ] :</b>		
From Long Term :		
a Trade Investments :		
I Subsidiaries	1	2
II Joint Ventures	375	450
	<b>376</b>	<b>452</b>
b Non - Trade Investments - Others	1	4
Total Dividend received	<b>377</b>	<b>456</b>
<b>B Profit on sale of Investments [ Net ]</b>	<b>0</b>	<b>15</b>
<b>C Others :</b>		
Rent Received [ T.D.S. Rs. 0.4 { Previous year - Rs.0.23 } Millions ]	2	1
<b>Total</b>	<b>379</b>	<b>472</b>
<b>Schedule : 16 - Consumption of Materials and Finished Goods :</b>		
<b>Raw Materials :</b>		
Stock at commencement	496	441
Add : Purchases	2536	2218
	<b>3032</b>	<b>2659</b>
Less : Stock at close	564	496
	<b>2468</b>	<b>2163</b>
<b>Packing Materials</b>	<b>415</b>	<b>340</b>
<b>Purchases of Finished Goods</b>	<b>2259</b>	<b>2101</b>
<b>[ Increase ] in Stock of Finished Goods &amp; Work-in-process :</b>		
Stock at close :		
Finished Goods	1004	968
Works-in-progress	383	367
	<b>1387</b>	<b>1335</b>
Less : Stock at commencement		
Finished Goods	968	703
Works-in-progress	367	339
	<b>1335</b>	<b>1042</b>
	<b>(52)</b>	<b>(293)</b>
<b>Total</b>	<b>5090</b>	<b>4311</b>

## Schedules forming part of the Profit and Loss Account

	INR Millions	
	Year ended March 31,	
	2006	2005
<b>Schedule : 17 - General Expenses :</b>		
Personnel expenses :		
Salaries, wages and bonus	1210	1057
Company's contribution to provident & other funds	84	143
Staff welfare expenses	63	64
	1357	1264
Stores and spare parts consumed	167	122
Power & fuel	308	226
Processing Charges	99	83
Insurance	40	39
Repairs :		
Buildings	18	10
Plant and Machinery	34	32
Others	20	15
	72	57
	23	18
Rates and Taxes	5	47
Managing Director's Remuneration	99	75
Commission to Directors	2	2
Travelling Expenses	290	223
Legal and Professional fees	124	184
Miscellaneous Expenses	338	346
Marketing, Selling & Distribution Expenses:		
Commission on sales	171	155
Freight and forwarding on sales	279	159
Sales promotion expenses	227	232
Advertisements	202	172
Seminar, Conference and Exhibition	96	145
Representative Allowance and Incentives	251	179
Bad debts written off	17	19
Provision for Doubtful Debts	12	0
Other marketing expenses	298	240
	1553	1301
Preliminary Expenses written off [ Rs 0.08 { Previous year - Rs. 0.32 } Millions ]	0	0
Directors' fees [ Rs 0.32 { Previous year - Rs. 0.22 } Millions ]	0	0
Loss on assets sold / discarded [ Net ]	7	2
Donations	5	13
<b>Total</b>	<b>4489</b>	<b>4002</b>

## Schedules forming part of the Profit and Loss Account

INR Millions

	Year ended March 31,	
	2006	2005
<b>Schedule : 18 - Research Expenses :</b>		
Materials	219	198
Personnel expenses :		
Salaries, wages and bonus	157	125
Company's contribution to provident & other funds	10	11
Staff welfare expenses	5	5
	172	141
Stores and spare parts consumed	22	35
Power & fuel	26	19
Analytical expenses	281	246
Insurance	6	4
Repairs:		
Buildings	3	2
Plant & machineries	2	3
Rent	2	4
Travelling Expenses	10	7
Legal and Professional fees	3	2
Others [ Excluding Depreciation of Rs. 67 { Previous Year - Rs. 58.5 } Millions ]	71	49
<b>Total</b>	<b>817</b>	<b>710</b>
<b>Schedule : 19 - Interest and Financial Charges :</b>		
Interest :		
On term loans	118	79
On debentures	42	87
On working capital loans	12	16
Others	3	4
	175	186
Deficit on account of fluctuations in foreign exchange rates on loans	57	30
Bank commission & charges	40	33
	272	249
Less : Interest earned [ Gross ] :		
From Long Term Investments	15	13
Others [T.D.S. Rs. 6.3 { Previous year Rs. 4.1 } Millions ]	52	34
Total	67	47
<b>Total</b>	<b>205</b>	<b>202</b>
<b>Schedule : 20 - Provision for Taxation :</b>		
Current Tax	130	84
Deferred Tax	85	106
Fringe Benefit Tax	15	0
Total	230	190
Add : Prior year's tax adjustments [ Previous year Rs. 0.3 Millions ]	9	0
<b>Total</b>	<b>239</b>	<b>190</b>

## Schedules forming part of the Balance Sheet and Profit and Loss Account

### \Schedule : 21 - Significant Accounting Policies & Notes on Accounts :

#### A Significant Accounting Policies :

##### 1 Basis of Accounting :

The financial statements are prepared under the historical cost convention on the "Accrual Concept" of accountancy in accordance with the accounting principles generally accepted in India and comply with the Accounting Standards issued by the Institute of Chartered Accountants of India to the extent applicable and with the applicable provisions of the Companies Act, 1956.

##### 2 Use of Estimates :

The preparation of Financial Statements in conformity with the Accounting Standards generally accepted in India requires, the management to make estimates and assumptions in respect of certain items like provisions for doubtful debts, impairment of fixed assets, provision for product warranty claims etc. that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as at the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

##### 3 Fixed Assets and Depreciation :

- A Fixed Assets are stated at historical cost of acquisition / construction less accumulated depreciation and impairment loss. Cost [ Net of Input tax credit received / receivable ] includes related expenditure and pre-operative & project expenses for the period upto completion of construction / assets are put to use.
- B Depreciation is provided on "straight line method" as per Section 205 (2) (b) of the Companies Act, 1956 at the rates prescribed in Schedule XIV thereto.
- C Depreciation on impaired assets is calculated on its residual value, if any on a systematic basis over its remaining useful life.
- D Leasehold land is amortized over the period of the lease.
- E The Trade Marks and Technical Know-how Fees are amortised over its estimated economic life of ten years.
- F Depreciation on additions / disposals of the fixed assets during the year is provided on pro-rata basis according to the period during which assets are put to use.

##### 4 Impairment of Assets :

The Company assesses at each balance sheet date whether there is any indication of impairment of any asset. If such indication exists, assets are impaired by comparing carrying amount of each asset and / or cash generating unit to the recoverable amount being higher of the net selling price or value in use. Value in use is determined from the present value of the estimated future cash flows from the continuing use of the assets.

##### 5 Borrowing Costs :

Borrowing costs attributable to the acquisition / constructions of a qualifying asset are capitalised as part of the cost of such assets, up to the date, the assets are ready for its intended use. Other borrowing costs are recognised as an expense in the period in which they are incurred.

##### 6 Expenditure during the Construction Period :

The expenditure incidental to the expansion / new projects are allocated to Fixed Assets in the year of commencement of the commercial production.

##### 7 Investments :

- A Long term and strategic investments are stated at cost, less any diminution in the value other than temporary.
- B Current investments, if any, are stated at lower of cost and fair value determined on individual investment basis.
- C Investments in shares of foreign subsidiary and other Companies are expressed in Indian Currency at the rates of exchange prevailing at the time when the original investments were made.

##### 8 Inventories :

- A Raw Materials , Stores & Spare Parts , Packing Materials , Finished Goods and Works-in-Progress are valued at lower of cost and net realisable value .
- B Cost [ Net of Input tax credit availed ] of Raw Materials, Stores & Spare Parts, Packing Materials & Finished Goods is determined on FIFO basis .
- C Cost of Finished Goods and Works-in-Progress is determined by taking material cost ( net of Input tax credit availed ) , labour and relevant appropriate overheads .

##### 9 Revenue Recognition :

- A Sales of products in domestic market are recognised when they are despatched to customers at invoice value and are reported net of trade discounts and sales tax collected.
- B Revenue in respect of export sales is recognised on shipment of products .
- C Dividend income is recognised when the unconditional right to receive the income is established.
- D Interest income is recognised on time proportionate method.
- E Revenue in respect of other income is recognised when no significant uncertainty as to its determination or realisation exists.

## Schedules forming part of the Balance Sheet and Profit and Loss Account

### \Schedule : 21 - Significant Accounting Policies & Notes on Accounts - Continue :

#### 10 Foreign Currency Transactions :

- A** The transactions in foreign currencies on revenue accounts are stated at the rates of exchange prevailing on the date of transaction.
- B** The net gain or loss on account of exchange differences either on settlement or on translation are recognised in the Profit and Loss Account, except in cases where they relate to acquisition of Fixed assets from a country outside India, the same are adjusted to the carrying cost of respective Fixed Assets.
- C** The foreign currency assets and liabilities covered by forward contracts / options are stated at forward contract rates, while those not covered by forward contracts are restated at the prevailing exchange rates at the year end. The premium in respect of forward contracts is accounted over the period of the contract.

#### 11 Research and Development Cost :

- A** Revenue expenditure on research and development is charged to the profit and loss account of the year in which it is incurred.
- B** Capital expenditure on research and development is given the same treatment as Fixed Assets.

#### 12 Excise Duty :

Excise Duty is accounted gross of Cenvat benefit availed on inputs, fixed assets and eligible services.

#### 13 Retirement Benefits :

- A** Contribution to Provident Fund and Superannuation Scheme accruing during each year as per the schemes are charged to Profit and Loss Account.
- B** Gratuity and Leave Encashment Liabilities are charged to Profit and Loss Account on the basis of actuarial valuation.

#### 14 Miscellaneous Expenditure Not Written Off :

- A** Preliminary Expenses are written off over a period of five years .
- B** The compensation paid to the employees under Voluntary Retirement Scheme is expensed in the year of payment.

#### 15 Provision for Bad and Doubtful Debts / Advances :

Provision is made in accounts for bad and doubtful debts / advances which in the opinion of the management are considered irrecoverable.

#### 16 Provision for Product warranties :

Estimated warranty claims in respect of products sold during the year are provided based on the management's estimates of probable customers claims.

#### 17 Taxes on Income :

- A** Current tax is determined on the basis of the amount of tax payable on taxable income for the year.
- B** In accordance with Accounting Standard 22 - " Accounting for Taxes on Income " , issued by the Institute of Chartered Accountants of India, amount of the deferred tax for timing differences between the book and tax profits for the year is accounted for using the tax rates and laws that have been enacted or substantively enacted as of the balance sheet date. Deferred tax assets arising from temporary timing differences are recognised to the extent there is reasonable certainty that the assets can be realised in future.

#### B Notes on Accounts :

- 1** During March, 06, the Company has acquired 17,11,183 equity shares of Carnation Nutra-Analogue Foods Ltd. Which amounts to 30.69 % of total shares of the said Company. The Company has given the public announcement for making open offer for acquiring 20 % of the Share Capital to the shareholders of the said Company under the provisions of Securities & Exchange Board of India [ Substantial Acquisition of Shares and takeovers ] Regulations, 1997. In connection therewith, 43,900 Equity shares of Housing Development Finance Corporation Limited and fixed deposit of Rs. 1.7 million are pledged with ICICI Securities Limited as a security towards escrow for the open offer made by the Company to acquire 20 % shares.
- 2** Hitherto the Company had been providing the medical / sick leave as and when due. However, in view of Accounting Standard 15 [ Revised - 2005 ] becoming applicable from accounting year 2006-07, the Company has voluntarily made the provision for the same on the basis of actuarial valuation. Due to this change the profit for the year is lower by Rs. 2 millions.
- 3** Hitherto, the Company had a policy to amortise compensation paid under voluntary retirement scheme over a period of 42 months. However, in view of accounting standard 15 [ Revised 2005 ] on employee benefits becoming applicable from accounting year 2006-07, compensation paid under the said scheme during the year and balance unamortised amount of Rs. 2 Millions is fully charged to Profit and Loss account. Due to this change, the profit for the year is lower by Rs. 30 millions.

