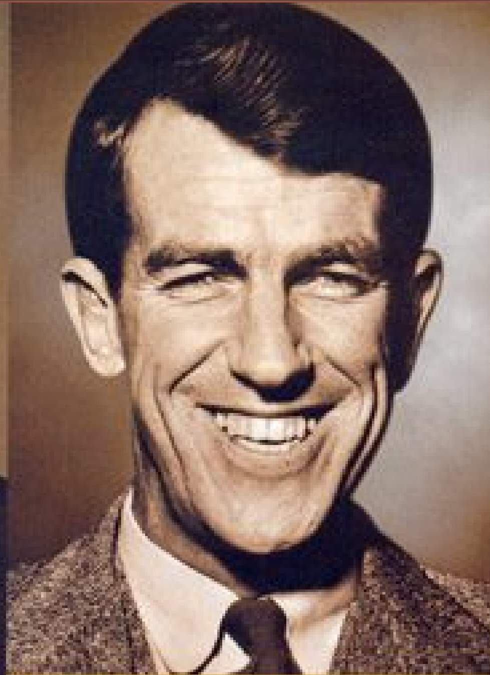
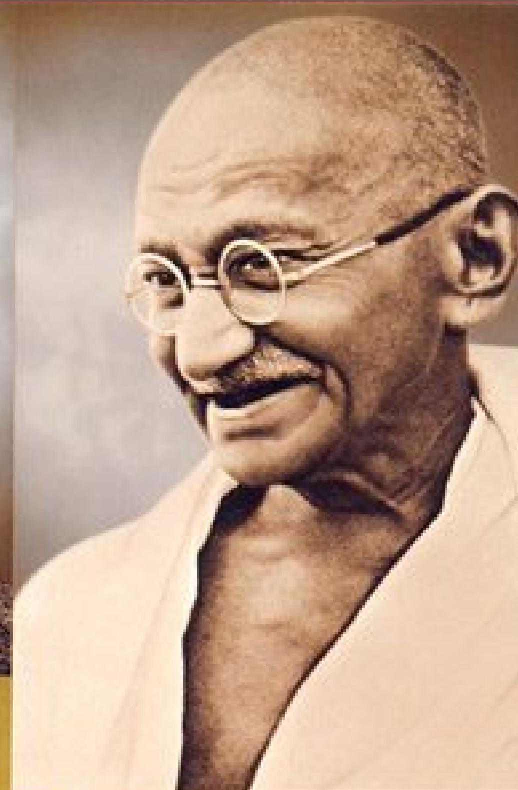
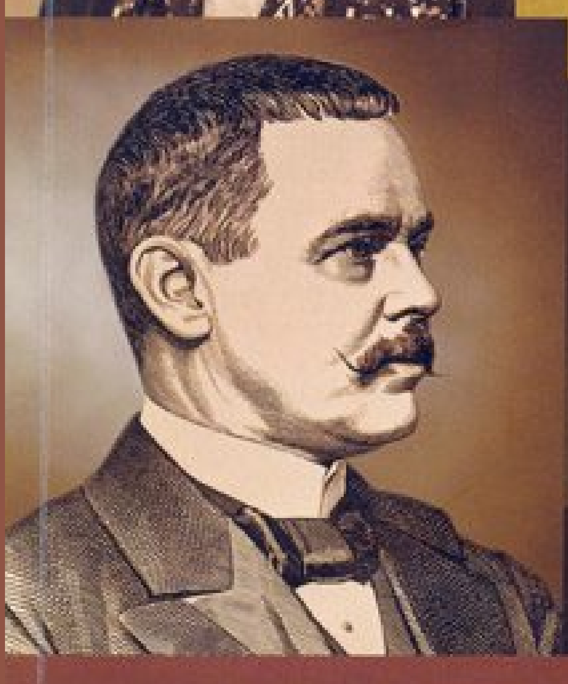




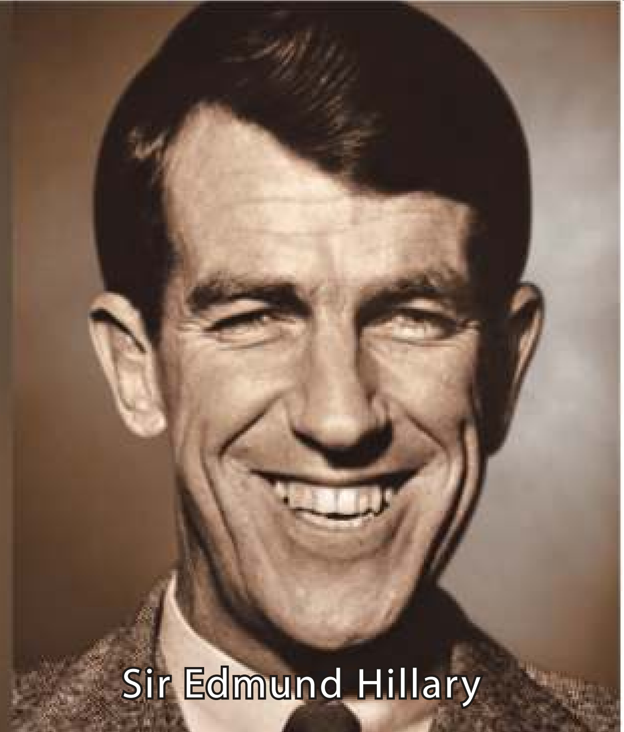
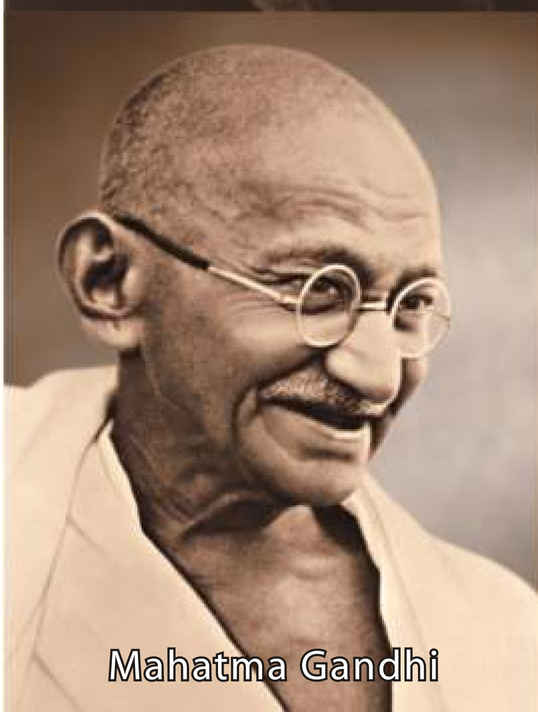
AGAINST ALL ODDS

A tribute to the pathfinders' spirit in these challenging times.

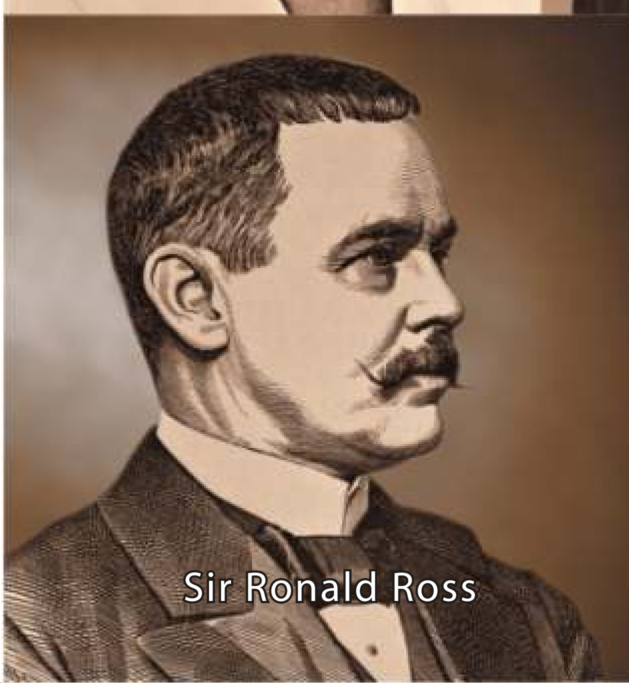




Cadila Healthcare Limited, Annual Report 2008-09


Christopher Columbus

Sir Edmund Hillary

Mahatma Gandhi

Amelia Earhart

Marie Curie

Sir Ronald Ross

Watson & Crick

Some shook the world by arriving: Christopher Columbus in North America, Sir Edmund Hillary on Mt. Everest. Others by refusing to depart: Mahatma Gandhi from the path of non-violence, which mobilised every class of the society to achieve an independent India. Some took the road less travelled and realised their dream: Amelia Earhart became the first aviatrix to fly solo across the Atlantic Ocean; Marie Curie's contribution to science made her the first person to win two Nobel Prizes. And there were those whose discoveries threw new light on crucial subjects: Sir Ronald Ross discovered the life cycle of the malarial parasite; Watson and Crick gave to the world the model of DNA.

All these pathfinders have one thing in common - the indomitable spirit to challenge the odds and open up new paths. At Zydus, we identify and pay tribute to this spirit that is latent in all of us. In our own humble way, we have imbibed this spirit of converting challenges into opportunities with the will to succeed. The unwavering focus on goals and the zeal to move beyond and make things happen has helped us defy the odds and post successes.

The year 2008-09, the year of the global meltdown was a challenging one for us too. But, at Zydus, the resoluteness, the will to succeed and the ability to raise the bar of performance came shining through, delivering yet another year of consistent growth. As this journey of growth continues towards the end-of-the-decade goal of the Healthy Billion - achieving sales of over $ 1 bn by 2010-11, driving growth by thinking differently will unfurl new routes to success and profitability.

Contents

FOUNDER: Late Mr. Ramanbhai B.Patel

BOARD OF DIRECTORS: Pankaj R. Patel
Chairman & Managing Director

Dr. Sharvil P. Patel
Deputy Managing Director

Directors: Mukesh M. Patel
Pranlal Bhogilal
H.K. Bilpodiwala
H. Dhanrajgir
A.S. Diwanji

CHIEF FINANCIAL OFFICER: Nitin D. Parekh

CHIEF ACCOUNTS OFFICER: Jyotindra B. Gor

COMPANY SECRETARY: Upen H. Shah

BANKERS: Bank of Baroda
BNP Paribas
Calyon
Citibank N.A.
Corporation Bank
Exim Bank
HDFC Bank Limited
ICICI Bank Limited
IDBI Bank
State Bank of India
Standard Chartered Bank

AUDITORS: Mukesh M. Shah & Co.
Chartered Accountants

REGISTERED AND CORPORATE OFFICE: 'Zydus Tower', Satellite Cross Roads,
Ahmedabad - 380 015.
www.zyduscadila.com

REGISTRAR AND SHARE TRANSFER AGENTS: M/S Pinnacle Shares Registry Pvt. Ltd.
Near Asoka Mills, Naroda Road,
Ahmedabad - 380 025.

WORKS Formulation Units: S.No. 417, 419 & 420, Village Moraiya,
Taluka Sanand, District Ahmedabad.

Kundaim Industrial Estate, Ponda,
Goa 403 401.

Village Saraj Mujra
P.O. - Baddi
Tehsil - Nalagarh
Dist. Solan (HP)

API Units: GIDC Estate, Ankleshwar, Gujarat.
Dabhasa, Tal. Padra, Dist. Vadodara

Zydus Research Centre: Zydus Research Centre
S.No. 396/403, Village Moraiya, Taluka Sanand,
District Ahmedabad.

Safe Harbour Statement

In this Annual Report we have disclosed forward-looking information (within the meaning of various laws) to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make, contain forward-looking statements that set out anticipated results based on the Management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainities and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Breaking New Grounds in 2008 09

Nine jewels shine despite stock market volatility

Five cos deliver double-digit returns over one year

Aman Dhall

THEY ARE the cash performers of Indian stock market. Even as the Indian equities market almost halved in value since touching an all-time high on January 10, 2008, there were nine stocks among India's top 500 companies which delivered gains to their shareholders over a period of one year.

HALL OF FAME

Cadila Healthcare
Hero Honda Motors
Hindustan Unilever
Godrej Consumer Products
B O C India
Castrol India
GlaxoSmithKline Pharmaceuticals
Sun Pharmaceutical Inds.
Nestle India

Cadila to strengthen US reach with fresh approvals

Cadila to rejig consumer biz

Zydus, Eli Lilly sign drug discovery pact

Cadila's anti-depression tablet launched in US

Zydus Cadila acquires Etna Biotech

Zydus acquires

Etna

Zydus Cadila acquires Etna Biotech of Italy

Zydus Cadila buys 70% in S. Africa's Simayla Pharma

Acquisition amount not known; co sees opportunity to grow its business

CADILA, WHO TO DEVELOP RABIES DRUG

Prescription for buy: Keep doses sm

Zydus buys Spain's Combix

Zydus gets USFDA approval to market benazepril tablets

AHMEDABAD: The city-based ph giant Zydus Cadila announced the USFDA approval to market benaze of 5, 10, 20 and 40 mg. The drug fa cardiovascular segment

Zydus Cadila JV to manufacture pharma ingredients

Zydus Cadila files paper to test new heart drug

Zydus 2nd co in world to get WHO accreditation for rabies vaccine

Zydus Research Centre gets full accreditation from AAALAC

AHMEDABAD: Zydus Research Centre, a research-based unit of Zydus Cadila Group in Ahmedabad has received full accreditation from AAALAC (Association for Assessment and Accreditation of Laboratory Animal Care) International, making it only the second company in India to receive the accreditation. AAALAC is an international body of renowned experts comprising 33 council members and over 170 consultants, which assesses and recognises the complete animal care and user programme of

Highlights 2008-09

Highlights – Global Formulations

- US business posted a strong performance with continued thrust on its "Customer Focus Model" and launched nine new products including three 'Day One' launches. Registered sales of Rs. 3,984 Mio., up 55 % y-y. Rated as one of the fastest growing US generic companies by IMS for the third consecutive year.

- French business continued robust performance, with launch of ten new products and strengthening of position in key products. Posted sales of Rs. 1,980 Mio., up 20 % y-y.

- Brazil business registered sales of Rs. 1,628 Mio., up 32 %, with launch of four new in-licensed products in the branded space.

- Launched twenty in-licensed products in Japan.

- Forayed into two key markets with the strategic acquisition of Laboratorios Combix in Spain and majority stake in Simayla Pharmaceuticals in South Africa.

- Exports to other emerging markets of Asia Pacific, Africa, Middle East and CIS regions grew by 81 % and posted sales of Rs. 1,750 Mio. and maintained leading positions in Sri Lanka, Myanmar, Uganda and Sudan.

- Became the 1st Pharma company in India and 2nd Pharma company in the world to receive WHO accreditation for Lyssavac N - the Purified Duck Embryo Rabies Vaccine, which will provide distinct edge to market the product internationally.

Highlights – India Formulations

- Strengthened presence in the nutraceuticals market, with the launch of a new division 'Nutriva' with addition of 250 people in the field and in the rheumatology market, with the launch of the new division 'Synovia' with 50 people.

- Launched a hospital focused division, 'Topcare' by leveraging strengths of the diagnostic product portfolio and became the only company in India to have a specialty team focused on the COPD segment.

- Launched over 25 new products and over 30 line extensions in the formulations market, of which, 15 were first in India.

- Three brands, viz. 'Ocid' (Omeprazole), 'Pantodac' (Pantoprazole) and 'Atorva' (Atorvastatin) crossed sales of Rs. 500 Mio. each.

- Retained leading positions in the cardiology and diabetology, gastro intestinal, women's healthcare and respiratory segments in the participated market.

- Overall, the domestic formulations business posted sales of Rs. 12,889 Mio., up 10%.

Highlights – Other Businesses

- The consumer business of Cadila Healthcare Ltd. was integrated under a composite scheme of arrangement into Carnation Nutra Analogue Foods Ltd., which is now renamed as Zydus Wellness Ltd., to leverage strengths of both the businesses and thereby create long term value for shareholders.

- Zydus Wellness registered a robust performance with a healthy growth of 27% and posted sales of Rs. 1,947 Mio.
- API business (other than Nycomed JV) also registered sales of Rs. 2,487 Mio., up 17 %, with exports posting growth of 27 %. Introduced 7 new API products in the domestic and regulated markets.
- Zydus Nycomed JV posted a strong performance with sales of Rs. 1,998 Mio. and profit of Rs. 1,365 Mio.
- Zydus Hospira JV has successfully completed inspection by EU regulatory authority, MHRA and has plans to start commercial operations from Q1 of FY 09-10.

Highlights – Mfg. and R&D Operations

- The tablet and injection mfg. facilities at Moraiya were successfully audited by the USFDA and Brazil - ANVISA without any adverse remarks.
- Majority of the domestic products have been shifted to the Sikkim facility from the Baddi facility, which is now going to cater to the US market.
- Filed 6th IND application for ZYT1, a novel lipid lowering molecule, with the DCGI. ZYT1 also became the first IND to be filed with the USFDA.
- Signed a new drug discovery and development agreement with Eli Lilly and Company, USA, focused in the area of cardiovascular research, which seeks to increase productivity in drug discovery and development by synergising the unique strengths of both the companies.
- Acquired Etna Biotech, Italy, a subsidiary of Dutch biopharma co., Crucell, NV, which marks the Company's first acquisition in the research space.
- Zydus Research Centre in Ahmedabad became only the second facility in India to receive full accreditation from AAALAC International, (Association for Assessment and Accreditation of Laboratory Animal Care).
- Filed 19 ANDAs with the USFDA, including 2 ANDAs each for pulmonary and nasal products and 5 ANDAs for parenteral products, taking the total to 92 ANDA filings. Also filed 14 US DMFs with the USFDA, taking the cumulative filings to 76 DMFs.
- Received 10 ANDA approvals from the USFDA, taking the total to 42 product approvals, of which, 23 products have been launched so far.
- Filed 15 new product dossiers for the EU market, including 8 for the Spanish market, taking the cumulative filings to 54. The cumulative site transfer applications for EU market has reached 44.
- Received 13 new product approvals for the French market, taking the cumulative to 28 approvals and received 10 site transfer approvals, taking the cumulative total to 41 approvals.
- Filed over 100 patents in the US, Europe and other countries during the year 2008-09, taking the cumulative filings to over 450.

Consolidated Financial Highlights

- Total operating income up by 26 % y-y to Rs. 29.3 bn from Rs. 23.2 bn last year.
- EBITDA up by 32 % y-y to Rs. 6,058 Mio. from Rs. 4,582 Mio. last year. EBITDA margin was up by 1 % to 20.7 % against 19.7 % last year.
- Net profit excluding exceptional items up by 23% y-y to Rs. 3,234 Mio. from Rs. 2,633 Mio. last year.
- Return on capital employed increased to 17.8% vis-à-vis 16.7% last year, while return on adjusted net worth increased to 28.4% from 27.6% last year.

Chairman's Message

"The unrelenting focus on extending the growth curve, making vital growth investments that yield value and maintaining robust business health by pruning costs — have all helped your Company in keeping its balance in these unsteady times and maximising performance."

Delivering robust performance in challenging times

The year 2008-09 was a year unlike any other. Caught in the spiralling economic downturn which swept across the global economies, the world faced tough conditions and considerable market uncertainty. In these tough times, your Company reinforced its credentials of being resilient, proactive and driving performance despite the odds.

The unrelenting focus on extending the growth curve, making vital growth investments that yield value and maintaining a robust business health by pruning costs – have all helped your Company in keeping its balance in these unsteady times and maximising performance.

As the year 2009-10 unfolds, we do not yet know the full extent of the economic challenge that businesses will face. I believe, however, that your Company is well positioned to shape positive responses and will continue to grow, compete and explore winning pathways, globally.

Over the years, your Company has been complementing its aggressive growth strategy with a constant flow of new approaches and ideas, tempered by experience. We have been learning and gaining from past responses to challenges and successes and more importantly, developing a tested view towards what works versus what doesn't. In challenging times, this works as a weather shield in more ways than one. Here's how we delivered a robust performance in 2008-09:

Being proactive rather than reactive

While fast growth is the order of the day, it's also equally essential to forecast trends and be proactive. At the first signs of the downturn, we took some important decisions early on. We firmly resolved to focus on growth because where there is growth there can never be blight. There can never be situations to even consider lay-offs. So our first response to the slowdown was to step up the growth momentum. Secondly, we initiated several cost saving measures that enabled us to be better prepared for the slowdown. Our timely and prudent measures buffered the impact and added to the group's profitability in what has generally been seen as a lean year.

The three-pronged focus was on :

- aggressively growing the business and increasing revenues and margins
- identifying cost optimisation opportunities through new initiatives and ideas
- tightening the control over spends and optimising return on investment

A concerted effort on all three fronts helped boost our Total Income by 26% and increase our Net Profit (before exceptional items) by 23% in 2008-09.

Business Health considerations have always been a priority not just in lean times but even in good times. We have initiated several programmes that have focussed on improving efficiencies and reducing costs. PRISM which looked at trimming non-labour spends was launched in 2003. SLIM, which looked at lean manufacturing initiatives, was launched in 2006. Last year, we institutionalised a structured programme of cost identification and improvement in our supply chain processes. Project SPEED (Supply Planning – Effective, Efficient to meet Demand) has been quite effective with nearly 100 Zydans from across functions and geographies involved in more than 20 task forces.

The focus on rationalising costs and improving productivity through SPEED resulted in an initiative that reduced costs and enhanced efficiencies across the value chain. Streamlining our supply chain processes, we set up the Global Demand and Supply Organisation (GDSO) to synergise and create cost optimal and seamless supply chain operations.

Besides this, the various rationalisation measures that were initiated across the organisation helped in improving the EBITDA margin by 1% from 19.7% to 20.7%.

A business model that balances stability with agility

I strongly believe that our business model is one that sustains us through challenging times and firmly places us on the path of balanced growth. Our execution skills – the ability to deliver on our commitments, is fundamental to our business approach. We work proactively to achieve our goals, nurture long-term relationships that grow deeper over time and move well beyond the usual conventional business models. This creates a differentiated approach that enables us to demonstrate tangible value. Our intense focus on the Healthy Billion goal of achieving sales of over $ 1 bn by 2010-11 continues with a full range of new initiatives. Here is the business model which has successfully leveraged our strengths and capabilities and maximised opportunities.

	Challenges/Opportunities	The Zydus Way
Generics Opportunity	• Burden of soaring healthcare costs • Increasing patent expiries • Ageing population • Governments increasingly favouring genericisation	• Targeting high growth, less penetrated markets, both regulated and emerging markets • Driving competitive edge through continuous cost reduction • Developing a robust product pipeline with a focus on difficult to develop generics • Customer-centric approach
Discovery Research	• Rising drug development costs • Diminishing product pipelines • Stricter regulations • Challenges to R&D efforts by MNCs	• Leveraging strengths in discovery capabilities • Leveraging cost advantage • Creating a strong platform for innovation • Entering collaborative research options • Partnering WHO, Karo Bio, Prolong & Eli Lilly in various research programmes
New Dimensions in India Business	• Slowdown in new product introductions as a result of the patent regime • Price regulations	• Developing niche therapies and NDDS products • Improving customer connect through specialty segments • Managing a balanced product portfolio with mass and chronic therapies • Expanding reach to rural markets • Exploring in-licensing opportunities

On course with our global expansion plans

As a part of our global strategy, we have often side-stepped big ticket acquisitions and instead, looked at value-accruing acquisitions which provide strategic market access in prioritised markets. In line with this strategy, this year, we made a foray into Spain with the acquisition of Laboratorios Combix. Alongwith France, operations in Spain now strengthen our base in the European generic market.

Another key focus market for us is South Africa and we have been looking at opportunities to unlock value by consolidating operations. We have now been able to do this, by acquiring a majority stake of 70% in Simayla Pharmaceuticals. The acquisition opens up new avenues of growth in a market that is estimated to cross US$ 4 bn at consumer prices over the next three years. Our third acquisition for the year was Etna Biotech of Italy. This, infact, was our first acquisition in the research space.

When we had embarked on our global expansion plans in 2002, we knew that to be a successful global company, we had to compete on two fronts: in mindset as well as in geography. We knew that we must go further than we have ever gone and create an inclusive environment with a leadership team comprising people with versatile capabilities from different global backgrounds and global experience. Each step forward in our global business provides a new dimension for growth and profit.

Yet, for all of our breadth and size, we remain a company with a singular focus: healthcare. We are an integrated, global healthcare company. That is our identity and that is our purpose. We are here to create healthier communities globally.

Making innovation count

We live in an age where healthcare has been intrinsic to well being and good health. Innovation in life sciences and advancements in pharmaceutical technology continue to alter the way we treat diseases, making possible what once seemed impossible.

As the horizon of healthcare expands, so does our commitment of supporting the medical fraternity with innovative, need-based therapies. Our research pipeline has shaped up into a very promising one with 7 NMEs in various stages of clinical trials. NME - ZYT1, which was filed with the DCGI and the USFDA during the year has now moved into Phase I clinical trials. We have also filed an IND application with the DCGI for ZYD1, a novel candidate in the class of antidiabetic agents. Besides this, there are several other candidates in late stage preclinical development which augurs well for us. Secondly, we have entered into a new drug discovery and development alliance with Eli Lilly and Company, USA, for a collaborative research programme. Together, we will be working on a drug discovery and development programme in the area of cardiovascular research. We have also undertaken a research programme on monoclonal antibodies with the WHO.

These initiatives take us closer to realising our vision of becoming a research-driven pharmaceutical company by 2020.

Championing new ideas and initiatives

We're in an era that's driven by the sheer power of ideas - it's ideas, knowledge and information that is impacting change and transformation. They are changing the way we live, our perceptions and our responses. So, exploring new facets, asking the right questions and coming up with new ideas that can change the way we work for the better, forms the core of the transformation process at Zydus.

We ask ourselves – Where will the next fast-growing markets come from? How can we be trendsetters? What can we do differently than our competitors? Is there a need to re-position ourselves inspite of fairing well in the segment? How can we create synergies to maximise reach? What are the ways in which we can connect better with the customers? What are the niche product ideas that can open up new opportunities for us and create a new market? Posing these questions and many more threw up several new ideas, some of which we implemented during the year.

We now have dedicated teams for marketing nutraceuticals and rheumatology therapies in India, which we believe have a tremendous potential for growth. We have also instituted the Topcare division which will service the major hospitals across the country.

Strengthening the market position by leveraging technology and cost-competitive manufacturing capabilities has also been one of the focus areas. We broke new grounds by receiving the WHO accreditation for Lyssavac N – the Purified Duck Embryo Rabies Vaccine (PDEV). With this, we became the 1st Pharma company in India and 2nd Pharma company in the world to receive this accreditation.

To capitalise on the emerging trends and to take the consumer business on a high growth trajectory, we felt it was necessary to create synergies and bring the consumer business under one radar. We did this by merging the consumer business of Cadila Healthcare Ltd, with Carnation Nutra Analogue Ltd. Zydus Wellness Ltd., as we have renamed the company, will unlock value in this new sunrise sector and create long term value for shareholders.

So, in every facet of our business, we are focusing on capturing growth within our existing businesses and making inroads into newer markets. The more we pool our knowledge and ideas together, the greater is the expanse that we create for a bountiful harvest.

Investing in People

The optimism that we can overcome the challenges that the economic scenario presents, stems from what I've seen on Zydus' front lines, working closely with excellent people across all levels of our organisation. I've experienced, first hand, how our people with their ideas, imagination and capabilities bring in a 'Zydus difference' to create value. This helps us offer meaningful solutions that deliver results and in turbulent times such as this it's this 'P factor' that spells success.

With the extraordinary array of capabilities and talents that exist inside our company, we are able and will be able to respond quickly and decisively to opportunities, whenever and wherever they may exist . This I believe unlocks an entire spectrum of possibilities.

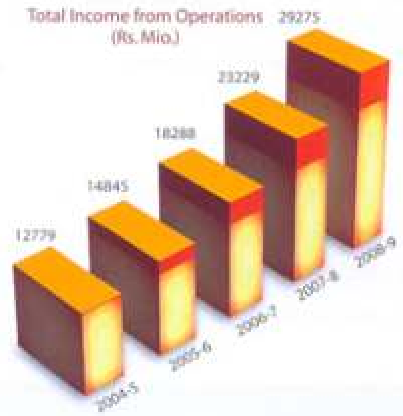
It is with favourable prospects and with the strength of good earnings in the year gone by that we move ahead towards our long-term goals. Sustained, fast paced growth and long-term profitability is a pre-requisite for achieving our goals and we are confident that we can capitalise on these opportunities in the future.

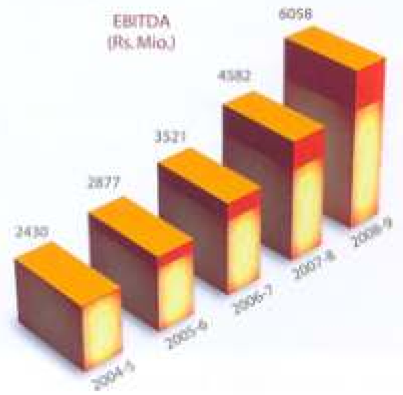
As we continue to focus on our future growth, we remain committed to our employees, customers, stockholders, partners and the communities in which we operate. We are encouraged by your support and look forward to reporting significant progress to you in the years ahead.

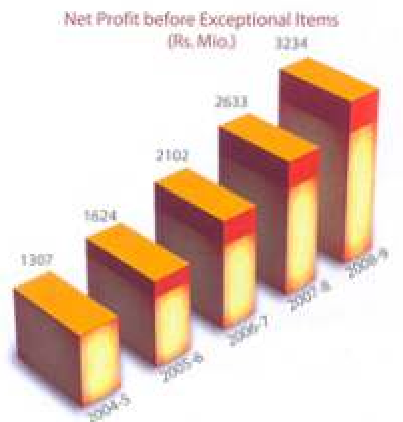
Pankaj R. Patel

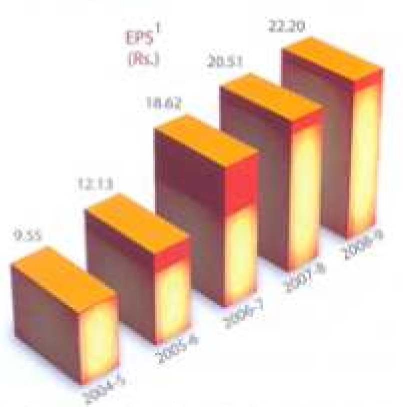
June 20, 2009

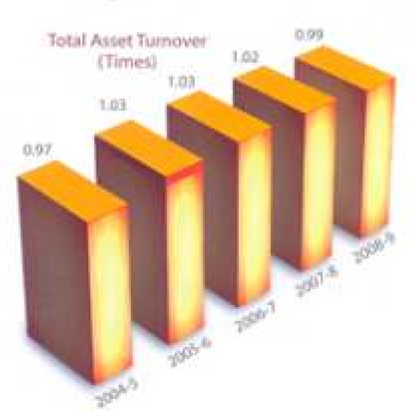
Financial Highlights
(Consolidated)





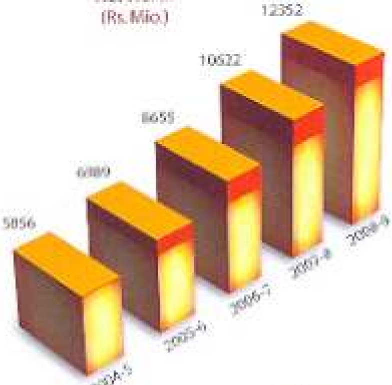






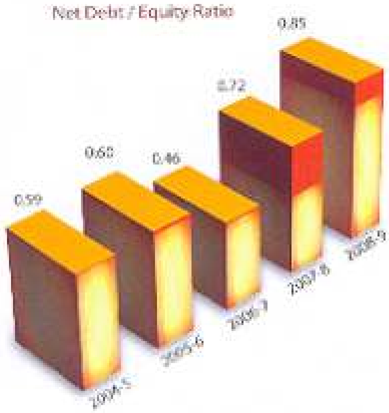
1 EPS and DPS of earlier years have been adjusted for bonus shares issued in the ratio of 1:1 in 2006-07.
2 Excl. Exceptional Items.
Previous years' figures have been regrouped wherever necessary.

Net Worth
(Rs. Mio.)

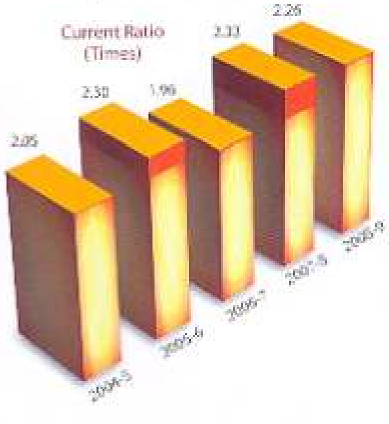


Total Debt
(Rs. Mio.)

Net Debt / Equity Ratio



Current Ratio
(Times)



EBITDA Margin
(%)

Net Profit Margin[2]
(%)

Return on Equity
(%)

Return on Capital Employed
(%)

Base Value   Incremental Value

Management's
Discussion and Analysis – 2008-09

Economy and Industry Overview

Global Economy and the Pharmaceutical Industry

The year under review has been one of the most challenging years for the global economy. The collapse of the sub-prime housing mortgage market in the US had a domino effect on economies across the world. This spiralled into the decline of the stock markets, credit crisis, lower consumer spending, reduction in corporate revenues and profits, lay-offs and job-cuts across sectors. The degree of the crisis has been so severe that some of the world's largest financial institutions have collapsed and the governments of some of the wealthiest nations in the world have resorted to extensive bail-outs and rescue packages for the large banks and financial institutions.

Global downturn has proved to be a great leveler across industries. On a positive note, the scale of impact on the pharmaceutical industry was not as severe as it was for the other industries. The global pharmaceutical industry crossed $ 725 bn in 2008, and posted a growth of 5%, as compared to 7% CAGR registered between 2003 to 2007. (Source: IMS Health)

The North American region, the world's largest pharmaceutical market, grew by just 1%. The factors impacting the growth include an increased demand for less-expensive generic drugs, a reduction in the price of these generics and a decline in the demand for new patent protected products in the market. The weak economic conditions further contributed to the reduction in consumer demand. The generics sector continued to increase its share of the prescription market in the US in 2008 outnumbering branded drugs, and now accounts for more than two - thirds of the total prescriptions market. Top five markets of Europe posted a growth of about 4% while Japan posted over 2.5% growth. In Europe also, generics continued to penetrate unprotected market segments in the region, and now accounts for over 50% of unprotected market in volume terms, while in Japan, generics continued to report an above average growth rate of 10%. Emerging markets of Asia Pacific, Africa and Latin America continued to grow in double digits, and continued to be the most attractive growth regions for the pharmaceutical industry. (Source: IMS Health)

The economic slowdown coupled with pressure on healthcare costs has increased the importance of generics in the healthcare systems across the world particularly in the developed countries, where mounting healthcare costs and resultant enormous burden on budgets have compelled governments to extend their support to generics.

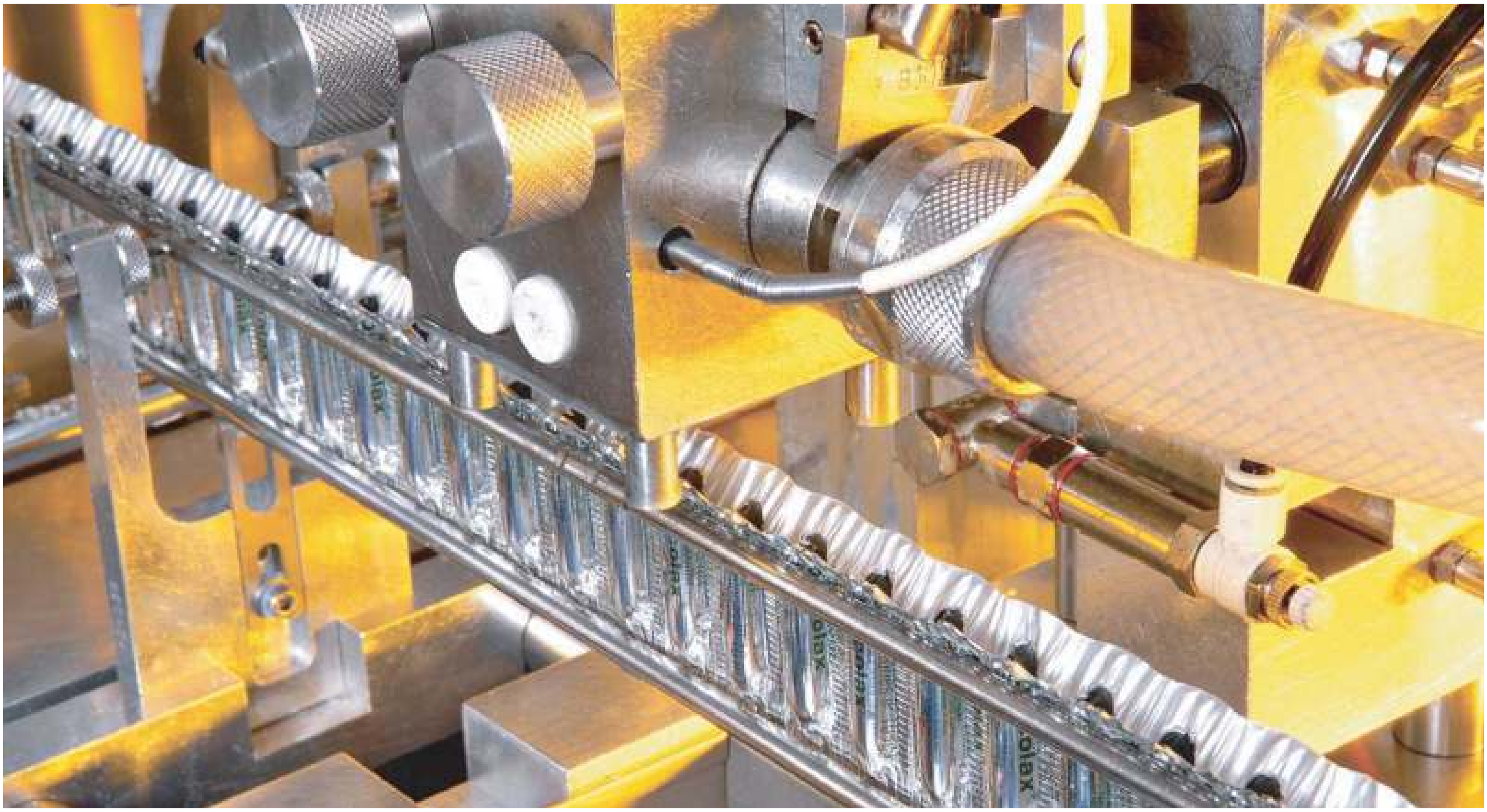
Indian Economy and the Pharmaceutical Industry

The Indian economy also was affected by the global economic crisis in 2008-09. However, the Indian economy as measured by its GDP grew by approximately 7% in 2008-09 as against a growth of about 9% registered in 2007-08. The recession in the global markets has affected the flow of investment in India. In fact the economy has witnessed a reversal of capital flow with investors across the world withdrawing part of their investments in India to survive the crisis, in the developed economies. However, their confidence in the Indian economy remains unchanged. This has resulted in abrupt depreciation of the Indian rupee vis-à-vis other currencies. The overall industrial growth has also slowed down in 2008-09, which is estimated to register less than 3% growth compared to an 8% growth last year. The annual inflation rate in terms of Wholesale Price Index (WPI), which was at 7.75% in the beginning of the year, rose to over 12% in the middle of the year, but started falling thereafter on government's severe credit controls and was at 0.26% at the end of the year. (Source: Monthly Economic Report, March 2009 as published by Ministry of Finance, Govt. of India)

Against this backdrop, the Indian Pharmaceutical Industry continued to grow at a higher than industry and economy average and is expected to post a double digit growth in 2008-09. In fact, the pharmaceutical market in India remained one of the fastest growing sectors in India with a CAGR of 14% for the last four years. (Source: ORG IMS Market Intelligence Report, December 2008)

Driven by an increased expenditure on healthcare by the government, growing size of the higher income population and improvement in literacy levels and life expectancy, the domestic pharmaceutical market, which is valued at over Rs. 34,000 crores (over $ 7 bn), registered a growth of over 10%, which however, was lower compared to about 13% growth posted in 2007-08. New product introductions continued to be the key growth driver and contributed to 7% of the total 10% growth. The chronic therapy segment continued to grow at an above market average and posted a growth of 14%, compared to the 9% growth registered by the acute therapy segment, due to which the contribution of the chronic segment in the overall market has increased by 1% to 26%. The key therapeutic areas like the anti-diabetic, CVS and gynaecology segments continued to outpace the market and grew by 17%, 14% and 13% respectively. (Source: ORG IMS Market Intelligence Report, December 2008)

Formulation exports continued to be a growth driver for the industry. With generics getting higher importance across the world, more products losing patent protection and sustainable competitive advantage of Indian manufacturers, the Indian formulations exports to regulated generic markets and emerging branded generic markets have continued to grow albeit at a slower pace than before. The depreciation of the Indian rupee has also fuelled this growth. Patent expiries, declining growth rates, increasing competition from generic players, rising operating costs and diminishing R&D pipelines of innovator pharmaceutical companies of developed markets have forced them to look at outsourcing their operations. And India, with its skilled manpower, capabilities of continuous process engineering and low operating costs has emerged as one of the most attractive outsourcing hubs.



Operating Highlights
India Formulations

During the year 2008-09, the Company's branded formulations business in India posted a sale of Rs. 12,146 Mio., up by 9% from Rs. 11,098 Mio. in 2007-08. The Company currently ranks 5th in the Indian pharmaceuticals market with a market share of 3.6% (Source: ORG IMS, MAT March 2009). The generic business grew by 12% and recorded a sale of Rs. 743 Mio. compared to Rs. 665 Mio. in the previous year.

The year 2008-09 was marked by strategic launch of new specialty divisions, expansion of existing business and launch of new products. Entering the Rs. 3,500 crore nutraceutical segment, the Company set up a specialty division, 'Zydus Nutriva', which markets nutraceutical brands that were earlier marketed through other divisions. The nutraceutical segment comprises haematinics, antioxidants, tonics, vitamins, multi vitamins, proteins, nutrients and calcium preparations. A dedicated field force of more than 250 people has been set up to adopt a focused marketing approach. In the very first year of operations, the division yielded encouraging results with the brands posting 20% growth over the previous year.

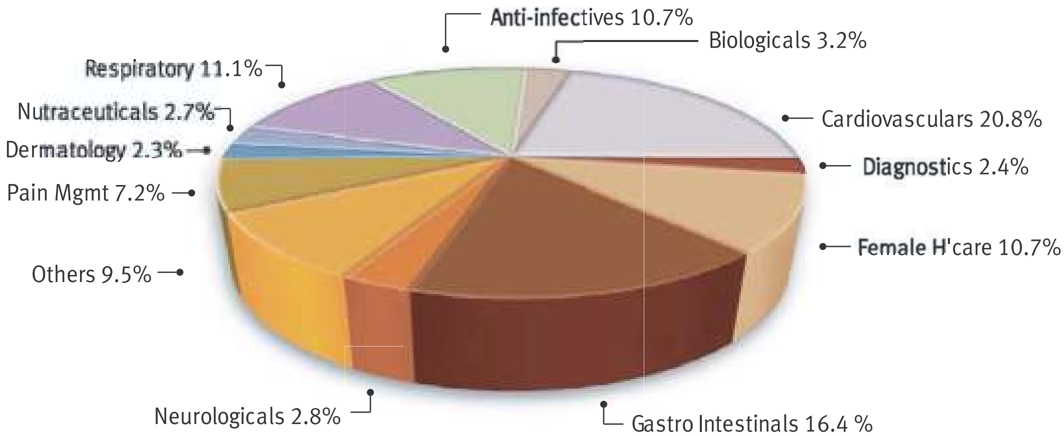
In the rheumatology segment, the Company launched another new division, 'Zydus Synovia' with a strong field force of 50 people, aimed at focused promotion efforts for high-end products for the treatment of rheumatoid arthritis. The division registered a growth rate of 17% in 2008-09.

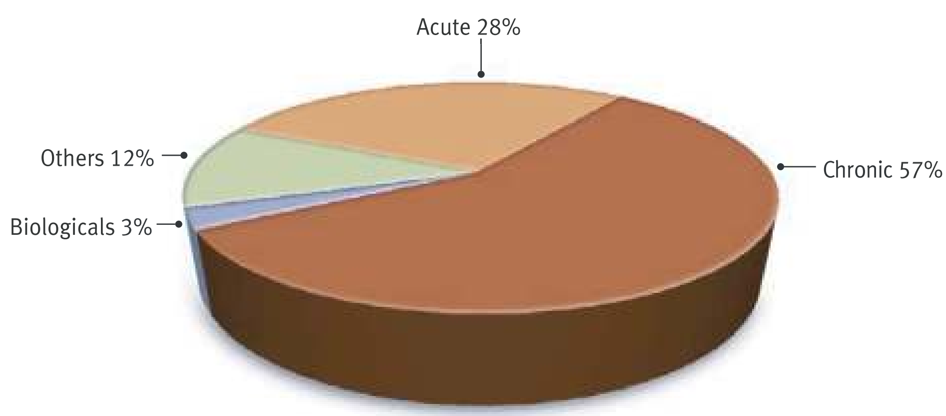
The year also witnessed two new initiatives - becoming the only Company in India to have a specialty task force comprising 30 people to focus on Chronic Obstructive Pulmonary Disease (COPD) and launching the 'Topcare' division, with a view to reinforce the customer connect with major hospitals across the country. This division, which has a portfolio of diagnostic products, will now be able to leverage these strengths and make an impact as a hospital focused division. Topcare is represented by a field force of 80 executives. These initiatives are expected to help in consolidating the Company's position in niche segments and outperform the market.

The Company launched over 25 new products and over 30 line extensions in the formulations market. Of these, 15 were the first to be launched in India. 'Nucoxia MR' (Etoricoxib + Thiocolchicoside), 'Pazubid' (Pazuflo xacin Mesylate), 'Etogesic' (Etodolac), 'Pantodac IT' (Pantoprazole + Itopride SR), 'Ur sodiol SR' and 'Y asmin' (Ethinylestradiol + Drosperinone) were some of the prominent new launches. Yasmin is the leading global oral contraceptive brand, which the Company launched under the exclusive rights to market in India from Bayer Schering Pharmaceuticals. The contribution of new product launches in the growth of formulations business in India was over 2.5%.

Three of our brands, 'Ocid' (Omeprazole), 'Pantodac' (Pantoprazole) and 'Atorva' (Atorvastatin) crossed sales of Rs. 500 Mio. each. With this, we now have five brands in the Indian market with sales exceeding Rs. 500 Mio. 15 of our brands now feature in the top 300 pharmaceutical brands in India, which constitute over 40% of the sales. (Source: ORG IMS, MAT March 2009)

The Company retained leading positions in cardiology, diabetology, gastro intestinal, women's healthcare and respiratory segments in the participated market. The therapeutic area-wise break up of branded formulations sales in India is given below.





API & Intermediates *

The API and intermediates business, which has been facing challenging times for the last couple of years due to continuous price pressures and appreciation of the rupee, recovered during the year 2008-09 backed by the depreciation of the rupee and a robust product offering to existing as well as new customers, which yielded positive results.

Overall, the API and intermediates business registered sales of Rs. 2,487 Mio., which was up by 17%. Exports of APIs and intermediates grew by 27%. Most regions in exports grew significantly, especially Latin America and the Middle East, which registered slow growth last year. Exports to the US grew by 93%. The business in India declined by 16%.

While the hike on input prices due to higher crude oil prices and restricted supplies from China impacted the profitability adversely, the depreciation of the rupee has positively spiralled revenues and profitability of the business. The last quarter, however, witnessed some price pressures, especially in the international market.

The Company commercialised 7 new APIs during 2008-09 for the Indian as well as the regulated markets. Strengthening its regulatory pipeline, the Company filed 14 new DMFs with USFDA during the year. Apart from commercial business, the API operations continued to support the Company's formulations business by providing the key raw materials at the most competitive costs for Indian as well as regulated and emerging global markets and contributed to the success of the new formulation launches in these markets.

*Excluding business of the JV with Nycomed.

International Formulations Business

US Market

The US pharmaceutical industry continued to be a leader in the global pharmaceutical market both in terms of competitiveness and innovation. The market for generic pharmaceutical products in the US accounts for about 30% of the global generics industry in value terms. Though the prescription sales in the US grew by just over 1% in 2008, US generic prescriptions grew by 7.8% and sales grew by 6.5% in 2008. Generic sales have more than doubled since 2000 and now exceed $ 48 bn. (Source: IMS Health)

Zydus Pharmaceuticals (USA) Inc., the Company's subsidiary in the US, which started operations in 2005-06 continued to post a robust performance and registered sales of Rs. 3,984 Mio., up by 55% over the last year (36% in US dollar terms). Zydus Pharmaceuticals (USA) Inc. bought back 30% stake from the minority promoters, with which it has now become a wholly owned subsidiary of the Company.

The Company achieved an attractive market share ranging from 5% to 25% for the products launched in the US with continuous enhancement of the "Customer Focus Model" with an objective to meet diverse customer needs. With the success of this model, which aims at growing market presence by increasing the customer base through novel partnership solutions and offerings, the Company has emerged as one of the preferred suppliers amongst customers. In recognition of its contribution and commitment towards excellence, the Company received the 2007 Amerisource Bergen Manufacturers Award in the category of Generic Pharmaceutical Companies with sales under $ 50 Mio. For the third consecutive year, the Company was adjudged as one of the fastest growing generic companies in the US by IMS.

During the year, the Company launched nine new products in the US, of which three products, Lamotrigine IR, Lamotrigine CD and Topiramate IR were launched right on day one of the patent expiry. The initiatives started in the last couple of years targeted at developing niche difficult technology products have yielded positive results and the new launches this year included several such products where the Company enjoys good market share and higher margins due to lower competition.

The US generic marketplace is expected to remain very competitive with pressure coming from both domestic as well as overseas companies. To mitigate this risk, the Company constantly focuses on continuous cost improvement by improving manufacturing efficiency and rationalising costs. The Company is also working with the GPhA (Generic Pharmaceutical Association) to help develop programmes to address the issue of delays in ANDA approvals with the FDA.

The Company will continue with its growth strategy of offering a large product portfolio with interesting generic products, a strong focus on quality, supply chain performance and a sustainable value proposition to the key customers. The Company has also started filing ANDAs for other dosage forms like pulmonary and nasal products and aims to foray into other forms like injectibles, which are expected to add value and spur growth.

Europe

The Company is present in the French generics market through its subsidiary Zydus France SAS. The overall French generics market is valued at Euro 2.3 bn, which grew by 7% in 2008. The represented generics market valued at about Euro 1.4 bn, in which the Company is present, remained broadly flat compared to last year, mainly due to the reduction in prices by 10% to 15% imposed by the French government on major molecules. The changed legislation regarding the terms of payment which reduces the credit period for pharmacies to 60 days, resulted in a one time correction in the off-take by the pharmacies. The absence of any major molecules losing patent protection was also one of the factors affecting the overall growth of the market. (Source: IMS Health)

Against this backdrop, Zydus France SAS registered sales of Rs. 1,980 Mio., a growth of 20% from the previous year. The sales growth in Euro terms however, was 5%, mainly due to the impact of the reduction of prices of major molecules, which contribute to over 70% of the total portfolio and also on account of lower off-take by the pharmacies as mentioned earlier.

The Company's focus on continuous enrichment in the relations with key customers continued through the year. In 2008-09, a new initiative, the "VIP Club" was launched to strengthen and maintain direct relations with top customers. This initiative enabled the Company to retain its key customers in spite of very competitive commercial offers from other generic players. The Company focused on business development through another initiative called the "Groupment" and signed contracts with 21 groupments, which has helped to reach out to over 400 customers. The focus on new product launches continued during the year, and the Company launched 10 new molecules (24 SKUs) in 2008-09, including launch of Bicalutamide on day one of its patent expiry. All these initiatives have helped the Company consolidate and increase the market share on key products like Pravastatine, Omeprazole and Lansoprazole and achieve an overall market share of over 2.5% in the participated French generics market.

In 2009-10, the French generics market is expected to grow at more than 20%. This growth will be driven by some of the major molecules losing patent protection. The Company expects a better performance in 2009-10 and is geared up for day one launches for many of these molecules.

In the European region, the Company has been looking for exploring new opportunities by establishing presence in newer markets with lower generic penetration. In July 2008, the Company made a foray into the Spanish generic market with the acquisition of Laboratorios Combix. Spain is the 5th largest pharmaceutical market in Europe. The Spanish generics market is valued at over Euro 700 Mio and the level of generic penetration in the market (6.6% by value and 15.7% by volume) is still quite low compared to other mature generic markets like the UK and Germany, which offer considerable growth opportunities.

Laboratorios Combix was established in 2006 and has a sales and marketing focus with a product portfolio covering 17 molecules. After acquisition, the Company increased this portfolio with 7 more molecules. For the year 2008-09, Laboratorios Combix posted sales of Rs. 114 Mio. The Company plans to gain further access to the Spanish market through product portfolio expansion.

The key to success in the Spanish market will depend on the number of products that will be supplied from the Company's facilities in India. To this end, the Company has initiated dossier filings and site transfers for Spain. The Company's first filing was in January 2009 and by the end of March 2009, the cumulative filing was 8 dossiers.

Latin America

The Company has been present in the Brazilian generics market, which is valued at $ 2 bn through its 100% subsidiary Zydus Healthcare Brasil Ltda. Making a foray into the $ 10 bn branded generics market of Brazil, the Company had acquired Quimica e Farmaceutica Nikkho do Brasil Ltda. (Nikkho) in 2007-08.

After the acquisition of Nikkho, the presence of the Company in the branded generics segment has become stronger. Nikkho outpaced the market growth in 2008-09 with a focused approach in the key therapeutic segments like gynaecology and clinical medicine. During the year, the Company successfully launched four of the newly acquired brands in the Brazilian market. The generics business of the Company, spearheaded by Zydus Healthcare Brazil Ltda., also posted a healthy growth. Overall, the Brazil operations grew by 32% (24% in Brazilian Reais terms) and posted sales of Rs. 1,628 Mio.

During the year, a staff optimisation programme was successfully conducted at Nikkho. This has resulted in an increase in both production and sales, clearly signaling an increase in efficiency as well as cost optimisation.

The Company will continue with its growth strategy of regularly launching new products, maintaining optimum staff levels and increasing per capita productivity in both production and marketing. A robust product pipeline for the next three years has already been finalised.

Japan

To explore opportunities in the growing generics market of Japan, which is valued at about $ 3 bn and has a very low penetration in the overall market (5% in value terms, 17% in volume terms), the Company has set up its own subsidiary Zydus Pharmaceuticals Inc. Strengthening its presence in this key market, the Company had acquired Nippon Universal Pharmaceutical (Nippon), a Tokyo based company having a marketing set-up and a small manufacturing facility, in 2007-08.

Nippon aims to establish itself as a strong generic player which provides quality generic medicines to the Japanese market. To this end, Nippon is building a robust marketing organisation by increasing its field force and in-licensing products from other generic companies. During 2008-09, Nippon launched 20 in-licensed products in Japan. The Company also filed one generic product with the PMDA.

Overall, the Company's Japanese operations reported sales of Rs. 219 Mio. in 2008-09. During the year, the operations of Zydus Pharmaceuticals Inc. were merged into Nippon to maximise efficiency and productivity.

The Company plans to increase the product portfolio and file more products from India by building a strong regulatory, marketing and distribution set-up in Japan.

Asia Pacific, Africa, Middle East and CIS Regions

The Company has a strong presence in pharmaceutical markets of over 20 countries in Asia Pacific, Africa, Middle East and CIS regions, with leading positions in the markets of Sri Lanka, Myanmar, Uganda and Sudan. The Company also plans to expand base in the rapidly growing markets of Russia, South Africa, Taiwan and Philippines. These markets are growing at higher rates than other developed markets and offer a huge opportunity for growth.

During 2008-09, the Company retained its ranking as the number one Indian company in Uganda and Sudan and was among the top three Indian companies in Sri Lanka and Myanmar. The Company also commenced operations in the Philippines and Taiwan, which are considered among the largest pharmaceutical markets in the Asia Pacific region. The operations in these regions will be focused on the chronic therapy segment. Business in Russia and Ukraine, which mark the Company's presence in the CIS region, continued to face uncertain market conditions due to currency fluctuation. In Russia, the Company established a wholly owned subsidiary with its own warehousing facilities, which will streamline the flow of stock into the country, which in turn will help to cater to a larger customer base.

In South Africa, another key market, the Company has set up its own subsidiary Zydus Healthcare SA (Pty.) Ltd. South Africa is the largest market in the African region, valued at about $ 2.8 bn and is the only regulated market. In 2008-09, the Company made a foray into this market by acquiring 70% stake in Simayla Pharmaceuticals (Pty.) Ltd. The acquisition of Simayla, which is one of the fastest growing generic companies in South Africa with around 150% growth, opens up several opportunities for the Company in a market which is growing at 17%. Within a short span, Simayla has become the number one new product launch company in South Africa and has improved its ranking very rapidly from 77th in July 2008 to 46th in March 2009 (Source: IMS Health). The Company plans to leverage its robust product portfolio and marketing capabilities and establish itself as a leading company in South Africa.

Overall, the emerging markets of Asia Pacific, Africa, Middle East and CIS regions registered sales of Rs. 1,750 Mio., up by 81% (over 55% in US dollar terms), with Simayla posting sales of Rs. 353 Mio.

Consumer Healthcare and Wellness Business

With growing health awareness and wellness revolution among consumers, a definite shift in consumer preferences and attitudes across India is being witnessed. Continuously increasing pursuit of healthier lifestyles and rising willingness to spend more for fitness and well-being has resulted in a surging demand for products that provide additional health and nutritional benefits. This has created an emerging market, with health conscious consumers willing to try better alternatives and making informed choices.

The Company has a strong presence in the fast growing consumer healthcare market, with a strong brand equity in niche segments of sugar substitutes and skincare. In fact 'Sugar Free', the largest selling sweetener brand in the country with over 80% market share, has now become more of a lifestyle brand rather than just a sugar substitute for diabetics. The skincare range of products sold under the umbrella brand 'EverYuth' has been able to retain its leadership position despite increasing competition and influx of international brands. 'Nutralite', India's largest selling table spread, which we added in our portfolio through the acquisition of Carnation Nutra Analogue Foods Ltd. in 2006-07, has gained widespread consumer acceptance as a healthier substitute of butter. These brands strengthened their leading positions in the marketplace and continued to grow rapidly in 2008-09 also. Sugar Free grew by 16% with sales of Rs. 778 Mio. EverYuth registered over 60% growth and crossed sales of Rs. 500 Mio contributed by the various promotional campaigns and marketing communications. Nutralite also grew by a healthy 19% and crossed sales of Rs. 660 Mio. The retail segment of Nutralite, comprising premium carton packs and tubs having sustainable business with steady margins, has increased its contribution in total business to 25%.

During the year 2008-09, the consumer business of Cadila Healthcare Ltd., comprising umbrella brands, Sugar Free and EverYuth, was demerged and integrated into Carnation Nutra Analogue Foods Ltd. under a composite scheme of arrangement. This strategic move has been taken with a view to leverage strengths of the Company's consumer business which were lying in two different entities. The combined business is expected to generate synergies in terms of focused management attention, strengthened brand building through combined marketing and brand management efforts and availability of more funds for investment in manufacturing and R&D, all of which should help unlock value and create long term value for the shareholders. The combined entity, having three strong brands and increased business, has now been renamed as Zydus Wellness Ltd.

For the year 2008-09, Zydus Wellness Ltd. posted sales of Rs. 1,947 Mio. and profit before exceptional items and tax of Rs. 381 Mio.

Going forward, the Company will continue leveraging its strong brand equity with launch of new variants and products in the consumer health and wellness segment and retain a strong leadership position in the participated markets.

Animal Health Business

Zydus Animal Health Ltd. (ZAHL), which spearheads the Company's operations in the animal health segment, is one of the leading companies in this segment in India having presence in all major therapeutic segments with leadership positions in several of them. The Company offers a range of products, including in-licensed products from some of the leading global companies for livestock and poultry segments. During the year 2008-09, the overall animal health business grew by 7.4%, clocked sales of Rs. 1,103 Mio. and a net profit of Rs. 164 Mio., up by 40%.

The year 2008-09 was a challenging one for the animal health business too. The business was affected by the rising input costs, due to the appreciation of the US dollar which led to an increase in raw material prices. The bird flu outbreak in some parts of the country was also one of the factors affecting the business. Despite these, the Company maintained its growth by continuously expanding its product base, innovative marketing strategies and adopting prudent measures to optimise costs. ZAHL launched 7 new products during the year.

During the year, the Company also made inroads into the international markets and is all set to make a foray into some of the key international markets next year. The Company also plans to launch a range of products catering to the pet and companion animals, which is a growing segment.

Performance and Progress of JVs

Zydus Nycomed Healthcare Private Ltd.

Zydus Nycomed, the 50:50 JV between Zydus and Nycomed for manufacturing of Key Starting Materials (KSM) for Pantoprazole posted sales of Rs. 1,998 Mio. and a net profit of Rs. 1,365 Mio. during 2008-09. This was due to a higher off-take of these KSMs by Nycomed by reducing their dependence on other sources.

The JV is expanding its manufacturing capacity and setting up additional facilities for manufacturing of APIs for Nycomed, which were included in the scope of the JV agreement last year. The commercial supply of these APIs is expected to start from 2010-11. This will result in an additional revenue generation and will partially offset the reduction in the volumes and realisations of KSMs of Pantoprazole, post its world-wide patent expiry.

Zydus Hospira Oncology Pvt. Ltd.

Zydus Hospira, a 50: 50 JV alliance with Hospira Inc., USA, has been set up for the commercial manufacturing of oncological injectibles for world-wide marketing by both Hospira and Zydus in the respective territories as agreed upon. A specialty injectibles manufacturing facility has been set up by the JV in a Special Economic Zone (SEZ) in Ahmedabad.

During the year 2008-09, the JV organised technology transfer activities, carried out manufacturing of various exhibit batches and process validation batches and submitted dossier data for European Union and the US. MHRA - the regulatory authority of the European Union has inspected and approved the manufacturing facility, which would now enable the Company to supply products to the European markets.

The Company plans to start commercial manufacturing and supply of three products in 2009-10 to the European markets, of which, two products would be manufactured and supplied from the first quarter itself. By 2010-11, the Company shall commence manufacturing and supply of all the products to the US and Europe. The facility is well prepared for inspections by the USFDA, TGA, the Australian regulatory authority and other regulatory authorities from emerging markets. The JV will start contributing to the revenues and profits of the group from the next year and is expected to start contributing significantly from 2010-11 onwards.

Zydus BSV Pharma Pvt. Ltd.

Zydus BSV Pharma Pvt. Ltd. is a 50:50 JV set up in alliance with Bharat Serums and Vaccines Ltd. The civil project work for the green-field manufacturing plant of the JV at the SEZ is completed and the Company has manufactured exhibit batches for preparing the ANDA under a contract manufacturing arrangement.

The JV's patented Liposomal Doxorubicin, launched in the Indian market under the brand name 'Nudoxa' continues to gain wide acceptance amongst oncologists in the country. The product is marketed by Zydus Biogen, a division of the Company. While the ongoing phase I clinical trial for the product has reached a critical milestone, the JV has already finalised plans for the phase II/III trials and is awaiting the approval from the regulatory authority to initiate the same.

Manufacturing Operations

The state-of-the-art manufacturing facilities are the backbone of the growth and success of the Company in global markets. The Company has built world-class, vertically integrated manufacturing facilities for APIs and formulations, spread across five states viz. Gujarat, Maharashtra, Goa, Himachal Pradesh and Sikkim, which effectively and efficiently support its marketing prowess.

Formulation Manufacturing

During the year 2008-09, the tablet and capsule manufacturing facilities of Moraiya plant, Ahmedabad successfully completed the 3rd USFDA audit and Brazil - ANVISA audit without any deficiencies. To ensure maximum productivity and better utilisation of all formulation facilities, various streamlining initiatives were undertaken during the year. Full-fledged manufacturing of domestic products including hormone products have commenced at the Sikkim facility. More than half of the products for emerging global markets have been shifted to the Goa facility from the Moraiya facility. The Moraiya facility will now dedicatedly cater to the regulated markets of US, EU, Brazil and South Africa. To meet the ever-increasing demand from USA, the Baddi facility has also been included in the fold to supply to this key market. Facilities for new cell-culture anti-rabies vaccine and nasal products have been also been set up.

The Company consistently focuses its efforts on efficiency improvement and cost optimisation across all manufacturing facilities. The 'SLIM' (Strategic Lean Integrated Manufacturing) and 'Kaizen' initiatives, which were initiated last year at the Moraiya facility, have been launched across all formulation plants to ensure a robust performance culture through the “Zydus Way of Manufacturing”.

APIs and Intermediates Manufacturing

The API manufacturing facilities at Ankleshwar and Dabhasa (both in Gujarat) have continued to maximise efficiency and cost-effectiveness through SLIM initiatives and have successfully increased throughput of various products with only marginal capital expenditure during 2008-09. Capacity enhancement and upgradation of several chemical plants in these facilities have been carried out to meet the growing demands from the global markets and captive requirements of formulations manufacturing. The Company is also setting up a new manufacturing facility at Dabhasa focusing on molecules which offer promising opportunities. The commissioning of this new facility is in progress.

Environment, Health and Safety

The Company is committed towards conservation of the environment and always ensures compliance with all the requirements related to Environment, Health and Safety (EHS). The Company aims to bring in a revolution in EHS management by engaging and involving every stakeholder across the group.

To this end, the Company undertook various initiatives in 2008-09 to adopt best environmental management practices and promote awareness on EHS management. The Environment Management Cell, the dedicated environment management division of the Company has initiated a 2-tier monitoring of all manufacturing units for gap analysis and compliance with all regulatory requirements. To bring in a synergy among all the units regarding compliance of EHS management, an EHS meet for all the manufacturing units was organised during the year. With the implementation of the water conservation programme at the Moraiya facility, water wastage has been cut down significantly.

Research and Development

Research and development are not just an important part of the operations of the healthcare industry but are at the very heart of it. There is always a pressing need to focus on new initiatives in drug discovery and development and explore all opportunities of creating value through research and development. This guides the long term vision of the Company to become an innovation-driven research-based company. During the year, the total expenditure on R&D initiatives was Rs. 1,877 Mio., up by 17%. Of this, the revenue expenditure was Rs.1,564 Mio., while the capital investment was Rs. 313 Mio. The total R&D spend as a % to total operating income was 6.4%.

NME research

Zydus Research Centre (ZRC),which spearheads the Company's NME and Biologics research activities with a dedicated research team of over 335 research professionals at the state-of-the-art infrastructure spread over an area of 3,60,000 sq ft, works on cutting - edge technologies and is well-equipped to carry out new drug discovery and development from concept to clinical trials.

During the year 2008-09, ZRC made remarkable progress in the area of NME research. ZYH1, a lead molecule for treating dyslipidemia, successfully completed Phase II clinical trials. Phase I clinical trials for ZYH7, a novel drug candidate for treating dyslipidemia and metabolic disorders, have started. Further strengthening our research pipeline, the Company filed its 6th IND application for ZYT1, a novel lipid lowering molecule with the DCGI. ZYT1 also became our first IND to be filed with the USFDA. The Company became the first Indian company for successfully executing the complete filing work from India.

The status of various NME projects currently pursued by ZRC is given below:

PROJECT	Target	Indication	Drug Discovery	Lead Optimisation	Preclinical Development	IND	Phase I	Phase II	Phase III	NDA
ZYH1	PPAR alpha;gamma	Dyslipidemia								
ZYH2	PPAR alpha;gamma	Diabetes								
ZYH7	PPAR alpha	Dyslipidemia & metabolic disorders								
ZYT1	Undisclosed	Dyslipidemia					U.S.			
ZYO1	CB-1 antagonist	Obesity								
ZYI1	Multi-modal	Pain								
Collaborative research prog. with Karo Bio	GR agonist	Inflammation								
Collaborative research prog. with Prolong	PEG-EPO	Anemia								
Collaborative research prog. with Eli Lilly	Undisclosed	Cardiovascular								

Progress made up to 2008-09

In an important strategic move, the Company signed a new drug discovery and development agreement with Eli Lilly and Company, USA, focused in the area of cardiovascular research. This alliance seeks to increase productivity in drug discovery and development by synergising the unique strengths of both companies. The collaborative research programme may continue for a span of up to six years and has the potential of progressive milestone payments of up to $ 300 Mio. on licensing of molecules to Eli Lilly and royalties on sales of successful compounds.