## Schedules forming part of the Balance Sheet and Profit and Loss Account

### \Schedule : 21 - Significant Accounting Policies & Notes on Accounts - Continue :

- 4 The Company has imported certain capital Equipments at concessional rate of custom duty under "Export promotion of Capital Goods Scheme" of the Central Government. The Company has undertaken an incremental export obligation to the extent of US \$ 19 Millions{ equivalent to Rs. 848 Millions Approx. } [ Previous Year US \$ 18 Millions { equivalent to Rs. 797 Millions approx.}] to be fulfilled during a specified period as applicable from the date of imports. The liability towards custom duty payable thereon in respect of unfulfilled export obligations as on 31st March, 2006 of Rs. 91 Millions [ as at 31-03-05 Rs. 117 Millions ] is not provided for.
- 5 The Company has given the guarantee in favour of a bank for securing term loans granted by it to Sarabhai Zydus Animal Health Ltd.[ SZAHL ], a joint venture company .The Company has also pledged with the bank its investments of 11,960,100 equity shares of SZAHL held by the Company. During the year under review, the Company has paid Rs. 125 Millions to the bank on behalf of SZAHL honouring its obligation under the aforesaid guarantee. The aforesaid loan has been fully repaid on March 14, 06. In terms of guarantee document entered into between the bank, SZAHL and the Company, all rights and security of the lender in the form of mortgage of land at village Dongargaon [ Taluka : Mawal, district : Pune ] together with structures erected / to be erected thereon and certain trademarks of SZAHL shall automatically get transferred in favour of the Company on repayment of the said loan including the release of pledged shares of the Company held in SZAHL. In view of this, the amount recoverable from SZAHL is disclosed as secured advance under Loans and Advances under schedule - 10.
- 6 **A** The Company has an investment of Rs. 270 Millions in fully paid up equity shares of Sarabhai Zydus Animal Health Ltd., a Joint venture company. Further, the Company has given secured loans & advances of Rs. 125 Millions [ Previous Year Rs. 159 Millions ] to said Company. The accumulated losses of the Company as at 31st March, 2006 are nearly 65% of its net worth. However having regard to the long term strategy of the Company , no provision is considered necessary on this account.
- B** The Company has an investment of Rs. 50 Millions and given loans & advances of Rs. 61 Millions to Dialforhealth India Ltd., a wholly owned subsidiary of the Company. The accumulated losses as at 31st March, 2006 amounting to Rs. 76 Millions has exceeded the entire share capital of the said Company. However having regard to the long term strategy of the Company , no provision is considered necessary on this account.
- 7 In accordance with the Accounting Standard - 28 on " Impairment of Assets " issued by the Institute of Chartered Accountants of India, the management has carried out impairment test on individual assets and / or cash generating unit in respect of the economic life of fixed assets and have reviewed the potential generation of economic benefits from the fixed assets and have concluded that some of the fixed assets employed in the continuing business are unlikely to generate adequate economic returns over their useful lives. Consequently, some of the items of Plant & Machineries are written down to their recoverable amount, being the residual realizable value. In accordance with the said standard, impairment loss amounting to Rs. 2 Million arising during the year is charged to the Profit & Loss Account.
- 8 **A** Provision for product warranty claims in respect of products sold during the year is made on the basis of management's estimation of probable customer claims in respect thereof considering the estimated stock lying with retailers. The Company does not expect any reimbursement of such claims in future.
- B** The movement in such provision is stated as under :

Carrying amount at the beginning of the year	Additional provision made during the year	INR - Millions		Unused amount reversed during the year	Carrying amount at the end of the year
		Amount used			
11.39	11.53	11.39		0	11.53

## Schedules forming part of the Balance Sheet and Profit and Loss Account

\Schedule : 21 - Significant Accounting Policies & Notes on Accounts - Continue :		<b>INR Millions</b> Year ended March 31,	
		2006	2005
<b>9</b>	Sundry Debtors include amount due from subsidiary Companies :		
<b>A</b>	Zydus Pharmaceuticals Ltd. [ Maximum amount due during the year Rs.3 { Previous Year Rs. 49 } Millions ]	0	3
<b>B</b>	Zydus Healthcare Brazil Ltda.[ Maximum amount due during the year Rs.20 { Previous Year Rs.Nil } Millions ]	20	0
<b>C</b>	Zydus Pharmaceuticals (USA) INC [ Maximum amount due during the year Rs. 307 { Previous Year Rs.Nil } Millions ]	307	0
<b>10</b>	Loans & Advances include amount due from subsidiary Companies :		
<b>A</b>	Zydus Pharmaceuticals Ltd. [ Maximum amount due during the year Rs.50 { Previous Year Rs. 50 } Millions ]	0	50
<b>B</b>	Zydus International Pvt. Ltd. [ { As at 31-03-05 Rs. 805 } ] [ Maximum amount due during the year Rs. 404 Millions { Previous Year Rs. 805/- } ] [ This is a convertible loan to be converted into Share Capital of Zydus International Pvt. Ltd. at par, at the discretion of the Company, with an option to recall the loan in case the objective of providing the loan is not met with. ]	404	0
<b>C</b>	Dialforhealth India Ltd.[ Maximum amount due during the year Rs. 61 { Previous Year Rs. 57 } Millions ]	61	57
<b>D</b>	Zydus France SAS [ Maximum amount due during the year Rs.540 { Previous Year Rs. 397 } Millions ]	540	397
	Note : All without interest except D. The terms of repayment not specified in C. In case of D repayable in September, 2008 & September, 2009.		
<b>11</b>	Loans & Advances include amount due from a Joint Venture Company : Sarabhai Zydus Animal Health Ltd.[ Maximum amount due during the year Rs. 159 { Previous Year Rs. 159 } Millions ] [ Note : Interest bearing. The terms of repayment not specified.]	125	159
<b>12 A</b>	Details of remuneration paid / payable to the Managing Director :		
<b>a</b>	Remuneration	99	75
<b>b</b>	Contribution to Provident and other Funds [ Rs. 0.3 Mn. { Previous year - Rs. 0.3 Mn } ]	0	0
<b>c</b>	Total	99	75
<b>B</b>	Computation of net profit as per section 198 read with section 309 , 349 & 350 of the Companies Act,1956 :		
<b>a</b>	Profit as per Profit & Loss Account	1649	1314
<b>b</b>	Add :		
	Depreciation provided in Accounts	616	566
	Provision for Taxation - Current , Deferred, Fringe benefit & Prior year tax adjustments	239	190
	Managing Director's Remuneration	99	75
	Directors' fees [ Rs 0.32 { Previous year - Rs. 0.22 } Millions ]	0	0
	Provision for doubtful debts	12	0
	Commission to Other Directors	2	2
	Loss on sale / disposal of Assets [ Net ]	7	2
		975	835
<b>c</b>	Total ( a + b )	2624	2149
<b>d</b>	Less: Depreciation as per section 350	616	566
	Less : Profit on sale of Investments [ Net ]	0	15
	Total	616	581
<b>e</b>	Net Profit as per section 198 ( c - d )	2008	1568
<b>C</b>	Maximum remuneration payable at the rate of 5% of the net profit as per section 309 of the Companies Act, 1956 . MD remuneration @ 5 %	100	78
<b>D</b>	Commission to Non-Executive Directors : Maximum allowable as per Companies Act, 1956 [ 1 % of net profit ]	20	16
	Maximum approved by the Shareholders	5	5
	Commission approved by the Board	2	2
<b>13</b>	Capital expenditure on Research & Development [Including Capital Work-in-Progress Rs. 316 {Previous Year-Rs.154 } Millions]	370	322
<b>14</b>	Miscellaneous Expenses include :		
<b>A</b>	Auditors' Remuneration :		
<b>a</b>	Audit Fees	2	2
<b>b</b>	Tax Audit Fees	1	1
<b>c</b>	Certification & Other Charges [ Rs. 0.3 { Previous Year Rs. 0.3 } Millions ]	0	0
<b>d</b>	Total	3	3
<b>B</b>	Cost Auditor's Remuneration including fees for other services	1	1

## Schedules forming part of the Balance Sheet and Profit and Loss Account

<b>Schedule : 21 - Significant Accounting Policies &amp; Notes on Accounts - Continue :</b>		<b>INR Millions</b>	
		<b>Year ended March 31,</b>	
		<b>2006</b>	<b>2005</b>
<b>15</b>	During the year , the Company has capitalised the borrowing cost amounting to Rs. 8 [ Previous Year Rs. 7 ] Millions		
<b>16</b>	Break up of Pre - operative & Project expenses :		
<b>A</b>	General Expenses :		
<b>a</b>	Travelling , Conveyance & Vehicle Expenses [ Rs. 0.09 Mn. ]	0	1
<b>b</b>	Professional Fees & Consultation Charges	0	3
<b>c</b>	Others [ Rs. 0.03 Mn. ]	0	13
<b>d</b>	Total	0	17
<b>B</b>	Personnel Expenses :	0	1
<b>C</b>	Depreciation [ Rs. Nil { Previous Year Rs. Nil }]	0	0
<b>D</b>	Net Pre - operative & Project Expenses	0	18
<b>E</b>	Add : Expenses incurred till Previous year	4	8
<b>F</b>	Total	4	26
<b>G</b>	Less : Transferred to revenue expenses during the year	4	0
<b>H</b>	Less : Capitalised during the year on commencement of respective projects / units [ Rs. 0.13 Mn. ]	0	22
<b>I</b>	Pre-operative & Project Expenses carried to Balance Sheet [ Rs. 0.1 Mn. ]	0	4
<b>17</b>	<b>Contingent liabilities not provided for :</b>		
		<b>INR - Millions</b>	
		<b>As at March 31,</b>	
		<b>2006</b>	<b>2005</b>
		<b>2006</b>	<b>2005</b>
		<b>In respect of [ * ] Amalgamated Companies</b>	<b>In respect of Cadila Healthcare Ltd.</b>
<b>A</b>	In respect of guarantees given by a Bank and counter guarantees given by the Company.	0	0
<b>B</b>	In respect of outstanding dues against guarantees given by the Company to Banks for the loans availed by a Joint Venture Company	0	0
<b>C</b>	In respect of guarantees given by the Company to Banks for the outstanding dues of loans availed by Zydus Pharmaceuticals Limited , wholly owned subsidiary company	0	0
<b>D</b>	Claims against the Company not acknowledged as debts	1.4	0.1
<b>E</b>	In respect of the demand raised by the Central Excise, State Excise & Service Tax dept. against which the Company has preferred an appeal. The Company has been legally advised that the demand is not tenable.	9	9
<b>F</b>	In respect of the demand raised by the Ministry of Chemicals & Fertilizers, Govt. of India under Drug Price Control Order , 1979 for difference in actual price and price of respective bulk drug allowed while fixing the price of certain life saving formulations and disputed by the Company. Based on the legal advice the Company does not foresee the crystallization of the liability.	27	27
<b>G</b>	In respect of Income Tax matters pending before appellate authorities which the Company expects to succeed, based on decisions of Tribunals / Courts.	0	0
<b>H</b>	In respect of Sales Tax matters pending before appellate authorities which the Company expects to succeed, based on decisions of Tribunals / Courts.	0	0
		<b>241</b>	<b>129</b>
		<b>0</b>	<b>133</b>
		<b>0</b>	<b>81</b>
		<b>284</b>	<b>284</b>
		<b>255</b>	<b>278</b>
		<b>0</b>	<b>0</b>
		<b>52</b>	<b>59</b>
		<b>17</b>	<b>77</b>
<p>Note : [ * ] represents contingent liabilities taken over by the Company under the Scheme of Arrangement and Amalgamation of erstwhile Cadila Laboratories Ltd., Cadila Chemicals Ltd. , Cadila Antibiotics Ltd. , Cadila Exports Ltd. and Cadila Veterinary Pvt. Ltd. with the Company w.e.f. 1st June , 1995.</p>			

## Schedules forming part of the Balance Sheet and Profit and Loss Account

Schedule : 21 - Significant Accounting Policies & Notes on Accounts - Continue :		INR Millions Year ended March 31,					
		2006	2005				
<b>18</b>	Estimated amount of contracts remaining to be executed on capital account and not provided for [ Net of Advances ]	<b>35</b>	217				
<b>19 Derivative Financial Instruments :</b>							
<b>A</b> Most of the derivative transactions are considered as off balance sheet items and cash flows arising there from are recognised in the books of accounts as and when the settlements take place in accordance with the terms of the respective contracts over the tenure thereof.							
<b>B</b> As at March 31, 06, the following derivative transactions are outstanding :							
	Quantum [*] INR-Mn.	Underline exposure	Purpose				
	968	Trade receivable	Hedging the risk of exchange rate fluctuations				
	1000	Trade payable and Debts servicing	Hedging the risk of exchange rate fluctuations				
	991	Debts servicing	Hedging the risk of Interest rate				
	451	Debts servicing	Hedging the risk of exchange rate fluctuations				
<b>C</b> As at March 31, 06, the following foreign currency exposures are not hedged by derivative transactions :							
	Quantum [*] INR-Mn.						
	804						
	823						
Note : [*] : Represents the Indian rupee equivalent of foreign currency contracts and derivatives converted in accordance with the accounting policy followed by the Company							
<b>20</b> The Company's interest in the jointly controlled entities is shown as under in compliance with the requirements of the Accounting Standard - 27 " Financial Reporting of Interest in Joint Ventures ", [ AS - 27 ] issued by the Institute of Chartered Accountants of India :							
Name of the Company	% of holdings	Accounting year ending on	Status	INR - Millions Amount of interest based on last audited accounts			
				Assets	Liabilities	Income	Expenditure
Zydus Altana Healthcare Pvt. Ltd.	50	31-12-05	Audited	396	92	644	176
Zydus Mayne Oncology Pvt. Ltd.	50	31-03-06	Audited	77	2	0	0
Sarabhai Zydus Animal Health Ltd.	50	31-03-06	Unaudited	283	188	417	384
Dialforhealth Greencross Limited	50	31-03-06	Audited	1	0.1	0.3	0.4
BSV Research and Development Pvt. Ltd.	50	31-03-06	Audited	35	3	0.02	4
BSV Pharma Pvt. Ltd.	50	31-03-06	Audited	5	0.12	0.00	0.13
The Company's share in contingent liabilities of jointly controlled entities in compliance with the requirement of AS - 27 referred to above is as under :							
				<b>INR - Millions</b>			
<b>A</b> In respect of guarantees given by a Bank and counter guarantees given by the jointly controlled entities [ Rs. 0.2 Millions ]				0.3			
<b>B</b> In respect of demand raised by the Government of Gujarat on account of stamp duty payable on the trade-marks acquired by one of the jointly controlled entity against which appeal has been preferred before the Hon'able Delhi High Court				18			
<b>C</b> Custom duty liability which may arise if export obligations are not fulfilled against import of machinery under EPCG Scheme				0.2			
Estimated amount of contracts remaining to be executed on capital account and not provided for [ Net of Advances ]				90			
<b>21 Segment Information :</b>							
Segment Information has been given in the Consolidated Financial Statements of the Company. Hence , as per Accounting Standard - 17 issued by the Institute of Chartered Accountants of India, no separate disclosure on segment information is given in these financial statements.							

Schedules forming part of the Balance Sheet and Profit and Loss Account

Schedule : 21 - Significant Accounting Policies & Notes on Accounts - Continue :

22 Related Party Transactions :

A Name of the Related Party and Nature of the Related Party Relationship :-

a Subsidiary Companies :

<b>Dialforhealth India Limited</b>	<b>Zydus Healthcare S.A. (Pty) Ltd. [ South Africa ]</b>
<b>Dialforhealth Unity Limited</b>	<b>Zydus Healthcare [ USA ] LLC. [ USA ]</b>
<b>German Remedies Limited</b>	<b>Zydus Healthcare Brasil Ltda [ Brasil ]</b>
<b>Zydus Pharmaceuticals Limited</b>	<b>Zydus Pharmaceuticals ( USA ) Inc. [ USA ]</b>
<b>Zydus International Pvt. Ltd. [ Ireland ]</b>	<b>Zydus France SAS [ France ]</b> <b>SCI Immopharm [ France ]</b>

b Joint Venture Companies :

<b>BSV Research and Development Pvt. Ltd.</b>	<b>Sarabhai Zydus Animal Health Limited</b>
<b>BSV Pharma Pvt. Ltd.</b>	<b>Zydus Altana Healthcare Pvt. Ltd.</b>
<b>Dialforhealth Greencross Limited</b>	<b>Zydus Mayne Oncology Pvt. Ltd.</b>

c Directors and their relatives :

<b>Shri P.R.Patel</b>	<b>Chairman &amp; Managing Director [ C.M.D. ]</b>
<b>Shri Sharvil P.Patel</b>	<b>Director &amp; son of C.M.D.</b>
<b>Aarti Trust</b>	<b>Sister of C.M.D. is beneficiary of the Trust</b>
<b>Gira Trust</b>	<b>Sister of C.M.D. is beneficiary of the Trust</b>
<b>Rita Trust</b>	<b>Sister of C.M.D. is beneficiary of the Trust</b>
<b>Zydus Family Trust</b>	<b>C.M.D. &amp; his relatives are beneficiaries of the Trust</b>

d Enterprises significantly influenced by Directors and /or their relatives

<b>Cadmach Machinery Company Private Limited</b>	<b>B.A.Research India Ltd.</b>
<b>M/s. C. M. C. Machinery</b>	<b>Ramanbhai Foundation</b>

e Associate Companies :

**Carnation Nutra-Analogue Foods Ltd.**

B Transactions with Related Parties :

The following transactions were carried out with the related parties in the ordinary course of business .

a Details relating to parties referred to in items 24 - A [ a , b, d & e ]

Nature of Transactions	Volume of the Transactions [ INR - Millions ]							
	Subsidiary Companies		Joint venture Companies		Enterprises significantly influenced by Directors and/or their relatives		Associate Companies	
	2006	2005	2006	2005	Year ended March 31,		2006	2005
Purchases :								
<b>Goods</b>	26	13			1			
<b>Fixed Assets</b>	2				12	23		
<b>Services</b>	20	25			47	4		
<b>Deputation of personnel</b>	10	405						
Sales :								
<b>Goods</b>	543	743	7	5				
<b>Fixed Assets</b>			3		22			
<b>Services</b>	1		1					
Investments :								
<b>Purchase</b>	93		145				245	
<b>Dividend Received</b>	1	2	375	450				
Finance :								
<b>Inter Corporate Deposits given</b>	575	459	72	160				
<b>Deposits Repaid</b>	50	5	106	83				
<b>Guarantees given</b>		81		133				
<b>Interest Received</b>	25	8	16	14				
Others :								
<b>Donation given</b>					2	12		
Outstanding :								
<b>Payable</b>		61						
<b>Receivable</b>	1332	507	125	159				

b. Details relating to persons referred to in item 24-A [ c ] above :

	INR - Millions Year Ended March 31,	
	2006	2005
1 <b>Remuneration</b>	99	75
2 <b>Rent paid [ Rs. 0.2 { previous Year Rs. 0.2 } Millions ]</b>	0	0
3 <b>Outstanding remuneration payable</b>	96	72

## Schedules forming part of the Balance Sheet and Profit and Loss Account

### Schedule : 21 - Significant Accounting Policies & Notes on Accounts - Continue :

#### 23 Deferred Tax :

- A** The Deferred tax liability of Rs. 85 Millions for the year has been recognised in the Profit And Loss Account.  
**B** Break up of Deferred Tax Assets and Liabilities into major components of the respective balances are as under :

	INR - Millions		
	As at March 31, 2005	Charge for the year to Profit & Loss A/c.	As at March 31, 2006
Deferred Tax Liabilities :			
Depreciation	1165	114	1279
Others	14	0	14
Total	1179	114	1293
Deferred Tax Assets :			
Retirement benefits	51	9	60
Receivables	4	5	9
Others	112	15	127
Total	167	29	196
Net Deferred Tax Liability	1012	85	1097

#### 24 Calculation of Earnings per Share [ EPS ] :

The numerators and denominators used to calculate the basic and diluted EPS are as follows :

	Year ended March 31,	
	2006	2005
<b>A</b> Profit after tax attributable to Shareholders : INR - Mi		
<b>a</b> Before extra-ordinary items	1760	1438
<b>b</b> After extra-ordinary items	1649	1314
<b>B</b> Basic and weighted average number of Equity shares outstanding during the year		
s.	62806854	62806854
<b>C</b> Nominal value of equity share		
No	5	5
<b>D</b> Basic and Diluted EPS :		
<b>a</b> Before extra-ordinary items	28.02	22.90
<b>b</b> After extra-ordinary items	26.26	20.93

#### 25 A The names of Small Scale Industrial Undertakings to whom amounts outstanding for more than 30 days are as under :

Wee Pack Industries, Kunal Enterprises, Maxima Systems Ltd, Autofits, Tube Glass Containers Ltd., Roto Polymers India, Oleya Equipments, Silicagel Products Mfg Co., Rolex Plastic Industries, Vial Seal Industries, Premier Aircon, Jay Enterprise, Shree Ganesh Industries, Shreeji Paper Containers, Unique Offset, Maharshi Industries, Jewel Packaging Pvt. Ltd., Kaveri Engineering Works, J.H.Mehta & Brothers, Glass Ampoules (India) Pvt Ltd., Creative Printers Pvt.Ltd., Isha Plastic Industries, A Choksey Chemical Industries, Temple Packaging P Ltd., Unique Printers, Samrat Pharmachem Ltd., Kaisha Manufacturers Pvt. Ltd.,

- B** The above information has been compiled in respect of parties to the extent to which they could be identified as Small Scale and ancillary undertakings on the basis of information available with the Company.

## Schedules forming part of the Balance Sheet and Profit and Loss Account

Schedule : 21 - Significant Accounting Policies & Notes on Accounts - Continue :					
26 Quantitative and Value analysis of Sales Turnover :					
		Year ended March 31,			
		2006		2005	
<u>Class of Goods</u>	<u>Units of Measure</u>	Qty.	INR - Millions	Qty.	INR - Millions
Tablets	ML.Nos.	7573	6757	6121	5370
Capsules	ML.Nos.	691	1286	599	1028
Injections	K.Ltrs.	1262	1410	1281	1343
Dry Powder Injections	Kgs.	5580	616	6977	548
Liquids	K.Ltrs.	1911	371	2101	304
Dry Syrups, Powders & Granules	Tonnes	761	592	724	506
Ointment	Tonnes	126	160	138	134
Cosmeceuticals	Tonnes	612	247	477	175
Suppositories	ML.Nos.	10	62	16	47
Bulk Drugs	Tonnes	376	1535	228	1730
Others			46		68
Total			13082		11253

  

27 Quantitative and Value analysis of Opening / Closing Stock :							
		As at March 31,					
		2006		2005		2004	
<u>Class of Goods</u>	<u>Units of Measure</u>	Qty.	INR Millions	Qty.	INR Millions	Qty.	INR Millions
Tablets	ML.Nos.	462	219	490	250	335	170
Capsules	ML.Nos.	52	33	49	37	34	30
Injections	K.Ltrs.	30	97	31	60	33	56
Dry Powder Injections	Kgs.	257	17	540	24	87	7
Liquids	K.Ltrs.	57	23	18	15	44	12
Dry Syrups, Powders & Granules	Tonnes	36	4	26	6	21	6
Ointments	Tonnes	20	7	22	7	2	1
Suppositories	ML.Nos.	1	3	3	3	2	2
Bulk Drugs	Tonnes	38	173	23	134	15	88
Others			14		19		12
Total			590		555		384

## Schedules forming part of the Balance Sheet and Profit and Loss Account

## Schedule : 21 - Significant Accounting Policies &amp; Notes on Accounts - Continue :

## 28 Quantitative and Value Analysis of goods traded in :

	Units of Measure	Qty.	INR Millions	Qty.	INR Millions
		As at April 1,			
		2005		2004	
<b>(A) Stock at Commencement :</b>					
Tablets	ML.Nos.	521	176	420	130
Capsules	ML.Nos.	36	39	38	26
Injections	K.Ltrs.	123	88	126	58
Dry Powder Injections	Kgs.	178	38	272	27
Liquids	K.Ltrs.	157	20	224	24
Dry Syrups, Powders & Granules	Tonnes	42	8	32	8
Ointments	Tonnes	1	0	19	4
Cosmeceuticals	Tonnes	96	19	82	14
Others			25		28
Total			413		319
<b>Year ended March 31,</b>					
		2006		2005	
<b>(B) Purchases :</b>					
Tablets	ML.Nos.	3637	769	3525	753
Capsules	ML.Nos.	289	211	342	203
Injections	K.Ltrs.	1078	727	990	641
Dry Powder Injections	Kgs.	1668		3460	
Liquids	K.Ltrs.	1909	269	1728	218
Dry Syrups, Powders & Granules	Tonnes	369	152	357	146
Ointments	Tonnes	38	6	69	15
Bulk Drugs	Tonnes	4	0	2	6
Cosmeceuticals	Tonnes	678	110	496	79
Others			15		40
Total			2259		2101
<b>As at March 31,</b>					
		2006		2005	
<b>(C) Stock at close :</b>					
Tablets	ML.Nos.	538	156	521	176
Capsules	ML.Nos.	44	56	36	39
Injections	K. Ltrs.	148	73	123	88
Dry Powder Injections	Kgs.	397	26	178	38
Liquids	K.Ltrs.	427	42	157	20
Dry Syrups, Powders & Granules	Tonnes	55	12	42	8
Ointments	Tonnes	16	4	1	0
Cosmeceuticals	Tonnes	157	30	96	19
Others			15		25
Total			414		413

## Schedules forming part of the Balance Sheet and Profit and Loss Account

## Schedule : 21 - Significant Accounting Policies &amp; Notes on Accounts - Continue :

## 29 Consumption of Raw materials with Value and Quantity break-up :

	Year ended March 31,			
	2006		2005	
	Qty.	INR Millions	Qty.	INR Millions
Others [ none of which individually accounts for more than 10 % of the total consumption ]		2468		2163
<b>Total</b>		<b>2468</b>		<b>2163</b>

## 30 Quantitative information in respect of each class of goods manufactured (including manufactured by others, but excluding manufactured for others, on loan license basis) by the Company [As Certified by the management] :

Class of Goods	Units of Measure	Installed Capacity		Actual Production	
		As at March 31,		Year ended March 31,	
		2006	2005	2006	2005
Tablets	ML.Nos.	7040	6690	4035	2912
Capsules	ML.Nos.	790	790	428	287
Injections	K.Ltrs.	513	513	229	302
Dry Powder Injections	Kgs.	200	200	3263	3058
Liquids	K.Ltrs.	0	3000	335	298
Dry Syrups, Powders & Granules	Tonnes	6632	6632	444	395
Ointments	Tonnes	0	0	103	72
Suppositories	ML.Nos.	7	7	10	11
Bulk Drugs [#]	Tonnes	373	373	387	276
Lyophilised Injections	ML. Nos.	5	2	3	2
Vaccines	ML. Dosages	2	1	1	1
Aerosols	ML. Nos.	3	3	0	0
Transdermals	ML. Nos.	5	5	1	0

[#]Includes Inter unit Transfer 70 Tonnes [ 2004-05 - 42 Tonnes ] .