The Company acquired Etna Biotech, the wholly owned subsidiary of the Dutch biopharma company, Crucell N.V during the year 2008-09. The deal, which marks the Company's first acquisition in the research space, offers a highly evolved research platform for developing new vaccines and technologies.

In 2008-09, our animal research facility at ZRC received full accreditation from AAALAC International (Association for Assessment and Accreditation of Laboratory Animal Care), making it the second facility in India to receive this accreditation.

The biologics portfolio now has 12 active programmes, of which, a few are close to receiving market approval. The biologics portfolio includes vaccines, therapeutic proteins and therapeutic monoclonal antibodies. The Company has also started commissioning a new dedicated manufacturing facility for biologics near Ahmedabad. In 2008-09, the Company entered into an agreement with WHO to develop next-generation biologicals to fight rabies.

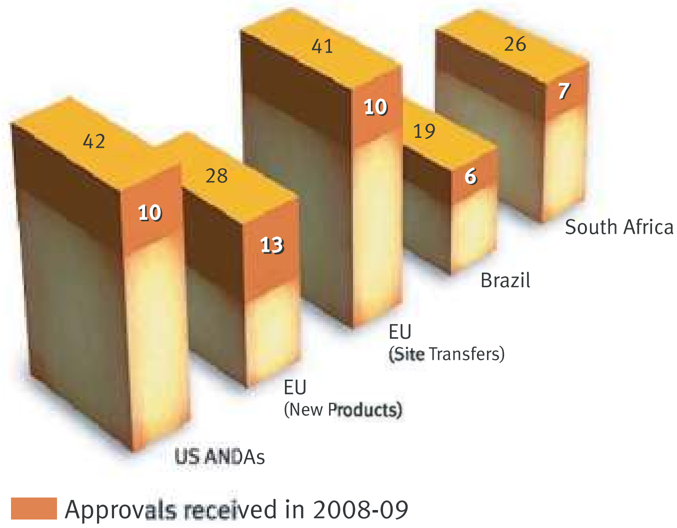
Pharmaceutical Technology Development

The Pharmaceutical Technology Centre (PTC), the Company's formulations development centre, which is responsible for developing products for the regulated and other emerging markets, has made significant contribution in catapulting the Company's position as one of the prominent Indian players in the global generic markets.

Summary of filings made by PTC in the focused regulated markets of the US, EU, Brazil and South Africa and the status of regulatory approvals received upto March 2009 is given below:

Regulatory Filings

Regulatory Approvals



US ANDA filings of 19 for the year 2008-09 include 2 ANDAs, each for pulmonary and nasal products and 5 ANDAs for parenteral products, marking the Company's first successful filing of complex dosage form products. Apart from this, PTC developed and filed over 250 product dossiers for India and other emerging global markets.

Chemical Process Research

The ability to offer best quality products at the most competitive rates has been the key success factor for the Company in the global generics market. Maintaining a leading position in the global generic markets requires constant review of cost and quality and calls for continuous effort for cost improvement through development of more cost-effective processes.

The API R&D centre at Ankleshwar, Gujarat is mainly focused on the process development for APIs and intermediates required in captive and non-captive, domestic and regulatory markets. Major activities of this R&D Centre include development of cost-effective and non-infringing robust processes for APIs and intermediates. Development of new products and cost reduction for existing processes continue to remain the focus areas.

During the year 2008-09, the API R&D developed 18 molecules for US DMFs, of which, 14 have been filed with the USFDA, taking the cumulative filings to 76 US DMFs. It has also developed 12 new products for the domestic market. Cost improvement of existing products is a major growth driving factor in the API business which constantly faces price pressures globally. The API R&D played an important role in reducing cost for several APIs and intermediates through process optimisation.

Intellectual Property Rights

The Company continued with its efforts in the development of new molecules, newer delivery systems, processes and technologies. The centres for Research and Development viz. ZRC, PTC and the API R&D Centre have filed over 100 patents in the US, Europe and other countries during 2008-09, taking the cumulative number of filings to over 450.


Human Resources

HR Initiatives

'Global economic downturn' and 'global financial crisis' were the buzzwords of the year 2008. In what has been described as one of the worst economic scenarios since the Great Depression of the 1930s, the impact of the economic downturn in a globally networked world was widespread. In this scenario, the HR challenge was to stay focused on organisational goals to deliver performance. Here's a snapshot of the initiatives undertaken by Team HR:

Creating Efficiencies, Delivering Value

The Company has been continually looking at ways which can make it more efficient, often by streamlining and restructuring processes that can improve the ability to deliver and help respond faster to market needs. In the course of the year under review, the Company streamlined its supply chain processes and created a new Global Demand and Supply Organisation (GDSO) to create cost optimal and seamless supply chain operations. The HR initiatives in creating this critical 112 member core team ranged from consolidating the structure keeping in mind the organisation's future needs, mapping of processes and roles in the new structure, defining specific responsibilities, manning these positions and providing training for specialised roles.

Global Consolidation

On the path of dynamic growth, the organisation has been looking at value-adding acquisitions in key markets over the years. Laboratorios Combix of Spain, Simayla of South Africa and Etna Biotech of Italy were the key acquisitions during the year, advancing the process of global expansion. The HR focus in the post-acquisition phase has been on post-merger integration of operations for greater thrust and productivity. With the global workforce currently pegged at 10,037 Zydans, Team HR has been successfully creating an eco-system which favours operational synergies while preserving local identities.

Diverse Learning Paths

Creating people assets and investing in capability building have been at the heart of the organisation's growth since 1995. Team HR has been looking at both conventional and differentiated approaches to create this culture of learning in the organisation. The training calendar spanning over 9,300 training man days looks at how the skill and capability building process can be made more inclusive and contextual. During the year, more than 14,700 Zydans took part in various training programmes with 173 internal trainers volunteering to step up the learning curve. Continuing with the efforts to nurture and develop a strong leadership bandwidth, the Advanced Business Leadership Development Programme was held at IIMA for Zydans in leadership roles. Other programmes included management development programmes, specific programmes on brand management, language and communication skill building and productivity enhancement, performance commitment workshops and other functional programmes. Collective learning at an organisational level has also been institutionalised through the Quarterly Meets. With 114 leadership role holders attending this forum, the performance reviews and discussions bring in strategic insights and an organisation-wide perspective. The CEO series which is a part of this forum also helps bring in new learnings from corporate leaders and stalwarts on how they face challenges and drive competitive edge. In 2008-09, corporate leaders like Mr. Subir Raha, Former Chairman, ONGC, Mr R. Seshasayee, Managing Director, Ashok Leyland and Mr Dominic Barton, Chairman, Asia Pacific region, McKinsey & Company, addressed the CEO series.

Focus on performance and results in a challenging year brought the resilient Zydan spirit to the fore. To look at how this can be anchored to the organisation's Core Values, Team HR organised a workshop with Dr. David Cohen, founder of the Strategic Action Group. From the brainstorming and discussions spread over two days, emerged the values that embody the Zydan spirit.


Our Core Values

We, the members of the Zydus Group hold the following values to be the foundation of our identity as Zydans. We shall endeavour to think and act, at all times, in accordance with these values.

We are...

Adaptable to change
We welcome change for the better. Our approach is always positive with a 'can-do' spirit.

People- driven
We build the capabilities of our people. This is fundamental to our growth in business.

Committed to deliver
We give our best in all that we undertake and are committed to delivering on time.

Innovative in what we do
We innovate through our ideas, approaches and efforts - at every opportunity.

Humble
We remain modest and humble in our achievements. Our work speaks for itself.

Value-driven
We seek value and maximise our gains by using our resources judiciously.

'Zydus Srishti' - the Zydus World of CSR initiatives

Zydus Srishti, the CSR programme at Zydus Cadila, is about reaching out to make a difference in a myriad ways in the areas of health – Swaasthya, education – Shiksha and research – Shodh. Through these initiatives, the Company reaches out to the community that it forms a part of, finding new expressions for its mission to create healthier communities globally.

In the field of healthcare, the focus has been on improving the quality of life of the community we live in. Healthcare camps have been organised year after year at Moraiya, adjacent to the company's manufacturing plant. During the year, 'Unnati' – a self-development programme which is being conducted with the help of an NGO for adolescent girls, on health, hygiene and reproduction at Sanand, a village close to the plant premises, was launched. Various health awareness programmes such as ATENtion Hypertension are regularly conducted across India. These initiatives have successfully impacted more than 6 lac people.

It's a host of interconnected learning and education related initiatives spanning different age groups and different community groups that Zydus Srishti and the Ramanbhai Foundation collectively work on in the sphere of education.

The Zydus School for Excellence in Ahmedabad, a comprehensive school affiliated to the ICSE Board focuses on the foundation years of learning. An important part of the school's curriculum is to involve the children in creative explorations and outreach initiatives.

Providing a platform to share thoughts and ideas on various facets of life beyond formal education, the Shri Ramanbhai B. Patel – AMA (Ahmedabad Management Association) Centre for Excellence in Education regularly conducts the Shri Ramanbhai Patel Memorial lecture on Excellence in Education. There have been speakers from different genres addressing varied issues and topics.

To recognise and honour the contributions of a teacher to a child's world of learning and the society at large, the Shri Ramanbhai B. Patel – AMA Centre for Excellence in Education instituted the 'Shreshtha Shikshak Award'. Every year, 2000 nomination forms are sent out to schools across Gujarat and teachers from far-flung areas such as Amreli, Porbandar, Junagadh, Jamnagar etc. send in their nominations.

In a fitting tribute to the company's founder, late Shri Ramanbhai B. Patel, who believed that a commitment to quality, excellence and innovation was the key to the growth of the pharmaceutical industry and the profession of pharmacy in India, the Ramanbhai Foundation jointly with the Indian Pharmaceutical Association set up the IPA – Shri Ramanbhai B. Patel Foundation (IRF). The IRF recognises and awards 'commitment and excellence' in the field of pharmacy, honours stalwarts who have made outstanding contributions in the field of pharmacy and supports young pharmacists and pharmaceutical scientists with merit scholarships.

The future is all about leveraging the intellectual capital and the ability to traverse unexplored paths. Creating an interactive forum for sharing new insights on latest advancements, broadening the horizons and sharing knowledge forms the blueprint of The Ramanbhai Foundation International Symposium. Leading researchers and academicians from the world over, converge in India at The Ramanbhai Foundation International Symposium held once every two years. The symposium brings together the scientific community from across the world, both from academia and industry, who deliberate upon unmet medical needs, new research initiatives and some latest advancements in medical science. The Ramanbhai Foundation 4th International Symposium was held in February 2009 on the 'Latest advances in cardio metabolic research'.

In recognition of the efforts in building the community around it by addressing unmet needs of the society, the Company received the 'Social and Corporate Governance Awards 2008' in the 'Best Social Responsibility Practice' category presented by the BSE, NASSCOM Foundation and Times Foundation jointly.

Financial Highlights*

* In the consolidated financial statements, our share in incomes, expenses, assets and liabilities of Joint Ventures (JVs) have been shown at the end of the schedule of such incomes, expenses, assets and liabilities. However, for financial analysis, share in each head of income, expense, asset and liability of the JVs has been considered for better understanding.

Operating Incomes

Sales

The gross sales revenue grew by 23% to Rs. 29,171 Mio. in 2008-09 from Rs. 23,638 Mio. in 2007-08. Sales growth was mainly driven by formulations exports, which grew by 50% on the back of sales growth of 55% in the US generic business, 32% growth in the Brazil business and 80% growth in exports to the emerging markets.

Domestic formulations business grew by 10%. Consumer business grew by a healthy 27%, while API exports grew by a healthy 34%.

Other Income from Operations

The other income from operations, comprising export incentives, income from global contract manufacturing and other processing income, grew by 14% to Rs. 651 Mio. from Rs. 569 Mio. in 2007-08.

Export incentives grew by 27% to Rs. 89 Mio. from Rs. 70 Mio. in 2007-08 as a result of growth in export sales.

Other operating incomes also include charges of Rs. 60 Mio. towards development of technology / dossiers for customers.

Other Incomes

Other incomes, which mainly include interest incomes and profit on sale of assets and investments, grew by 98% to Rs. 204 Mio from Rs. 103 Mio. last year. This was mainly due to the increase of Rs. 72 Mio. in profit on sale of assets, which was up at Rs. 88 Mio. compared to Rs. 16 Mio. last year. This included profit of Rs. 97 Mio. on disposal of API manufacturing facility at Patalganga.

Operating Expenses

Material Cost, Excise Duty and Processing Charges

The combined cost of consumption of materials and finished goods, excise duty and manufacturing and processing charges as % to gross sales reduced from 39% last year to 35.7%.

Reduction in consumption of materials and finished goods by 0.6% to gross sales was a result of higher realisations from exports due to rupee depreciation, higher contribution from the Nycomed JV and a better product mix.

The reduction of 2.3% in excise duty as % to gross sales was mainly due to the reduction in the excise duty rate on formulations, which was 16.48% of MRP for major part of last year, while for 2008-09, it was 8.24% of MRP up to November 2008, and from December 2008 onwards, it was further reduced to 4.12% of MRP. Shift of the production base for some of the products from loan licensees' facilities to the Company's own facilities, which took place in 2007-08, had an impact for only part of that year and has resulted in the reduction of the excise duty outgo. This also helped in reducing processing charges by 7%.

Personnel Costs

The Personnel cost (excluding R&D staff cost) increased by 26% y-y to Rs. 3,147 Mio from Rs. 2,498 Mio last year. The increase in the personnel cost to the extent of 5% is attributable to inclusion of operations of newly acquired companies viz. Simayla Pharmaceuticals, South Africa, Laboratorios Combix, Spain and Etna Biotech, Italy. Increase of remaining 21% on base of last year's expenses was both due to net addition in manpower and increase in average cost per employee. Manpower addition was mainly for the newer divisions and task forces created for the domestic formulations business and for the formulations manufacturing facilities. As % to operating income, the personnel cost was marginally down to 10.7% from 10.8% last year.

Manufacturing, Selling, Distribution and General Administration (MSGA) Expenses

The manufacturing (excluding processing charges), selling, distribution and other general administration expenses (excluding deficit on account of foreign exchange fluctuation) increased by 27% y-y to Rs. 8,387 Mio. from Rs. 6,580 Mio. last year. Growth in MSGA excluding costs of acquired companies, which were not there in last year's base, was 23%. Overall MSGA (excluding foreign exchange fluctuation losses) as % to operating income were marginally up at 28.6% from 28.3% last year.

Research and Development Expenses

Revenue expenditure, including staff cost on Research and Development (R&D) stood at Rs. 1,564 Mio., up by 17% from Rs. 1,336 Mio. last year. Revenue R&D expenses as % to operating income were at 5.3% compared to 5.8% last year.

Depreciation and Amortisation

The depreciation and amortisation expenses were up by 15% y-y to Rs. 1,118 Mio., from Rs. 969 Mio. in 2007-08. This includes amortisation of Rs. 431 Mio. on intangible assets. Growth in depreciation expenses excluding depreciation costs of acquired companies was 12%, which was mainly due to net additions to fixed assets of over Rs. 2 bn which took place in 2007-08, only proportionate effect (from date of assets being put to use) of which was accounted for last year. Net additions to fixed assets of over Rs. 1.65 bn which took place in 2008-09 have also partially resulted in an increase in depreciation charge.

Deficit on Account of Fluctuation in Foreign Exchange Rates

Global financial crisis and economic slowdown have impacted the flow of foreign investment adversely and with investors worldwide withdrawing their investments in India, the Indian rupee, which was appreciating throughout 2007-08, got weaker as a result of the large withdrawals of US dollars from the global markets. With the US dollar getting stronger against all global currencies, the Indian rupee witnessed a sharp depreciation starting from the second half of 2008-09. The average exchange rate between the Indian rupee and the US dollar, which remained at just over Rs. 40 per USD in March 2008, increased by almost 15% in 2008-09 and remained at about Rs. 46 per USD and crossed Rs. 50 in March 2009.

The Company has exposure to foreign currencies, mainly the US dollar and Euro. Though the Company is a net foreign exchange earner due to higher exports, because of hedge contracts entered into earlier to protect exports realisations in the light of the appreciating rupee, it could not get the benefit of the rupee depreciation. Moreover, adverse impact of the rupee depreciation on repayment of open foreign currency loans, interest payment thereof and mark-to-market adjustment of outstanding foreign currency loans resulted in foreign exchange fluctuation losses.

For the year 2008-09, the total loss on account of foreign exchange fluctuation, excluding loss on debt repayment and mark-to-market adjustment of debt, amounted to Rs. 249 Mio., compared to the gain of Rs. 3 Mio. last year. The exchange rate fluctuation loss on settlement of foreign currency debt and mark-to-market adjustment of outstanding foreign currency debt amounted to Rs. 429 Mio. compared to the gain of Rs. 109 Mio. last year. Of this, the loss to the extent of saving in interest costs due to lower interest rate on such foreign currency debt compared to Indian rupee debt has been classified as interest cost in accordance with Accounting Standard 16 relating to 'Borrowing Costs'. The remaining loss of Rs. 227 Mio. has been disclosed separately.

Interest and Financial Charges

In spite of high volatility in the currency market and worsening liquidity situation, the Company has been able to keep the weighted average finance cost (including the impact of realised loss on fluctuation in foreign currency loans repaid during the year) below 7% (against average 3-year G-Sec rate of 7.46% for 2008-09). However, due to increase in debt by over Rs. 4 bn (which was partly due to depreciation in the Indian rupee), raised mainly for the purpose of acquisitions (US, South Africa and Spain) and capital expenditure during the year, overall finance cost (excluding foreign currency fluctuation loss not classified as interest cost) was up by 87%, from Rs. 522 Mio last year to Rs. 978 Mio. Finance cost, excluding foreign currency fluctuation loss of Rs. 202 Mio. classified as interest cost, was up by 49% to Rs. 776 Mio.

Exceptional Items

Exceptional expenses of Rs. 241 Mio. include compensation of Rs. 97 Mio. paid on retrenchment of a few employees of Nikkho, the Company's subsidiary in Brazil, under a staff optimisation programme and expenses of Rs. 144 Mio. incurred on restructuring of the consumer business carried out under a composite scheme of arrangement.

Profits and Margins

The EBITDA (Earnings before interest, tax, depreciation and amortisation excluding non-operating incomes) increased by 32% to Rs. 6,058 Mio. from Rs. 4,582 Mio. last year. The EBITDA margin (% to operating income) increased by 1% to 20.7% from 19.7% a year ago.

The PBT (Profit before tax) increased by 14% y-y to Rs. 3,698 Mio. from Rs. 3,234 Mio. last year inspite of EBITDA growing at 32%, mainly on account of a sharp rise in the interest and financial costs, loss on account of foreign currency fluctuations on loans and exceptional items. PBT before exceptional items grew by 19% to Rs. 3,939 Mio. from Rs. 3,303 Mio. last year. As a % to operating incomes, PBT before exceptional items was at 13.5% as against 14.2% last year.

Net profit after tax and minority interest was up by 18% y-y to Rs. 3,031 Mio. from Rs. 2,576 Mio. last year. The net margin stood at 10.3% vis-à-vis 11.1% last year. However, excluding the impact of exceptional items (net of tax), the net profit grew by 23% to Rs. 3,234 Mio. from Rs. 2,633 Mio. last year and net margin excluding exceptional items was at 11% compared to 11.3% last year.

Reconciliation of net margin

	% to Operating Income
Net margin before exceptional items for 2007-08	11.3%
Increase in EBITDA margin	1.0%
Higher Other Incomes	0.2%
Lower depreciation charge	0.3%
Increase in net interest expenses	-2.3%
Reduction in tax provision	0.3%
Decrease in share of minority in profits of partly owned subsidiaries	0.2%
Net margin before exceptional items for 2008-09	11.0%
Exceptional expenses net of tax	-0.7%
Net margin for 2008-09	10.3%

Net Worth

The consolidated net worth increased to Rs. 12,352 Mio. at the end of March 31, 2009, up by 16% from Rs. 10,622 Mio. at the end of March 31, 2008. Equity share capital increased by Rs. 54 Mio. to Rs. 682 Mio. after issuance of 10.89 Mio. equity shares to acquire additional stake in Zydus Wellness Ltd., under the composite scheme of arrangement. The reserves and surplus increased to Rs. 11,670 Mio. at the end of the year 2008-09, from Rs. 9,994 Mio. last year. The impact of the net increase of Rs. 2,235 Mio. in retained earnings partially got offset by a difference of Rs. 390 Mio., arising on consolidation of non integral foreign subsidiary operations and net utilisation of reserves for writing off goodwill arising under the composite scheme of arrangement.

The book value per share increased to Rs. 88.8 as on 31st March, 2009 from Rs. 85 last year. The return on adjusted net worth (RONW = Net profit excluding exceptional items net of tax / Average net worth adjusted for deferred expenses and exceptional items) increased to 28.4% from 27.6% last year.

Debt

Consolidated debt (including buyers' credit) stood at Rs. 12,674 Mio., up by Rs. 4,062 Mio. from Rs. 8,612 Mio. last year. There was however, cash balance of Rs. 2,517 Mio. on 31st March, 2009 as against Rs. 926 Mio. last year, hence, the debt net of cash was Rs. 10,157 Mio. against Rs. 7,686 Mio last year. Increase in the debt was mainly to fund acquisitions i.e. buy back of 30% stake in the US subsidiary, Simayla Pharma in South Africa and Laboratorios Combix in Spain, combined cost of which was over Rs. 2.8 bn. Part of the debt was also utilised to fund capital expenditure of over Rs. 2 bn and increase in working capital requirements during the year. Out of this, debt of Rs. 7,035 Mio. is denominated in foreign currency, representing 56% of total debt. About 55% of the foreign currency debt has been hedged through derivative contracts.

Due to increase in debt levels by over 45% during 2008-09, debt (net of cash and bank balance) to adjusted equity ratio at the end of the year increased to 0.85:1 from 0.72:1 last year.

Fixed Assets and Capital Expenditure

The consolidated gross block (including capital work in progress) at the end of 2008-09 was Rs. 24.8 bn, up by Rs. 4.3 bn from Rs. 20.5 bn last year. The addition to the fixed assets block also includes assets of acquired companies of Rs. 161 Mio. and goodwill of Rs. 1,934 Mio. arising on consolidation of these companies. Net capital expenditure (including capital work in progress, but excluding assets and goodwill arising on consolidation of acquired companies) during the year was Rs. 2,145 Mio.

Working Capital and Liquidity

Working capital level (excluding buyers' credit) at the end of 2008-09 was of Rs. 8,696 Mio. as against Rs. 6,407 Mio last year, which shows an increase of Rs. 2,289 Mio. Net working capital of acquired companies as on 31st March, 2009 was Rs. 316 Mio. Average working capital excluding cash balance, however, remained at the level of about 20% of the total operating income, same as that of last year.

Accounts Receivable increased by Rs. 1,290 Mio. to Rs. 4,845 Mio. at the end of 2008-09 representing 53 days (of gross sales), up from 49 days last year. The increase was mainly on account of higher exports where a higher credit period is allowed to customers.

Inventory levels went up to Rs. 6,012 Mio. at the end of 2008-09 from Rs. 4,729 Mio. last year. Average inventory levels of input materials (raw and packing materials) remained at about 95 days of consumption compared to 92 days last year, while average levels of finished goods and work in progress inventories remained at about 101 days of cost of goods sold, compared to about 93 days last year. This increase was attributable to higher levels of inventories required for exports business.

The current ratio at the end of the year 2008-09 reduced marginally to 2.26 from 2.33 last year.

Capital Employed and Operating Efficiency

Total capital employed (CE), adjusted for exceptional items and deferred expenses, at the end of the year was Rs. 26.1 bn, up from Rs. 20.5 bn at the end of the previous year, showing an increase of 27% which corresponds to the growth of the business. Return on Capital Employed (ROCE = Adjusted earnings before interest net of tax / Average CE) increased to 17.8% vis-à-vis 16.7% last year.

Risk Identification, Risk Mitigation and Internal Controls

The Company is involved in the business of manufacturing and marketing of pharmaceutical products, both active pharmaceutical ingredients and finished dosage formulations and has operations in Indian and several other generic markets across the globe. The Company is also into New Molecular Entity (NME) research, Novel Drug Delivery Systems (NDDS) research and generic product development activities. The ever changing scenarios across the globe for the highly regulated pharmaceutical industry expose it to various risks, which are explained in the next page.

Risk related to economic and political environment across the world

The Company's operations span across the globe in over 25 countries. Any change in the economic or political conditions in these countries can affect its operations.

Risk of competition, price pressure and Government controls on prices

Generic markets across the world are characterised by a number of players competing with each other to grab market share, putting continuous pressure on prices of the products. The Company's business in developed generic markets of the US and Europe and emerging markets of India, Brazil, South Africa and other markets face stiff competition from Indian as well as other players. Apart from this, any action by Governments in these countries towards controlling prices of the pharmaceutical products to keep check on healthcare costs can also impact our pricing power adversely.

Risk of litigation related to quality of products, intellectual properties and other litigations

The products and their manufacturing and supply chain processes are subject to stringent regulations and quality standards. Any deviation from prescribed regulations or any variation in quality from standards laid down by the regulatory authorities can lead to actions from these authorities or litigation from the customers. The Company also faces the risk of litigation from competitors and the multinational pharmaceutical companies holding patents for products and processes, in case the Company's products or processes are claimed to be infringing their intellectual property rights.

Risk of international operations including foreign exchange risk

The Company's international operations in various countries and funding of its operations through foreign currency debt exposes it to the risk associated with fluctuation in currencies of these countries vis-à-vis the Indian rupee. Any depreciation of the Indian rupee can lead to higher export realisations, but will also lead to a higher outgo on repayment of debt and other payments. The situation can be reverse in case of any appreciation in the Indian rupee.

Risk of efforts on Research and Development proving to be non-productive

The Company invests around 6% of its revenues on research and development activities (both revenue and capital expenditure) every year. This includes NME and NDDS research and generic product development. Though the chances of generic product development efforts translating into commercial activities are considered to be quite high, the probability of success of NME and NDDS research is minimal. The time required for successful discovery and commercial launch of a new drug could be as long as 8 to 10 years and the resources and costs involved in that are also of large magnitude. This exposes it to the risk of the drug discovery efforts proving to be non-productive at any stage.

Risk management and internal control systems

The Company has well defined processes for risk identification, risk analysis and risk assessment, defining risk mitigation actions and proper execution thereof. It carried out an enterprise-wide risk evaluation and validation process and charted out a comprehensive risk management framework during the year, which was facilitated by a leading consulting firm with expertise in risk management. This involved identification of risks across various locations and businesses through interviews and workshops, development of risk registers for all functions and departments and a consolidated risk register for the organisation, shaping up of risk management organisation structure comprising various risk management committees (RMC) under the leadership of the Chief Risk Officer and crystallising risk management charter and policies. These RMCs are responsible for continuous monitoring of the implementation of risk management policies and mitigation actions. They also periodically review the risks and identify new risk areas and prepare action plans to mitigate those risks.

The Company has also set requisite internal control systems on various activities like procurement of materials, services and assets and payments thereof, manufacturing of products and sale of finished products and services and collections thereof. It regularly reviews such control systems and continuously improves upon them.The Company also has an internal audit process carried out by a reputed firm of Chartered Accountants to ensure internal controls on operational activities and financial reporting and implementation of management policies. The Audit Committee regularly reviews the reports of the internal auditors and makes suggestions for further improvement of the internal controls. The Audit Committee also co-ordinates with the external auditors to ensure compliance with the accounting standards.

Financial Section
2008-09

Directors' Report

Your Directors take pleasure in presenting the 14th Annual Report on the business and operations of the Company together with the Audited Accounts for the year ended 31st March 2009.

Financial Results

Particulars	INR - Millions Year ended March 31, 2009	2008	Growth (%)
Sales and Other Income	20052	17940	11.77
Profit before Interest, Depreciation, Extraordinary expenses and Tax [PBIDET]	4798	3845	24.79
Less: Depreciation	826	734	12.53
Profit Before Interest, Exceptional Items and Tax [PBIET]	3972	3111	27.68
Less: Interest	880	326	169.94
Less: Exceptional Expenses	0	48	-
Less: Expenses incurred on Composite Scheme of Arrangement	128	0	-
Profit Before Tax	2964	2737	8.29
Less: Provision for tax	305	375	(18.67)
Profit After Tax	2659	2362	12.57
Add: Profit brought forward from the previous year	1628	841	
Add : Pursuant to a Composite Scheme of Arrangement	38	0	
Total	4325	3203	
Profit available for appropriation, which is appropriated as follows:			
Proposed Dividend	614	565	
Corporate Dividend Tax on Proposed Dividend [Net of CDT Credit]	105	96	
Transferred to General Reserve	1576	914	
Balance carried to Balance Sheet	2030	1628	
Total	4325	3203	
Earnings per share [EPS] [Face Value of Share Rs. 5/-] [In Rupees]			
- Before Exceptional items	20.42	19.19	
- After Exceptional items	19.48	18.80	

Operations and Business Performance

During the year under review, the Company achieved sales of Rs. 17374 mn, showing a marginal growth of 1.06 % compared to the previous year. The PBIDT increased by 24.8% to Rs. 4798 mn. The Profit before Tax was higher by 8.3% to Rs. 2964 mn. The Profit after Tax increased to Rs. 2659 mn up by 12.6 % compared to Rs. 2362 mn in 2007-08. The Company achieved EPS (After Exceptional items) of Rs. 19.48 compared to Rs.18.80 in 2007-08, calculated on the enhanced capital after the issue of shares pursuant to Composite Scheme of Arrangement. The profits before and after tax and EPS are after considering one offdebit to Profit and Loss Account of the amount of stamp duty of Rs. 122 mn. A detailed analysis of performance for the year has been included in the Management Discussion and Analysis, which forms part of the Annual Report.

Dividend

Your Directors are pleased to recommend a dividend of Rs. 4.50 (previous year Rs. 4.50 per equity share) per equity share, on expanded capital of 136,499,013 equity shares of Rs. 5/- each for the financial year ended 31st March 2009. The dividend, if approved by the shareholders, will be paid to the eligible shareholders within the period stipulated under the Companies Act, 1956. The Dividend Payout ratio for the current year (inclusive of corporate tax on dividend distribution) is 27.04 percent.

Composite Scheme of Arrangement

During the year, pursuant to approval by Honourable High Court of Gujarat under sections 391-394 of the Companies Act, 1956 to the Composite Scheme of Arrangement, your Company had demerged its Consumer Products Division (CPD). As a consideration of demerger, the shareholders of the Company were issued and allotted equity shares in the ratio of 4(Four) equity shares of Rs. 10/- each fully paid-up of Zydus Wellness Limited for every 15 (Fifteen) equity shares of Rs. 5/- each fully paid-up held in the Company on the Record Date fixed for the purpose. Further, Zydus Hospitals and Medical Research Private Limited (ZHMRPL) was merged with the Company. Pursuant to amalgamation, 90,000,000 equity shares held by ZHMRPL were extinguished and as consideration of amalgamation, the Company has allotted and issued 100,885,305 equity shares of Rs. 5/- each fully paid-up to the shareholders of ZHMRPL. As a result, the Equity Share Capital of the Company has increased to Rs. 682.5 mn as on 31st March, 2009.

Performance of Subsidiary Companies

The performance of subsidiaries and joint ventures as per the audited accounts of the respective subsidiary / joint venture companies is summarized hereunder. The accounts of the foreign subsidiaries are audited as at December 2008 / February 2009, whereas the January / February to March 2009 accounts are subjected to limited review.

Performance of subsidiary Companies during 2008-09

Sr. No.	Name of Subsidiary	% holding	Main business	Year ended on	Revenues (Rs mn)	Profit after tax (Rs mn)
1	Zydus Pharmaceuticals Limited, India	100	Distribution of pharmaceuticals	31st March	0	1.1
2	German Remedies Limited, India	100	Marketing services	31st March	18	17.3
3	Dialforhealth India Ltd, India	100	Operates a chain of retail pharmacies	31st March	102.5	(9.8)
4	Liva Healthcare Limited, India	100	Manufacturing and marketing of Pharmaceuticals	31st March	434.7	29
5	Zydus Animal Health Limited, India	100	Manufacturing and marketing of animal health products	31st March	1103.2	163.6
6	Dialforhealth Unity Limited, India	55	Operates a chain of retail pharmacies on Franchisee basis	31st March	0	(0.01)
7.	Zydus Wellness Limited, India*	70.21	Manufacturing and marketing of consumer products	31st March	1947.4	238
8.	Zydus Technologies Limited, India**	85.16	Manufacturing and marketing of NDDS products	31st March	-	(0.2)
9.	Zydus International Pvt. Ltd, Ireland	100	Holds Company's Global Investments	31st Dec.	49.2	72.4
10.	Zydus Healthcare SA (Pty) Ltd, South Africa	100	Marketing of formulations in South Africa	28th Feb.	3.1	(2.2)
11.	Simayla Pharmaceuticals [Pty.] Limited, South Africa***	70	Manufacturing and marketing of Pharmaceutical products	28th Feb.	121	(22.6)
12.	Laboratorios Combix, Spain***	100	Marketing and distribution of pharmaceutical products	31st Dec.	137.6	(197.2)
13.	Etna Biotech S.R.L. (Italy)***	100	Carrying out biotech research	31st Dec.	45.4	(16)
14.	Zydus Healthcare (USA) LLC, USA	100	Marketing of APIs in USA	31st Dec.	20.1	1.2
15.	Zydus Pharmaceuticals USA Inc., USA****	100	Marketing of formulations in USA	31st Dec.	4015.1	144.1
16.	Zydus Noveltech Inc., USA	85	Developing, marketing, selling and distribution of Pharmaceutical dosages	31st Dec.	0.7	(199)

Performance of subsidiary Companies during 2008-09

Sr. No.	Name of Subsidiary	% holding	Main business	Year ended on	Revenues (Rs mn)	Profit after tax (Rs mn)
17.	Zydus Netherlands B.V., the Netherlands	100	Holds investments in fellow subsidiaries	31st Dec.	1.8	(183.2)
18.	Zydus Healthcare Brasil Ltda, Brazil	100	Marketing of formulations	31st Dec.	257	(73)
19.	Quimica E Farmaceutica NIKKHO Do Brasil Ltda, Brazil	100	Manufacturing, marketing and Distribution of Pharmaceutical Products	31st Dec.	1144.6	67.2
20.	Zydus France SAS, France	100	Marketing of Pharmaceuticals in France	31st Dec.	2056.2	109.7
21.	Nippon Universal Pharmaceutical Company Limited, Japan*****	100	Manufacturing, Marketing and Distribution of Pharmaceutical Products	31st March	171.8	(177.8)
22.	Zydus IntRus Limited, Russia**	100	Provide logistic services and distribution of products in Russia	31st March	0	(2.1)

* Formerly known as Carnation Nutra - Analogue Foods Ltd.
** New subsidiaries incorporated during the year.
*** Acquired during the year.
**** Bought back and redeemed 30% shares held by JV partners and became 100 % subsidiary Company.
***** Zydus Pharmaceutical Inc., Japan merged with this company.