Note : Licensed capacities not stated in view of abolition of Industrial licensing for all of the above class of goods vide Notification No. F.NO. 10[11] / 92 - LP dated 25th October, 1994 , issued by Government of India.

	Year ended March 31,			
	2006		2005	
	INR Millions	% to Total	INR Millions	% to Total
<b>31 A Value of Raw Materials Consumed :</b>				
Imported	922	37	873	40
Indigenous	1546	63	1290	60
<b>Total</b>	<b>2468</b>	<b>100</b>	<b>2163</b>	<b>100</b>
<b>B Value of Stores &amp; Spares Consumed :</b>				
Imported	8	5	8	7
Indigenous	159	95	114	93
<b>Total</b>	<b>167</b>	<b>100</b>	<b>122</b>	<b>100</b>

## Schedules forming part of the Balance Sheet and Profit and Loss Account

Schedule : 21 - Significant Accounting Policies & Notes on Accounts - Continue :		
	INR Millions	
	Year ended March 31,	
	2006	2005
<b>32 Value of Imports calculated on CIF basis :</b>		
Raw Materials	935	811
Packing Materials	113	34
Finished goods	145	188
Spare Parts	5	4
Capital goods	117	248
<b>Expenditure in Foreign currency :</b>		
Travelling	30	23
Commission	40	37
Purchases of Trade-marks & Technical Know-how	52	11
Interest	128	64
Others [ Salaries, Legal & professional Fees, Research & Development expenses etc., ]	473	523
<b>34 Earnings in Foreign exchange :</b>		
FOB value of Exports	2073	1380
Others	117	8
<b>35 Remittances made on account of dividend in Foreign currency</b>	<b>Nil</b>	<b>Nil</b>

## Schedules forming part of the Balance Sheet and Profit and Loss Account

Schedule : 21 - Significant Accounting Policies & Notes on Accounts - Continue :		
<b>C Balance Sheet abstract and Company's General Business Profile :-</b>		
<b>1</b> Registration details :		
Registration number	25878 of 1995 - 96	
Balance sheet date	<b>31-03-06</b>	
State code	4	
	<b>INR - Thousands</b>	
<b>2</b> Capital raised during the year :	NIL	
<b>3</b> Position of Mobilisation & Deployment of Funds :		
Total Liabilities	12792000	
Total Assets	12792000	
Sources of Funds :		
Paid up Capital	314000	
Reserves & Surplus	7049000	
Deferred Tax Liabilities	1097000	
Secured Loans	3125000	
Unsecured Loans	1207000	
Application of Funds :		
Net Fixed Assets	7449000	
Investments	1851000	
Net Current assets	3492000	
Miscellaneous Expenditure	0	
<b>4</b> Performance of Company : -		
Turnover [ including other income ]	13216000	
Total Expenditure	11328000	
Profit before Tax	1888000	
Profit after Tax	1649000	
Basic and Diluted EPS [ in Rupees ] :		
Before Extraordinary items	28.02	
After Extraordinary items	26.26	
Dividend rate [%]	120	
<b>5</b> Generic names of three principal products/services of Company (As per monetary terms) :-		
Item Code Number (ITC Code)	300420.11	
Product Description	Ciprofloxacin in capsules etc.	
Item Code Number (ITC Code)	300490.38	
Product Description	Other antacids	
Item Code Number (ITC Code)	300439.03	
Product Description	Dexamethasone tablets, injections, eye/ear drops etc.	
<b>Signatures to Schedules 1 to 21.</b>		
<b>As per our report of even date</b>		
For R. R. Patel & Co., Chartered Accountants	For Mukesh M. Shah & Co., Chartered Accountants	Pankaj R. Patel Chairman & Managing Director
R. R. Patel Proprietor Membership No. 7871.	Mukesh M. Shah Partner Membership No. 30190.	Jyotindra B. Gor Chief Accounts Officer Open H. Shah Company Secretary Mukesh M. Patel Director
Ahmedabad, Dated : 28th April 2006.		

## Auditors' Report

The Board of Directors,  
Cadila Helathcare Limited,  
Ahmedabad.

1. We have examined the attached consolidated Balance Sheet of Cadila Healthcare Limited, its subsidiaries, Joint Ventures and Associates as at March 31, 2006, the consolidated Profit and Loss Account and also the consolidated Cash Flow Statement for year then ended annexed thereto.
2. These financial statements are the responsibility of Cadila Healthcare Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components thereof. Our responsibility is to express an opinion on these financial statements based on our audit.
3. We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
4. The financial statements of following subsidiaries and joint ventures whose statements have been proportionately consolidated are audited by other auditors and whose reports have been furnished to us. In our opinion, so far as it relates to the amounts included in respect of a subsidiary and joint ventures, is based solely on the report of the other auditors.

The details of assets and revenues in respect of these subsidiaries and joint ventures to the extent to which they are reflected in their respective financial statements are given below :

<u>Name of Companies</u>	<u>INR Millions</u>	
	<u>Total Assets</u>	<u>Total Revenues</u>
<b>Subsidiary :</b>		
German Remedies Ltd.	39451	5790
<b>Joint Ventures</b>		
BSV Pharma Pvt. Ltd.	10	0
BSV Research and Development Pvt. Ltd.	69	0
Zydus Mayne Oncology Pvt. Ltd.	154	0

In case of the following subsidiaries and a joint venture company, their financial statements have been audited by their auditors for their respective accounting period as stated below and whose reports have been furnished to us. The financial statements for remaining period up to 31st March 2006 are prepared and certified by the management and are subjected to limited review by their auditors, which have been considered for the purpose of consolidation.

The details of assets and revenues in respect of these subsidiaries and joint ventures to the extent to which they are reflected in their respective financial statements are given below:

<u>Name of Companies</u>	<u>INR Millions</u>		
	<u>Total Assets</u>	<u>Total Revenues</u>	<u>Accounting Period ended on</u>
<b>Subsidiaries :</b>			
Zydus International Private Ltd., Ireland	967	0	31/12/2005
Zydus France, SAS France	726	675	31/12/2005
SCI Immopharm, France	2	0	31/12/2005
Zydus Pharmaceuticals USA Inc., USA	452	503	31/12/2005
Zydus Healthcare (USA) LLC., USA	15	33	31/12/2005
Zydus Helathcare Brazil Ltda., Brazil	78	123	31/12/2005
Zydus Helathcare S.A.(Pty.) Ltd., South Africa	3	0	28/02/2006
<b>Joint Ventures</b>			
Zydus Altana Helathcare Pvt. Ltd.	1062	1310	31/12/2005

## Auditors' Report

5. The unaudited financial statements of a joint venture company viz. Sarabhai Zydus Animal Helath Ltd. have been reviewed by M/s. Mukesh M. Shah & Co. and M/s. Sorab S. Engineer & Co., as joint statutory auditors while the financial statements of a subsidiary company viz. Dialforhealth India Limited and a joint venture company viz. Dialforhealth Green Cross Ltd. have been audited by M/s. Mukesh M. Shah & Co. whereas the financial statements of subsidiary company viz. Dialforhelath Unity Ltd. are audited by M/s. R. R. Patel & Co. The details of total assets and revenue in respect of the said subsidiaries and joint venture companies to the extent to which they are reflected in their respective financial statements are given below:

<u>Name of the Companies</u>	<u>INR Millions</u>	
	<u>Total Assets</u>	<u>Total Revenues</u>
<b>Subsidiary Companies</b>		
Dialforhelath India Ltd.	215.37	68
Dialforhealth Unity Ltd.	0.31	0.27
<b>Joint Venture Companies</b>		
Sarabhai Zydus Animal Helath Ltd.	567	834
Dialforhealth Greencross Ltd.	2	0.57

6. We report that the consolidated financial statements have been prepared by the management of Cadila Healthcare Limited in accordance with Accounting Standard 21, "Consolidated Financial Statements", Accounting Standard 27, "Financial Reporting of Interest in Joint Ventures" and Accounting Standard 23 "Accounting for Investments in Associates in Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Cadila Helathcare Limited, its subsidiaries, joint ventures and associates (including unaudited financial statements of some of the subsidiary companies and two joint venture companies) included in the consolidated financial statements.
7. Your attention is invited to the following notes appearing in Schedule - 22:
- I Note No. A(2)(D) in respect of classification of foreign operations into Integral and Non-integral operations in accordance with Accounting Standard 11 "The effects of changes in Foreign Exchange rates" issued by the Institute of Chartered Accountants of India and its consequential effect on the group's net profit for the year under audit.
8. On the basis of the information and explanations given to us and based on our audit and on consideration of the separate audit reports of the individual financial statements of the Company, its subsidiaries, joint ventures (including unaudited financial statements of some of the subsidiaries and two joint ventures) and associates included in the consolidated financial statements read together with significant accounting policies and notes thereon, we are of the opinion that the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
- (a) In case of the Consolidated Balance Sheet, of the consolidated state of affairs of Cadila Helathcare Limited, its subsidiaries, joint ventures and associates as at 31st March 2006;
- (b) In the case of the consolidated Profit and Loss Account, of the consolidated results of operations of Cadila Helathcare Limited, its subsidiaries, joint ventures and associates for the year then ended; and
- (c) In the case of Consolidated Cash Flow statements of the consolidated cash flows of Cadila Healthcare Limited, its subsidiaries, joint ventures and associates for the year ended on that date.