As required under the provisions of section 212 ofthe Companies Act, 1956, a statement of the holding Company's interest in the subsidiary companies is attached to this report.

In terms of the approval granted under section 212 (8) of the Companies Act, 1956 by the Ministry of Corporate Affairs, Government of India vide its letter No. 47/192/2009 – CL-111 dated 13th April, 2009, copy of Annual Report of the subsidiary companies are not attached with the Balance Sheet of the Company. The members, if they desire, may write to the Company Secretary at the Company's Registered Office to obtain a copy of the Annual Report of the subsidiary Companies.

The annual accounts of the subsidiaries are also available for inspection by the shareholders at the Registered Office of the Company and also at the respective registered offices of its subsidiaries.

Consolidated Financial Statements

As stipulated in clause 41 ofthe Listing Agreement with the Stock Exchanges, the consolidated financial statements have been prepared by the Company in accordance with the Accounting Standard AS-21 on "Consolidated Financial Statements", as issued by the Institute of Chartered Accountants of India. The consolidated financial statements presented by the Company include the financial information of its subsidiaries. The following information for each subsidiary Company is also being disclosed in a separate annexure with consolidated Balance Sheet: (a) Capital (b) Reserves (c) Total assets (d) Total liabilities (e) Details of investments (except in case of investments in subsidiaries) (f) Turnover (g) Profit before taxation (h) Provision for taxation (g) Profit after taxation and (J) Proposed

Performance of Major Joint Venture Companies

Detailed discussion on performance of each joint venture Company is covered in Management Discussion and Analysis Report.

1 Zydus Nycomed Healthcare Private Limited [ZNHPL]

This 50:50 joint venture between the Company and Nycomed GmbH, is a 100% EOU situated at Navi Mumbai. This JV Company achieved turnover of Rs. 1747.1 mn for the year ended on 31st December 2008 as against Rs. 1554 mn in the previous year. The net profit of the Company was Rs. 1241.3 mn against Rs. 1123.6 mn in the previous year.

2 Zydus Pharmaceuticals USA Inc. [ZPU]

During the year, ZPU has bought back and redeemed 30% shares held by the partners, other then ZIPL. The Company has become 100 % subsidiary of Zydus International Private Limited, Ireland. The Company recorded sales of USD 79.2 mn showing growth of 42.87% for the year ended on 31st December 2008.

3 Zydus Hospira Oncology Private Limited [ZHOPL]

This 50:50 joint venture Company has set up manufacturing facilities at SEZ near Ahmedabad and is undergoing production trial runs. The Company is expected to commence commercial production shortly after receipt of regulatory approvals.

4 Zydus BSV Pharma Private Limited [ZBSV]

This is a 50:50 joint venture between the Company and Bharat Serums and Vaccines Limited. During the year ZBSV has set up its manufacturing facilities at SEZ, near Ahmedabad and has also taken development of Exhibit Batches for preparing an ANDA. ZBSV has launched novel and patented oncology product in the Indian market and has been well accepted by the Oncologists across the country. ZBSV reached critical milestone for Phase I clinical trial and finalised plan for phase II and III trials for overseas markets.

5 Zydus Noveltech Inc., USA [ZN]

This Joint Venture is between the Company and Dr. Sharad Govil, a technocrat. The Company is formed for sales, marketing and distribution of non-oral dosage form generic and brand name drugs using drug delivery system technologies in several therapeutic areas targeted for North America, Western Europe and Japan.

6 Zydus Technologies Limited [ZTL]

During the year the Company has entered into joint venture with Dr. Sharad Govil. This 85:15 JV Company will develop technology for manufacture of NDDS products. JV Company will set up its manufacturing facilities at SEZ near Ahmedabad. The Company was incorporated on 16th February, 2009 and is yet to commence its business activities.

Overseas Acquisitions / Merger

During the year under report, your Company through its subsidiaries has made the following overseas acquisitions:

1 70% stake in Simayla Pharmaceuticals (Pty.) Limited, South Africa (Simayla) through Zydus Healthcare S.A. (Pty.) Limited. Simayla is a fastest growing generic company in South Africa. The acquisition will open up several opportunities for the group in a market which is estimated to touch USD 4.62 bn at consumer prices over the next three years. Mr. Ben Classen, the promoter of Simayla is holding remaining 30 % stake in it and he will continue to head its operations.

2 100% stake in Laboratorios Combix, Spain (Combix) through Zydus Netherlands B.V., the Netherlands, a Dutch subsidiary Company. Combix has a pure generics focus with portfolio covering 17 molecules and range of products that are pending launch or in pipeline. The Spanish pharmaceutical market is the 5th largest in Europe. Acquisition of Combix will provide ample opportunities for growth.

3 100% stake in Etna Biotech S.R.L., Italy (Etna) from Crucell N.V., a Dutch Biopharma Company. Etna focuses on research and development of vaccines. This is the first acquisition in the research space, which will offer the group a highly evolved research platform for developing new vaccines and technology.

4 During the year Zydus Pharmaceuticals Inc., Japan was merged with Nippon Universal Pharmaceutical Company Limited, Japan with effect from December 1, 2008. Now, the Company has single entity in Japan.

Directors' Report

Research and Development

During the year, the Company has entered into an agreement with Eli Lily for research in cardiovascular area. This alliance will increase the productivity in drug discovery and development by synergizing the unique strengths of both the Companies.

International market initiatives

Your Directors are pleased to report that the Company's commercial operations in the regulated developed markets like US, France and Brazil and other semi and non-regulated markets of Asia, Africa and Middle East and CIS regions are well on track and have registered brisk progress during the year. With launch of several new products and "Customer Focus Approach", the US subsidiary continued to be rated as one of the fastest growing companies in US by IMS. The French subsidiary consolidated its position in key products, retaining key customers. Recently acquired subsidiary in Brazil launched new products in branded segment which received encouraging response. With an objective of tapping opportunities in fast growing generics markets of Spain and South Africa, the Company, acquired 100% stake in Laboratorios Combix S.L. in Spain and 70% stake in Simayla Pharmaceuticals [Pty.] Limited in South Africa, through its subsidiaries in the Netherlands and South Africa. In Russia, the company set up a wholly owned subsidiary company namely Zydus IntRus Ltd. The product development and regulatory filing activities from India for global markets have kept their pace with development and filing of a range of products for regulatory and other markets.

A detailed discussion on the global operations is covered in Management Discussion and Analysis.

Fixed Deposits

During the year under review, your Company has not accepted any fixed deposits pursuant to provisions of section 58A of the Companies Act, 1956.

Disclosures

As required under section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Directors) Rules, 1988, the relevant information and data with respect to the conservation of energy, technology absorption and foreign exchange earnings/outgo have been provided in Annexure-A, attached to this report, and forms part of this report.

There have been no material changes and commitments, which may affect the financial position of the Company between the end of the financial year and the date of the report.

As required under section 217(2) of the Companies Act, 1956, the Board of Directors inform the members that during the financial year there has been:

* no change in the nature of the Company's business,
* no change in the Company's subsidiaries, except those specifically stated in this report or in the nature of the business carried out by them and
* except demerger of Consumer Products Division to Zydus Wellness Limited there is no change in the classes of business in which the company has an interest.

Management Discussion and Analysis [MDA]

MDA covering details of operations, markets, research and development, opportunities and threats, etc. for the year under review is given as a separate statement, which forms part of this Annual Report.

Directors

In accordance with the provisions of the Companies Act, 1956 read with the Articles of Association of the Company, Mr. H. K. Bilpodiwala and Mr. H. Dhanrajgir, Directors of the Company retire by rotation at the ensuing Annual General Meeting. Mr. H. Dhanrajgir being eligible, offered himself for re-appointment, however, Mr. Bilpodiwala has not offered himself for re-appointment. The Board of Directors recommends the re-appointment of Mr. Dhanrajgir. In accordance with stipulation under clause 49 of the Listing Agreement, a brief profile of Mr. H. Dhanrajgir is given as annexure to the notice of the Annual General Meeting.

Auditors

M/s. Mukesh M. Shah & Co., Chartered Accountants retire as Auditors of the Company at the forthcoming Annual General Meeting and are eligible for re-appointment. The Audit Committee of the Board of Directors of the Company and Board of Directors has recommended that M/s. Mukesh M. Shah & Co., Chartered Accountants, be appointed as auditors to hold office until the conclusion of the next Annual General Meeting. The Company has received confirmation that their appointment will be within the limits prescribed under section 224 (1B) of the Companies Act, 1956.

Personnel

The statement of particulars of employees, providing information as per section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, form a part of this report. However, as per the provisions of section 219(1) (b) (iv) of the Companies Act, 1956, the Annual Report excluding this statement is being sent to all members. Any member interested in obtaining a copy of this statement may write to the Company Secretary at the registered office of the Company.

Directors' Responsibility Statement

Pursuant to the requirements under section 217 (2AA) of the Companies Act, 1956 and to the best of their knowledge and belief, and according to the information and explanations provided to them, your Directors hereby state that:

(a) the Annual Accounts for the year ended 31st March 2009 are prepared on going concern basis;

(b) in preparation of the Annual Accounts, all the applicable accounting standards have been followed. Necessary explanations are given for material departures, if any;

(c) sound accounting policies have been selected and applied consistently and judgments and estimates made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31st March 2009 and of the profit of the Company for the year ended on that date and

(d) proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for prevention and detection of fraud and other irregularities.

Corporate Governance

In terms of clause 49 of the Listing Agreement with the Stock Exchanges a Corporate Governance Report is made part of this Annual report.

In compliance of section 292A of the Companies Act, 1956 and with the Listing Agreement, an Audit Committee consisting of four Independent Directors has been formed.

A certificate from the statutory auditors of the Company regarding compliance of the conditions stipulated for Corporate Governance under clause 49 of the Listing Agreement is attached to the Corporate Governance Report.

The declaration by the Managing Director addressed to the members of the Company pursuant to clause 49 of the Listing Agreement regarding adherence of the Code of Conduct by the Members of the Board and by the Senior Management Personnel of the Company is also attached to the Corporate Governance Report.

Acknowledgment

Your Directors wish to place on record their sincere appreciation for significant contribution made by the employees at all levels through their dedication, hard work and commitment, enabling the Company to achieve good performance during the year under review.

Your Directors also wish to place on record the valuable services and guidance provided to the Board by Mr. H. K. Bilpodiwala, Director who retires by rotation and due to indifferent health has expressed unwillingness to be reappointed.

Your Directors also take this opportunity to place on record the valuable co-operation and continued support extended by the banks, financial institutions, government, medical professionals, foreign collaborators, business associates and the shareholders for their continued confidence reposed in the Company and look forward to having the same support in all future endeavors.

By Order of the Board of Directors

Place : Ahmedabad.
Date : April 28, 2009.

Pankaj R. Patel
Chairman

Annexure to the Directors' Report

ANNEXURE - A

Information pursuant to the Companies [Disclosure of Particulars in the Report of the Board of Directors] Rules, 1988, forming part of the report of the Board of Directors for the year ended 31st March 2009.

Disclosures

1 Conservation of Energy:

a. The Company has taken the following measures for Conservation of Energy.

General measures :

- Regular preventive maintenance of Pumps & Air Compressors, Steam traps, Joints, Steam leakage to reduce transmission loss and to get maximum out-put.
- Keeping lights and Air Conditioning systems off during non-working hours.
- Maintenance of power factor above 99%.

Specific measures taken:

At Formulation units :

Unit at Moraiya :

Installed :

- New Thermal Storage system for HVAC.
- Running of water circulation pumps on VFD.
- Low HP higher efficient water pumps in place of high HP low efficient pumps.
- Usage of Desuperheater unit of CIAT Chiller to generate hot water for RH control and also to use as Boiler feed water.
- Timer based lighting system in main corridor.
- Recovery of steam condensate.
- Flush water tanks instead of open taps in toilets.
- Modification in capsule storage system to minimize A.C. operation area.

Unit at Goa :

Installed :

- APFC Panel for eliminating Harmonics for improving Power factor.
- Electrically operated steam solenoid valve on Pure Steam Generator [PSG] in place of pneumatically operated valve.

At API Plants :

Unit-I at Ankleshwar :

Installed :

- 2 X 150 TR Cooling Tower by replacing 1X 300 TR Cooling Tower of CPP.
- Chilling water based HVAC in place of electricity based [270TR VAHP with FG]
- Automation of power factor correction
- Automation of CP11 ejector cooling tower pumps & fans
- Optimisation of Head / Flow of VAHP-3 cooling water pump
- Replaced old light fittings by efficient metal halide light fittings
- CPP Jacket heat recovery system for VAHP

Unit-II at Ankleshwar :

Installed :

- Optimising CPP auxiliary consumption
- CPP Jacket heat recovery system for VAHP
- Automation and optimization of head flow of P4, P5 ejector cooling tower pumps and fans.
- Condensate recovery from MEE Striper
- Optimisation of Head / Flow of VAHP cooling water pump
- Optimisation of Head / Flow of chilled water primary and secondary pumps

Unit at Dabhasa :

Installed :

- Installed Temperature controller in Cooling Tower fans

At R&D Center (Moraiya) :

Installed :

- Automatic Lighting controller in Animal Research facility wing.
- Using of water recycled through ETP in cooling tower to avoid use of soft water.
- Recirculating Chilled Water drained from Fermentation System.
- Using of recycled water in vacuum pump.
- APFC panel to maintain Power factor.

b. Proposals for additional investments :

At Formulation units :

Unit at Moraiya :

Installation of :

- New air compressor of higher efficiency of 1000 CFM in place of old 3 x 300 CFM compressor of low efficiency
- Air Ventilation system in the roof area.
- Replacement of higher HP & Low efficient chilled water pumps for Utility.

API Plants :

At Dabhasa :

- Replacement of Low efficiency pump with high efficiency pumps
- Installation of 60 watts vessel lamp in reactor in place of 100 watts lamp

c. Impact of measure (a) and (b) :

The adoption of energy consumption measures of the type indicated above has resulted in increase in energy efficiency.

Form - A

(A) Power and fuel consumption

	Year Ended March 31,	
	2009	2008
1. Electricity:		
(a) Purchased		
Units	35072103	33111204
Total Amount (Rs. in mn)	189.78	163.64
Rate/Unit (Rs.)	5.41	4.94
(b) Own Generation:		
i) Through Diesel Generator		
Units	2298468	2593740
Units per lt. Of Diesel oil	3.17	3.28
Cost/Unit (Rs.)	11.52	10.45
ii) Through HFO DG Set		
Units	12390645	10998162
Unit per lit. of Fuel	4.12	4.23
Cost / Unit (Rs.)	5.83	5.00
iii) Through CPP (Natural Gas)		
Units	16495322	13063124
Unit per lit. of Gas (M3)	3.52	3.71
Cost / Unit (Rs.)	4.24	3.58
2. Coal (Specify quality and where used)	NIL	NIL
3. Furnace Oil / HSD:		
Furnace OIL:		
Quantity (K. Lt.)	5617.100	5095.77
Total Amount (Rs. in mn)	150.77	109.46
Average Rate per Lt. (Rs.)	26.84	21.48
HSD:		
Quantity (K. Lt.)	1061.736	837.975
Total Amount (Rs. in mn)	37.86	28.08
Average Rate per Lt. (Rs.)	35.66	33.50
4. Others/Internal Generation:		
Natural Gas:		
Quantity m^3	9977785	7419441
Total Cost (Rs. in mn)	120.03	87.61
Rate/Unit (Rs.)	12.03	11.81
Bagasse :		
Quantity MT	3005.09	2261.67
Total Amount (Rs. in mn)	13.16	6.71
Rate/Unit MT (Rs.)	4377.74	2966.96

(B) Consumption per unit of production :

Since the Company manufactures wide range of APIs, number of formulations and other products, each requiring different compositions and mix, the compilation of consumption per unit of production is not feasible.

Form - B

Research and Development

1. Specific areas of Research & Development

   Following Research & Development activities are carried out :

Sr. No.	Location	Main area of Focus	Benefits derived as a result of Research and Development Activities
1.	Innovative Research at Zydus Research Centre, Moraiya, Gujarat	1. New Molecular Entity (NME) Research: The focus in this area is to develop New Molecular Entities based on specific targets in following therapeutic areas:- a. Metabolic Diseases : Diabetes Obesity Dyslipidemia b. Cardiovascular Diseases : Thrombosis Hypertension Atherosclerosis c. Inflammation and Pain : Rheumatoid arthritis Pain	1. New Molecular Entity (NME) Research : Zydus is continuously investing in creating a portfolio of innovative and proprietary medicines. Current efforts are targeted to develop potential "best-in-class" as well as "first-in-class" medicine for treatment of metabolic diseases, cardiovascular diseases and inflammation. It is expected that these products would provide a portfolio of proprietary products to the company in mid to long term. Following milestones were achieved as an outcome of Zydus' ongoing investment in developing novel products. Hypolipidemic: Successfully completed Phase II trials for lead compound ZYH1 for treating dyslipidemia associated with diabetes and related disorders. ZHY7 lead compound for treatment of dyslipidemia is presently in Phase I clinical studies. Antidiabetic: ZYH2 the lead compound for treating diabetes is in Phase I clinical trials. Other compounds ZYD1 and ZYOG1 are in advanced preclinical stage. Antiobesity: ZYO1 lead compound for treatment of obesity & related diseases has completed Phase I clinical trial. Cardiovascular: Further advanced ongoing programs in the areas of cardiovascular medicines, several new molecular entities have been synthesized & potential hits have been identified for further development. Anti-inflammatory: ZYI1 novel lead development candidate has successfully completed phase II clinical trials. Other NCE ZYA1 is in preclinical development stage. Zydus has announced collaborative research program with leading biotech cos like Karo Bio, Sweden and Global Pharma Major Eli Lilly of USA were initiated to develop NMEs. These collaborations will tremendously benefit Zydus to develop its global footprint in R&D. Zydus would receive potential milestone payments of upto USD 30 mio and royalties on sales upon the successful launch of any compounds derived from the research programme.
		2. CMC & NPR Department: Research is being directed towards a. Development of Novel processes for NME's from Medicinal Chemistry department. b. Development of new & improved processes, salts, polymorphs of existing molecules, which will give us strategic advantage. c. Development of processes for therapeutic peptides.	2. CMC & NPR Department : CMC Department continued to support drug development activities by developing robust processes and conducting pre-clinical and clinical studies for NME program. Additionally, the NPR Department has been working on developing intellectual property based products. Zydus is expected to benefit out of its investments in this ongoing projects in the medium to long term.
		3. Biotechnology Research: Research is being directed towards a. Development of Biogenerics therapeutic proteins b. Development of New Biological Entities including monoclonal antibodies.	3. Biotechnology Research : The primary focus of biotechnology program is to develop biosimilar/biogeneric products equivalent to several first generation recombinant human proteins. Current Zydus biosmilar/biogeneric portfolio includes ESAs, Interferons, Insulin, growth factors, pegylated proteins & Monoclonal Antibodies. It is estimated that the global brand sales for these first generation biological products were 40 bn US$ in 2008. These investments in biotech research will provide a global portfolio of biosimilar/biogeneric products for the company. Following milestones were achieved as an outcome of Zydus' ongoing investment in biotech research. During last financial year one product received market authorization and 3 have successfully completed clinical trials and are awaiting market authorization in India. Other biosimilar products are undergoing various stages of clinical development. Our collaborative research program for first novel biologics, with Prolong Pharmaceuticals, USA in undergoing pre-clinical studies.
		4. Novel Drug Delivery Research: Research is being directed towards a. Development of Novel platform technology for slow/extended release of drug from matrix. b. Development of Novel formulation for NME's from Medicinal Chemistry department.	4. Novel Drug Delivery Research: NCE Formulation Development Zydus is investing into novel drug delivery systems with a strategic intent to develop better formulations of existing drugs as well as its NMEs. Several new technology platforms are under evaluation. These ongoing investments in novel drug delivery systems is expected to provide a portfolio of improved products as well as benefit its NME initiatives. 5. IPR: Filed 56 patent applications during the year.

Sr. No.	Location	Main area of Focus	Benefits derived as a result of Research and Development Activities
2.	Research and Development of Finished Dosage Forms at Pharmaceutical Technology Centers (PTC) at Ahmedabad, and Thane.	PTC, Ahmedabad a. Development of novel pharmaceuticals dosage forms, technologies and concepts in the area of solid orals, transdermal drug delivery system, oral liquids, injectables, pulmonary and Bio-analytical Lab etc. b. Using innovative and non-infringing compositions and processes for global generic markets including US, EU, emerging markets and Indian Market. Development of generic products for abbreviated new drug application (ANDA) filing in regulated markets without infringing existing patents with cost effective products. PTC, Thane a. Design to deliver fast track, complex, generic projects to be filed in regulated markets like US, EU & France. b.Formulation development, Analytical Development and Intellectual property.	PTC, Ahmedabad & Thane a. Formulated and filed 3 new dosage forms for the first time with USFDA viz. Parenteral (5 ANDAs), Oral solution (1 ANDA), Pulmonary (4 ANDAs). b. Entered into 3 new markets i.e. Japan, Spain and Namibia. c. Filed 122 patent applications, 71 ANDAs and launched 40 new products in India of which 12 products are first time in India.
3.	Research and Development in Active Pharmaceutical Ingredients (APIs) at Ankleshwar, Dabhasa, and Zyfine.	Ankleshwar and Dabhasa a. Mainly focused on process development for API's and Intermediates required for captive and non-captive consumption at both domestic and regulatory market. b. Major activities include development of cost effective and non-infringing robust processes for API's and Intermediates, development of new products and cost reduction for existing processes are also important facets. Filing patents helps to protect our research intellect and creates strategic IP advantages. c. Continuously support manufacturing by solving scale up related problems, especially for new products.	Ankleshwar and Dabhasa a. Developed 18 molecules for US DMF, 12 new products developed for domestic market, filed 33 Patents and cost reduction of 20 APIs. b. DMF filing for 2 oncology products: Oxaliplatin and Gemcitabine is planned for 2009-2010 as laboratory validations are completed.
		Zyfine a. Completed 14 projects resulting the increase in revenues.	Zyfine a. Commercialized number of molecules and cost reduction of existing products.

2. Future plan of actions :

A. Basic Research at Zydus Research Centre :

NME Research :

- To work on more new targets in
  - Metabolic disorders
  - Cardiovascular disorders
  - Inflammatory disorders
- Optimize existing leads and further strengthen the early stage preclinical candidates.
- Validation of new targets: development of cell, receptor and enzyme based assays and specific animal models to screen NMEs.
- Setting up Primate Research Facility.
- Put more compounds in development pipeline.
- Continue to seek opportunities to pursue collaborative research with external agencies.
- Continue efforts to out-license, seek alliance partners for developing compounds.

Biotechnology Research :

The new initiatives planned for the next year include:

- Continue development of Biosimilar & novel biologic products.
- New initiatives in monoclonal antibodies.
- Set up dedicated biologics manufacturing facility and launch first wave of biosimilar drugs.

Process Research & Novel Process Research :

- Continue CMC related activities for in-house NMEs
- Development of new & improved processes, salts, polymorphs of existing molecules which will give strategic advantage
- Development of improved processes for selected molecules of interest including Oncologicals as well therapeutic peptides

Novel Drug Delivery Research :

- Continue to develop formulations for in-house molecules (NMEs as well as biologicals)
- Continuation of support with novel formulations for regulated markets
- Continue to develop new formulation technologies for oral drug delivery

B. Research in Formulations at Pharmaceutical Technology Centres:

- Developing facilities for handling Contract Research
- Commercialization of additional molecules and cost reduction measures

C. Research in Active Pharmaceutical Ingredients (APIs) :

- Developing of 25 molecules for US DMF
- Development of 12 new Products and cost reduction by improving existing process

D. Zyfine :

- Inhouse preparation of outsourced material to achieve the cost effectiveness and competitiveness.

3. Expenditure on R & D :

(INR - Millions)

	Year ended March 31,	
	2009	2008
Capital	313	268
Recurring [Excluding depreciation 116 {2007-08: 101} mn]	1582	1350
Total	1895	1618
Total R&D expenditure as a percentage of turnover	10.91%	9.41%

4. Technology absorption, adaptation and innovation :

- Efforts in brief, made towards technology absorption, adaptation and innovation:

  The Company has successfully introduced the technology developed by in-house research and introduced several new formulations. It has also implemented several new processes for API's for domestic and international market.

- Benefits derived as a result of the above efforts :
  - ⌘ Innovative products for introduction of new Formulations / API's.
  - ⌘ Cost reduction in API to compete in the market.
  - ⌘ Manufactured new APIs for captive consumption and exports.
  - ⌘ Filed 19 ANDAs and 14 DMFs for developed market and filed several dossiers for developing and semi regulated markets.

5. Details of imported technology during the last five years :

The Company has not imported any technology during the year. All technology imported by the Company during last five years have been fully absorbed.

6. Foreign exchange earnings and outgo :

(INR - Millions)

	Year ended March 31,	
	2009	2008
Earnings :		
1 F.O.B. Value of exports	6434	4358
2 Others	912	21
Outgo :		
1 CIF value of imports	1738	1630
2 Expenditure in foreign currency	1178	857

By order of the Board of Directors

Place : Ahmedabad.
Date : April 28, 2009.

Pankaj R. Patel
Chairman

Corporate Governance

Company's Philosophy on Corporate Governance Code

Cadila Healthcare Limited believes in continuous good corporate governance and always strives to improve performance at all levels by adhering to corporate governance practices, such as managing its affairs with diligence, transparency, responsibility and accountability. We have, therefore, designed our systems and action plans to enhance performance and stakeholders' value in the long run. To create a culture of good governance, your Company has adopted practices that comprise of performance accountability, effective management control, constitution of Board Committees as a part of the internal control system, fair representation of professionally qualified, non-executive and independent Directors on the Board, adequate and timely compliance, disclosure of information on performance, ownership and governance of the Company and discharge of statutory dues.

I Board of Directors :

The Executive Committee comprising the Managing Director, Deputy Managing Director, Executive Director (functional), the Chief Financial Officer and the various business heads manage the day-to-day business affairs of the Company. The Board of Directors monitors the overall business operations based on updates of the Company's performance provided by the Managing Director on a regular basis.

A Composition of the Board:

The Composition of the Board of Directors, with reference to the number of Executive and Non-Executive Directors, meets the requirement of the Code of Corporate Governance. The Board is headed by the Executive Chairman, Mr. Pankaj R. Patel, who is also the promoter Director. As on 31st March 2009, your Company's Board comprised seven Directors; which include two Managing Directors and five Non-Executive Directors who have considerable experience in their respective fields. Except Mr. Pankaj R. Patel and Dr. Sharvil P. Patel, all other Directors are independent Directors in terms of Sub clause-I (A) (iii) of Clause 49 of the Listing Agreement. Independent Directors have expert knowledge in the fields of finance, taxation, legal and industry, thus the Board represents a balanced mix of professionals, their knowledge and expertise.

Board Meetings / Director's Particulars:

In compliance with clause 49 of the Listing Agreement and as required under the Companies Act, 1956, the Board meets at least once in each quarter and the gap between any two Board meetings was not more than four months. During the year under review, six Board meetings were held on 29th April 2008, 17th June 2008, 4th July 2008, 29th July 2008, 22nd October 2008 and 27th January 2009.

The meetings of the Board of Directors are scheduled well in advance and usually held in Ahmedabad, where the Registered Office of the Company is situated or at Mumbai. The Chief Financial Officer and the Company Secretary in consultation with the Chairman and Managing Director prepare detailed agenda for the meeting. Directors are also free to bring up any matter for discussion at the Board Meetings with the permission of the Chairman. The board papers comprising the agenda alongwith the draft of relevant resolutions, documents and explanatory notes, wherever required are sent at least a week in advance to all the Directors. The draft minutes of the meeting approved by the Chairman is circulated to all the members generally within three weeks after the conclusion of the meeting.

The information generally provided to the Board for its consideration and approval is as specified in clause 49 of the Listing Agreement wherever applicable and all other materially significant matters. Such information is submitted well in advance with the agenda papers and only in very exceptional and urgent cases some issues are tabled during the course of the Board meetings. The Board periodically reviews the Compliance Report of the laws applicable to the Company as well as steps taken by the Company to rectify the instances of non-compliance, if any.

The Independent Directors play an important role in the deliberations in Board Meetings and bring with them rich expertise in the field of pharmaceuticals, industry, marketing, accountancy, finance, taxation and other laws.

While constituting the Committee of Directors, the requirement that a Director shall not be a member of more than 10 committees and Chairman of more than 5 committees have been complied with.

The following table gives the attendance of the Directors at the Board meetings of the Company and also the number of other Directorship other than the Company and Chairmanship / membership in Board Committees of public limited companies.

Name of the Directors	Category and Position	No. of Board Meetings		Whether attended last AGM	Member (Chairman) * of other Board Committees **	Number of other Directorships held
		Held	Attended			
Mr. Pankaj R. Patel ***	Chairman and Managing Director	6	6	Yes	5 (3)	10
Mr. Mukesh M. Patel	Non-executive and independent	6	6	Yes	9 (5)	8
Mr. Pranlal Bhogilal	Non-executive and independent	6	5	Yes	2 (1)	2
Mr. H. K. Bilpodiwala	Non-executive and independent	6	3	No	2 (1)	4
Mr. H. Dhanrajgir	Non-executive and independent	6	6	Yes	8 (2)	7
Mr. A. S. Diwanji	Non-executive and independent	6	5	No	0	0
Dr. Sharvil P Patel ****	Deputy Managing Director	6	5	Yes	1	5

* Figures in ( ) indicate the number of Board Committees of which Director is Chairman

** Other committee means Audit Committee and Shareholders' / Investors' Grievance Committee

*** Promoter Director and father of Dr. Sharvil P. Patel

**** Son of Mr. Pankaj R. Patel

B Non-Executive Directors' Compensation and Disclosures:

Non-Executive Directors are paid sitting fees and commission as recommended by the Board of Directors and within the limits approved by the members. The shareholders have approved the payment of sitting fees and commission to non-executive Directors at the Annual General Meeting held on 26th July 2005 and 29th July 2008 respectively, which is in accordance with the applicable laws.

Apart from the above, there are no materially significant related party transactions, pecuniary transaction or relationship between the Company and its Directors except those disclosed in the financial statements for the year ended 31st March 2009.

II Committees of the Board:

The Company has three Board-level Committees, namely:

- A Audit Committee
- B Share Transfer Committee
- C Shareholders' / Investors' Grievance Committee

During the year, the Company formed a Committee of Directors comprising of Mr. Pankaj R. Patel, Dr. Sharvil P. Patel and Mr. Mukesh M. Patel for the specific purpose of implementation of Composite Scheme of Arrangement. Two committee meetings were held for various approvals for fixing the Record Date, allotment and listing of new shares and matters incidental thereto.

A Audit Committee:

As on 31st March 2009, the Audit Committee comprised of four Independent Directors. Names of the members and the Chairman of the Committee as on 31st March 2009 together with their attendance are given in the following table.

Name of the Member	No. of Meetings	
	Held	Attended
Mr. Mukesh M. Patel, Chairman	4	4
Mr. Pranlal Bhogilal	4	3
Mr. H. K. Bilpodiwala	4	1
Mr. H. Dhanrajgir	4	4

All the members of the committee have accounting, financial and management expertise. The Audit Committee held four meetings during 2008-09 on 29th April 2008, 29th July 2008, 22nd October 2008 and 27th January 2009. The time gap between any two meetings was less than four months.

The Chairman of the Audit Committee attended the Annual General Meeting of the Company held on 29th July 2008 to respond to shareholders' queries.

The Managing Director, Chief Financial Officer, Chief Accounts Officer, Statutory Auditors, Management and Internal Auditors and the Cost Auditors are invited to the meetings of the Audit Committee. The Company Secretary acts as secretary to the Committee.

The Terms of Reference of the Audit Committee cover the matters specified for Audit Committees under clause 49 of the Listing Agreement and section 292A of the Companies Act, 1956.

The management of the Company is responsible for the Company's internal controls and the financial reporting process while the statutory auditors are responsible for performing independent audit of the Company's financial statements in accordance with the generally accepted auditing practices and for issuing reports based on such audits. The Audit Committee supervises these processes and thus ensures proper and timely disclosures to maintain the transparency, integrity and quality of financial control and reporting.

The role of the Audit Committee, among others, include the following:

- Supervision of the Company's financial reporting process.
- Reviewing with the Management, the financial results before placing them to the Board with a special emphasis on accounting policies and practices, internal controls, compliance with the accounting standards and other legal requirements concerning financial statements.
- Reviewing the adequacy of the audit and compliance function, including their policies, procedures, techniques and other regulatory requirements with the statutory auditors.
- Recommending the appointment and removal of external auditors and their fees.
- Reviewing the observations of internal and statutory auditors about the findings during the audit of the Company and making suggestions for their improvement.
- Reviewing the financial and risk management policies.

- Keeping watch on timely payment to depositors, debenture holders, shareholders and creditors
- Reviewing the performance of statutory and internal auditors.
- Reviewing management discussion and analysis of financial condition and results of operations.
- Reviewing significant related party transactions.
- Reviewing appointment, removal and terms of remuneration of Chief Internal Auditor.

The Company continued to derive benefit from the deliberations of the Audit Committee meetings since members are experienced in the areas of finance, accounts, taxation, corporate laws and the industry. It ensures accurate and timely disclosures that maintain the transparency, integrity and quality of financial control and reporting.

B Share Transfer Committee:

a) Terms of reference:

The Committee is empowered to perform all the functions of the Board in relation to approval and monitoring transfers, transmission, dematerialisation, rematerialisation and issue of duplicate share certificates, splitting and consolidation of shares issued by the Company.

b) Composition:

The Share Transfer Committee comprises the following members:

Mr. Pankaj R. Patel - Chairman
Mr. Mukesh M. Patel
Mr. Pranlal Bhogilal

c) Meetings and attendance during the year:

The Committee meets on a need basis at least twice a month to ensure the regular process of transfers/transmissions of shares and issuance of duplicate Share Certificates.

C Shareholders'/Investors' Grievance Committee:

a) Terms of reference:

The Shareholders'/Investors' Grievance Committee is empowered to perform all functions of the Board in relation to handling of Shareholders' Grievances. The Committee primarily focuses on redressal of shareholders/investors complaints received by the Company and their resolution.

b) Composition:

The Constitution and details of attendance of the Committee members is given in the following table. The Committee met four times during the year.

Name of the Member	No. of Meetings	
	Held	Attended
Mr. Pranlal Bhogilal, Chairman	4	3
Mr. Pankaj R. Patel	4	4
Mr. Mukesh M. Patel	4	4

The Company Secretary is the secretary of the Committee who is designated as Compliance Officer pursuant to clause 47(a) of the Listing Agreement with the Stock Exchanges.

The Committee ensures that communications received from the shareholders / investors pertaining to non-receipt of dividend warrants, transfer of physical shares/change of address / bank mandates / revalidation of dividend warrant / split /consolidation / remat / exchange of shares, etc. have been answered and redressed to the satisfaction of the shareholders. There were no investor grievance remaining unattended and pending as on 31st March 2009.

As on 31st March 2009, 60217 equity shares remained in the in-transit account with National Securities Depository Limited and Central Depository Services (India) Limited.

III Subsidiary Companies:

None of the subsidiaries of the Company come under the pur view of the material non-listed sub sidiary. The financial statements of subsidiaries, in particular, the investments made by subsidiaries, if any, during the quarter are reviewed by the Audit Committee of the Board of Directors.

The Board Minutes of unlisted subsidiary companies are placed at the Board Meeting of the Company.

IV Disclosures:

A Related Party Transactions:

The Company has not entered into any transaction of material nature with related parties i.e. Directors or Management, their subsidiaries or relatives conflicting with the Company's interest at large. The Register of Contracts containing transactions in which Directors are interested pursuant to the provisions of the Companies Act, 1956 is placed before the Board regularly for its approval. The details of related party transactions are disclosed in the financial section of this Annual Report also.

B Remuneration of Directors:

Mr. Pankaj R. Patel and Dr. Sharvil P. Patel are the Managing Directors on the Board. The Board of Directors decides the remuneration of Mr. Pankaj R. Patel within the ceiling fixed by shareholders as per the resolution passed at the Annual General Meeting held on 28th July 2006.The remuneration paid to these Managing Directors for the year ended on 31st March 2009 was as follows:

Name of the Managing Director	INR - Millions				Service Tenure	Notice Period (months)
	Salary & Allowance	Commission	Perquisites	Retiral Benefits		
Mr. Pankaj R. Patel Managing Director	152	0	0	0.4	5 yrs. from 1st September 2006	3
Dr. Sharvil P. Patel Deputy Managing Director	11	0	0	0	5 yrs. from 1st April 2007	3

Independent Directors are paid sitting fees of Rs. 5,500/- per Board and Audit Committee meeting attended by them and commission to Non-Executive Directors which shall not exceed one per cent per annum of net profits of the Company, subject to maximum of Rs. 10 mio in aggregate. Directors are also reimbursed the traveling and out-of-pocket expenses for attending such meetings. The details of the commission / sitting fees paid to the Non-Executive Directors for the year 2008-09 are given below:

Name of the Non-Executive Directors	INR - Millions			
	Commission @	Sitting fees		Total
		Board Meetings	Audit Committee Meetings	
Mr. Mukesh M. Patel	0.6	0.03	0.02	0.65
Mr. Pranlal Bhogilal	0.6	0.03	0.02	0.65
Mr. H. K. Bilpodiwala	0.6	0.02	0.01	0.63
Mr. H. Dhanrajgir	0.6	0.03	0.02	0.65
Mr. Apurva Diwanji	0.6	0.03	-	0.63

@ The Board of Directors based on the performance of the Company has decided payment of Commission to the independent directors.

The Directors' Remuneration Policy of your Company conforms to the provisions under the Companies Act, 1956. The Board determines the remuneration by way of commission to the Non-Executive Directors within the limits approved by the shareholders.

Mr. Pankaj R. Patel was appointed as Managing Director of the Company for a period of five years from 1st September 2006, on remuneration permissible under section 198 and 309, read with Schedule - XIII of the Companies Act, 1956. As per the terms of the agreement, the Managing Director can resign from his office by giving three calendar months notice in writing to the Company and the Board may appoint any other person(s) to be Managing Director(s) at any time. If the office of the Managing Director is determined before the expiry of his term of office, the Company will pay compensation for loss of office in accordance with the provisions of section 318 of the Companies Act, 1956.

Dr. Sharvil P. Patel was appointed as Deputy Managing Director of the Company for a period of five years from 1st April 2007 on a remuneration of Rs. 10 mio p.a. as computed in the manner laid down in sections 349 and 350 of the Companies Act, 1956 (the "Act") pursuant to the provisions of section 198 and 309 of the Act, read with Schedule–XIII of the Act. As per the terms of the agreement, the Deputy Managing Director can resign from his office by giving three calendar months notice in writing to the Company and the Board may appoint any other person(s) to be Deputy Managing Director(s) at any time. If the office of the Deputy Managing Director is determined before the expiry of his term of office, the Company will pay the compensation for loss of office in accordance with the provisions of section 318 of the Act.

The Company does not have any stock option scheme. Moreover, there is no separate provision for payment of severance fees to the Directors.

Remuneration paid/payable to the Managing Director / Deputy Managing Director towards salary and contribution to the provident fund and other funds amount to Rs. 163 mio for the year 2008-09. Computation of the remuneration of the Managing Director / Deputy Managing Director is given in Note-11 of Notes on Accounts, under Schedule–20 of the accounts.

C Code of Conduct:

The Board of Directors has adopted the Code of Conduct for Directors and Senior Management and the same has been placed on the Company's website. All Board Members and the Senior Management Personnel have affirmed compliance with the Code of Conduct for the year under review.

D Prohibition of Insider Trading:

In compliance with the SEBI Regulations on Prevention of Insider Trading, the Company has framed a Code of Conduct for insider trading regulations which is applicable to all the Directors, Officers and such employees of the Company who are expected to have access to unpublished price sensitive information relating to the Company. The Code lays down guidelines, which advises them on procedure to be followed and disclosures to be made, while dealing with the shares of the Company.

Shares held by the Directors :

Name of the Directors	No. of shares held as at March 31, 2009	Details of shares bought / (sold) during 2008-2009
Mr. Pankaj R. Patel*	10,18,58,745*	5,20,640**
Mr. Mukesh M. Patel	800	NIL
Mr. Pranlal Bhogilal	NIL	NIL
Mr. H. K. Bilpodiwala	NIL	NIL
Mr. H. Dhanrajgir	NIL	NIL
Mr. Apurva Diwanji	NIL	NIL
Dr. Sharvil P. Patel	2,050	50***

* Held also as a Karta of HUF and Trustee of the Family Trusts.

** 5,20,640 purchased from the open market through creeping acquisition under SEBI (Takeover) Code. 10,08,85,255 acquired pursuant to Composite Scheme of Arrangement as a shareholder of Zydus Hospitals and Medical Research Private Limited, beneficial interest for these shares lies with Zydus Family Trust. 9,00,00,000 equity shares held by Zydus Hospitals and Medical Research Private Limited in the Company were cancelled due to merger.

*** Acquired pursuant to Composite Scheme of Arrangement as a shareholder of Zydus Hospitals and Medical Research Private Limited. Beneficial Interest lies with Zydus Family Trust.

E Management :

a Management Discussion and Analysis Report:

Management Discussion and Analysis Report is set out in a separate section included in this Annual Report and forms part of this Report.

b Disclosure of material financial and commercial transactions:

As per the disclosure received from senior management, no material financial and commercial transactions that may have a potential conflict with the interest of the Company at large were reported to the Company during the year under report.

F Shareholders :

Disclosure regarding appointment or re-appointment of Directors:

Mr. H. Dhanrajgir and Mr. H. K. Bilpodiwala will retire at the ensuing Annual General Meeting by rotation. Mr. H. Dhanrajgir has offered himself for reappointment. The Board recommended his reappointment. However, Mr. Bilpodiwala has not offered himself for reappointment due to indifferent health.

The particulars about the brief resume and other information as required to be disclosed under this section are provided as annexure to the notice convening the Annual General Meeting.

G Compliance by the Company:

The Company has complied with all the mandatory requirements of the Listing Agreements with Stock Exchanges as well as regulations and guidelines of SEBI. Further, during the last three years, no penalties or strictures are imposed on the Company by the Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets.

V CEO/CFO Certification:

The requisite certification from the Managing Director and Chief Financial Officer required to be given under clause-49 (V) of the Listing Aggrementwas placed before the Board of Directors of the Company.

VI Means of Communication:

a) The Company has 39143 shareholders as on 31st March 2009. The main channel of communication to the shareholders is through annual report, which includes interalia, the Directors' Report, Management's Discussion and Analysis, Report on Corporate Governance and Audited financial results.

b) The Annual General Meeting is a platform for face-to-face communication with the shareholders, where the Chairman makes presentation on the performance, business plans and financial results of the Company. The Chairman also responds to the specific queries of the shareholders.

c) The Company also intimates to the Stock Exchanges all price sensitive matters which in its opinion are material and of relevance to the shareholders and subsequently issues a Press Release on such matters, wherever necessary.

d) The quarterly and half yearly results are published in widely circulating national and local dailies such as "The Hindu Business Line" and "Jansatta", in English and Gujarati respectively. These are not sent individually to the shareholders.

e) The financial results and shareholding pattern for each quarter are also provided on the SEBI web-site www.sebiedifar.nic.in maintained by National Informatics Centre and can be reviewed from this website.

f) The Company's results and official news releases are displayed on the Company's web-site, www.zyduscadila.com. The Company holds meetings and makes presentations to the institutional investors and analysts. The copy of such presentation and the transcript of the phone call are also made available on the Company's web-site.

VII General Body Meetings:

The last three Annual General Meetings were held as under.

Year	AGM, Date and Time	Venue
2007-08	13th AGM on 29th July 2008 at 10.00 a.m.	Bhaikaka Bhavan Law College Road Ahmedabad - 380 006
2006-07	12th AGM on 31st July, 2007 at 10.00 a.m.	
2005-06	11th AGM on 28th July 2006 at 10.00 a.m.	

Postal Ballot:

During the year, the Company sought shareholders' approval through Postal Ballot on the following two occasions.

1. Ordinary Resolution under section 293 (1) (a) of the Companies Act, 1956 authorising the Board of Directors to mortgage and / or to create charge on the movable / immovable properties of the Company.

No. and percentage of votes casted in			
Favour		Against	
No. of votes	% votes	No. of votes	% votes
91367718	99.98	13831	0.02

Thus, the resolution was passed with overwhelming majority.

Mr. Dilip P. Shah, Practicing Chartered Accountant, was appointed as scrutinizer for the Postal Ballot exercise.

2. Special Resolution under section 17 of the Companies Act, 1956 for alteration of the Memorandum of Association of the Company to empower the Company to provide guarantee.

No. and percentage of votes casted in			
Favour		Against	
No. of votes	% votes	No. of votes	% votes
92807127	99.99%	9272	0.01

Thus, the resolution was passed with overwhelming majority.

Mr. Dhirajlal D. Sanghavi, Practicing Company Secretary, was appointed as scrutinizer for the Postal Ballot exercise.

VIII General shareholder information:

Date and Time of 14th AGM	29th July 2009 at 10.00 a.m.
Venue of 14th AGM	Bhaikaka Bhavan, Near Law Garden, Ellisbridge, Ahmedabad - 380006
Financial Year	1st April 2008 to 31st March 2009
Book Closure Date	20th July 2009 to 29th July 2009 (Both days inclusive)
Registered Office Address	"Zydus Tower", Satellite Cross Roads, Sarkhej Gandhinagar Highway, Ahmedabad - 380015
Dividend Payment Date	On or after 4th August, 2009
Compliance Officer	Mr. Upen Shah, Company Secretary
Website Address	www.zyduscadila.com

Financial Calendar for the financial year 2009-10 (tentative):

First Quarter Results	Before 31st July 2009
Half Yearly Results	Before 31st October 2009
Third Quarter Results	Before 31st January 2010
Audited Results for the year 2009-10	Before 30th June 2010

Listing of shares:

The equity shares of the Company are listed on the following Stock Exchanges:

Name and Address of the Stock Exchange
The National Stock Exchange of India Limited Exchange Plaza, Bandra-Kurla Complex, Bandra (E), Mumbai - 400051.
Bombay Stock Exchange Limited 1st Floor, New Trading Ring, Rotunda Bldg, P. J. Towers, Dalal Street, Fort, Mumbai - 400001.
Ahmedabad Stock Exchange Limited Kamdhenu Complex, Opp. Sahjanand College, Panjara Pole, Ahmedabad - 380015.

Listing fees:

The Company has paid the annual listing fees for the financial year 2009-10 to all the Stock Exchanges where its securities are listed.

Stock Code:

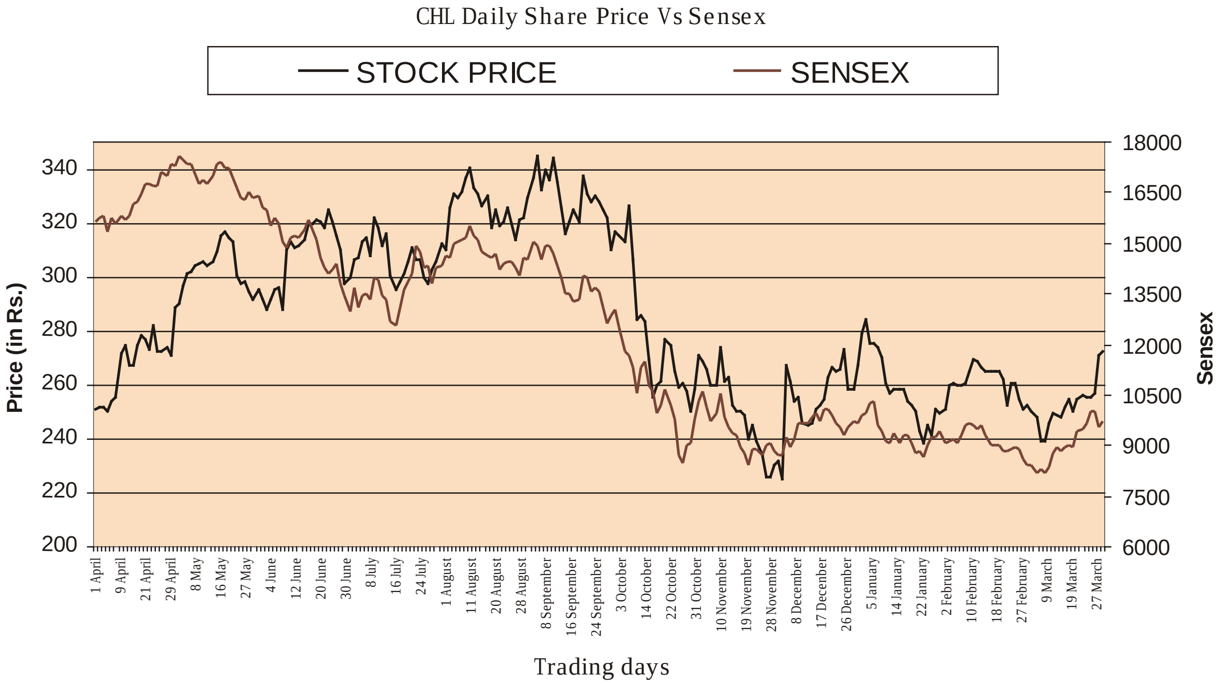
Name of the Stock Exchange	Stock Code No.	Closing Price as on 31st March 2009 (Rs.)
The National Stock Exchange of India Limited, Mumbai	CADILAHC	271.65
Bombay Stock Exchange Limited	532321	272.10
Ahmedabad Stock Exchange Limited	10927	Not Traded

Stock price and BSE Sensex data:

Month	BSE Sensex	Bombay Stock Exchange Limited			The National Stock Exchange of India Limited		
		High [Rs.]	Low [Rs.]	Av. Volume [In Nos.]	High [Rs.]	Low [Rs.]	Av. Volume [In Nos.]
April, 08	17287.31	299.00	243.00	7897	325.90	249.00	16305
May, 08	16415.57	320.70	280.00	7267	325.00	282.05	23893
June, 08	13461.60	332.00	274.00	9897	331.50	265.30	26448
July, 08	14355.75	325.00	286.90	4377	324.50	276.00	9337
Aug., 08	14564.53	347.00	305.00	5318	346.90	302.00	16921
Sept., 08	12860.43	347.00	301.00	12295	350.00	281.00	45493
Oct., 08	9788.06	335.00	245.00	3912	335.00	246.10	10998
Nov., 08	9092.72	276.00	222.00	2409	289.00	220.00	4787
Dec., 08	9647.31	281.00	223.10	8308	281.70	223.35	24161
Jan., 09	9424.24	295.00	233.05	10715	292.00	234.00	54372
Feb., 09	8891.61	271.90	248.00	2681	274.00	244.00	5559
March, 09	9708.50	297.00	237.55	22821	302.00	235.50	25888

No trading recorded on Ahmedabad Stock Exchange Limited.

Chart 'A' Stock Performance



Registrar and Share Transfer Agents:

For lodgment of transfer deeds and other documents or any grievances / complaints, investors may contact the Company's Registrar and Share Transfer Agents at the following address:

M/s. Pinnacle Shares Registry Pvt. Ltd.,
Near Asoka Mills, Naroda Road,
Ahmedabad - 380025
Telephone: 079 - 22204226, 22200338, 22200582.
Fax number: 079 - 22202963.
Email: investor.service@psrpl.com

Share transfer system:

Shares sent for transfer in physical form are registered and returned by Registrar and Share Transfer Agents within 30 days from the date of receipt of documents, provided the documents are found in order. Shares under objection are returned within 21 days to the concerned shareholders. The Share Transfer Committee meets generally twice in a month to approve share transfers/transmissions.

As per the requirements of clause 47 (c) ofthe Listing Agreement with the Stock Exchanges, the Company has obtained the half yearly certificates from a Company Secretary in Practice for due compliance of shares transfer formalities.

Secretarial Audit:

A practicing Chartered Accountant carried out secretarial audit in each of the quarter in the financial year 2008-09, to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and total issued and listed capital. The audit reports confirm that the total issued / paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with depositories.

Distribution of shareholding:

The shareholding distribution of equity shares as on 31st March 2009 is given below.

No. of Equity Shares	No. of Folios	% to total folios	No. of Shares	% shareholding
1 to 1000	38416	98.14	5337692	3.91
1001 to 2000	394	1.01	561697	0.41
2001 to 4000	149	0.38	423696	0.31
4001 to 6000	41	0.11	210089	0.16
6001 to 8000	28	0.07	202917	0.15
8001 to 10000	12	0.03	111865	0.08
10001 to 20000	36	0.09	537834	0.39
20001 and above	67	0.17	129113223	94.59
Grand Total	39143	100.00	136499013	100.00
Shareholders in Physical Mode	6508	16.63	1281863	0.94
Shareholders in Electronic Mode	32635	83.37	135217150	99.06
Grand Total	39143	100.00	136499013	100.00

Shareholding pattern as at 31st March 2009:

Category	No. of Shares held			% shareholding
	Physical	Electronic	Total	
Promoter's holding	2400	101866795	101869195	74.63
Mutual Funds and UTI	2356	9535355	9537711	6.99
Banks, FIs and Insurance Companies	1118	11252228	11253346	8.24
Foreign Institutional Investors	250	3021863	3022113	2.21
NRIs / OCBs	13658	2207047	2220705	1.63
Other Corporate Bodies	7530	852530	860060	0.63
Indian public	1254551	6481332	7735883	5.67
Total	1281863	135217150	136499013	100.00

Dematerialisation of shares and liquidity:

The Company's equity shares are traded compulsorily in dematerialised form with effect from 24th July 2000. Approximately 99.06% of the equity shares have been dematerialised. ISIN number for dematerialisation of the equity shares of the Company is INE010B01019.

Location of the Company's manufacturing plants:

The details of the locations of the plants of the Company are mentioned on the inside cover page of the Annual Report.

Address for correspondence:

Shareholders' correspondence should be addressed to the Company's Registrar and Share Transfer Agents at the address mentioned above.

Shareholders may also contact Mr. Upen H. Shah, Company Secretary, at the Registered Office of the Company for any assistance.
Tele. Nos. 079 – 26868100 Extension – 326
e-mail id : upen.shah@zyduscadila.com

Investors can also send their complaints at investor.grievance@zyduscadila.com, a special e-mail ID created pursuant to amendment in clause no. 47(f) of the Listing Agreement.

Shareholders holding shares in the electronic mode should address all their correspondence to their respective depository participants.

Outstanding GDRs/ADRs/Warrants, its conversion date and likely impact on equity:

The Company has not issued any GDRs / ADRs / warrants or any convertible instruments.

Details of non-compliance :

There was no non-compliance during the year and no penalties were imposed or strictures passed on the Company by the Stock Exchanges, SEBI or any other statutory authority. The Company has obtained a Certificate from the Statutory Auditors of the Company with respect to compliance with the conditions of Corporate Governance and annexed the certificate with the Directors' Report and sent the same to all the shareholders of the Company. The same certificate shall also be sent to all the concerned Stock Exchanges along with the annual reports filed by the Company.

IX Extent of compliance with the non-mandatory requirements:

1 The Chairman of the Board:

The Chairman and Managing Director of the Company Mr. Pankaj R. Patel, being an Executive Chairman is entitled to maintain Chairman's office at the expense of the Company and is also reimbursed the expenses incurred by him in the course of performance of his duties.

2 Remuneration Committee:

The Board has not formed a Remuneration Committee. The Board of Directors and shareholders approve the remuneration of the Managing Director / Deputy Managing Director and also payment of commission to the Directors.

3 Shareholders' Rights:

The quarterly / half-yearly / annual results, after they are taken on record by the Board of Directors, are sent forthwith to the Stock Exchanges where the Company's shares are listed. The results in the prescribed proforma are published in leading Gujarati and English dailies. These results are also made available on Company's website www.zyduscadila.com

4 Postal ballot:

Information on postal ballot during the year ended on 31st March 2009 are provided in this report.

DECLARATION

I hereby declare that all the Board Members and Senior Management Personnel of the Company have affirmed the compliance with the provisions of the code of conduct for the year ended on 31st March 2009.

Place : Ahmedabad.
Date : April 28, 2009.

Pankaj R. Patel
Chairman and Managing Director

Auditors' Certificate on Corporate Governance

We have examined the compliance of the conditions of Corporate Governance by Cadila Healthcare Limited, for the year ended on 31st March 2009 as stipulated in clause 49 of the Listing Agreement of the said Company with the concerned Stock Exchanges in India.

The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of an opinion on the financial statements of the Company.

In our opinion and to the best of our information and explanations given to us, we certify that the company has complied with the conditions of corporate governance as stipulated in the above mentioned Listing Agreement.

We state that in respect of the investor grievances received during the year ended 31st March 2009, no such investor grievances remained unattended/pending for more than 30 days.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Mukesh M. Shah & Co.,
Chartered Accountants

Place : Ahmedabad.
Date : April 28, 2009.

Mukesh M. Shah
Partner

Auditors' Report

Auditors' Report to the Members of Cadila Healthcare Ltd.

1. We have audited the attached Balance Sheet of Cadila Healthcare Limited ('the company') as at 31st March, 2009, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of section 227(4A) of the Companies Act, 1956 we enclose in the Annexure, a statement on the matters specified in paragraph 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to above, we report that:

   (a) We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit;

   (b) In our opinion, proper books of account as required by law have been kept by the company, so far as appears from our examination of the books;

   (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

   (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;

   (e) On the basis of the written representations received from the directors as on 31st March, 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 and

   (f) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts read together with significant accounting policies and notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

      (i) In the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2009;
      (ii) In the case of the Profit and Loss Account, of the profit for the year ended on that date and
      (iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For Mukesh M. Shah & Co.,
Chartered Accountants

Place : Ahmedabad
Date : April 28, 2009.

Mukesh M. Shah
Partner
Membership No. 30190

Annexure to the Auditors' Report

With reference to the Annexure referred to in paragraph 3 of the Auditors Report to the members of Cadila Healthcare Limited on the accounts for the year ended 31st March, 2009, we report that:

1. (a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

   (b) Some of the fixed assets were physically verified during the year by the management in accordance with programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us no material discrepancies were noticed on such verification.

   (c) Fixed assets disposed off during the year were not substantial and therefore do not affect the going concern assumption.

2. (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.

   (b) In our opinion the procedures for the physical verification of inventory followed by management are reasonable and adequate in relation to the size of the company and the nature of its business.

   (c) The company has maintained proper records of inventory. No material discrepancies were noticed on physical verification of inventory.

3. (a) The company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act,1956. Accordingly, clause (iii)(b) to (iii)(d) of paragraph 4 of the Order are not applicable to the company for the current year.

   (b) The company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, clause (iii)(f) and (iii)(g) of paragraph 4 of the Order are not applicable to the company for the current year.

4. In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.

5. (a) To the best of our knowledge and belief and according to the information and explanations provided by the management, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956, have been so entered in the register required to be maintained under that section.

   (b) In our opinion and according to the information and explanations given to us, transactions made in pursuance of such Contracts or Arrangements and exceeding Rs. Five Lacs in respect of any party during the year, have been made at prices, which are reasonable having regard to prevailing market prices at the relevant time.

6. To the best of our knowledge and belief and according to the information and explanations given to us, the company has complied with the directives issued by the Reserve Bank of India and provisions of sections 58A, 58AA or other relevant provisions of the Companies Act, 1956 and the rules framed there under with regard to deposits accepted from the public. We are informed that no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other Tribunal in this regard.

7. The company has an internal audit system which, in our opinion, is commensurate with size and the nature of its business.

8. We have broadly reviewed the books of account maintained by the company pursuant to the Rules made by the Central Government for maintenance of cost records under section 209(1)(d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete.

9. (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth tax, Service tax, Custom duty, Excise duty, cess and any other statutory dues during the year with the appropriate authorities. There are no undisputed dues payable in respect of such statutory dues which have remained outstanding as at 31st March, 2009 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, the particulars of dues of income tax, sales tax, excise duty and service tax which have not been deposited as at 31st March, 2009 on account of any dispute, are as follows:

Name of the Statute	Nature of dues	Amounts involved (INR - Millions)	Period to which it relates	Forum where the dispute is pending
The Central Sales Tax and Local Sales Tax Acts	Sales Tax	38.24	1996-97 2003-04 2004-05 2005-06 2006-07	Commissioner of Sales Tax
	Sales Tax	10.46	2001-02 2004-05 2005-06	Tribunal
The Central Excise Act and the Service Tax Act	Excise duty	9.41	1985-86 1986-87 1987-88 1988-89 Various Cases for the period 1991 to 1998, 2005-06 to 2007-08	ACCE/DCCE/JCCE/Add.Comm.
	Excise duty Penalty	0.56 1.57	1997-98 Various Cases For the period 2005-06, 2006-07 and 2007-08	Commissioner (Appeals)
	Excise Duty Penalty Service Tax	120.83 100.24 97.41	Various cases For the period 1995 to 2000, 2003 and 2005-06, 2006-07 and 2007-08	CESTAT
	Excise duty Penalty	1.99 0.20	Jan 95 to Nov. 95	High Court
The Income Tax Act, 1961	Income Tax Fringe Benefit Tax	4.78 9.41	FY: 2007-08 FY: 2008-09 FY: 2005-06	Commissioner of Income Tax (Appeals)

10. The company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.

11. The company has not defaulted in repayment of dues to a financial institution or banks or debenture holders.

12. The company has not granted any loans and advances on the basis of security by way of pledge of shares during the year.

13. The company is not a chit fund/nidhi/mutual benefit fund/society. Hence, the provisions of clause 4(xiii) of the Companies (Auditors' Report) Order, 2003 is not applicable to the company.

14. According to the information and explanations given to us, the company is not dealing or trading in shares, securities, debentures and other investments. Hence, the provisions of clause 4(xiv) of the Companies (Auditors' Report) Order, 2003 is not applicable to the company.

15. In our opinion and according to the information and explanations given to us, the terms and conditions of guarantees/letter of comfort given by the company for loans taken by subsidiaries and a joint venture company from banks are not prima facie, prejudicial to the interest of the company.

16. Term loans obtained by the company were applied for the purpose for which the loans were obtained.

17. According to the Cash Flow Statement and other records examined by us and the information and explanations given to us, on an overall basis, funds raised on short term basis have not, prima facie, been used during the year for long term investment.

18. The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956 during the year.

19. There are no debentures issued and outstanding during the year under audit, hence, the question of creating the Securities/charges thereon does not arise.

20. The company has not raised any money by public issues during the year. Hence, the provisions of clause 4(xiv) of the Companies (Auditors' Report) Order, 2003 is not applicable to the company.

21. To the best of our knowledge and belief, and according to the information and explanations given to us, no fraud on or by the company was noticed or reported during the year.

For Mukesh M. Shah & Co.,
Chartered Accountants

Place : Ahmedabad.
Date : April 28, 2009.

Mukesh M. Shah
Partner
Membership No. 30190

Balance Sheet as at March 31, 2009

	Schedule No.	INR - Millions		
		As at March 31,		
		2009		2008
SOURCES OF FUNDS :				
Shareholders' Funds :				
Share Capital	1	682		628
Reserves and Surplus	2	11646		9910
			12328	10538
Loan Funds :				
Secured Loans	3	6367		5593
Unsecured Loans	4	1832		1796
			8199	7389
Deferred Tax Liability [Net]	20[B-23]		1259	1224
Total			21786	19151
APPLICATION OF FUNDS :				
Fixed Assets :	5			
Gross Block		13585		12410
Less : Depreciation, Amortisation and Impairment		5216		4571
Net Block		8369		7839
Capital works-in-progress		1173		964
			9542	8803
Investments	6		5954	4427
Net Current Assets :				
Current Assets, Loans and Advances :				
Inventories	7	3490		3310
Sundry Debtors	8	3819		2825
Cash and Bank Balances	9	256		190
Loans and Advances	10	2409		3355
		9974		9680
Less : Current Liabilities & Provisions :				
Current Liabilities	11	2935		2776
Provisions	12	1053		983
		3988		3759
			5986	5921
Foreign Currency Monetary Items Translation Difference Account	20[B-2]		304	0
Total			21786	19151
Significant Accounting Policies and Notes on Accounts	20			

As per our report of even date

For Mukesh M. Shah & Co.,
Chartered Accountants

Pankaj R. Patel
Chairman & Managing Director

Mukesh M. Shah
Partner
Membership No. 30190.
Ahmedabad, Dated : April 28, 2009.

Jyotindra B. Gor
Chief Accounts Officer

Upen H. Shah
Company Secretary

Sharvil P. Patel
Deputy Managing Director

Profit And Loss Account for the year ended March 31, 2009

	Schedule No.	INR - Millions		
		Year ended March 31,		
		2009		2008
INCOME :				
Sales and Income from Operations :				
Gross Sales		17374		17191
Less : Excise Duty		389		771
Net Sales		16985		16420
Other Income from Operations	13	2472		1029
Total			19457	17449
Other Income	14		595	491
			20052	17940
EXPENDITURE :				
Consumption of Materials and Finished Goods	15	6498		6313
General Expenses	16	7174		6432
Research Expenses	17	1582		1350
Interest and Financial Charges	18	880		326
Depreciation, Amortisation and Impairment		826		734
			16960	15155
Profit before exceptional items and Tax			3092	2785
Less : Exceptional Expenses :				
Compensation under Voluntary Retirement Scheme		0		48
Expenses incurred on Composite Scheme of Arrangement		128		0
			128	48
Profit before Tax			2964	2737
Less : Provision for Taxation	19		305	375
Profit after Tax			2659	2362
Add : Balance brought forward		1628		841
Add : pursuant to a Composite Scheme of Arrangement	20[B-1]	38		0
			1666	841
PROFIT AVAILABLE FOR APPROPRIATIONS			4325	3203
Appropriations :				
Dividends :				
Proposed Dividend		614		565
Corporate Dividend Tax on Proposed Dividend [Net of CDT credit]		105		96
		719		661
Transfer to General Reserve		1576		914
			2295	1575
Balance carried to Balance Sheet			2030	1628
Basic and Diluted E P S [in Rupees] :	20[B-24]			
Before Exceptional items			20.42	19.19
After Exceptional items			19.48	18.80
Significant Accounting Policies and Notes on Accounts	20			

As per our report of even date

For Mukesh M. Shah & Co.,
Chartered Accountants

Pankaj R. Patel
Chairman & Managing Director

Mukesh M. Shah
Partner
Membership No. 30190.
Ahmedabad, Dated : April 28, 2009.

Jyotindra B. Gor
Chief Accounts Officer

Upen H. Shah
Company Secretary

Sharvil P. Patel
Deputy Managing Director

Cash Flow Statement for the year ended March 31, 2009.

Particulars	INR - Millions Year ended March 31, 2009		2008	
A Cash Flows from Operating Activities :				
Net profit before taxation and extraordinary items		2964		2785
Adjustments for :-				
Depreciation	826		734	
[Profit] / Loss on sale of assets [net]	(88)		(12)	
[Profit] / Loss on sale of investments [net]	0		8	
[Interest income]	(100)		(80)	
[Dividend income]	(405)		(396)	
Interest expenses	644		390	
Balance of Profit & Loss A/c acquired under amalgamation	38		0	
Bad debts written off	20		22	
Provision for doubtful debts	36		(3)	
Provisions for retirement benefits	(45)		19	
Provisions for probable product warranty claims and return of goods	18		16	
Total		944		698
Operating profit before working capital changes		3908		3483
Adjustments for :-				
[Increase] / Decrease in trade receivables	(1064)		(462)	
[Increase] / Decrease in other receivables	919		(1085)	
[Increase] / Decrease in inventories	(231)		(23)	
Increase / [Decrease] in trade payables & other liabilities	304		(1012)	
Total		(72)		(2582)
Cash generated from operations		3836		901
Capital Subsidy received during the year	3		0	
Interest received	100		75	
[Interest paid]	(650)		(374)	
[Direct taxes paid] [Net of refunds]	(228)		(139)	
Total		(775)		(438)
Cash flow before extraordinary items		3061		463
Extraordinary income / [expenditure]		(380)		(48)
Net cash from operating activities		2681		415
B Cash flows from investing activities :				
Purchase of fixed assets	(1750)		(1677)	
Purchase of investments	(1516)		(1509)	
Proceeds from sale of Investments	10		2	
Proceeds from sale of fixed assets	240		114	
Dividend received	405		396	
Net cash from investing activities		(2611)		(2674)

Cash Flow Statement for the year ended March 31, 2009.