**For R. R. PATEL & CO.,**  
Chartered Accountants

**For MUKESH M. SHAH & CO.,**  
Chartered Accountants

**R. R. Patel**  
Proprietor  
Membership No. 7871  
Place : Ahmedabad  
Date : April 28, 2006.

**Mukesh M. Shah**  
Partner  
Membership No. 30190

## Consolidated Balance Sheet as at March 31, 2006

INR Millions

	Schedule No.	As at March 31,	
		2006	2005
<b>SOURCES OF FUNDS :</b>			
<b>[1] Shareholders' Funds :</b>			
Capital	1	314	314
Reserves and Surplus	2	6675	5619
		6989	5933
<b>[2] Minority Interest</b>		7	0
<b>[3] Loan Funds :</b>			
Secured Loans	3	3173	2992
Unsecured Loans	4	1259	842
		4432	3834
<b>[4] Deferred Tax Liability [ Net ]</b>	22 [B-10]	1097	1010
<b>Total</b>		<b>12525</b>	<b>10777</b>
<b>APPLICATION OF FUNDS :</b>			
<b>[1] Fixed Assets :</b>	5		
Gross Block		12086	11158
Less : Depreciation, Amortisation and Impairment		4393	3677
Net Block		7693	7481
Capital work-in-progress		629	421
Preoperative & Project Expenses pending capitalisation / allocation		7	4
		8329	7906
<b>[2] Investments</b>	6	714	467
<b>[3] Current Assets, Loans and Advances :</b>			
Inventories	7	2475	2221
Sundry Debtors	8	1990	1235
Cash and Bank Balances	9	438	612
Loans and Advances	10	1588	924
		6491	4992
<b>Less : Current Liabilities &amp; Provisions :</b>			
Liabilities	11	2404	2060
Provisions	12	605	606
		3009	2666
<b>Net Current Assets</b>		<b>3482</b>	<b>2326</b>
<b>[4] Miscellaneous Expenditure</b> [to the extent not written off or adjusted] :	13	0	78
<b>Total</b>		<b>12525</b>	<b>10777</b>
<b>Significant Accounting Policies and Notes on Accounts</b>	22		

As per our report of even dateFor R. R. Patel & Co.,  
Chartered AccountantsFor Mukesh M. Shah & Co.,  
Chartered AccountantsJyotindra B. Gor  
Chief Accounts OfficerPankaj R. Patel  
Chairman & Managing DirectorR. R. Patel  
Proprietor  
Membership No. 7871Mukesh M. Shah  
Partner  
Membership No. 30190Upen H. Shah  
Company SecretaryMukesh M. Patel  
Director

Ahmedabad, Dated : 28th April, 2006

**Consolidated Profit And Loss Account for the Year ended March 31, 2006**

INR Millions

	Schedule No.	Year ended March 31,	
		2006	2005
<b>INCOME :</b>			
<b>Sales and Income from Operations :</b>			
Gross Sales		15078	13051
Less : Excise Duty		625	621
Net Sales		14453	12430
Other Income from Operations	14	392	349
Total		14845	12779
<b>Other Income</b>	15	36	29
<b>Total</b>		14881	12808
<b>EXPENDITURE :</b>			
Consumption of Materials and Finished Goods	16	5688	4840
General Expenses	17	5483	4773
Research Expenses	18	797	736
Interest and Financial Charges	19	251	245
Depreciation, Amortisation and Impairment	20	779	718
Total		12998	11312
<b>Profit before extra ordinary items and Tax</b>		1883	1496
Less : Extra-ordinary Expenses :			
Compensation under Voluntary Retirement Scheme		115	125
<b>Profit before Taxes</b>		1768	1371
Less : Provision for Taxation	21	243	192
<b>Profit after Tax</b>		1525	1179
Less / (Add) : Profit (Loss) attributable to Minority Share Holders		1	(20)
<b>Net Profit</b>		1524	1199
Add : Balance brought forward		932	720
[ Less ] / add : Adjustments on consolidation		(3)	16
		929	736
<b>PROFIT AVAILABLE FOR APPROPRIATIONS</b>		2453	1935
<b>Appropriations :</b>			
Dividends :			
Proposed Dividend on - Equity Shares		377	377
Corporate Dividend Tax on Distributed Profit		106	112
Total		483	489
Transfer to General Reserve		330	458
Group's proportionate share in Transfer to General Reserve of Joint Ventures		47	56
		860	1003
<b>Balance carried to Balance Sheet</b>		1593	932
<b>Basic and Diluted E P S [ in Rupees ] :</b>	22[B-9]		
Before Extraordinary items		26.10	21.08
After Extraordinary items		24.27	19.09
<b>Significant Accounting Policies and Notes on Accounts</b>	22		
<b>As per our report of even date</b>			
For R. R. Patel & Co., Chartered Accountants	For Mukesh M. Shah & Co., Chartered Accountants	Jyotindra B. Gor Chief Accounts Officer	Pankaj R. Patel Chairman & Managing Director
R. R. Patel Proprietor Membership No. 7871	Mukesh M. Shah Partner Membership No. 30190	Upen H. Shah Company Secretary	Mukesh M. Patel Director
Ahmedabad, Dated : 28th April, 2006.			

**Consolidated Cash Flow Statement for the year ended March 31, 2006.**

INR Millions

Particulars	Year ended March 31,	
	2006	2005
<b>A Cash Flows from Operating Activities :-</b>		
Net profit before taxation and extraordinary items	1883	1496
Adjustments for :-		
Depreciation	779	718
Profit on sale of assets [ net ]	(34)	(9)
Profit on sale of investments [ net ]	0	(15)
Interest income	(37)	(33)
Dividend income	(1)	(4)
Interest expenses	189	209
Bad debts written off	17	19
Provision for claims for Product Warranties & Return of Goods	0	11
Provisions for retirement benefits	(3)	40
Provision for Bad and Doubtful Debts	12	0
Total	922	936
Operating profit before working capital changes	2805	2432
Adjustments for :-		
[ Increase ] / Decrease in trade receivables	(752)	754
[ Increase ] / Decrease in other receivables	(675)	(236)
[ Increase ] / Decrease in inventories	(254)	(453)
Change in Minority Interest	7	0
Increase / [ Decrease ] in trade payables & other liabilities	329	99
Total	(1345)	164
Cash generated from operations	1460	2596
Interest received	40	23
Interest paid	(215)	(218)
Direct taxes paid ( Net of refunds )	(147)	(118)
Total	(322)	(313)
Cash flow before extraordinary items	1138	2283
Exchange Rate Fluctuation and other adjustments arising on Consolidation	12	58
Extraordinary items	(39)	(50)
Net cash from operating activities	1111	2291
<b>B Cash flows from investing activities :-</b>		
Purchase of fixed assets	(1223)	(1248)
Pre-operative & Project expenses	7	(18)
Refund of Investment received and credited to Capital Reserves	0	19
Purchase of investments	(247)	(5)
Proceeds from sale of Investments	0	33
Proceeds from sale of fixed assets	61	143
Interest Received on long term investments	0	0
Dividend received	1	4
Net cash from investing activities	(1401)	(1072)
<b>C Cash flows from financing activities :-</b>		
Borrowings ( net )	597	(543)
Dividends paid	(377)	(376)
Tax on dividends paid	(104)	(130)
Net cash used in financing activities	116	(1049)
<b>Net increase / (-) decrease in cash and cash equivalents</b>	<b>(174)</b>	<b>170</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>612</b>	<b>442</b>
<b>Cash and cash equivalents of new subsidiary at the beginning of year</b>	<b>0</b>	<b>0</b>
<b>Cash and cash equivalents at the close of the year</b>	<b>438</b>	<b>612</b>

**Consolidated Cash Flow Statement for the year ended March 31, 2006****Notes to the cash flow statement**

- 1 All figures in brackets are outflow.
- 2 Previous year's figures have been regrouped wherever necessary.

		Pankaj R. Patel Chairman & Managing Director
Jyotindra B. Gor Chief Accounts Officer	Upen H. Shah Company Secretary	Mukesh M. Patel Director

Ahmedabad, Dated : 28th April, 2006

**Auditor's Report**

The Board of Directors,  
Cadila Healthcare Limited,  
Zydus Tower,  
Sarkhej-Gandhinagar Highway,  
Ahmedabad - 380 015.

We have examined the attached Consolidated Cash Flow Statement of Cadila Healthcare Limited for the year ended March 31, 2006. The statement has been prepared by the Company in accordance with the requirements of Clause No. 32 of the listing agreement with various Stock Exchanges and is based on and is derived from the audited Profit and Loss Account and Balance Sheet of the Company for the year ended March 31, 2006 covered by our Report dated 28th April, 2006 to the members of the Company.

For R. R. Patel & Co.,  
Chartered Accountants

R. R. Patel  
Proprietor  
Membership No. 7871

Ahmedabad, Dated : 28th April, 2006

For Mukesh M. Shah & Co.,  
Chartered Accountants

Mukesh M. Shah  
Partner  
Membership No. 30190

Ahmedabad, Dated : 28th April, 2006

## Schedules forming part of the Consolidated Balance Sheet

	INR Millions	
	As at March 31,	
	2006	2005
<b>Schedule : 1 - Capital :</b>		
<b>Authorised :</b>		
90,000,000 Equity Shares of Rs.5/- each	450	450
500,000 Preference Shares of Rs.100/- each	50	50
	<b>500</b>	<b>500</b>
<b>Issued, Subscribed and Paid-up :</b>		
62,806,854 Equity Shares of Rs.5/- each fully paid-up	314	314
<b>Notes :</b> Of the above shares :		
[A] 33,034,332 shares were allotted as fully paid-up pursuant to the Scheme of Arrangement & Amalgamation without payments being received in cash.		
[B] 14,885,122 shares were allotted as fully paid-up by way of Bonus shares by capitalisation of General Reserve.		
<b>Total</b>	<b>314</b>	<b>314</b>
<b>Schedule : 2 - Reserves &amp; Surplus :</b>		
<b>Capital Reserve:</b>		
Balance as per last Balance Sheet	229	183
(Less) / Add : Capital Reserve arising due to Consolidation	(22)	46
	<b>207</b>	<b>229</b>
<b>Capital Redemption Reserve Account :</b>		
Balance as per last Balance Sheet	32	32
<b>Share Premium Account :</b>		
Balance as per last Balance Sheet	2561	2561
<b>Debenture Redemption Reserve :</b>		
Balance as per last Balance Sheet	247	324
Less : Transfer to General Reserve	172	77
	<b>75</b>	<b>247</b>
<b>Foreign Currency Reserves :</b>		
Balance as per last Balance Sheet	(10)	0
Add [ Less ] : Other movements in Equity Reserves	4	(10)
Add : Exchange differences on consolidation	36	0
	<b>30</b>	<b>(10)</b>
<b>General Reserve :</b>		
Balance as per last Balance Sheet	1529	1129
Add : Transfer from Debenture Redemption Reserve	172	77
Add : Transfer from Profit and Loss Account	330	458
Less : Adjustments on Impairment of Fixed Assets	0	135
	<b>2031</b>	<b>1529</b>
<b>Balance in Profit and Loss Account</b>	<b>1593</b>	<b>932</b>
	<b>6529</b>	<b>5520</b>
<b>Group's proportionate share in reserves (other than balance in P &amp; L Account) of Joint Ventures</b>	<b>146</b>	<b>99</b>
<b>Total</b>	<b>6675</b>	<b>5619</b>

## Schedules forming part of the Consolidated Balance Sheet

	INR Millions	
	As at March 31,	
	2006	2005
<b>Schedule : 3 - Secured Loans :</b>		
<b>1 Privately Placed Debentures :</b>		
<b>A</b> Nil [ 70 ], 8.4 % Secured, Redeemable Non Convertible Debentures [ NCDs ]	0	490
<b>B</b> 60, 7% Redeemable Non Convertible Debentures of Rs. 5000000/- [ As at 31-03-05 Rs.8333333.33 ] each	300	500
	<b>300</b>	990
<b>2 Loans and Advances from Banks</b>		
<b>A</b> Term Loans	447	0
<b>B</b> Working Capital Loans	626	498
<b>C</b> External Commercial Borrowings	1752	1394
	<b>2825</b>	1892
	<b>3125</b>	2882
<b>3 Group's proportionate share in secured loans of Joint Ventures</b>	<b>48</b>	110
<b>Total</b>	<b>3173</b>	2992
<b>Schedule : 4 - Unsecured Loans :</b>		
<b>1 Fixed Deposits [ Rs. 0.05 { As at 31-03-05 Rs. 0.05 } Millions ]</b>	0	0
<b>2 Short - term Loans from Banks</b>		
<b>A</b> From Banks	349	0
<b>B</b> From a Financial Institution	458	403
	<b>807</b>	403
<b>3 Other Loans and Advances :</b>		
<b>A Interest free deemed loan against deferment of sales tax</b>		
<b>a</b> From a Financial Institution	193	193
<b>b</b> Deferred amount	217	210
	<b>410</b>	403
<b>B From a Financial Institution</b>	2	3
<b>C From Others</b>	33	33
<b>D Total</b>	<b>445</b>	439
	<b>1252</b>	842
<b>4 Group's proportionate share in unsecured loans of Joint Ventures</b>	<b>7</b>	0
<b>Total</b>	<b>1259</b>	842

## Schedules forming part of the Consolidated Balance Sheet

Schedule : 5 - Fixed Assets :								
Nature of Fixed Assets	INR Millions							
	Gross Block		Depreciation		Impairment		Net Block	
	As at 31-03-06	As at 31-03-05	Upto 31-03-06	Upto 31-03-05	Upto 31-03-06	Upto 31-03-05	As at 31-03-06	As at 31-03-05
Goodwill	30	0	1	0	0	0	29	0
Freehold Land	117	110	0	0	0	0	117	110
Leasehold Land	111	84	8	7	0	0	103	77
Buildings	2203	1969	331	269	0	0	1872	1700
Plant & Machinery	4706	4226	1462	1215	116	115	3128	2896
Furniture, Fixtures & Office Equipments	407	413	147	139	6	6	254	268
Vehicles	193	169	65	56	0	0	128	113
Trade Marks, Technical Know-how, Patents & Designs	3424	3361	1329	1002	408	420	1687	1939
Commercial Rights	56	56	51	51	0	0	5	5
Total	11247	10388	3394	2739	530	541	7323	7108
Share in assets of Joint Ventures	839	770	411	339	58	58	370	373
Grand Total	12086	11158	3805	3078	588	599	7693	7481
2004-05	11158	10063	3078	2735	599	0	7481	

## INR Millions

## As at March 31,

2006

2005

## Schedule : 6 - Investments [ At cost ] :

<b>Long Term Investments :</b>		
<b>In Government Securities [ Unquoted ] : [ Rs. 0.03 { As at 31-03-05 Rs. 0.03 } Millions ]</b>		0
<b>In Shares, Debentures and Bonds :</b>		
<b>Trade Investments [ Unquoted ] :</b>		
In fully paid-up Series B and C Convertible Preferred Stock		187
<b>Investments in Associates [ Quoted ]</b>		
In fully paid-up Equity Shares of Associate Companies [ Includes Goodwill of Rs.193 Millions ]		245
<b>Other Investments :</b>		
<b>Quoted :</b>		
In fully paid-up Equity Shares	3	1
In Mutual funds	43	43
Total	46	44
<b>Unquoted :</b>		
In Fully paid-up equity shares	19	19
In Fully paid-up Bonds	215	215
Total	234	234
Total Other Investments		280
		712
<b>Contribution to the Corpus of Gujarat Venture Capital Fund</b>		2
<b>Total [ Aggregate Book Value of Investments ]</b>		714

## Schedules forming part of the Consolidated Balance Sheet

	INR Millions	
	As at March 31,	
	2006	2005
<b>Schedule : 7 - Inventories :</b>		
[As taken, valued and certified by the management]		
[ Valued at lower of cost and net realisable value ]		
Stores , Spare Parts	32	44
Stock in Trade :		
Raw Materials	578	502
Packing Materials	145	64
Finished Goods	1200	1131
	<u>1923</u>	<u>1697</u>
Works-in-progress	383	367
	<u>2338</u>	<u>2108</u>
Group's proportionate share in inventories of Joint Ventures	137	113
<b>Total</b>	<u>2475</u>	<u>2221</u>
<b>Schedule : 8 - Sundry Debtors : [ Unsecured, unless otherwise stated ] :</b>		
Debts outstanding for a period exceeding six months :		
Considered good	133	117
Considered doubtful	21	9
	<u>154</u>	<u>126</u>
Less : Provision for doubtful debts	21	9
	<u>133</u>	<u>117</u>
Other debts - Considered good	1808	1078
	<u>1941</u>	<u>1195</u>
Group's proportionate share in sundry debtors of Joint Ventures	49	40
<b>Total</b>	<u>1990</u>	<u>1235</u>
<b>Schedule : 9 - Cash and Bank Balances :</b>		
Cash balance on hand	5	5
Bank Balances :		
With Scheduled Banks :		
In Current Accounts	133	129
In Fixed Deposit Accounts	55	245
In Foreign Currency Current Accounts	10	27
	<u>198</u>	<u>401</u>
With Other Banks :		
In Current Accounts in foreign currency with :		
International Moscow Bank, Moscow,	2	1
International Exchange Bank, Philippines,	1	0
JSP Pension Bank Aval Kiev, Ukraine	1	1
	<u>4</u>	<u>2</u>
	<u>207</u>	<u>408</u>
Group's proportionate share in cash and balances of Joint Ventures	231	204
<b>Total</b>	<u>438</u>	<u>612</u>

## Schedules forming part of the Consolidated Balance Sheet

	INR Millions	
	As at March 31,	
	2006	2005
<b>Schedule : 10 - Loans and Advances :</b>		
[ Considered Good, unsecured unless otherwise stated ]		
Advances recoverable in cash or in kind or for value to be received :		
Secured :		
Advances to a Joint Venture Company	62	79
Others [ Rs. 0.2 Millions ]	0	1
Total	62	80
Unsecured :		
Others	1298	626
	1360	706
Advance payment of direct - tax [ net of provision ]	49	58
Balances with Custom / Central Excise / Sales Tax Authorities	76	110
Interest receivable from others	9	11
	1494	885
Group's proportionate share in loans and advances of Joint Ventures	94	39
<b>Total</b>	<b>1588</b>	<b>924</b>
<b>Schedule : 11 - Current Liabilities :</b>		
Acceptances	190	231
Sundry Creditors :		
Small Scale Industrial undertakings	20	13
For Capital Goods	59	50
Others	1894	1567
Total	1973	1630
Advances from Debtors	58	26
Trade Deposits	14	23
Bank Book Overdraft	14	0
Investor Education and Protection Fund [ * ] :		
Unclaimed dividends	9	9
Matured but unclaimed Fixed Deposits [ Rs. 0.01 {As at 31-03-05 Rs. 0.01 } Millions ]	0	0
Interest payable on matured but unclaimed fixed deposits [ Rs. 0.01 { As at 31-03-05 Rs. 0.01 } Millions ]	0	0
Total [*][ There are no amounts due and outstanding to be credited to Investor Education and Protection Fund ]	9	9
Interest accrued but not due on loans	39	65
	2297	1984
Group's proportionate share in current liabilities of Joint Ventures	107	76
<b>Total</b>	<b>2404</b>	<b>2060</b>
<b>Schedule : 12 - Provisions :</b>		
Proposed dividend	377	377
CDT on Proposed Dividend	53	53
Provision for claims for Product Warranties & Return of Goods	11	11
Provision for retirement benefits	156	159
	597	600
Group's proportionate share in provisions of Joint Ventures	8	6
<b>Total</b>	<b>605</b>	<b>606</b>
<b>Schedule : 13 - Miscellaneous Expenditure [To the extent not written off or adjusted] :</b>		
Preliminary Expenses [ Rs. Nil { as at 31-03-05 Rs. 0.08 } Millions ]	0	0
Compensation under Voluntary Retirement Scheme	0	77
	0	77
Group's proportionate share in miscellaneous expenditure of Joint Ventures	0	1
<b>Total</b>	<b>0</b>	<b>78</b>

## Schedules forming part of the Consolidated Profit and Loss Account

	INR Millions	
	Year ended March 31,	
	2006	2005
<b>Schedule : 14 - Other Income from Operations :</b>		
Export Incentive	55	130
Income from Contract Manufacturing and Processing Charges	251	136
Surplus on account of fluctuations in foreign exchange rates [ net ]	37	15
Miscellaneous Income	62	54
<b>Total</b>	<b>405</b>	<b>335</b>
Group's proportionate share in deficit on account of fluctuation in foreign exchange rates and other income of Joint Ventures	(13)	14
<b>Total</b>	<b>392</b>	<b>349</b>
<b>Schedule : 15 - Other Income :</b>		
Dividends [ Gross ] :		
From Long Term Non - Trade Investments - Others	1	4
Rent Received	0	1
Profit on sale of Investments [ net ]	0	15
Profit on assets sold / discarded [ net ]	35	9
<b>Total</b>	<b>36</b>	<b>29</b>
<b>Schedule : 16 - Consumption of Materials and Finished Goods :</b>		
<b>Raw Materials :</b>		
Stock at commencement	502	444
Add : Purchases	2553	2256
	<b>3055</b>	<b>2700</b>
Less : Stock at close	578	502
	<b>2477</b>	<b>2198</b>
<b>Packing Materials</b>	<b>415</b>	<b>340</b>
<b>Purchases of Finished Goods</b>	<b>2568</b>	<b>2392</b>
<b>[ Increase ] in Stock of Finished Goods &amp; Work-in-process :</b>		
Stock at close :		
Finished Goods	1200	1131
Works-in-progress	383	367
	<b>1583</b>	<b>1498</b>
Less : Stock at commencement		
Finished Goods	1131	799
Works-in-progress	367	339
	<b>1498</b>	<b>1138</b>
	<b>(85)</b>	<b>(360)</b>
	<b>5375</b>	<b>4570</b>
Group's proportionate share in material cost of Joint Ventures	313	270
<b>Total</b>	<b>5688</b>	<b>4840</b>

## Schedules forming part of the Consolidated Profit and Loss Account

	INR Millions	
	Year ended March 31,	
	2006	2005
<b>Schedule : 17 - General Expenses :</b>		
Personnel expenses :		
Salaries, wages and bonus	1390	1147
Company's contribution to provident & other funds	130	250
Staff welfare expenses	64	68
	<b>1584</b>	1465
Stores and spare parts consumed	167	122
Power & fuel	309	227
Processing Charges	99	83
Insurance	50	46
Repairs :		
Buildings	18	10
Plant and Machinery	34	32
Others	23	15
	<b>75</b>	57
Rent	39	47
Rates and Taxes	49	80
Managing Director's Remuneration	99	75
Commission to Directors	2	2
Traveling Expenses	307	242
Legal and Professional Fees	224	204
Exchange Rate Fluctuation [ on consolidation ]	0	3
Miscellaneous Expenses	377	371
Marketing, Selling & Distribution Expenses :		
Commission on sales		163
Freight and forwarding on sales	208	193
Sales promotion expenses	289	300
Advertisements	251	211
Seminar, Conference and Exhibition expenses	100	167
Representative Allowances and Incentives	281	235
Bad debts written off	17	19
Provision for Doubtful Debts	12	0
Other marketing expenses	585	302
	<b>1945</b>	1590
Preliminary Expenses written off [ Rs 0.29 { Previous year - Rs. 0.32 } Millions ]	0	0
Directors' fees [ Rs 0.34 { Previous year - Rs. 0.22 } Millions ]	0	0
Donations	5	13
	<b>5331</b>	4627
Group's proportionate share in general expenses of Joint Ventures	152	146
<b>Total</b>	<b>5483</b>	<b>4773</b>

## Schedules forming part of the Consolidated Profit and Loss Account

	INR Millions	
	Year ended March 31,	
	2006	2005
<b>Schedule : 18 - Research Expenses :</b>		
Materials	194	212
Personnel expenses :		
Salaries, wages and bonus	157	125
Company's contribution to provident & other funds	10	11
Staff welfare expenses	5	5
	172	141
Stores and spare parts consumed	22	21
Power & fuel	26	19
Analytical expenses	281	246
Insurance	6	4
Repairs :		
Buildings	3	2
Plant & machinery	2	3
Rent	2	4
Traveling Expenses	10	7
Legal and Professional fees	3	2
Others	76	75
<b>Total</b>	797	736
<b>Schedule : 19 - Interest and Financial Charges :</b>		
Interest :		
On term loans	121	79
On debentures	42	87
On working capital loans	12	17
Others	3	5
	178	188
Deficit on account of fluctuations in foreign exchange rates on loans	57	35
Bank commission & charges	43	35
	278	258
Less : Interest earned [ Gross ] :		
From Long Term Investments	15	14
Others	22	19
Total	37	33
	241	225
Group's proportionate share in net interest and financial charges of Joint Ventures	10	20
<b>Total</b>	251	245
<b>Schedule : 20 - Depreciation, Amortisation and Impairment :</b>		
Depreciation, Amortisation and Impairment	703	644
Group's proportionate share in depreciation, amortisation and Impairment of Joint Ventures	76	74
<b>Total</b>	779	718
<b>Schedule : 21 - Provision for Taxation :</b>		
Current Tax	130	85
Deferred Tax	87	106
Fringe Benefit Tax	15	0
Total	232	191
Add : Prior year's tax adjustments	10	0
	242	191
Group's proportionate share in tax provisions made by Joint Ventures	1	1
<b>Total</b>	243	192

## Schedules forming part of the Consolidated Balance Sheet and Consolidated Profit and Loss Account

### Schedule : 22 - Significant Accounting Policies and Notes on Accounts :

#### A Significant Accounting Policies :

##### 1 Basis of Accounting :

The financial statements are prepared under the historical cost convention on the "Accrual Concept" of accountancy in accordance with the accounting principles generally accepted in India and comply with the Accounting Standards issued by the Institute of Chartered Accountants of India to the extent applicable & with the applicable provisions of the Companies Act, 1956.