Particulars	INR - Millions			
	Year ended March 31,			
	2009		2008	
C Cash flows from financing activities :				
[Borrowings] [net]	719		2912	
[Dividends paid]	(564)		(502)	
[Tax on dividends paid]	(96)		(85)	
Net cash used in financing activities		59		2325
Net increase / (-) decrease in cash and cash equivalents		129		66
Cash and cash equivalents at the beginning of the year		190		124
Cash and cash equivalents acquired due to amalgamation		4		0
Cash and cash equivalents transfer on Demerger		(67)		0
Cash and cash equivalents at the close of the year `		256		190

Notes to the cash flow statement

1 All figures in brackets are outflow.
2 Previous year's figures have been regrouped wherever necessary.
3 Cash and cash equivalent at the close [beginning] of the year includes Rs. 2.1 [Rs. 15.1] millions not available for immediate use.

As per our report of even date

For Mukesh M. Shah & Co.,
Chartered Accountants

Pankaj R. Patel
Chairman & Managing Director

Mukesh M. Shah
Partner
Membership No. 30190.
Ahmedabad, Dated : April 28, 2009.

Jyotindra B. Gor
Chief Accounts Officer

Upen H. Shah
Company Secretary

Sharvil P. Patel
Deputy Managing Director

Schedules forming part of the Balance Sheet

	INR - Millions		
	As at March 31,		
	2009		2008
Schedule : 1 - Share Capital :			
Authorised :			
140,000,000 [As at 31-03-08 : 140,000,000] Equity Shares of Rs.5/- each		700	700
		700	700
Issued, Subscribed and Paid-up :			
136,499,013 [As at 31-03-08 : 125,613,708] Equity Shares of Rs.5/- each fully paid-up		682	628
Notes : Of the above Shares,			
[A] 133,919,637 [As at 31-03-08 : 33,034,332] Equity Shares were allotted as fully paid-up pursuant to various Schemes of Arrangement & Amalgamation without payments being received in cash and 90,000,000 [As at 31-03-08 : Nil] Equity Shares were extinguished during the year pursuant to a Composite Scheme of Arrangement. [Refer note no. B-1 of Sch. No. 20]			
[B] 77,691,976 [As at 31-03-08 : 77,691,976] Equity Shares were allotted as fully paid-up by way of Bonus Shares by capitalisation of Share Premium Account & General Reserve			
Total		682	628
Schedule : 2 - Reserves & Surplus :			
Capital Reserve :			
Balance as per last Balance Sheet	3		0
Add: Capital Subsidy received during the year	3		3
	6		3
Less : Utilised under a Composite Scheme of Arrangement [Refer note no. B-1 of Sch. No. 20]	6		0
		0	3
Capital Redemption Reserve :			
Balance as per last Balance Sheet	32		32
Less : Utilised under a Composite Scheme of Arrangement [Refer note no. B-1 of Sch. No. 20]	32		0
		0	32
Security Premium Account :			
Balance as per last Balance Sheet	2247		2247
Less : Utilised under a Composite Scheme of Arrangement [Refer note no. B-1 of Sch. No. 20]	131		0
Less : Transfer to International Business Development Reserve pursuant to a Composite Scheme of Arrangement [Refer note no. B-1 of Sch. No. 20]	2000		0
		116	2247
International Business Development Reserve :			
Created out of Security Premium Account pursuant to a Composite Scheme of Arrangement [Refer note no. B-1 of Sch. No. 20]		2000	0
Debenture Redemption Reserve :			
Balance as per last Balance Sheet	0		25
Less: Transfer to General Reserve upon redemption of Debentures	0		25
		0	0
General Reserve :			
Balance as per last Balance Sheet	6000		5050
Add : Transfer from Debenture Redemption Reserve	0		25
Add : Transitional surplus on adoption of AS-15	0		11
Add : Transfer from Profit and Loss Account	1576		914
	7576		6000
Less : Transfer to Foreign Currency Monetary Item Translation Difference Account [Refer note no. B-2 of Sch. No. 20]	76		0
		7500	6000
Balance in Profit and Loss Account		2030	1628
Total		11646	9910

Schedules forming part of the Balance Sheet

	INR - Millions	
	As at March 31,	
	2009	2008
Schedule : 3 - Secured Loans :		
Loans and Advances from Banks :		
A Term Loans in Foreign Currency	0	447
B Working Capital Loans	2050	1649
[Including Packing Credit foreign currency loans of Rs.224 { As at 31-03-08 : Rs. 919 } Millions]		
C Term Loans - External Commercial Borrowings in Foreign Currency	4317	3497
Total	6367	5593

Securities for Loans :

[A] Secured by hypothecation of three specific Trade Marks of the Company [loan repaid & charge satisfied during the year].

[B] Secured by way of hypothecation of inventories [including goods in transit], Bills Receivables, Book-Debts and all other movables of the Company, including documents of title to goods, both present & future, excluding Plant & Machineries to rank "pari passu" amongst banks.

[C] Out of External Commercial Borrowings in Foreign Currency :

[a] Rs. 660 [As at 31-03-08 : Rs. 399] Millions are secured by first equitable mortgage of immovable properties and hypothecation of movable properties of the Formulation Unit of the Company at Moraiya, both present and future, excluding current assets, to rank "pari passu" with lenders referred to at [C][b] & [C][e]. These securities is to be further extended to secure ECB of Rs. 406 Mn.

[b] Rs. 428 [As at 31-03-08 : Rs. 317] Millions secured by securities mentioned at [C][a] above on "pari passu" basis with lenders referred to at [C][a] & [C][e] and first mortgage of immovable properties and hypothecation of movable properties of Formulation unit situated at Ponda, Goa, both present and future, excluding current assets.

[c] Rs. 507 [As at 31-03-08 : Rs. 435] Millions are secured by mortgage of immovable properties and hypothecation of movable properties of the API Unit-1 situated at Ankleshwar, both present and future, excluding current assets.

[d] Rs. 338 [As at 31-03-08 : Rs. 317] Millions secured by mortgage on a specific Trade Mark of the Company.

[e] Rs. 506 [As at 31-03-08 : Rs. 544] Millions secured by securities mentioned at [C][a] above to rank "pari passu" with lenders referred to at [C][a] &[C][b] and further secured by hypothecation of a specific Trade Mark of the Company.

[f] Rs. 507 [As at 31-03-08 : Rs.401] Millions are secured by first equitable mortgage of immovable properties and hypothecation of movable properties of the API Unit of the Company at Dabhasa / Umraya, both present and future, excluding current assets and a specific Trade Mark of the Company.

[g] Rs. 1371 [As at 31-03-08 : Rs. 1084] Millions secured by hypothecation of two specific Trade Marks of the Company.

	2009	2009	2008
Schedule : 4 - Unsecured Loans :			
Short - term Loans :			
From Banks [Including foreign currency loans of Rs. 397 { As at 31-03-08 : Rs. 1362 } Millions]		1397	1362
Other Loans and Advances :			
Interest free deemed loan against deferment of sales tax :			
From a Financial Institution [Rs. 85 { As at 31-03-08 : Rs. 85 } Millions guaranteed personally by the Chairman & Managing Director of the Company.]	349		193
Deferred amount	85		240
	434		433
From a Financial Institution	1		1
		435	434
Total		1832	1796

Schedules forming part of the Balance Sheet

Schedule : 5 - Fixed assets :

Rupees in Millions

Nature of Fixed Assets	Gross Block				Depreciation				Impairment				Net Block	
	As at 31-03-08	Additions During the year	Sales and / or adj. during the year	As at 31-03-09	Upto 31-03-08	For the year	On Sales and / or adj. during the year	Up to 31-03-09	Upto 31-03-08	For the year	On Sales and / or adj. during the year	Up to 31-03-09	As at 31-03-09	As at 31-03-08
Tangible Assets :														
Freehold Land	122	79	0	201	0	0	0	0	0	0	0	0	201	122
Leasehold Land	111	0	21	90	12	1	3	10	0	0	0	0	80	99
Buildings	2420	207	91	2536	454	72	40	486	0	0	0	0	2050	1966
Plant & Machinery	6418	1170	198	7390	2068	454	126	2396	109	0	1	108	4886	4241
Furniture, Fixtures & Office Equipments	400	11	4	407	148	26	2	172	0	0	0	0	235	252
Vehicles	242	42	20	264	82	22	10	94	0	0	0	0	170	160
Intangible Assets :														
Trade Marks, Patents & Designs	1962	0	0	1962	1123	191	-1	1315	31	0	0	31	616	808
Technical know-how	680	0	0	680	438	59	0	497	52	0	0	52	131	190
Commercial Rights	55	0	0	55	54	1	0	55	0	0	0	0	0	1
Total	12410	1509	334	13585	4379	826	180	5025	192	0	1	191	8369	7839
2007-08	11292	1260	142	12410	3685	734	40	4379	192	0	0	192	7839	

Notes :

[1] Buildings include Rs. 0.02 [As at 31-03-08 : 0.02] Millions being the value of shares held in cooperative societies.

[2] Additions of Rs. 224 [Previous year Rs. 239] Millions in research assets during the year are included in additions column under the respective heads of Gross Block as above.

[3] Additions of Rs. 104 [Previous year Rs. Nil] Millions in respect of exchange rate fluctuations on long term foreign currency monetary items during the year are included in additions column under the respective heads of Gross Block as above.

Schedules forming part of the Balance Sheet

	Nos. [*]	Face Value [**]	INR - Millions As at March 31, 2009		2008
Schedule : 6 - Investments [At cost] :					
Long Term Investments :					
In Government Securities [Unquoted] :					
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
In Shares, Debentures, Bonds & Firms :					
Subsidiary companies:					
Quoted :					
In fully paid-up equity shares of :					
Zydus Wellness Limited [Formerly known as Carnation Nutra-Analogue Foods Ltd.] [24000000 Equity Shares received under a Composite Scheme of Arrangement during the year] [Refer note no. B-1 of Sch. No. 20]	27432138 [3432138]	10	518		497
Unquoted :					
In fully paid-up equity shares of :					
Dialforhealth India Ltd.	5000000	10	50		50
German Remedies Ltd.	24000	100	2		2
Liva Healthcare Limited [Refer note no. B-5 of Sch. No. 20]	90750	100	616		651
Zydus Animal Health Ltd.	54000000	10	956		956
Zydus International Pvt. Ltd., Ireland [107898 Equity Shares subscribed and 12976198 Shares allotted pursuant to Conversion of loan into equity during the year] [Refer note no. B-10-A of Sch. No. 20]	25961500 [12877404]	€ 1.462843	2329		1038
Zydus Pharmaceuticals Ltd.	950000	10	10		10
Zydus Technologies Ltd. [850000 Equity Shares subscribed during the year]	850000 [0]	10	9		0
Sub-total			3972		2707
				4490	3204
Trade Investments :					
Unquoted :					
In fully paid-up equity shares of :					
Companies under the same Management :					
Zydus BSV Pharma Pvt. Ltd. [1250000 Equity Shares subscribed and 2475000 Equity Shares recd. pursuant to a Scheme of Amalgamation during the year] [Refer note no. B-7 of Sch. No. 20]	9715000 [5990000]	10	142		60
Zydus BSV R & D Pvt. Ltd. [990000 Shares ceased pursuant to a Scheme of Amalgamation during the year] [Refer note no. B-7 of Sch. No. 20]	0 [990000]	10	0		70
Zydus Hospira Oncology Pvt. Ltd.	7500000	10	75		75
Zydus Nycomed Healthcare Pvt. Ltd.	10000000	10	100		100
			317		305
In fully paid-up 7 % Non Cumulative Redeemable Preference Shares of Zydus Hospira Oncology Pvt. Ltd., a company under the same Management	2000	100000	200		200
In fully paid-up Convertible Preferred Stock of :					
Onconova Therapeutic Inc. USA					
Series B	521739	$0.01	140		140
Series C	280899	$0.01	47		47
			187		187
				704	692

Schedules forming part of the Balance Sheet

	Nos. [*]	Face Value [**]	INR - Millions As at March 31, 2009		2008
Schedule : 6 - Investments [At cost] : continue :					
Other Investments :					
Quoted :					
In fully paid-up Equity Shares of :					
Housing Development Finance Corporation Ltd.	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 :					
- 6.60 % Tax free ARS Bonds	391712	100	39		39
- 6.75% Tax free US-64 Bonds	0 [34515]	0	0		4
[34515 Bonds redeemed during the year]					
			39		43
			40		44
Unquoted :					
In fully paid-up equity shares of :					
Avra Laboratories Pvt. Ltd	250000	10	2		2
Bharuch Enviro Infrastructure Co. Ltd. [Rs. 12,140/-]^	1214	10	0		0
Bharuch Eco - Aqua Infrastructure Ltd	625813	10	6		6
Enviro Infrastructure Co. Ltd.	50000	10	1		1
The Green Environment Co-op. Society Ltd. [Rs. 5,000/-]^	50	100	0		0
Shivalik Solid Waste Management Ltd. [Rs. 2,00,000]^	20000	10	0		0
			9		9
Total Other Investments				49	53
Total Investments in Shares, Debentures & Bonds				5243	3949
[***] In the Capital of a Partnership Firm				706	467
Contribution to the Corpus of Gujarat Venture Capital Fund 1995	-	-		0	1
Share application Money				5	10
Total [Aggregate Book Value of Investments]				5954	4427
Unquoted				5396	3886
Quoted [Market Value Rs 1669 { As at 31-03-08 Rs. 444 } Millions}]				558	541
Total				5954	4427
Notes :					
[1] [***] Investment in the Capital of a Partnership Firm :					
Name of Firm : M/s. Zydus Healthcare, Sikkim.					
Total Capital of the Firm [Rs. In Millions]				744	474
Name of Partners & their Profit Sharing Ratio :					
Cadila Healthcare Limited				96%	96%
German Remedies Limited				2%	2%
Cadila Healthcare Staff Welfare Trust				2%	2%

[2] In " Nos. [*]" figures of Previous year are same unless stated in [ ]

[3] In " Face Value [**] " , figures in Indian Rupees unless stated otherwise.

[4] [ ]^ Figures in bracket denote Rupees.

Schedules forming part of the Balance Sheet

	INR - Millions			
	As at March 31,			
	2009		2008	
Schedule : 7 - Inventories :				
[As taken, valued and certified by the management] [Valued at lower of cost and net realisable value]				
Stores and Spare Parts		52		27
Stock-in-Trade :				
Raw Materials	1205		965	
Packing Materials	345		243	
Finished Goods	1362		1369	
		2912		2577
Works-in-progress		526		706
Total		3490		3310
Schedule : 8 - Sundry Debtors [Unsecured] :				
Debts outstanding for a period exceeding six months :				
Considered good	321		359	
Considered doubtful	71		35	
Total	392		394	
Less: Provision for doubtful debts	71		35	
		321		359
Other debts - Considered good :				
Due from subsidiary companies [Refer note no. B - 9 of Sch.no.20]	1669		833	
Others	1829		1633	
		3498		2466
Total		3819		2825
Schedule : 9 - Cash and Bank Balances :				
Cash balance on hand		3		5
Bank Balances :				
With Scheduled Banks :				
In Current Accounts	77		32	
[Includes Rs. 11 { as at 31-03-08 : Rs. 10 } Millions in Unclaimed Dividend accounts with banks]				
In Fixed Deposit Accounts	157		113	
[Out of this, fixed deposits of Rs. 2 { As at 31-03-08 : Rs.15 } Millions have been pledged with Banks as Margin Money for Guarantees issued and fixed deposits of Rs. 0.1 { As at 31-03-08 : Rs. 0.1 } Millions have been pledged with Sales-tax Authorities].				
In Foreign Currency Current Accounts	6		24	
	240		169	
With Other Banks :				
In Current Account in foreign currency with :				
Uni Credit Bank [Formerly known as International Moscow Bank], Moscow, [Maximum amount outstanding during the year Rs. 6.2 { Previous year - Rs. 16 } Millions]	4		6	
Union Bank of Philippines [Formerly known as International Exchange Bank], Philippines, [Maximum amount outstanding during the year Rs. 8.8 { Previous year - Rs. 8 } Million]	2		8	
OJSC " Reiffeisen Bank Aval [Formerly known as JSP Pension Bank Aval Kiev], Ukraine [Maximum amount outstanding during the year Rs. 7 { Previous year - Rs. 9 } Millions]	7		2	
	13		16	
		253		185
Total		256		190

Schedules forming part of the Balance Sheet

	INR - Millions		
	As at March 31,		
		2009	2008
Schedule : 10 - Loans and Advances :			
[Considered Good , unsecured unless otherwise stated]			
Advances to subsidiary companies [Refer note no. B - 10 of Sch. No. 20]		1146	1788
Advances recoverable in cash or in kind or for value to be received :			
Secured :			
[Includes loan to an Officer Rs. Nil { as at 31-03-08 : Rs. 0.2 } Million]			
[Maximum balance due during the year Rs. 0.1 { Previous Year Rs. 0.2 } Million]		0	1
Unsecured :			
[Includes loan to an Officer Rs. 0.1 { as at 31-03-08 : Rs. 0.3 } Million]			
[Maximum balance due during the year Rs. 0.3 { Previous Year Rs. 1 } Million]		835	1122
		1981	2911
Balances with Custom / Central Excise / Sales Tax Authorities		418	434
Interest receivable		10	10
Total		2409	3355
Schedule : 11 - Current Liabilities :			
Acceptances		0	235
Sundry Creditors other than Micro, Small and Medium Enterprises			
[Refer note no. B - 15 of Sch. No.. 20] :			
For Capital Goods	51		83
Others	2773		2343
Subsidiary Companies	8		4
		2832	2430
Advances from Debtors		32	39
Trade Deposits		19	15
Investor Education and Protection Fund [*] :			
Unclaimed dividends	11		10
Matured but unclaimed Debentures [Rs. Nil { As at 31-03-08 : Rs. 0.01 } Million]	0		0
Total [*][There are no amounts due and outstanding to be credited to Investor Education and Protection Fund]		11	10
Interest accrued but not due on loans		41	47
Total		2935	2776
Schedule : 12 - Provisions :			
Proposed Dividend		614	565
Corporate Dividend Tax on Proposed Dividend		105	96
Provision for taxation [Net of Advance payment of direct taxes]		173	131
Provision for claims for product warranties and return of goods		33	16
Provision for retirement benefits		128	175
Total		1053	983

Schedules forming part of the Profit and Loss Account

	INR - Millions			
	Year ended March 31,			
	2009		2008	
Schedule : 13 - Other Income from operations :				
Partner's Remuneration from a Partnership Firm		480		47
Share of Profit from a Partnership Firm		767		61
Interest earned on Capital in a Partnership firm		17		45
Income from Contract Manufacturing and Processing Charges [T.D.S. Rs. 4.9 { Previous year - Rs. 6.6 } Millions]		352		321
Export Incentives		89		70
Gain on account of fluctuations in foreign exchange rates [Net]		0		3
Recovery of Development Charges		658		343
Miscellaneous Income [T.D.S. Rs. 0.7 { Previous year - Rs. 1.02 } Millions]		109		139
Total		2472		1029
Schedule : 14 - Other Income :				
Dividends [Gross] :				
From Long Term :				
Trade Investments :				
Subsidiaries	4		5	
Joint Ventures	400		390	
	404		395	
Non - Trade Investments - Others	1		1	
Total Dividend received		405		396
Others :				
Profit on sale of Assets [Net]	88		12	
Rent Income [T.D.S. Rs. 0.4 { Previous year - Rs.0.7 } Million]	2		3	
Interest earned [Gross] :				
From Long Term Investments	0		3	
Others [T.D.S. - Rs 5.6 { Previous year Rs. 1.02 } Millions]	100		77	
Total	100		80	
		190		95
Total		595		491
Schedule : 15 - Consumption of Materials and Finished Goods :				
Raw Materials :				
Stock at commencement	965		951	
Add : Purchases	4293		3762	
	5258		4713	
Less : Stock at close	1205		965	
		4053		3748
Packing Materials consumed		931		789
Purchase of Finished Goods		1335		1743
[Increase] Decrease in Stock of Finished Goods & Works-in-progress :				
Stock at close :				
Finished Goods	1362		1369	
Works-in-progress	526		706	
	1888		2075	
Less : Stock at commencement :				
Finished Goods	1369		1284	
Works-in-progress	706		831	
	2075		2115	
	187		40	
Differential Excise Duty on Opening and Closing stock on Finished Goods	(8)		(7)	
		179		33
Total		6498		6313

Schedules forming part of the Profit and Loss Account

	INR - Millions			
	Year ended March 31,			
	2009		2008	
Schedule : 16 - General Expenses :				
Personnel expenses :				
Salaries, wages and bonus	1600		1434	
Company's contribution to provident & other funds	105		127	
Staff welfare expenses	101		96	
		1806		1657
Stores and spare parts consumed		172		226
Power & fuel		463		419
Processing Charges		257		260
Insurance		42		41
Repairs :				
Buildings	30		29	
Plant and Machinery	126		40	
Others	36		28	
		192		97
Rent		32		30
Rates and Taxes		4		7
Managing Directors' Remuneration		163		155
Commission to Directors		3		3
Traveling Expenses		453		468
Legal and Professional Fees		178		326
Loss on account of fluctuations in foreign exchange rates [Net]		329		0
Miscellaneous Expenses		553		616
Marketing, Selling & Distribution Expenses :				
Commission on sales	254		216	
Freight and forwarding on sales	516		460	
Sales promotion expenses	435		333	
Advertisements	18		277	
Seminar, Conference and Exhibition	163		137	
Representative Allowances and Incentives	442		302	
Bad debts written off	20		22	
Provision for Doubtful Debts	31		(3)	
Other marketing expenses	571		372	
		2450		2116
Directors' fees [Rs 0.30 { Previous year - Rs. 0.22 } Millions]		0		0
Loss on sale of long term Investments [Rs 0.14 Millions]		0		8
Donations		77		3
Total		7174		6432

Schedules forming part of the Profit and Loss Account

	INR - Millions		
	Year ended March 31,		
	2009		2008
Schedule : 17 - Research Expenses :			
Materials		327	453
Personnel Expenses :			
Salaries, wages and bonus	326		244
Company's contribution to provident & other funds	26		14
Staff welfare expenses	22		10
		374	268
Stores and spare parts consumed		76	39
Power & Fuel		53	38
Analytical expenses		436	395
Insurance		2	9
Repairs :			
Buildings	2		2
Plant & machineries	10		7
Others	3		0
		15	9
Traveling Expenses		21	27
Legal and Professional fees		16	19
Provision for doubtful debts		5	0
Loss [Gain] on account of fluctuations in foreign exchange rates [Net]		(36)	0
Others [excluding Depreciation of Rs. 116 { Previous Year - Rs.101 } Millions]		293	93
Total		1582	1350
Schedule : 18 - Interest and Financial Charges :			
Interest :			
On term loans	513		286
On debentures	0		1
On working capital loans	117		101
Others	14		2
		644	390
Loss [Gain] on account of fluctuations in exchange rates on foreign currency loans		151	(109)
Bank commission & charges		85	45
Total		880	326
Schedule : 19 - Provision for Taxation :			
Current Tax	200		249
Deferred Tax	35		97
Fringe Benefit Tax	70		61
Total		305	407
Less : Prior year's tax adjustments		0	32
Total		305	375

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

Schedule : 20 - 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 they comply with the Accounting Standards prescribed in the Companies [Accounting Standards] Rules, 2006 issued by the Central Government 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 up to completion of construction / assets are put to use. The loss or gain on exchange rates on long term foreign currency loans attributable to fixed assets, effective from April 1, 2007 is adjusted to the cost of respective fixed assets.

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 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.

G Where the actual cost of purchase of an asset is below Rs. 10,000/-, the depreciation is provided @ 100 %.

4 Impairment of Assets :

The Company, at each balance sheet date, assesses whether there is any indication of impairment of any asset and / or cash generating unit. 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 are recognised as an expense in the period in which they are incurred except the borrowing costs attributable to the acquisition / constructions of a qualifying asset which are capitalised as part of the cost of such assets, up to the date, the assets are ready for its intended use.

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 Moving Average Method.

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 VAT / 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 : 20 - 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 of short term monetary items are recognised in the Profit and Loss Account.

C The net gain or loss on account of exchange differences either on settlement or on translation of long term monetary items including long term forward contracts is recognised under "Foreign Currency Monetary Items Translation Difference Account" [FCMITDA], except in case of foreign currency loans taken for funding of fixed assets, where such difference is adjusted to the cost of respective fixed assets. The FCMITDA will be amortised during the tenure of loans but not beyond March 31, 2011.

D The foreign currency assets and liabilities including 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 Derivative Instruments and Hedge Accounting :

The Company is exposed to foreign currency fluctuations on foreign currency assets, liabilities and forecasted cash flows denominated in foreign currency. The Company limits the effects of foreign exchange rates fluctuations by following established risk management policies, including use of derivatives. The company enters into forward, options & swap contracts where the counter parties are banks. Accordingly, losses in respect of all outstanding derivatives, contracts, other than options & swap contracts, at the year end by marking them to market are provided. However, out of prudence, the net gain, if any, on all such outstanding options & swap contracts is not accounted for.

12 Research and Development Cost :

A 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.

13 Excise Duty :

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

14 Retirement Benefits :

A Defined Contribution Plans :

The Company contributes on a defined contribution basis to Employee's Provident Fund towards post employment benefits, all of which are administered by the respective Government authorities, and has no further obligation beyond making its contribution, which is expensed in the year to which it pertains.

B Defined Benefit Plans :

The gratuity scheme is administered through the Life Insurance Corporation of India [LIC]. The liability for the defined benefit plan of Gratuity is determined on the basis of an actuarial valuation by an independent actuary at the year end, which is calculated using projected unit method.

Actuarial gains and losses which comprise experience adjustment and the effect of changes in actuarial assumptions are recognised in the Profit and Loss Account.

C Leave Liability :

The employees of the Company are entitled to leave as per the leave policy of the Company. The liability in respect of unutilised leave balances is provided based on an actuarial valuation carried out by an independent actuary as at the year end and charged to the Profit and Loss Account.

15 Miscellaneous Expenditure Not Written Off :

The compensation paid to the employees under Voluntary Retirement Scheme is expensed in the year of payment.

16 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 doubtful of recovery.

17 Taxes on Income :

A Tax expenses comprises current, deferred and fringe benefit tax.

B Current tax and fringe benefit tax is measured at the amount expected to be paid in accordance with the provisions of the Income Tax Act, 1961.

C Deferred tax reflects the impact of current year timing differences between book and tax profits and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and laws that have been enacted or substantively enacted as of the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

18 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.

19 Leases :

Leases are classified as operating leases where the lessor effectively retains substantially all the risks and benefits of the ownership of the leased assets. Operating lease payments are recognised as an expense in the Profit and Loss Account as and when paid.

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

Schedule : 20 - Significant Accounting Policies & Notes on Accounts - Continue :

B Notes on Accounts :

1 A During the year, the company implemented a Composite Scheme of Arrangement [the scheme] with Carnation Nutra-Analogue Foods Limited [CARNATION] [now name changed to Zydus Wellness Limited], a subsidiary Company and Zydus Hospitals & Medical Research Private Limited [ZHMRPL] which was approved by the order of the Hon'able Gujarat High Court, dated October 23, 2008.

B The Scheme envisaged Demerger of Consumer Products Division [CPD] of the Company into CARNATION, Amalgamation of ZHMRPL with the Company and Utilisation of Securities Premium Account of the Company in the prescribed manner besides the accounting treatment of the Scheme.

C Both the demerger and amalgamation have been accounted under the "Amalgamation in the nature of merger" in terms of Accounting Standard [AS-14] on "Accounting for Amalgamation".

D Demerger of Consumer Products Division [CPD] of the Company into CARNATION :

The appointed date of the demerger [Demerger Appointed Date] under the Scheme was April 1, 2008, while the effective date was November 30, 2008.

CARNATION is engaged in the business of manufacturing & marketing of consumer products.

CPD includes all the business undertakings, properties & supplies of whatsoever nature & goods pertaining to CPD, which deals in consumer health products.

All the assets & liabilities of CPD have been transferred at the value appearing in the books of the company as on the Demerger Appointed Date, on a going concern basis.

In consideration, CARNATION allotted 33,496,989 equity shares of Rs. 10/- each, fully paid to the shareholders of the Company [in the ratio of four Equity Shares of Rs. 10/- each fully paid of CARNATION for every fifteen equity shares of Rs. 5/- each fully paid up of the Company held by them].

The excess of book value of assets over liabilities of CPD transferred to CARNATION amounting to Rs. 47 Millions has been debited to the securities premium account in the Company. Such reduction has been effected as an Integral part of the scheme and the same does not involve either diminution of the liability in respect of unpaid share capital or payment to shareholders of any paid up share capital.

E Amalgamation of ZHMRPL with the Company :

The appointed date of the amalgamation [Amalgamation Appointed Date] under the Scheme was July 1, 2008, while the effective date was February 4, 2009.

ZHMRPL was incorporated to establish hospitals and medical research facilities, but no activities had begun.

All the assets & liabilities of ZHMRPL have been transferred to the company at value appearing in the books of ZHMRPL as on the Amalgamation Appointed Date on going concern basis, except that the 90 millions Equity Shares of the Company held by ZHMRPL stand cancelled.

In consideration, the Company allotted 100,885,305 Equity Shares of Rs. 5/- each of the Company as fully paid to the shareholders of ZHMRPL.

The Scheme provided for the right of ZHMRPL to declare and pay dividends to its share holders for the accounting period after the Amalgamation Appointed Date, but prior to the Amalgamation Effective Date. Accordingly ZHMRPL had declared an interim dividend of Rs. 363 Millions to its share holders out of the final dividend of Rs. 405 Millions for the year 2007-08 declared and paid by the Company, which ZHMRPL received in July, 2008 and therefore not considered in the basis for arriving at share exchange ratio under the Scheme. The difference amount of dividend received and interim dividend paid by ZHMRPL of Rs. 42 Millions has been transferred to Profit & Loss Account by the Company, as a part of accounting of the transactions of the Scheme.

The excess of face value of shares issued as aforesaid over the book value of assets less liabilities of ZHMRPL transferred to the Company under the Scheme amounting to Rs. 122 Millions in aggregate has been debited to the capital reserve account Rs. 6 Millions, Capital Redemption Reserve Account Rs. 32 Millions and Securities Premium Account Rs. 84 Millions by the Company.

F Re-organization of Reserves of the Company:

From the effective date, Rs.2000 Millions stand credited to “International Business Development Reserve Account ” [IDBR] from the balance of securities premium account. IDBR would be available towards certain “Expenses” incurred by the Company, to the extent of available balance in IDBR.

"Expenses" for this purpose will include professional, legal, financial fees or any other commission payable during acquisition process carried out directly or through its subsidiary, interest expenses, loss arising on foreign exchange fluctuations relating to debt borrowed and interest paid on acquisition, research & development expenses incurred for and in connection with getting product registration abroad, goodwill arising on merger / restructuring.

The "Expenses" would typically include expenses which cannot be capitalised.

An identical accounting treatment should be followed even for the purpose of consolidated accounts.

Transferring this amount to IDBR and its subsequent utilisation at an approximate time amount to reduction of Securities Premium Account. Such reduction has been affected as and integral part of the Scheme and same does not involve either diminution of liability in respect of unpaid share capital or payment to shareholders of any paid up share capital.

In view of the aforesaid Scheme, the figures of the current year are not fully comparable with those of the previous years.

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

Schedule : 20 - Significant Accounting Policies & Notes on Accounts - Continue :

2 The Company has opted for accounting the exchange rate differences arising on the Long Term Foreign Currency Monetary Items [LTFCMI] in accordance with the notification dated March 31, 2009 under the Companies [Accounting Standards] Amendment Rules, 2009 on Accounting Standard 11 relating to " the effects of changes in foreign exchange rates ".

A Accordingly, retrospectively from the accounting year 2007-08, the effects of exchange rate differences arising from long term foreign currency loans availed for funding acquisition of fixed assets has been adjusted to the cost of respective items of fixed assets. While, in other cases such exchange rate difference on the LTFCMI is transferred to " foreign currency monetary items translation difference account ". [FCMITDA], which is amortised during the tenure of the respective LTFCMI but not beyond March 31, 2011.

B In view of above change in policy, net profit, of the company for the year is lower by Rs. 79 Millions [net of tax].

3 The Company has taken various residential / office premises / godowns under operating lease or leave and licence agreement. The lease terms in respect of such premises is on the basis of individual agreement entered into with the respective landlords. The Company has given refundable interest free security deposit in accordance with the agreed terms. The lease payments are recognised in the profit and loss account under " Rent " in schedule 16.

4 The Company has invested Rs. 50 Millions and given loans & advances of Rs. 122 [As at 31-03-08 : Rs. 93] Millions to Dialforhealth India Ltd. [DIL], a wholly owned subsidiary of the Company. The accumulated losses as at 31st March, 2009 amounting to Rs. 102 [As at 31-03-08 : Rs. 92] Millions has exceeded the networth of DIL. However having regard to the long term strategic investment, the diminution in the value of investments in DIL is considered to be temporary and loans and advances are considered good and accordingly no provision has been made.

5 In the year 2007-08, the company had purchased 90,750 equity shares of Rs. 100 each of Liva Healthcare Ltd. at a negotiated consideration as per the Share Purchase Agreement [SPA] entered with the sellers. During the year, the company has reached settlement with the seller in respect of various claims raised by the Company under SPA and accordingly the final consideration has been reduced by Rs. 35 Millions. The said amount has been reduced from the investment value of the shares of LIVA.