##### 2 Basis of consolidation :

The Consolidated Financial Statements [ CFS ] relate to Cadila Healthcare Limited , its Subsidiaries , Joint Ventures and Associates. The CFS have been prepared on the following basis :

- A** The financial statements of the parent company and its subsidiaries have been consolidated on a line by line basis by adding together the book values of the items like assets, liabilities, income and expenses.
- B** CFS have been prepared using uniform accounting policies for like transactions and other events in similar circumstances , except : In case of Zydus Altana Healthcare Private Limited, a Joint Venture Company which is providing the depreciation at the following rates on straight line method which are higher than the rates specified in Schedule - XIV of the Companies Act , 1956 :
- |  |         |
|--|---------|
| - Buildings - factory  | 5 %     |
| - Buildings - Non Factory  | 2.5 %   |
| - Plant & Machinery [ including containers , which are being depreciated at 50 % ] | 15 %    |
| - Office and Other Equipments  | 20 %    |
| - Computers and Peripherals  | 20 %    |
| - Vehicles   | 20 %    |
| - Furniture and Fixtures   | 16.66 % |
- C**
- a The excess / deficit of the cost of the Company's investments in each of its subsidiaries and Joint Ventures over its share in equities of such respective companies on the date of acquisition is recognised in the financial statements as Goodwill/capital reserve. However, such excess or deficit arising after the date of acquisition on account of currency fluctuations in respect of the foreign subsidiaries is transferred to Profit and Loss Account / Foreign Currency Translation Reserves in accordance with para D below.
- b Goodwill arising on consolidation is amortised over a period of 10 years.
- D**
- a For the first time the operations of foreign subsidiaries are classified into Integral and Non Integral operations using the criteria specified in AS -11 " The Effect of changes in Foreign Exchange Rates" issued by the Institute of Chartered Accountants of India.
- b In case of Foreign operations classified as Integral operations, the Financial Statements are converted as under :
- All Monetary Assets and Liabilities using closing exchange rates
  - All Non Monetary items using Historical exchange rates. The exchange rate prevailing at the beginning of the year is considered as Historical rate for this purpose in accordance with para 34 of AS-11.
  - All Revenue and Expenses using yearly Average Exchange Rates prevailing during the year
  - Exchange differences arising on conversion are recognised in Profit and loss Account.
- c In case of Foreign operations classified as Non Integral operations, the Financial Statements are converted as under :
- All Assets and Liabilities using closing exchange rates
  - All Revenue and Expenses using yearly Average Exchange Rates prevailing during the year
  - Exchange differences arising on conversion are accumulated in the " Foreign Currency Translation Reserves " until the disposal of Investments in such Operations.
- d Due to above, the consolidated profit for the year is lower by 36 Millions.
- E** Investments in the Joint ventures have been accounted for by using the "Proportionate Consolidation method" in accordance with the Accounting Standard - 27 on "Financial reporting of Interests in Joint Ventures" issued by the Institute of Chartered Accountants of India.
- F** Investments in the Associates have been accounted for by using the "Equity method" in accordance with the Accounting Standard - 23 on "Accounting for Investments in Associates in Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.
- G** CFS are prepared after fully eliminating intra group balances, intra group transactions and unrealised profits from the intra group transactions.

## Schedules forming part of the Consolidated Balance Sheet and Consolidated Profit and Loss Account

### Schedule : 22 - Significant Accounting Policies and Notes on Accounts - Continue :

**H** CFS as at 31st March, 2006 comprise the financial statements of Cadila Healthcare Limited [ CHL ] and its subsidiaries as well as its interest in Joint Ventures as at 31st March, 2006, which are as under:

**a. Subsidiaries:**

Sr. No.	Name of the Company	Country of incorporation	% Shareholding and voting power	Status	Financial statements as on
<b>A Indian Subsidiaries:</b>					
1	Zydus Pharmaceuticals Limited	India	WOS*	Audited	31st March, 2006
2	Dialforhealth India Limited [ DFH ]	India	WOS	Audited	31st March, 2006
3	Dialforhealth Unity Limited	India	55% holding of DFH	Audited	31st March, 2006
4	German Remedies Limited	India	WOS	Audited	31st March, 2006
<b>B Foreign Subsidiaries:</b>					
1	Zydus International Private Limited [ZIPL]	Ireland (UK)	WOS	**	31st March, 2006
2	Zydus Healthcare SA (Pty.) Limited	South Africa	WOS of ZIPL	**	31st March, 2006
3	Zydus Healthcare (USA) LLC	U. S.A.	WOS of ZIPL	**	31st March, 2006
4	Zydus Healthcare Brazil Ltda.	Brazil	WOS of ZIPL	**	31st March, 2006
5	Zydus Pharmaceuticals USA Inc.	U. S.A.	70% holding of ZIPL	**	31st March, 2006
6	Zydus France , SAS , France.	France	WOS of ZIPL	**	31st March, 2006
7	SCI Immopharm	France	WOS of Zydus France SAS	**	31st March, 2006

\* WOS = Wholly Owned Subsidiary

**b. Joint Ventures:**

Sr. No.	Name of the Company	Country of incorporation	% Shareholding and voting power	Status	Financial statements as on
1	Zydus Altana Healthcare Pvt. Ltd.	India	50% holding of CHL	**	31st March, 2006
2	Zydus Mayne Oncology Pvt. Ltd.	India	50% holding of CHL	Audited	31st March, 2006
3	BSV Research & Development Pvt Ltd	India	50% holding of CHL	Audited	31st March, 2006
4	BSV Pharma Pvt Ltd	India	50% holding of CHL	Audited	31st March, 2006
5	Sarabhai Zydus Animal Health Limited	India	50% holding of CHL	****	31st March, 2006
6	Dialforhealth Greencross Limited	India	50% holding of DFH	Audited	31st March, 2006

\*\* Financial statements have been audited by the auditors for its respective accounting period and are subjected to limited review by their auditors for the remaining period upto 31st March, 2006.

\*\*\*\*Unaudited Financial accounts but reviewed by its auditors.

**c. Associates :**

Sr. No.	Name of the Company	Country of incorporation	% Shareholding and voting power	Status	Financial statements as on
1	Carnation Nutra Analogue Foods Ltd.	India	30.69% holding of CHL	Audited	31st March, 2006

**3** Accounting Policies and Notes on Accounts of the financial statements of the Parent Company and its subsidiaries are set out in their respective financial statements. However, the Company has disclosed such notes and details which represents the needed disclosure to serve as a guide for better understanding of the Group's position.

**B Notes on Accounts :**

- Hitherto, the Company had a policy to amortise compensation paid under voluntary retirement scheme over a period of 42 months. However, in view of accounting standard 15 [ Revised 2005 ] on employee benefits becoming applicable from accounting year 2006-07, compensation paid under the said scheme during the year and balance unamortised amount of Rs. 2 Million is fully charged to Profit and Loss Account. Due to the change, the profit for the year is lower by Rs. 30 millions.
- During March, 06, the Company has acquired 17,11,183 equity shares of Carnation Nutra-Analogue Foods Ltd. Which amounts to 30.69 % of total shares of the said Company. The Company has given the public announcement for making open offer for acquiring 20 % of the Share Capital to the shareholders of the said Company under the provisions of Securities & Exchange Board of India [ Substantial Acquisition of Shares and takeovers ] Regulations, 1997. In connection therewith, 43,900 Equity shares of Housing Development Finance Corporation Limited and fixed deposit of Rs. 1.7 million are pledged with ICICI Securities Limited as a security towards escrow for the open offer made by the Company to acquire 20 % shares.
- Previous year's figures are not comparable with those of the current year's figures as previous years figures includes thirteen / fifteen months figures of foreign subsidiaries and a joint venture company.
- The Sales include Rs. 1067 Millions [ Previous year Rs. 1254 millions ] Group's proportionate share in net sales of Joint Ventures.

## Schedules forming part of the Consolidated Balance Sheet and Consolidated Profit and Loss Account

## Schedule : 22 - Significant Accounting Policies and Notes on Accounts - Continue :

## 5 Contingent liabilities not provided for :

		INR Millions		
		Cadila Healthcare Ltd. and Subsidiaries	Joint Ventures	
		As at March 31,		
		2006	2005	2006
<b>A</b>	In respect of guarantees given by a Bank and counter guarantees given by the Company.	<b>241.4</b>	129.4	<b>0.3</b>
<b>B</b>	In respect of outstanding dues against guarantees given by the Company to Banks for the loans availed by a Joint Venture Company.	<b>0</b>	133	<b>0</b>
<b>C</b>	Claims against the Company not acknowledged as debts.	<b>287</b>	284	<b>0</b>
<b>D</b>	In respect of the demand raised by the Central and State Excise and custom dept. against which the company has preferred an appeal. The Company has been legally advised that the demand is not tenable.	<b>264</b>	287	<b>0</b>
<b>E</b>	In respect of the demand raised by the Ministry of Chemicals & Fertilizers, Govt. of India under Drug Price Control Order, 1979 for difference in actual price and price of respective bulk drug allowed while fixing the price of certain life saving formulations and disputed by the Company. Based on the legal advice the Company does not foresee the crystallization of the liability.	<b>27</b>	27	<b>0</b>
<b>F</b>	In respect of Income Tax matters pending before appellate authorities which the Company expects to succeed, based on decisions of Tribunals / Courts.	<b>64</b>	59	<b>0</b>
<b>G</b>	In respect of Sales Tax matters pending before appellate authorities which the Company expects to succeed, based on decisions of Tribunals / Courts.	<b>17</b>	77	<b>0</b>
<b>H</b>	In respect of demand raised by the Government of Gujarat on account of stamp duty payable on the trade-marks acquired by one of the jointly controlled entity against which appeal has been preferred before the Hon'able Delhi High Court.	<b>0</b>	0	<b>16</b>
<b>6</b>	Estimated amount of contracts remaining to be executed on capital account and not provided for [ Net of Advances ]	<b>35</b>	217	<b>91</b>

## 7 Segment Information :

**A Primary Business Segment :** There is only one Segment namely Pharmaceutical Products.

**B Secondary Business Segment - By Geographical market :**

	Within India		Outside India		Total	
	Year ended March 31,					
	2006	2005	2006	2005	2006	2005
<b>a</b> Sales revenue by geographical market	<b>11380</b>	10297	<b>3698</b>	2754	<b>15078</b>	13051
<b>b</b> Carrying amount of segment assets	<b>14463</b>	12923	<b>1073</b>	520	<b>15536</b>	13443
<b>c</b> Additions to fixed assets	<b>822</b>	1220	<b>191</b>	51	<b>1013</b>	1271

**C Notes :**

- a** The segment revenue in the geographical segments considered for disclosure are as follows :
- Revenue within India includes sales to customers located within India.
  - Revenue outside India includes sales to customers located outside India.

## Schedules forming part of the Consolidated Balance Sheet and Consolidated Profit and Loss Account

### Schedule : 22 - Significant Accounting Policies and Notes on Accounts - Continue :

#### 8 Related Party Transactions :

##### A Name of the Related Party and Nature of the Related Party Relationship :

###### a Joint Venture Companies :

Sarabhai Zydus Animal Health Limited	Zydus Altana Healthcare Pvt. Ltd.
BSV Research and Development Pvt Ltd	BSV Pharma Pvt Ltd
Zydus Mayne Oncology Pvt Ltd	Dialforhealth Greencross Ltd

###### b Associate Enterprises

Carnation Nutra-Analogue Foods Ltd

##### B Transactions with Related Parties :

The following transactions were carried out with the related parties in the ordinary course of business.

Nature of Transactions	Volume of the Transactions [ INR Millions ]			
	Joint Venture Companies		Associate Enterprises	
	Year ended March, 31			
	2006	2005	2006	2005
<b>1 Purchases :</b>				
Goods				
Fixed Assets				
Services				
<b>2 Sales :</b>				
Goods	7	5		
Fixed Assets	3			
Services	1			
<b>3 Investments :</b>				
Purchase	145		245	
Dividend Received	375	450		
<b>4 Finance</b>				
Inter Corporate Deposits given	72	160		
Deposits Repaid	106	83		
Guarantees given		133		
Interest Received	16	14		
<b>5 Outstanding</b>				
Receivable	125	159		

## Schedules forming part of the Balance Sheet and Profit and Loss Account

### Schedule : 22 - Significant Accounting Policies and Notes on Accounts - Continue :

#### 9 Calculation of Earnings per Share [ EPS ] :

The numerators and denominators used to calculate the basic and diluted EPS are as follows :

		Year ended March 31,	
		2006	2005
<b>A</b>	Profit attributable to Shareholders		
a	Before Extra-ordinary items	INR - Millions <b>1639</b>	1324
b	After Extra-ordinary items	INR - Millions <b>1524</b>	1199
<b>B</b>	Basic and weighted average number of Equity shares outstanding during the year	Nos. <b>62806854</b>	62806854
<b>C</b>	Nominal value of equity share	INR <b>5</b>	5
<b>D</b>	Basic and Diluted EPS	INR	
a	Before Extra-ordinary items	<b>26.10</b>	21.08
b	After Extra-ordinary items	<b>24.27</b>	19.09

#### 10 Deferred Tax :

**A** The Deferred tax liability of Rs. 87 Millions for the year has been recognised in the Profit And Loss Account.

**B** Break up of Deferred Tax Assets and Liabilities into major components of the respective balances are as under :

		INR Millions	
		As at March 31,	
		2006	2005
Deferred Tax Liabilities :			
	Depreciation	<b>1279</b>	1155
	Others	<b>14</b>	14
	Total	<b>1293</b>	1169
Deferred Tax Assets :			
	Retirement benefits	<b>60</b>	53
	Receivables	<b>9</b>	4
	Others	<b>127</b>	102
	Total	<b>196</b>	159
	Net Deferred Tax Liability	<b>1097</b>	1010

#### As per our report of even date

For R. R. Patel & Co.,  
Chartered Accountants

For Mukesh M. Shah & Co.,  
Chartered Accountants

Jyotindra B. Gor  
Chief Accounts Officer

Pankaj R. Patel  
Chairman & Managing Director

R. R. Patel  
Proprietor  
Membership No. 7871

Mukesh M. Shah  
Partner  
Membership No. 30190

Upen H. Shah  
Company Secretary

Mukesh M. Patel  
Director

Ahmedabad, Dated : 28th April, 2006

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES.**

Name of the subsidiary companies	Financial year ending of the Subsidiary	Number of equity shares held with its face value	Extent of holding	For the financial year of the subsidiary		For the previous financial years since it become a subsidiary	
				Profits / (losses) so far as it concerns the members of the holding company and not dealt with in the holding company's accounts	Profits / (losses) so far as it concerns the members of the holding company and dealt with in the holding company's accounts	Profits / (losses) so far as it concerns the members of the holding company and not dealt with in the holding company's accounts	Profits / (losses) so far as it concern the members of the holding company and dealt with in the holding company's accounts
Zydus Pharmaceuticals Limited	31st March 2006	950000 Equity Shares of Rs.10/- each	100%	Loss 2.13 mn	-	Profit 12.84 mn	Rs. 4.38 mn
German Remedies Ltd.	31st March 2006	24000 Equity Shares of Rs.100/- each	100%	Profit 0.92 mn	-	Profit 36.24 mn	Rs. 12.35 mn
Dialforhealth India Limited	31st March 2006	5000000 Equity Shares of Rs.10/- each	100%	Loss 6.35 mn	-	Loss 70.07 mn	-
Dialforhealth Unity Limited **	31st March 2006	27500 shares of face value of Rs.10/- each	55%	Loss 0.53 mn	-	-	-
Zydus International Pvt. Ltd. (Ireland)	31st December 2005	7104400 Equity Shares of Euro 1.462843 each	100%	Profit 1.95 mn	-	Loss 8.84 mn	-
Zydus Healthcare S.A. Proprietary Ltd. (South Africa) @	28th February 2006	50000 Ordinary Shares of South African Rand 1 each	100%	Loss 0.21 mn	-	Loss 0.76 mn	-
Zydus Healthcare (USA), LLC @	31st December 2005	200000 ordinary shares of face value of US\$ 1 each	100%	Profit 1.25 mn	-	Profit 1.78 mn	-
Zydus Pharmaceuticals USA Inc.+	31st December 2005	2100000 equity shares of face value of US\$ 1 each	70%	Loss 58.80 mn	-	Loss 70.87 mn	-
Zydus Healthcare Brasil Ltda. @	31st December 2005	784314 quotas of Brazilian Rial 1 each	100%	Loss 23.49 mn	-	Loss 10.57 mn	-
Zydus France S.A.S. @	31st December 2005	1694134 shares of face value of Euro 8/- each	100%	Loss 270.39 mn	-	Loss 472.59 mn	-
SCI Immopharm @#	31st December 2005	1524 equity shares of Euro 1 each	100%	Profit 4.64 mn	-	Loss 2.34 mn	-

@ Wholly owned subsidiaries of Zydus International Pvt. Ltd. (Ireland)

- A. There has been no change in the Holding Company's interest in the Subsidiary between the end of the financial year of the Subsidiary Companies and the end of the financial year of the Holding Company.
- B. No material changes have occurred between the end of the financial year of the subsidiary Companies and the Holding Company's financial year in respect of the Subsidiary Companies [a] Fixed Assets [b] Investments [c] Moneys lent [d] Moneys borrowed for any purpose other than that of meeting current liabilities.

# Subsidiary Company of Zydus France SAS.

+ 70% is held by Zydus International Pvt. Ltd., Ireland and 15% each is held by Mr. Joseph D. Renner and Dr. Mahendra D. Patel.

\*\* Subsidiary company of Dialforhealth India Limited.

Pankaj R. Patel  
Chairman & Managing Director

\ Jyotindra B. Gor  
Chief Accounts Officer

Upen H. Shah  
Company Secretary

Mukesh M. Patel  
Director

Ahmedabad, Dated : 28th April, 2006.

Statement pursuant to exemption received under Section 212(8) of the Companies Act, 1956 relating to subsidiary companies														
Sr. No.	Name of the Subsidiary Company	Country	Reporting Currency	Exchange Rate	Capital	Reserves	Total Assets	Total Liabilities	Investment other than Investment in Subsidiary	Turnover	[ Rupees in Millions ]			
											Profit before Taxation	Provision for Taxation	Profit after Taxation	Proposed Dividend
1	Zydus Pharmaceuticals Limited	India	INR	1.00	9.50	10.53	22.45	3.34	0.93	177.20	(1.70)	0.43	(2.13)	-
2	German Remedies Limited	India	INR	1.00	2.40	36.24	39.45	0.81	-	-	2.39	1.47	0.92	0.60
3	Dialforhealth India Limited	India	INR	1.00	50.00	(76.42)	34.75	62.69	1.25	67.53	(6.24)	0.11	(6.35)	-
4	Dialforhealth Unity Limited	India	INR	1.00	0.50	(0.53)	0.50	0.53	-	0.27	(0.69)	(0.16)	(0.53)	-
5	Zydus International Private Limited @	Ireland	Euro	53.33	554.24	(12.39)	51.58	0.99	-	2.71	2.22	(0.27)	1.95	-
6	Zydus Healthcare SA (Pty.) Limited *	South Africa	SA Rand	7.20	0.36	(0.98)	3.40	4.01	-	-	(0.21)	-	(0.21)	-
7	Zydus Pharmaceuticals (USA) Inc. @	USA	US Dollar	45.05	135.15	(170.06)	305.25	340.16	-	247.28	(84.01)	-	(84.01)	-
8	Zydus Healthcare (USA) LLC @	USA	US Dollar	45.05	9.01	3.03	15.83	3.79	-	20.41	1.56	0.31	1.25	-
9	Zydus Healthcare Brasil Ltda. @	Brazil	Brazil Real	19.26	15.11	(34.05)	45.70	64.65	-	28.28	(23.49)	-	(23.49)	-
10	Zydus France, SAS @	France	Euro	53.33	722.78	(654.77)	846.74	778.73	-	563.70	(270.39)	-	(270.39)	-
11	SCI Immopharm @	France	Euro	53.33	0.08	2.30	2.38	0.00	-	-	4.64	-	4.64	-

Notes : @ The financial year of these Companies ended on 31.12.2005

\* The financial year of this Company ended on 28.02.2006.

The figures given in Indian Rupee equivalent of the figures given in foreign currencies in the accounts of the foreign subsidiary companies have been given based on the exchange rates as on the year end of respective companies.

## Glossary

**AFSSAPS:** Agence Française de Sécurité Sanitaire des Produits de Santé (The French Agency for the Safety of Health Products)  
**ANDA:** Abbreviated New Drug Application    **ANVISA:** Agencia Nacional de Vigilancia Sanitaria. A regulatory body of Brazil  
**API:** Active Pharmaceutical Ingredient    **BFAD:** Bureau of Food and Drugs (Philippines)    **cGMP:** Current Good Manufacturing Practices    **cGLP:** Current Good Laboratory Practices    **CRAMS:** Contract Research and Manufacturing Services    **CVS:** Cardiovascular Segment    **DCGI:** Drug Controller General of India    **DMF:** Drug Master File    **DPI:** Dry Powder Inhaler    **EDMF:** European Drug Master File  
**EPS:** Earnings Per Share    **FDF:** Finished Dosage Form    **GI:** Gastrointestinal Segment    **IND:** Investigational New Drug    **IPR:** Intellectual Property Rights    **MCC:** Medicine Control Council, South Africa. A regulatory body of South Africa    **MDI:** Metered Dose Inhaler  
**MHRA:** Medicines and Healthcare products Regulatory Agency    **MOH:** Ministry of Health    **NCE:** New Chemical Entities    **NDDS:** Novel Drug Delivery System    **NME:** New Molecular Entity    **OTC:** Over The Counter    **PAT:** Profit After Tax    **PBT:** Profit Before Tax    **PBIDT:** Profit Before Interest, Depreciation, Tax and Extraordinary items    **PBIDTA:** Profit Before Interest, Depreciation, Tax, Amortisation and Extraordinary items    **PBIT:** Profit Before Interest, Tax and Extraordinary items    **PBIDT Margin:** PBIDT/Sales    **PCT:** Patent Co-operation Treaty    **PPI:** Proton Pump Inhibitor    **PTC:** Pharmaceutical Technology Centre    **ROCE:** Return On Capital Employed (PBIT/Capital Employed)    **RONW:** Return On Net Worth (PAT/Net Worth)    **Regulated market:** Pharmaceutical markets characterised by a high level of adherence to IPRs and patent recognition. Typical countries: USA, Europe, Japan    **Total Asset Turnover:** Sales/Total Assets  
**USFDA:** United States Food and Drug Administration    **WHC:** Womens' Healthcare    **WHO:** World Health Organisation    **Working Capital Turnover:** Sales/Working Capital    **WTO:** World Trade Organisation

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## Five Year Financial Summary (Standalone)

(Rs. in Millions)

Sr No	Particulars	2001-02 pre-merger	2002-03 * post-merger	2003-04* post-merger	2004-05* post-merger	2005-06* post-merger	5 Year CAGR *
1	<b>Financials:</b>						
	Sales	5472	9628	11160	11253	13082	22.2%
	PBIDT	1003	1922	2456	2395	2820	27.3%
	EBITDA	892	1671	1813	1923	2441	27.1%
	EBIT	704	1289	1282	1358	1825	25.4%
	PBIT	816	1540	1925	1830	2204	25.9%
	PBT	734	1053	1634	1504	1888	21.7%
	Net Profit	672	766	1429	1314	1649	20.3%
	EPS	11.27	12.20	22.75	20.93	26.26	19.1%
	DPS (FV Rs 5 each) Rs	3.50	3.50	6.00	6.00	6.00	
2	<b>Total Assets</b>	9675	11931	12756	13290	15388	17.3%
3	<b>Net Worth</b>	5515	4390	5247	6069	7363	6.3%
	Total debt (incl. Buyers' Credit)	2691	4429	4223	3946	4522	53.9%
	Book value per share (Rs)	93	70	84	97	117	5.2%
II	<b>Key Ratios:</b>						
	<b>Growth ratios</b>						
	Sales Growth (y-y)	14.1%	75.9%	15.9%	0.8%	16.3%	
	PBIDT Growth (y-y)	18.7%	91.7%	27.8%	-2.5%	17.7%	
	EBITDA growth (y-y)	21.0%	87.3%	8.5%	6.1%	26.9%	
	EBIT growth (y-y)	19.7%	83.1%	-0.5%	5.9%	34.4%	
	PAT growth (y-y)	2.5%	14.0%	86.6%	-8.0%	25.5%	
	Growth Of Net Worth (y-y)	1.5%	-20.4%	19.5%	15.7%	21.3%	
	Total Assets Growth (y-y)	39.8%	23.3%	6.9%	4.2%	15.8%	
	<b>Performance ratios</b>						
	PBIDT Margin	18.3%	20.0%	22.0%	21.3%	21.6%	
	PBT Margin	13.4%	10.9%	14.6%	13.4%	14.4%	
	Net Profit Margin	12.3%	8.0%	12.8%	11.7%	12.6%	
	TA turnover	0.6	0.8	0.9	0.8	0.9	
	Return on equity	12.2%	17.4%	27.2%	21.7%	22.4%	
	Return on total assets	6.9%	6.4%	11.2%	9.9%	10.7%	
	Return on capital employed	9.5%	15.9%	18.7%	17.0%	17.2%	
	Debt Equity Ratio	0.49	1.01	0.80	0.65	0.61	
	Dividend pay out ratio	31%	29%	26%	29%	23%	
	* Post merger data- not strictly comparable with previous years. Regrouped figures taken wherever applicable						