6 The basis of ascertaining the cost of closing stock has been changed from " FIFO " method to "Moving Average "method from the current year due to implementation of " SAP " software. It is not possible to ascertain the effect in the value of the closing stock and on profit due to this change.

7 The Scheme of amalgamation between Zydus BSV Pharma Pvt. Ltd. and Zydus BSV Research and Development Pvt. Ltd., both being joint venture companies of Cadila Healthcare Limited, was sanctioned by Hon'able Gujarat High Court, on March 31, 2008. Pursuant to the Scheme, the entire business and all assets and liabilities of Zydus BSV Research and Development Pvt. Ltd. get transferred and vested in Zydus BSV Pharma Pvt. Ltd. and the Company had received 24,75,000 equity shares of Rs. 10 each fully paid up of Zydus BSV Pharma Pvt. Ltd. against 9,90,000 equity shares of Rs. 10 each fully paid up of Zydus BSV Research and Development Pvt. Ltd. as per the share exchange ratio approved by the members.

8 A Provision for product warranty claims in respect of the 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 :

Particulars	INR - Millions Year Ended March 31, 2009	2008
a Carrying amount at the beginning of the year	16	13
b Additional provision made during the year	33	16
c Amount used	0	0
d Unused amount reversed during the year	16	13
e Carrying amount at the end of the year	33	16

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

Schedule : 20 - Significant Accounting Policies & Notes on Accounts - Continue :

INR - Millions
As at March 31,

	2009	2008
9 Sundry Debtors include amount due from subsidiary companies :		
A Zydus Healthcare Brazil Ltda.[Maximum amount due during the year Rs.110 { Previous Year Rs.71 } Millions]	96	58
B Zydus Pharmaceuticals (USA) INC [Maximum amount due during the year Rs. 1245 { Previous Year Rs.977 } Millions]	1245	594
C Zydus France SAS [Maximum amount due during the year Rs.146 { Previous Year Rs. 104 } Millions]	104	104
D Zydus Noveltech Inc., USA [Maximum amount due during the year Rs. 188 { Previous Year Rs. 77 } Millions]	188	77
E Zydus Intrus Ltd., Moscow, Russia [Maximum amount due during the year Rs. 17 { Previous Year Rs. Nil } Millions]	17	0
F Zydus Healthcare SA[PTY] Ltd. [As at 31-03-08 Rs. 0.2 Millions] [Maximum amount due during the year Rs. 11 { Previous Year Rs. 3 } Millions]	10	0
G Simayla Pharmaceuticals [PTY] Ltd. [SA] [Maximum amount due during the year Rs. 9 { Previous Year Rs. Nil } Millions]	7	0
H Quimica E Farmaceutica Nikkho Do Brasil Ltda. [Maximum amount due during the year Rs.2 { Previous Year Rs. Nil } Millions]	2	0
10 Loans & Advances include amount due from subsidiary companies :		
A Zydus International Pvt. Ltd. [Maximum amount due during the year Rs. 1136 { Previous Year Rs. 1061 } Millions]	406	1061
[During the previous year, the Company has provided a convertible loan of Rs. 1061 Millions to Zydus International Pvt. Ltd. with an option to convert the loan into shares, in case the objective of providing the loan is met with. Accordingly, the company has exercised the option for conversion and during the year, the said loan has been converted into Capital of ZIPL].		
B Dialforhealth India Ltd.[Maximum amount due during the year Rs. 122 {Previous Year Rs. 93} Millions]	122	93
C Zydus France SAS [Maximum amount due during the year Rs.682 { Previous Year Rs. 634 } Millions]	574	634
D Nippon Universal Pharmaceuticals Company Limited, Japan [Maximum amount due during the year - Rs. 31 { Previous Year Rs. Nil } Millions]	31	0
E Etna Biotech S.R.L., Italy [Maximum amount due during the year Rs. 13 { Previous Year Rs. Nil } Millions]	13	0
Note : Loans at A is convertible loan & bearing interest if not converted. Loans at C are interest bearing. The terms of repayment not specified in B, D and E and in case of C repayable in September, 2009.		

Year ended March 31,

	2009	2008
11 A Details of remuneration paid / payable to the Managing Directors :		
a Remuneration	162	154
b Contribution to Provident and other Funds	1	1
c Total	163	155
B Computation of net profit as per section 198 read with section 309 , 349 & 350 of the Companies Act, 1956 :		
a Net Profit after Tax as per Profit & Loss Account	2659	2362
b Add :		
Depreciation provided in Accounts	826	734
Provision for Taxation - Current , Deferred, Fringe benefit & Prior year tax adjustments	305	375
Managing Directors' Remuneration	163	155
Commission to Other Directors	3	3
Directors' fees [Rs 0.30 { Previous year - Rs. 0.22 } Millions]	0	0
Provision for doubtful debts	36	(3)
Loss / [Profit] on sale of Investments [Net][Rs. 0.14 Millions]	0	8
Loss / [Profit] on sale / disposal of Assets [Net]	(88)	(12)
	1245	1260
c Total (a + b)	3904	3622
d Less: Depreciation as per section 350	826	734
e Net Profit as per section 198 (c - d)	3078	2888
C Maximum remuneration payable at the rate of 10% of the net profit as per section 309 of the Companies Act, 1956.	308	289
Remuneration payable to Chairman & Managing Director @ 5 %	152	144
Remuneration payable to Deputy Managing Director	11	11
D Commission to Non-Executive Directors :		
Maximum allowable as per Companies Act, 1956 [1 % of net profit]	31	29
Maximum approved by the Shareholders	10	5
Commission approved by the Board	3	3
12 Capital expenditure on Research & Development [Including Capital Works-in-progress Rs. 157 {Previous Year-Rs. 68 } Millions]	313	268

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

Schedule : 20 - Significant Accounting Policies & Notes on Accounts - Continue :

	INR - Millions Year ended March 31, 2009	2008
13 Miscellaneous Expenses include :		
A Auditors' Remuneration [Including Service Tax] :		
a Audit Fees	3	3
b Tax Audit Fees	1	1
c Certification & Other Charges [Previous Year Rs. 0.5 Millions]	1	0
d Total	5	4
B Cost Auditor's Remuneration including fees for other services & including Service Tax	1	1
14 Borrowing cost capitalised	0	3
15 Micro, Small and Medium Enterprises :		
A Under the Micro, Small and Medium Enterprises Development Act, 2006, [MSMED] following disclosures are required to be made relating to Micro, Small and Medium enterprises.		
Principal amount remaining unpaid to any supplier as at the year end	0	0
Interest due thereon	0	0
Amount of interest paid by the Company in terms of section 16 of the MSMED, along with the amount of the payment made to the supplier beyond the appointed day during the year [Previous Year - Rs. 0.6 Mn.]	2	0
Amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED	0	0
Amount of interest accrued and remaining unpaid at the end of the accounting year	0	0

B The above information has been compiled in respect of parties to the extent to which they could be identified as Micro, Small and Medium Enterprises on the basis of information available with the Company.

16 Disclosure pursuant to Accounting Standard - 15 [Revised] 'Employee Benefits' :

Defined benefit plan and long term employment benefit

A General description :

Gratuity [Defined benefit plan] :

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on death or resignation or retirement at 15 days salary [last drawn salary] for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy

Leave wages [Long term employment benefit] :

The leave wages are payable to all eligible employees at the rate of daily salary for each day of accumulated leave on death or on resignation or upon retirement on attaining superannuation age.

INR - Millions Year ended March 31,	2009			2008		
	Med. Leave	Pre. Leave	Gratuity	Med. Leave	Pre. Leave	Gratuity
B Change in the present value of the defined benefit obligation :						
Opening defined benefit obligation	4	106	242	3	82	207
Interest cost	0	8	19	0	6	17
Current service cost	1	14	25	1	15	25
Benefits paid	0	(42)	(77)	0	(13)	(40)
Actuarial [gain] / losses on obligation	(2)	12	51	0	16	33
Closing defined benefit obligation	3	98	260	4	106	242
C Change in the fair value of plan assets :						
Opening fair value of plan assets	0	0	164	0	0	164
Expected return on plan assets	0	0	19	0	0	16
Contributions by employer	0	0	115	0	0	42
Benefits paid	0	0	(77)	0	0	(40)
Actuarial gains / [losses]	0	0	1	0	0	0
Closing fair value of plan assets	0	0	239	0	0	182
Total actuarial gain [loss] to be recognized	0	12	50	0	16	33

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

Schedule : 20 - Significant Accounting Policies & Notes on Accounts - Continue :

INR - Millions
Year ended March 31,

		2009			2008		
		Med. Leave	Pre. Leave	Gratuity	Med. Leave	Pre. Leave	Gratuity
D	Actual return on plan assets :						
	Expected return on plan assets	0	0	19	0	0	16
	Actuarial gain / [loss] on plan assets	0	0	1	0	0	0
	Actual return on plan assets	0	0	20	0	0	16
E	Amount recognized in the balance sheet :						
	[Assets] / Liability at the end of the year	3	98	260	4	106	242
	Fair value of plan Assets at the end of the year	0	0	(239)	0	0	(182)
	Difference	3	98	21	4	106	60
	Unrecognised past Service cost	0	0	0	0	0	0
	[Assets] / Liability recognized in the Balance Sheet	3	98	21	4	106	60
F	[Income] / Expenses recognized in the Profit & Loss Account statement :						
	Current service cost	1	14	25	1	15	25
	Interest cost on benefit obligation	0	8	19	0	6	17
	Expected return on plan assets	0	0	(20)	0	0	(16)
	Net actuarial [gain] / loss in the period	(2)	12	50	0	16	33
	Net [benefit] / expense	(1)	34	74	1	37	59
G	Movement in net liability recognised in Balance Sheet :						
	Opening net liability	4	106	60	3	82	43
	Expenses as above [P & L Charge]	(1)	34	74	1	37	59
	Employers contribution	0	(42)	(115)	0	(13)	(42)
	[Assets]/Liability recognized in the Balance Sheet	3	98	19	4	106	60
H	Principal actuarial assumptions as at Balance sheet date :						
	Discount rate	7.94%	7.94%	8.10%	8.10%	8.10%	8.10%
	[The rate of discount is considered based on market yield on Government Bonds having currency and terms consistence with the currency and terms of the post employment benefit obligations]						
	Expected rate of return on plan Assets	0.00%	0.00%	9.00%	0.00%	0.00%	9.00%
	[The expected rate of return assumed by the Insurance company is generally based on their Investment patterns as stipulated by the Government of India]						
	Annual increase in salary cost						
	[The estimates of future salary increases considered in actuarial valuation, take account of Inflation, Seniority, Promotion and other relevant factors such as supply and demand in the employment market]						
I	The categories of plan assets as a % of total plan assets are :						
	Insurance Company	0.00%	0.00%	100.00%	0.00%	0.00%	100.00%

17 Contingent liabilities not provided for :

INR - Millions
As at March 31

		2009	2008
A	In respect of guarantees given by Banks and counter guarantees given by the Company.	107	110
B	In respect of letter of comforts / corporate guarantees given by the Company to Banks for the outstanding dues of loans availed by some of the subsidiary companies and a joint venture company	3868	445
C	Claims against the Company not acknowledged as debts [Including Rs. 8 { as at 31-03-08 : Rs. 16 } Millions in respect of Amalgamated {*} Companies]	57	99
D	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. [Including Rs. 9 { as at 31-03-08 : Rs. 9 } Millions in respect of Amalgamated {*} Companies]	332	39
E	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. [Including Rs. 42 { as at 31-03-08 : Rs. 42 } Millions in respect of Amalgamated {*} Companies]	219	125
F	In respect of Income Tax matters pending before appellate authorities which the Company expects to succeed, based on decisions of Tribunals / Courts.	14	0

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

Schedule : 20 - Significant Accounting Policies & Notes on Accounts - Continue :

	INR - Millions As at March 31, 2009	2008
H In respect of Sales Tax matters pending before appellate authorities / Court which the Company expects to succeed, based on decisions of Tribunals / Courts.	49	50
Note :[*] represents contingent liabilities taken over by the Company under the Scheme of Arrangement and Amalgamation of Cadila Laboratories Ltd., and erstwhile Cadila Chemicals Ltd., Cadila Antibiotics Ltd., Cadila Exports Ltd. and Cadila Veterinary Pvt. Ltd. with the Company w.e.f. 1st June , 1995.		
18 Estimated amount of contracts remaining to be executed on capital account and not provided for [Net of Advances]	698	421

19 Derivative Financial Instruments :

A 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 The details of outstanding derivative transactions are as under :

Nature of derivative transactions	Quantum [*] INR - Millions As at March 31, 2009	2008	Underline exposure	Purpose
Currency Forward Contracts	6446	4724	Forecasted & future cash flows against Exports	For protecting against the risk of exchange rate fluctuations and not for speculation.
Currency Options	3705	2111	Trade payables and Debts servicing	
Interest Swap	3580	1824	Debts servicing	For protecting against the risk of interest rate

C The details of foreign currency exposures not hedged by derivative transactions are as under :

Underlying exposure	Quantum [*] in INR Mn. As at March 31, 2009	2008
Assets	0	0
Payables	81	2889

Quantum[*] represents the Indian rupee equivalent of foreign currency contracts and derivatives converted in accordance with the accounting policy followed by the Company

20 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 Nycomed Healthcare Pvt. Ltd.	50	31-12-08	Audited	681	32	907	205
		31-12-07	Audited	578	141	796	243
Zydus Hospira Oncology Pvt. Ltd.	50	31-03-09	Audited	635	388	0	26
		31-03-08	Audited	381	106	0	0
Dialforhealth Green cross Limited	50	31-03-09	Audited	1	0.1	0.2	1
		31-03-08	Audited	1	0.1	0.2	1
Zydus BSV Pharma Pvt. Ltd.	50	31-03-09	Audited	244	141	5	8
		31-03-08	Audited	188	96	2	8

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

Schedule : 20 - Significant Accounting Policies & Notes on Accounts - Continue :

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 :

		INR - Millions As at March 31, 2009	2008
A	In respect of guarantees given by a Bank and counter guarantees given by the jointly controlled entities	0	0
B	Custom duty liability which may arise if export obligations are not fulfilled against import of machinery under EPCG Scheme	0	1
C	Claims against the company not acknowledged as debts	0	0
	Estimated amt. of contracts remaining to be executed on capital a/c. and not provided for [Net of Adv.]	63	14

21 Segment Information :

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.

22 Related Party Transactions :

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

a Subsidiary Companies/Concerns :

Dialforhealth India Limited
Dialforhealth Unity Limited
German Remedies Limited
Zydus Pharmaceuticals Limited
Zydus Animal Health Limited
Zydus Wellness Limited [Formerly known as Carnation Nutra-Analogue Foods Ltd.]
Liva Healthcare Ltd.
Nippon Universal Pharmaceutical Company Limited, Japan
Quimica E Pharmaceutica Nikkho Do, Brasil Ltda., Brazil
Zydus IntRus Limited [Russia]
Laboratorios Combix S.L. [Spain]
Zydus International Pvt. Ltd. [Ireland]
Zydus Healthcare S.A. (Pty) Ltd. [South Africa]
Zydus Healthcare [USA] LLC. [USA]
Zydus Healthcare Brasil Ltda [Brazil]
Zydus Pharmaceuticals (USA) Inc. [USA]
Zydus France SAS [France]
Zydus Noveltech Inc., [USA]
Zydus Netherlands B.V., Netherland
M/s. Zydus Healthcare, Sikkim, a Partnership Firm
Etna Biotech S.R.L. [Italy]
Simayla Pharmaceuticals (Pty.) Ltd. [South Africa]
Zydus Technologies Limited

b Joint Venture Companies :

Zydus BSV Pharma Pvt. Ltd.
Dialforhealth Green cross Limited
Zydus Nycomed Healthcare Pvt. Ltd.
Zydus Hospira Oncology Pvt. Ltd.

c Directors and their relatives :

Shri P.R.Patel	Chairman & Managing Director [C.M.D.]
Dr. Sharvil P.Patel	Deputy Managing Director & son of C.M.D.

d Enterprises significantly influenced by Directors and /or their relatives :

Cadmach Machinery Company Private Limited
M/s. C. M. C. Machinery
M/s. Cadam Enterprises
Zydus Infrastructure Pvt. Ltd.
Cadila Laboratories Private Ltd.
MabS Biotech Pvt. Ltd.

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

Schedule : 20 - Significant Accounting Policies & Notes on Accounts - Continue :

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 20 - A [a , b, & d]

Nature of Transactions	Volume of the Transactions [INR - Millions] Subsidiary Companies		Joint venture Companies		Entrprises significantly influenced by Directors and/or their relatives	
	Year ended March 31,					
	2009	2008	2009	2008	2009	2008
Purchases :						
Goods	53	60	9	4	2	3
Fixed Assets		0.3			45	21
Reimbursement of Expenses	73				0.4	
Services	2	1				186
Sales :						
Goods	3332	2146				
Fixed Assets						50
Reimbursement of Expenses	13					
Services	676	170	1	2		
Investments :						
Purchase / made	1310	651	18			
Change in Partner's Capital [net]	(1025)	(196)				
Share of Profit from a firm recd.	767	61				
Interest on Partner's Capital recd.	17	45				
Dividend Received	4	5	400	390		
Finance :						
Inter Corporate Deposits given	494	1083				
Deposits Repaid	1233	22				
Interest Received	57	43				
Guarantees given :	3650	445	218			
Others :						
Partner's Remu. Recd.	480	47				
Outstanding at year end :						
Payable	8	4				
Receivable	2815	2621			20	

b Details relating to persons referred to in item 20 - A [c] above :

		INR - Millions Year ended March 31, 2009	2008
1	Remuneration	163	155
2	Outstanding remuneration payable	149	141

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

Schedule : 20 - Significant Accounting Policies & Notes on Accounts - Continue :

23 Deferred Tax :

A The Deferred tax liability of Rs. 35 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 31-03-08	Charge for the year to Profit & Loss A/c.	As at 31-03-09
Deferred Tax Liabilities :			
Depreciation	1425	20	1445
Others	14	132	146
Total	1439	152	1591
Deferred Tax Assets :			
Retirement benefits	65	8	73
Receivables	14	11	25
Others	136	98	234
Total	215	117	332
Net Deferred Tax Liability	1224	35	1259

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, 2009	2008
A	Profit after tax attributable to Shareholders :			
	a Before extra-ordinary items	INR - Millions	2787	2410
	b After extra-ordinary items	INR - Millions	2659	2362
B	Basic and weighted average number of Equity shares outstanding during the year	Nos.	136499013	125613708
C	Nominal value of equity share	INR	5	5
D	Basic and Diluted EPS :			
	a Before exceptional items	INR	20.42	19.19
	b After exceptional items	INR	19.48	18.80

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

Schedule : 20 - Significant Accounting Policies & Notes on Accounts - Continue :

25 Quantitative and Value analysis of Sales Turnover :

		Year ended March 31,			
		2009		2008	
Class of Goods	Units of Measure	Qty.	INR Millions	Qty.	INR Millions
Tablets	ML.Nos.	7066	9061	10315	8972
Capsules	ML.Nos.	897	1903	921	1756
Injections	K.Ltrs.	1277	2021	1445	1574
Dry Powder Injections	Kgs.	5874	766	4727	882
Liquids	K.Ltrs.	1865	382	2275	310
Dry Syrups, Powders & Granules	Tonnes	678	259	909	902
Ointments	Tonnes	264	263	195	222
Cosmeceuticals	Tonnes	16	2	801	293
Suppositories	ML.Nos.	14	74	12	81
Bulk Drugs	Tonnes	373	2604	399	2151
Others			39		48
Total			17374		17191

26 Quantitative and Value analysis of Opening / Closing Stock as at March 31, :

		2009		2008		2007	
Class of Goods	Units of Measure	Qty.	INR Millions	Qty.	INR Millions	Qty.	INR Millions
Tablets	ML.Nos.	620	246	600	345	740	356
Capsules	ML.Nos.	76	39	59	53	51	47
Injections	K.Ltrs.	199	155	206	165	257	139
Dry Powder Injections	Kgs.	626	68	1162	68	526	64
Liquids	K.Ltrs.	201	20	214	24	139	26
Dry Syrups, Powders & Granules	Tonnes	81	12	37	6	45	7
Ointments	Tonnes	21	8	29	13	20	9
Suppositories	ML.Nos.	2	2	2	11	1	4
Bulk Drugs	Tonnes	59	341	26	256	23	198
Others			14		39		47
Total			905		980		897

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

Schedule : 20 - Significant Accounting Policies & Notes on Accounts - Continue :

27 Quantitative and Value Analysis of goods traded in :

A Quantitative and Value analysis of Opening / Closing Stock as at March 31, :

Class of Goods	Units of Measure	2009 Qty.	2009 INR Millions	2008 Qty.	2008 INR Millions	2007 Qty.	2007 INR Millions
Tablets	ML.Nos.	196	203	462	159	821	160
Capsules	ML.Nos.	24	36	46	56	107	45
Injections	K.Ltrs.	45	150	59	101	238	52
Dry Powder Injections	Kgs.	425	33	148	19	893	32
Liquids	K.Ltrs.	167	26	203	14	771	40
Dry Syrups, Powders & Granules	Tonnes	52	7	59	15	205	14
Ointments	Tonnes	6	1	9	2	32	5
Cosmeceuticals	Tonnes	0	0	134	20	180	29
Others			1		3		10
Total			457		389		387

B Purchases :

Year ended March 31,

Class of Goods	Units of Measure	2009 Qty.	2009 INR Millions	2008 Qty.	2008 INR Millions
Tablets	ML.Nos.	1061	394	2802	591
Capsules	ML.Nos.	191	230	183	215
Injections	K.Ltrs.	305	391	167	528
Dry Powder Injections	Kgs.	1509	102	926	
Liquids	K.Ltrs.	705	125	754	73
Dry Syrups, Powders & Granules	Tonnes	334	50	333	241
Ointments	Tonnes	31	5	21	1
Bulk Drugs	Tonnes			1	0
Cosmeceuticals	Tonnes	16	1	752	91
Others			37		3
Total			1335		1743

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

Schedule : 20 - Significant Accounting Policies & Notes on Accounts - Continue :

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

	Year ended March 31, 2009 Qty.	2009 INR Millions	2008 Qty.	2008 INR Millions
Others [none of which individually accounts for more than 10 % of the total consumption]		4053		3748
Total		4053		3748

29 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 As at March 31, 2009	Installed Capacity As at March 31, 2008	Actual Production Year ended March 31, 2009	Actual Production Year ended March 31, 2008
Tablets	ML.Nos.	7840	7840	6148	7162
Capsules	ML.Nos.	790	790	719	705
Injections	K.Ltrs.	513	513	1008	1071
Dry Powder Injections	Kgs.	200	200	4208	2811
Liquids	K.Ltrs.	0	0	1201	1063
Dry Syrups, Powders & Granules	Tonnes	5800	5800	442	442
Ointments	Tonnes	0	0	229	162
Suppositories	ML.Nos.	7	7	12	13
Bulk Drugs [#]	Tonnes	639	639	504	478
Lyophised Injections	ML. Nos.	12	12	6	5
Vaccines	ML. Dosages	2	2	1	1
Aerosols	ML. Nos.	3	3	1	1
Transdermals	ML. Nos.	5	5	1	0

[#] Includes Inter unit Transfer 97 Tonnes [2007-08 - 78 Tonnes] .

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

	Year ended March 31, 2009 INR Millions	2009 % to Total	2008 INR Millions	2008 % to Total
30 A Value of Raw Materials Consumed :				
Imported	1075	27	1240	33
Indigenous	2978	73	2508	67
Total	4053	100	3748	100
B Value of Stores & Spares Consumed :				
Imported	4	2	49	22
Indigenous	168	98	177	78
Total	172	100	226	100

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

Schedule : 20 - Significant Accounting Policies & Notes on Accounts - Continue :

	INR - Millions Year ended March 31, 2009	2008
31 Value of Imports calculated on CIF basis :		
Raw Materials	1141	1087
Packing Materials	79	75
Finished goods	276	160
Spare Parts	46	45
Capital goods	196	263
32 Expenditure in Foreign currency :		
Travelling	32	33
Commission	90	62
Patent fees of Trade-marks	48	39
Interest	342	259
Royalty	20	17
Others [Salaries, Legal & professional Fees, Research & Development expenses etc.,]	646	447
33 Earnings in Foreign exchange :		
FOB value of Exports	6434	4358
Others	912	21
34 Remittances made on account of dividend in Foreign currency	Nil	Nil

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

Schedule : 20 - Significant Accounting Policies & Notes on Accounts - Continue :

C Balance Sheet abstract and Company's General Business Profile :

1 Registration details :	
Registration number	L24230GJ1995PLC025878
Balance sheet date	31-03-09
State code	4
	INR - Thousands
2 Capital raised during the year :	NIL
3 Position of Mobilisation & Deployment of Funds :	
Total Liabilities	25774000
Total Assets	25774000
Sources of Funds :	
Paid up Capital	682000
Reserves & Surplus	11646000
Deferred Tax Liabilities	1259000
Secured Loans	6367000
Unsecured Loans	1832000
Application of Funds :	
Net Fixed Assets	9542000
Investments	5954000
Net Current assets	5986000
Miscellaneous Expenditure	0
4 Performance of Company :	
Turnover [including other income]	20052000
Total Expenditure	17088000
Profit before Tax	2964000
Profit after Tax	2659000
Basic and Diluted E P S [in Rupees] :	
Before Extraordinary items	20.42
After Extraordinary items	19.48
Dividend rate [%]	90.00
5 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.

Signatures to Schedules 1 to 20.

As per our report of even date

For Mukesh M. Shah & Co.,
Chartered Accountants

Pankaj R. Patel
Chairman & Managing Director

Mukesh M. Shah
Partner
Membership No. 30190.
Ahmedabad, Dated : April 28, 2009.

Jyotindra B. Gor
Chief Accounts Officer

Upen H. Shah
Company Secretary

Sharvil P. Patel
Deputy Managing Director

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 and Joint Ventures as at March 31, 2009, 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:

(INR - Millions)

Name of the Companies	Total Assets	Total Revenues
Subsidiary :		
German Remedies Ltd.	52	18
Joint Ventures:		
Zydus BSV Pharma Pvt. Ltd.	244	5
Zydus Hospira Oncology Pvt. Ltd.	635	0

In case of the following subsidiaries and a joint venture company, their financial statements have been audited by their auditors (wherever applicable) for their respective accounting period as stated below and whose reports have been furnished to us. The financial statements for remaining period up to March 31, 2009 are prepared and certified by the management and are subjected to limited review by their auditors (wherever applicable), 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:

(INR - Millions)

Name of the Companies	Total Assets	Total Revenues	Accounting Year / Period ended on
Subsidiaries :			
Zydus International Private Ltd., Ireland	3100	163	31.12.2008
Zydus France, SAS France	1626	1997	31.12.2008
Zydus Pharmaceuticals USA Inc., USA	4029	3996	31.12.2008
Zydus Healthcare (USA) LLC., USA	17	25	31.12.2008
Zydus Healthcare Brazil Ltda., Brazil	1467	368	31.12.2008
Zydus Healthcare S.A. (Pty.) Ltd., South Africa	216	51	28.02.2009
Zydus Netherlands B.V., the Netherlands	2285	37	31.12.2008
Nippon Universal Pharmaceutical Company Ltd., Japan	520	223	31.12.2008
Quimica E Pharmaceutica Nikkho Do Brasil Ltda., Brazil	710	1282	31.12.2008
Zydus Noveltech Inc., USA	42	1	31.12.2008
Simayla Pharmaceuticals (Pty.) Limited, South Africa	459	402	28.02.2009
Laboratorios Combix, Spain.	462	116	31.12.2008
Etna Biotech S.R.L. Italy	71	15	31.12.2008
Zydus IntRus Ltd. Russia	49	5	31.12.2008
Joint Venture :			
Zydus Nycomed Healthcare Pvt. Ltd.	777	1023	31.12.2008

Auditors' Report

5. 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" and Accounting Standard 27, " Financial Reporting of Interest in Joint ventures" Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Cadila Healthcare Ltd., its subsidiaries and joint ventures (including unaudited financial statements of some of the subsidiary companies) included in the consolidated financial statements.

6. 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 and joint ventures (including unaudited financial statements of some of the subsidiaries) 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 Healthcare Limited, its subsidiaries and joint ventures as at March 31, 2009;

   (b) In the case of the consolidated Profit and Loss Account, of the consolidated results of operations of Cadila Healthcare Limited, its subsidiaries and joint ventures 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 and joint ventures for the year ended on that date.

For Mukesh M. Shah & Co.,
Chartered Accountants

Place : Ahmedabad,
Dated : April 28, 2009.

Mukesh M. Shah
Partner
Membership No. 30190

Consolidated Balance Sheet as at March 31, 2009

	Sch. No.	INR - Millions As at March 31, 2009		2008	
SOURCES OF FUNDS :					
[1] Shareholders' Funds :					
Share Capital	1	682			628
Reserves and Surplus	2	11670			9994
			12352		10622
[2] Minority Interest			228		194
[3] Loan Funds :					
Secured Loans	3	10684			6402
Unsecured Loans	4	1990			1975
			12674		8377
[4] Deferred Tax Liability [Net]	21 [B-16]		1316		1234
Total			26570		20427
APPLICATION OF FUNDS :					
[1] Fixed Assets :	5				
Gross Block		22870			19118
Less : Depreciation, Amortisation and Impairment		7572			6518
Net Block		15298			12600
Capital work-in-progress		1555			1294
Preoperative & Project Expenses pending capitalisation / allocation		334			107
			17187		14001
[2] Investments	6		249		254
[3] Net Current Assets :					
Current Assets, Loans and Advances :					
Inventories	7	6012			4729
Sundry Debtors	8	4845			3555
Cash and Bank Balances	9	2517			926
Loans and Advances	10	2237			2013
		15611			11223
Less : Current Liabilities & Provisions :					
Current Liabilities	11	5729			4138
Provisions	12	1186			913
		6915			5051
			8696		6172
[4] Foreign Currency Monetary items Translation Difference Account			438		0
Total			26570		20427
Significant Accounting Policies and Notes on Accounts	21				

As per our report of even date

For Mukesh M. Shah & Co.,
Chartered Accountants

Pankaj R. Patel
Chairman & Managing Director

Mukesh M. Shah
Partner
Membership No. 30190.
Ahmedabad, Dated : April 28, 2009.

Jyotindra B. Gor
Chief Accounts Officer

Upen H. Shah
Company Secretary

Sharvil P. Patel
Deputy Managing Director

Consolidated Profit And Loss Account for the year ended March 31, 2009

	Sch. No.	INR - Millions Year ended March 31, 2009		2008
INCOME :				
Sales and Income from Operations :				
Gross Sales		29171		23638
Less : Excise Duty		547		978
Net Sales		28624		22660
Other Income from Operations	13	651		569
Total			29275	23229
Other Income	14		204	103
Total			29479	23332
EXPENDITURE :				
Consumption of Materials and Finished Goods	15	9566		7903
General Expenses	16	12087		9408
Research Expenses	17	1564		1336
Interest and Financial Charges	18	1205		413
Depreciation, Amortisation and Impairment	19	1118		969
Total			25540	20029
Profit before exceptional items and Tax			3939	3303
Less : Exceptional Expenses :				
Compensation under Voluntary Retirement Scheme		97		69
Expenses incurred on Composite Scheme of Arrangement		144		0
			241	69
Profit before Taxes			3698	3234
Less : Provision for Taxation	20		666	613
Profit after Tax			3032	2621
Add / [Less]: Pre-acquisition Loss (Profit) transferred to Goodwill arising on consolidation			82	(8)
Add / [Less] : Profit attributable to Minority Share Holders			(83)	(37)
Net Profit			3031	2576
Add : Balance brought forward		1092		223
Add : pursuant to Composite Scheme of Amalgamation		38		0
Add / [Less] : Adjustments on consolidation		0		(5)
			1130	218
PROFIT AVAILABLE FOR APPROPRIATIONS			4161	2794
Appropriations :				
Dividends :				
Proposed Dividend on - Equity Shares		614		565
Corporate Dividend Tax on Distributed Profit		182		163
Total		796		728
Transfer to General Reserve		1599		918
Group's proportionate share in Transfer to General Reserve of Joint Ventures		62		56
			2457	1702
Balance carried to Balance Sheet			1704	1092
Basic and Diluted E P S [in Rupees] :	21[B-15]			
Before Exceptional items			23.97	21.06
After Exceptional items			22.20	20.51
Significant Accounting Policies and Notes on Accounts	21			

As per our report of even date

For Mukesh M. Shah & Co.,
Chartered Accountants

Pankaj R. Patel
Chairman & Managing Director

Mukesh M. Shah
Partner
Membership No. 30190.
Ahmedabad, Dated : April 28, 2009.

Jyotindra B. Gor
Chief Accounts Officer

Upen H. Shah
Company Secretary

Sharvil P. Patel
Deputy Managing Director

Consolidated Cash Flow Statement for the year ended March 31, 2009

Particulars	INR - Millions Year ended March 31, 2009		2008	
A Cash Flows from Operating Activities :				
Net profit before taxation and extraordinary items		3698		3234
Adjustments for :-				
Depreciation	1118		969	
Profit on sale of assets [net]	(88)		(16)	
Interest income	(77)		(62)	
Dividend income	(4)		(2)	
Interest expenses	858		448	
Balance of Profit and Loss acquired under scheme	38		0	
Bad debts written off	23		22	
Provision for claims for Product Warranties & Return of Goods	84		7	
Provisions for retirement benefits	9		58	
Provision for Bad and Doubtful Debts	42		5	
Total		2003		1429
Operating profit before working capital changes		5701		4663
Adjustments for :-				
[Increase] / Decrease in trade receivables	(1316)		(799)	
[Increase] / Decrease in other receivables	(215)		72	
[Increase] / Decrease in inventories	(1283)		(833)	
Change in Minority Interest	34		52	
Increase / [Decrease] in trade payables & other liabilities	1570		(607)	
Total		(1210)		(2115)
Cash generated from operations		4491		2548
Capital Subsidy Received during the year	3		0	
Interest received	68		56	
Interest paid	(849)		(430)	
Direct taxes paid [Net of refunds]	(488)		(398)	
Total		(1266)		(772)
Cash flow before extraordinary items		3225		1776
Exchange Rate Fluctuation and other adjustments arising on Consolidation		(525)		77
Extraordinary items		(514)		0
Net cash from operating activities		2186		1853
B Cash flows from investing activities :				
Purchase of fixed assets	(4069)		(5035)	
Pre-operative & Project expenses	(227)		0	
Purchase of Investments [Net]	(5)		7	
Proceeds from sale of Investments	10		0	
Proceeds from sale of fixed assets	192		108	
Dividend received	4		2	
Net cash from investing activities		(4095)		(4918)
C Cash flows from financing activities :				
Borrowings [Net]	4205		3842	
Dividends paid	(547)		(509)	
Tax on dividends paid	(162)		(332)	
Net cash used in financing activities		3496		3001
Net increase / (-) decrease in cash and cash equivalents		1587		(64)
Cash and cash equivalents at the beginning of the year		926		990
Cash and cash equivalents acquired under scheme of Amalgamation		4		0
Cash and cash equivalents at the close of the year		2517		926

Consolidated Cash Flow Statement for the year ended March 31, 2009

Notes to the cash flow statement :

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

As per our report of even date

For Mukesh M. Shah & Co.,
Chartered Accountants

Pankaj R. Patel
Chairman & Managing Director

Mukesh M. Shah
Partner
Membership No. 30190.
Ahmedabad, Dated : April 28, 2009.

Jyotindra B. Gor
Chief Accounts Officer

Upen H. Shah
Company Secretary

Sharvil P. Patel
Deputy Managing Director

Schedules forming part of the Consolidated Balance Sheet

	INR - Millions		
	As at March 31,		
	2009		2008
Schedule : 1 - Share Capital :			
Authorised :			
140,000,000 [As at 31-03-08 : 140,000,000] Equity Shares of Rs.5/- each		700	700
		700	700
Issued, Subscribed & Paid-up :			
136,499,013 [As at 31-03-08 : 125,613,708] Equity Shares of Rs.5/- each fully paid-up		682	628
Notes : Of the above Shares,			
[A] 133,919,637 [As at 31-03-08 : 33,034,332] Equity Shares were allotted as fully paid-up pursuant to various Schemes of Arrangement & Amalgamation without payments being received in cash and 90,000,000 [As at 31-03-08 : Nil] Equity Shares were extinguished during the year pursuant to a Composite Scheme of Arrangement.			
[B] 77,691,976 [As at 31-03-08 : 77,691,976] Equity Shares were allotted as fully paid-up by way of Bonus Shares by capitalisation of Share Premium Account & General Reserve			
Total		682	628
Schedule : 2 - Reserves & Surplus :			
Capital Reserve:			
Balance as per last Balance Sheet	302		239
Add: Capital Subsidy received during the year	3		0
Less : Utilised under a Composite Scheme of Arrangement [Refer note no. B-2 of Sch. No. 21]	6		0
Add / [Less] : Capital Reserve arising due to Consolidation	51		63
		350	302
Capital Redemption Reserve Account :			
Balance as per last Balance Sheet	32		32
Less : Utilised under a Composite Scheme of Arrangement [Refer note no. B-2 of Sch. No. 21]	32		0
		0	32
Security Premium Account :			
Balance as per last Balance Sheet	2247		2247
Less : Utilised under a Composite Scheme of Arrangement [Refer note no. B-2 of Sch. No. 21]	131		0
Less : Transfer to International Business Development Reserve pursuant to a Composite Scheme of Arrangement [Refer note no. B-2 of Sch. No. 21]	2000		0
		116	2247
Debenture Redemption Reserve :			
Balance as per last Balance Sheet	0		25
Less: Transfer to General Reserve upon redemption of Debentures	0		25
		0	0
International Business Development Reserve :			
Created out of Security Premium Account pursuant to a Composite Scheme of Arrangement [Refer note no. B-2 of Sch. No. 21]		2000	0
Foreign Currency Reserves :			
Balance as per last Balance Sheet	63		(30)
[Less]/Add: Exchange differences on translation of Non Integral Foreign Operations on consolidation	(390)		93
		(327)	63
General Reserve :			
Balance as per last Balance Sheet	5922		4968
Add : Transfer from Debenture Redemption Reserve	0		25
Add : Transitional surplus on adoption of AS-15	0		11
Add : Transfer from Profit and Loss Account	1599		918
	7521		5922
Less : Transfer to Foreign Currency Monetary Items Translation Difference Account [Refer note no. B-3 of Sch. No. 21]	76		0
		7445	5922
Balance in Profit and Loss Account		1704	1092
		11288	9658
Group's proportionate share in reserves [other than balance in P & L Account] of JV's		382	336
Total		11670	9994

Schedules forming part of the Consolidated Balance Sheet

	INR - Millions		
	As at March 31,		
	2009		2008
Schedule : 3 - Secured Loans :			
Loans and Advances from Banks :			
Term Loans	3619		1157
Working Capital Loans	2419		1672
Term Loans - External Commercial Borrowings in Foreign Currency	4317		3497
		10355	6326
Group's proportionate share in secured loans of Joint Ventures		329	76
Total		10684	6402
Schedule : 4 - Unsecured Loans :			
Fixed Deposits		0	3
Short - term Loans :			
From Banks - [Including foreign currency loans of Rs. 445 { As at 31-03-08 Rs. 1362 } Millions]		1445	1362
Other Loans and Advances :			
Interest free deemed loan against deferment of sales tax :			
From a Financial Institution	349		193
Deferred amount	85		240
	434		433
From a Financial Institution	1		1
From Others	0		92
Total		435	526
		1880	1891
Group's proportionate share in unsecured loans of Joint Ventures		110	84
Total		1990	1975

Schedule : 5 - Fixed Assets :

Nature of Fixed Assets	INR - Millions							
	Gross Block		Depreciation		Impairment		Net Block	
	As at 31-03-09	As at 31-03-08	Upto 31-03-09	Upto 31-03-08	Upto 31-03-09	Upto 31-03-08	As at 31-03-09	As at 31-03-08
Tangible Assets :								
Freehold Land	215	131	0	0	0	0	215	131
Leasehold Land	158	177	11	13	0	0	147	164
Buildings	3070	2879	604	550	1	1	2465	2328
Plant & Machinery	8455	7271	2617	2212	109	110	5729	4949
Furniture, Fixture & Office Equipments	554	517	240	195	0	0	314	322
Vehicles	282	262	102	93	0	0	180	169
Intangible Assets :								
Goodwill	4782	2848	42	42	0	0	4740	2806
Trade Marks, Patents & Design	4023	3878	2747	2373	211	205	1065	1300
Technical Know-how	680	698	497	438	52	52	131	208
Commercial Rights	242	55	137	54	0	0	105	1
Total	22461	18716	6997	5970	373	368	15091	12378
Share in assets of Joint Ventures	409	402	202	180	0	0	207	222
Grand Total	22870	19118	7199	6150	373	368	15298	12600
2007-08	19118	13527	6150	4583	368	385	12600	

Schedules forming part of the Consolidated Balance Sheet

	INR - Millions		
	As at March 31,		
	2009		2008
Schedule : 6 - Investments [At cost] :			
Long Term Investments :			
In Government Securities [Unquoted] : [Rs. 0.03 { As at 31-03-08 : Rs. 0.03 } Millions]		0	0
In Shares, Debentures and Bonds :			
Trade Investments [Unquoted] :			
In fully paid-up Series B and C Convertible Preferred Stock		187	187
Other Investments :			
Quoted :			
In fully paid-up Equity Shares	12		12
In Mutual funds	40		43
Total	52		55
Unquoted :			
In Fully paid-up equity shares	10		11
Total	10		11
Total Other Investments		62	66
		249	253
Contribution to the Corpus of Gujarat Venture Capital Fund		0	1
Group's proportionate share in investments of Joint Ventures		0	0
Total [Aggregate Book Value of Investments]		249	254
Schedule : 7 - Inventories :			
[As taken, valued and certified by the management]			
[Valued at lower of cost and net realisable value]			
Stores and Spare Parts		52	38
Stock in Trade :			
Raw Materials	1503		1188
Packing Materials	408		289
Finished Goods	3272		2351
		5183	3828
Works-in-progress		618	727
		5853	4593
Group's proportionate share in inventories of Joint Ventures		159	136
Total		6012	4729
Schedule : 8 - Sundry Debtors : [Unsecured, unless otherwise stated] :			
Debts outstanding for a period exceeding six months :			
Considered good	375		367
Considered doubtful	106		79
	481		446
Less: Provision for doubtful debts	106		79
		375	367
Other debts - Considered good		4412	3188
		4787	3555
Group's proportionate share in sundry debtors of Joint Ventures		58	0
Total		4845	3555

Schedules forming part of the Consolidated Balance Sheet

	INR - Millions		
	As at March 31,		
	2009		2008
Schedule : 9 - Cash and Bank Balances :			
Cash balance on hand		36	7
Bank Balances :			
With Scheduled Banks :			
In Current Accounts	1031		496
In Fixed Deposit Accounts	1077		192
In Foreign Currency Current Accounts	6		24
	2114		712
With Other Banks : In Current Accounts in foreign currency with :			
Uni Credit Bank [Formerly known as International Moscow Bank], Moscow,	4		6
Union Bank of Philippines [Formerly known as International Exchange Bank], Philippines,	2		8
OJSC " Reiffeisen Bank Aval [Formerly known as JSP Pension Bank Aval Kiev] , Ukraine	7		2
	13		16
		2127	728
		2163	735
Group's proportionate share in cash and bank balances of Joint Ventures		354	191
Total		2517	926
Schedule : 10 - Loans and Advances :			
[Considered Good, unsecured unless otherwise stated]			
Advances recoverable in cash or in kind or for value to be received :			
Secured	0		1
Unsecured	1606		1379
		1606	1380
Balances with Custom / Central Excise / Sales tax Authorities		447	466
Interest receivable		19	10
		2072	1856
Group's proportionate share in loans and advances of Joint Ventures		165	157
Total		2237	2013
Schedule : 11 - Current Liabilities :			
Acceptances		0	235
Sundry Creditors other than Micro, Small and Medium Enterprises :			
For Capital Goods	54		83
Others	5201		3558
Total		5255	3641
Advances from Debtors		78	39
Trade Deposits		21	19
Bank Book Overdraft		190	61
Investor Education and Protection Fund [*] :			
Unclaimed dividends	11		10
Matured but unclaimed Debentures [Rs. 0.01 { As at 31-03-08 : Rs. 0.01 } Million]	0		0
Total [*][There are no amounts due and outstanding to be credited to Investor Education and Protection Fund]		11	10
Interest accrued but not due on loans		58	49
		5613	4054
Group's proportionate share in current liabilities of Joint Ventures		116	84
Total		5729	4138
Schedule : 12 - Provisions :			
Proposed dividend	630		565
CDT on Proposed Dividend	117		97
Provision for taxation [Net of Advance payment of direct taxes]	176		103
Provision for claims for Product Warranties & Return of Goods	105		20
Provision for retirement benefits	211		202
		1239	987
Group's proportionate share in provisions of Joint Ventures		(53)	(74)
Total		1186	913

Schedules forming part of the Consolidated Profit and Loss Account

	INR - Millions		
	Year ended March 31,		
	2009		2008
Schedule : 13 - Other Income from Operations :			
Export Incentives	89		70
Income from Contract Manufacturing and Processing Charges	353		333
Surplus on account of fluctuations in foreign exchange rates [net]	0		16
Miscellaneous Income	209		141
Total		651	560
Group's proportionate share in surplus (deficit) on account of fluctuation in foreign exchange rates and other income of Joint Ventures		0	9
Total		651	569
Schedule : 14 - Other Income :			
Dividends [Gross] :			
From Long Term Non - Trade Investments - Others		4	2
Rent Received		13	7
Profit on assets sold / discarded [net]		88	16
Interest earned [Gross] :			
From Long Term Investments	2		3
Others	75		60
Total		77	63
		182	88
Group's proportionate share in Other Income		22	15
Total		204	103
Schedule : 15 - Consumption of Materials and Finished Goods :			
Raw Materials :			
Stock at commencement	1188		1046
Add : Purchases	5730		4508
	6918		5554
Less : Stock at close	1503		1188
		5415	4366
Packing Materials		1172	959
Purchases of Finished Goods		3337	2954
[Increase] Decrease in Stock of Finished Goods & Works-in-progress :			
Stock at close :			
Finished Goods	3272		2351
Works-in-progress	618		727
	3890		3078
Less : Stock at commencement :			
Finished Goods	2674		1818
Works-in-progress	727		842
	3401		2660
	(489)		(418)
Differential Excise Duty on Opening and Closing stock on Finished Goods	(8)		2
		(497)	(416)
		9427	7863
Group's proportionate share in material cost of Joint Ventures		139	40
Total		9566	7903

Schedules forming part of the Consolidated Profit and Loss Account

	INR - Millions		
	Year ended March 31,		
	2009		2008
Schedule : 16 - General Expenses :			
Personnel expenses :			
Salaries, wages and bonus	2683		2084
Company's contribution to provident & other funds	293		267
Staff welfare expenses	133		118
		3109	2469
Stores and spare parts consumed		208	240
Power & fuel		499	447
Processing Charges		304	328
Insurance		87	59
Repairs :			
Buildings	32		30
Plant and Machinery	131		46
Others	41		33
		204	109
Rent		126	85
Rates and Taxes		113	87
Managing Directors' Remuneration		173	155
Commission to Directors		3	3
Traveling Expenses		705	663
Legal & Professional fees		394	442
Miscellaneous Expenses		882	792
Deficit on account of fluctuations in foreign exchange rates [Net]		251	3
Selling & Distribution Expenses :			
Commission on sales	565		377
Freight and forwarding on sales	798		611
Sales promotion expenses	1134		740
Advertisements	463		390
Seminar, Conference and Exhibition	188		175
Representative Allowances Incentives	519		415
Bad debts written off	23		22
Provision for Doubtful Debts	37		5
Other marketing expenses	1110		695
		4837	3430
Directors' fees [Rs 0.30 { Previous year - Rs. 0.22 } Millions]		0	0
Loss on sale of long term Investments [Rs 0.14 Millions]		0	8
Donations		77	4
		11972	9324
Group's proportionate share in general expenses of Joint Ventures		115	84
Total		12087	9408

Schedules forming part of the Consolidated Profit and Loss Account

	INR - Millions		
	Year ended March 31,		
	2009		2008
Schedule : 17 - Research Expenses :			
Materials		327	425
Personnel expenses :			
Salaries, wages and bonus	326		244
Company's contribution to provident & other funds	26		14
Staff welfare expenses	22		10
		374	268
Stores and spare parts consumed		76	39
Power & fuel		53	38
Analytical expenses		436	395
Insurance		2	9
Repairs :			
Building	2		2
Plant & machinery	10		7
Other	3		0
		15	9
Traveling Expenses		21	27
Legal and Professional fees		16	19
Provision for doubtful debts		5	0
Loss [Gain] on account of fluctuations in foreign exchange rates [Net]		(36)	0
Others		275	107
		1564	1336
Group's proportionate share in research expenses of Joint Ventures		0	0
Total		1564	1336
Schedule : 18 - Interest and Financial Charges :			
Interest :			
On term loans	681		321
On debentures	0		1
On working capital loans from banks	158		123
Others	19		18
		858	463
Deficit [Surplus] on account of fluctuations in foreign exchange rates on loans		227	(109)
Bank commission & charges		120	59
		1205	413
Group's proportionate share in net interest and financial charges of Joint Ventures		0	0
Total		1205	413
Schedule : 19 - Depreciation, Amortisation and Impairment :			
Depreciation		1097	935
Group's proportionate share in depreciation of Joint Ventures		21	34
Total		1118	969
Schedule : 20 - Provision for Taxation :			
Current Tax	412		424
Deferred Tax	84		92
Fringe Benefit Tax	77		65
Total		573	581
[Less] Add : Prior year's tax adjustments		0	(31)
		573	550
Group's proportionate share in tax provisions made by Joint Ventures		93	63
Total		666	613

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

Schedule : 21 - 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 they comply with the Accounting Standards prescribed in the Companies [Accounting Standards] Rules, 2006 issued by the Central Government to the extent applicable and 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 and Joint Ventures.

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 Changes have been made in the accounting policies followed by each of the subsidiaries / joint ventures to the extent they are material and identifiable from their respective accounts to make them uniform with the accounting policies followed by the Holding Company. Where it has not been practicable to use uniform accounting policies in preparing the CFS, the different accounting policies followed by each of the group companies have been followed. The major differences in the accounting policies followed by group companies are as under.

a In case of Zydus Nycomed 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 :

- Leasehold Land [Amortised over lease period]	64 years
- Buildings - Factory	5%
- Buildings - Non Factory	2.5%
- Plant & Machinery [including containers, which are being depreciated at 50 %]	15 % to 50%
- Office and Other Equipments	20%
- Computers and Peripherals	33.33%
- Vehicles	20%
- Furniture and Fixtures	16.67%

b In case of Foreign subsidiary companies, the depreciation is provided as per the depreciation rates specified by the respective companies GAAP / estimated useful lives of the assets.

c During the year the basis of ascertaining the cost of closing stock has been changed from " FIFO " method to "Moving Average" method from the current year due to implementation of " SAP " software in case of Cadila Healthcare Limited, Zydus Wellness Limited & M/s. Zydus Healthcare - Sikkim.

C a The excess / deficit of the cost of the Company's investments in each of its subsidiaries & 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 has not been amortised, instead it is evaluated for impairment whenever events or changes in circumstances indicate that its carrying amount may be impaired.

D a 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".

b In case of Foreign operations classified as Integral operations, the Financial Statements are converted as under :

i All Monetary Assets and Liabilities using closing exchange rates.

ii All Non Monetary items using Historical exchange rates.

iii All Revenues and Expenses using yearly Average Exchange Rates prevailing during the year.

iv 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 :

i All Assets and Liabilities using closing exchange rates.

ii All Revenue and Expenses using yearly Average Exchange Rates prevailing during the year.

iii Exchange differences arising on conversion are accumulated in the "Foreign Currency Translation Reserves" until the disposal of Investments in such Operations.

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".

F 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 : 21 - Significant Accounting Policies and Notes on Accounts - Continue :

G CFS as at 31st March, 2009 comprise the financial statements of Cadila Healthcare Limited [CHL] and its subsidiaries as well as its interest in Joint Ventures as at 31st March, 2009, which are as under:

Sr. No.	Name of the Company	Country of incorporation	% Shareholding and voting power	Status	Financial statement as at
			[a] Subsadiaries :		
A	Indian Subsidiaries:				
1	Zydus Pharmaceuticals Limited	India	WOS *	Audited	31-03-09
2	Dialforhealth India Limited [DFH]	India	WOS	Audited	31-03-09
3	Dialforhealth Unity Limited	India	55% holding of DFH	Audited	31-03-09
4	German Remedies Limited [GRL]	India	WOS	Audited	31-03-09
5	Zydus Wellness Limited [Formerly known as Carnation Nutra-Analoogue Foods Ltd.]	India	70.21% holding of CHL 1.79% holding of ZAHL	Audited	31-03-09
6	Liva Healthcare Limited	India	WOS	Audited	31-03-09
7	Zydus Animal Health Limited [ZAHL]	India	WOS	Audited	31-03-09
8	Zydus Technologies Limited [Refer Note-1]	India	85.16% holding of CHL	Audited	31-03-09
B	Foreign Subsidiaries:				
1	Zydus International Private Limited [ZIPL]	Ireland	WOS of CHL	**	31-03-09
2	Zydus Healthcare SA [Pty.] Limited [Zydus SA]	South Africa	WOS of ZIPL	Unaudited	31-03-09
3	Zydus Healthcare [USA] LLC	U. S.A.	WOS of ZIPL	**	31-03-09
4	Zydus Healthcare Brasil Ltda.	Brazil	WOS of ZNBV	Unaudited	31-03-09
5	Zydus Pharmaceuticals [USA] Inc. [Refer Note-2]	U. S.A.	WOS of ZIPL	**	31-03-09
6	Zydus France , SAS , France.	France	WOS of ZIPL	**	31-03-09
7	Zydus Netherlands B.V. [ZNBV]	Netherland	WOS of ZIPL	Unaudited	31-03-09
8	Zydus Pharma Inc., Japan [Refer Note-3]	Japan	WOS of ZIPL	N.A.	31-03-09
9	Nippon Universal Pharmaceutical company Ltd	Japan	WOS of ZIPL	**	31-03-09
10	Quimica e Pharmaceutica Nikkho Do Brasil Ltda	Brazil	WOS of Zydus Brazil Ltda.	Unaudited	31-03-09
11	Zydus Noveltech Inc., USA	U. S.A.	85% holding of ZIPL	Unaudited	31-03-09
12	Simayla Pharmaceuticals [Pty] Ltd [Refer Note-4]	South Africa	70% holding of Zydus SA	Unaudited	31-03-09
13	Laboratories Combix S.L [Refer Note-5]	Spain	WOS of ZNBV	Unaudited	31-03-09
14	Etna Biotech S.R.L [Refer Note-6]	Italy	WOS of ZIPL	Unaudited	31-03-09
15	Zydus IntRus Limited [Refer Note-7]	Russia	WOS of ZIPL	Unaudited	31-03-09
			[b] Joint Ventures :		
1	Zydus Nycomed Healthcare Pvt. Ltd.	India	50% holding of CHL	**	31-03-09
2	Zydus Hospira Oncology Pvt. Ltd.	India	50% holding of CHL	Audited	31-03-09
3	Zydus BSV Pharma Pvt Ltd.	India	50% holding of CHL	Audited	31-03-09
4	Dialforhealth Greencross Limited	India	50% holding of DFH	Audited	31-03-09
			[c] Partnership Firm :		
1	M/s. Zydus Healthcare - Sikkim	India	96% holding of CHL & 2% holding of GRL	Audited	31-03-09

Explanatory Notes

Note - 1 New Subsidiary incorporated on 16th February, 2009 during the year.

Note - 2 Became wos of ZIPL w.e.f. 12th December, 2008 during the year.

Note - 3 Merged with Nippon Universal Pharmaceutical company Ltd. on 1st December, 2008 during the year.

Note - 4 Became subsidiary w.e.f. from 2nd July, 2008 during the year.

Note - 5 Became subsidiary w.e.f. from 23rd July, 2008 during the year.

Note - 6 Became subsidiary w.e.f. from 26th November, 2008 during the year.

Note - 7 New Subsidiary incorporated on 6th June, 2008 during the year.

* WOS = Wholly Owned Subsidiary

** 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, 2009.

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.

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

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

B Notes on Accounts :

1 A The figures for the previous year have been regrouped wherever necessary so as to make them comparable with those of the current year.

B During the year, Zydus Technologies Limited, Zydus Pharmaceuticals USA Inc., Simayla Pharmaceuticals [Pty] Ltd, Laboratories Combix S.L, ETNA Biotech S.R.L and Zydus Int Rus Limited became subsidiary companies. The figures for the Current year are, therefore, not comparable with those of the previous year.

2 A During the year, the company implemented a Composite Scheme of Arrangement [the scheme] with Carnation Nutra-Analogue Foods Limited [CARNATION] [now name changed to Zydus Wellness Limited], a subsidiary Company and Zydus Hospital & Medical Research Private Limited [ZHMRPL] which was approved by the order of the Hon'able Gujarat High Court, dated October 23, 2008.

B The Scheme envisaged Demerger of Consumer Products Division [CPD] of the Company into CARNATION, Amalgamation of ZHMRPL with the Company and Utilisation of Securities Premium account of the Company in the prescribed manner besides the accounting treatment of the Scheme.

C Both the demerger and amalgamation have been accounted under the " Amalgamation in the nature of merger " in terms of Accounting Standard [AS-14] on " Accounting for Amalgamation ".

D Demerger of Consumer Products Division [CPD] of the Company into CARNATION :

The appointed date of the demerger [Demerger Appointed Date] under the Scheme was April 1, 2008, while the effective date is November 30, 2008.

CARNATION is engaged in the business of manufacturing & marketing of consumer products.

CPD includes all the business undertakings, properties & supplies of whatsoever nature & goods pertaining to CPD which deals in consumer health products.

All the assets & liabilities of CPD has been transferred at the value appearing in the books of the company as on the Demerger Appointed Date, on a going concern basis. However, the assets & liabilities other than those forming part of CPD has been accounted by the Company.

In consideration, CARNATION allotted four Equity Shares of Rs. 10/- each fully paid up to Share holders of the Company for every fifteen equity shares of Rs. 5/- each fully paid up of the Company held by them.

The excess of book value of assets over liabilities of CPD transferred to CARNATION amounting to Rs. 47 Millions has been debited to the securities premium account in the Company. Such reduction has been effected as an Integral part of the scheme and the same does not involve either diminution of the liability in respect of unpaid share capital or payment to shareholders of any paid up share capital.

E Amalgamation of ZHMRPL with the Company :

The appointed date of the amalgamation [Amalgamation Appointed Date] under the Scheme was July 1, 2008, while the effective date is February 4, 2009.

ZHMRPL was incorporated to establish hospitals and medical research facilities.

All the assets & liabilities of ZHMRPL have been transferred to the company at value appearing in the books of ZHMRPL as on the Amalgamation Appointed Date on going concern basis, except that the 90millions Equity Shares of the Company held by ZHMRPL stand cancelled.

In consideration, the Company issued and allotted 100,885,305 Equity Shares of Rs. 5 each of the Company as fully paid to the shareholders of ZHMRPL. The Scheme provided for the right of ZHMRPL to declare and to pay dividend to its share holders for the accounting period after Amalgamation Appointed Date but prior to amalgamation effective date. Accordingly ZHMRPL had declared an interim dividend of Rs. 363 Millions to its share holders out of the final dividend of Rs. 405 Millions for the year 2007-08 declared and paid by the Company, which ZHMRPL received in July, 2008 and therefore not considered in the basis for arriving at share exchange ratio under the Scheme. The difference amount of dividend received and interim dividend paid by ZHMRPL of Rs. 42 Millions has been transferred to Profit & Loss Account by the Company as a part of accounting of the transactions of the Scheme.

The excess of face value of shares issued as aforesaid over the book value of assets less liabilities of ZHMRPL transferred to the Company under the Scheme amounting to Rs. 122 Millions in aggregate has been debited to the capital reserve account Rs. 6 Millions, Capital Redemption Reserve Account Rs. 32 Millions and Securities Premium Account, Rs. 84 Millions by the company.

F Re-organization of Reserves of the Company:

From the effective date, Rs.2000 Millions stand credited to “International Business Development Reserve Account ” [IDBR] from the balance of securities premium account.

IDBR would be available towards certain “Expenses” incurred by the Company, to the extent of available balance in IDBR.

Expenses for this purpose will include professional, legal, financial fees or any other commission payable during acquisition process carried out directly or through its subsidiary, interest expenses, loss arising on foreign exchange fluctuations relating to debt borrowed and interest paid on acquisition, research & development expenses incurred for and in connection with getting product registration abroad, goodwill arising on merger / restructuring.

These expenses would typically include expenses which cannot be capitalised.

An identical accounting treatment should be followed even for the purpose of consolidated accounts.

Transferring the above stated amount to IDBR and its subsequent utlisation at and approximate time amount to reduction of Securities Premium Account. Such reduction has been affected as and integral part of the Scheme and same does not involve either diminution of liability in respect of unpaid shares or payment to shareholders of any paid up share capital.

In view of the aforesaid Scheme, the figures of the current year are not fully comparable with those of the previous years.

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

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

3 The Company has opted for accounting the exchange rate differences arising on the Long Term Foreign Currency Monetary Items [LTFCMI] in accordance with the notification dated March 31, 2009 under the Companies [Accounting Standards] Rules, 2006 on Accounting Standard 11 relating to " the effects of changes in foreign exchange rates ".

A Accordingly, retrospectively from the accounting year 2007-08, the effects of exchange rate differences arising from long term foreign currency loans availed for funding acquisition of fixed assets has been adjusted to the cost of respective items of fixed assets. While, in other cases such exchange rate difference on the LTFCMI is transferred to " foreign currency monetary items translation difference account ". [FCMITDA], which is amortised during the tenure of the respective LTFCMI but not beyond March 31, 2011.

B In view of above change in policy, net profit of the company for the year is higher by Rs. 94 Millions [net of tax].

4 During the year, Zydus International Pvt. Ltd., Ireland, the wholly owned subsidiary and overseas Investment Holding SPV of the Company has acquired 100% capital of M/s. Etna Biotech S.R.L., a limited liability company at Italy for an agreed consideration plus Net Cash [as defined in the definitive agreement] which is yet to be crystalised. The necessary accounting effect for capital reserve on acquisition has been given in the accounts.

5 During the year, Zydus Healthcare SA [Proprietary] Ltd, South Africa, the second generation subsidiary of the Company, acquired 70% shareholding of Simayla Pharmaceuticals [Proprietary] Limited, South Africa [Simayla] and made it a Joint Venture and third generation subsidiary Company. As per the agreement with the sellers, the final purchase price get adjusted on the third anniversary of closing of the transaction, on happening of certain factors and/or achieving of set targets for sales and profit for Simayla.

In view of uncertainty attached to these conditions, amount of consideration finalised and paid at present is recognised as “purchase price” and treated as “Investment” by the Company. Goodwill on acquisition is worked out based on this amount. Additional amount, if any, will be recognised as Investment as & when determined and becomes payable.

Further, the agreement grants to the Company & the sellers "call option" and "put option", respectively, to acquire or sell the remaining 30% share holding in Simayla at the end of 3rd and 5th anniversary of the closing of the transaction at a consideration to be determined as per the agreement.

6 During the year, Zydus Netherland B.V., a third generation wholly owned subsidiary of the company acquired 100% share holding in Laboratories Combix S.L., Spain [Combix]. The amount of consideration is to be adjusted for the difference in the actual amount of working capital in Combix as on closing date of the transaction, against the base amount as per the agreement, which is yet to be crystallized. Pending this, amount paid is recognized as “purchase price” and accounted for as Investment & the goodwill arising on the acquisition has been calculated accordingly.

7 The Company was holding 70% of the shares of Zydus Pharmaceuticals [USA] Inc. [ZPU], its second generation subsidiary, through Zydus International Private Limited, Ireland. During the year, ZPU has redeemed [i.e Bought Back] the remaining 30% of shares from its other share holders and thereby, from 12th December, 2008, ZPU has became 100% wholly owned second generation subsidiary of the Company. The accounting treatment of redemption of shares has been re-casted as per Indian GAAP.

8 In terms of Merger Agreement [the merger] of Zydus Pharma Inc., Japan, a parent company (referred to as "transferor company") have been amalgamated with Nippon Universal Pharmaceutical Company Ltd. [NUP] Japan, its subsidiary company, as per the provision applicable in Japan. NUP is engaged in manufacturing and distribution of pharmaceutical products. The accounts of transferor company have been amalgamated with NUP from 1st December, 2008, being the effective date of the merger.

In accordance with the merger, all the assets, liabilities, rights & obligations of the Transferor company stand transferred & vested in the company with effect from the effective date at their carrying amount appearing in the books. All the shares of the Transferor company have been extinguished & dissolved upon the merger. NUP consolidated its shares & issued & allotted one share for every 100 shares held by its shareholders on the day before the effective date of the merger. 19,295 common stock of NUP have been allotted to the shareholder of the transferor company i.e. Zydus International Private Limited, Ireland, a subsidiary of the company.

9 In the year 2007-08, the company had purchased 90,750 equity shares of Rs. 100 each of Liva Healthcare Ltd. at a negotiated consideration as per the Share Purchase Agreement [SPA] entered with the sellers. During the year, the company has reached settlement with the seller in respect of various claims raised by the Company under SPA and accordingly the final consideration has been reduced by Rs. 35 Millions.

Consequently, the value of the Goodwill on consolidation has been worked out accordingly.

10 The Sales include Rs. 999 Millions [Previous year Rs. 669 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 : 21 - Significant Accounting Policies and Notes on Accounts - Continue :

11 Contingent liabilities not provided for :

INR - Millions

		Cadila Healthcare Ltd. and subsidiaries		Joint Ventures
		As at 31-03-09	As at 31-03-08	As at 31-03-09
A	In respect of guarantees given by a Bank and counter guarantees given by the Company.	131	134	0
B	In respect of letter of comforts / corporate guarantees given by the Company to Banks for the outstanding dues of loans availed by some of the subsidiary companies and a joint venture company	3868	445	0
C	Claims against the Company not acknowledged as debts	379	110	0
D	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.	333	38	0
E	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.	219	27	0
F	In respect of Income Tax matters pending before appellate authorities which the Company expects to succeed, based on decisions of Tribunals / Courts.	14	0	564
G	In respect of Sales Tax matters pending before appellate authorities which the Company expects to succeed, based on decisions of Tribunals / Courts.	58	60	0
H	In respect of demand raised by the Government of Gujarat on account of stamp duty payable on the trade-marks acquired, against which appeal has been preferred before the Hon'able Delhi High Court	32	32	0
I	Custom duty liability which may arise out of non fulfillment of export obligation against import of machinery under EPCG scheme	12	23	1
J	Others (Employees Indemnity on retirement / guaranteed severance package)	42	0	0
12	Estimated amount of contracts remaining to be executed on capital account and not provided for [Net of Advances]	726	50	64

13 Segment Information :

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

B Secondary Business Segment - By Geographical market :

		Within India Year Ended		Outside India Year ended		Total Year Ended	
		31-03-09	31-03-08	31-03-09	31-03-08	31-03-09	31-03-08
a	Sales revenue by geographical market	16435	14887	12736	8751	29171	23638
b	Carrying amount of segment assets	27738	22854	5310	2624	33048	25478
c	Additions to fixed assets	1771	2190	156	192	1927	2382

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 : 21 - Significant Accounting Policies and Notes on Accounts - Continue :

14 Related Party Transactions :

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

Joint Venture Companies :

Zydus Nycomed Healthcare Pvt. Ltd.
Zydus Hospira Oncology Pvt. Ltd.
Dialforhealth Greencross Ltd.
Zydus BSV Pharma Pvt. 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 Year ended March, 31	
	2009	2008
1. Purchases :		
Goods	0	2
2. Sales :		
Goods	4	0
Services	0	1
3. Investments :		
Purchase	17	103
Dividend Received	400	390

15 Calculation of Earnings per Share [EPS] :

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

		Year ended	
		31-03-09	31-03-08
A Profit attributable to Shareholders :			
a Before Exceptional items	INR - Millions	3272	2645
b After Exceptional items	INR - Millions	3031	2576
B Basic and weighted average number of Equity shares outstanding during the year	Nos.	136499013	125613708
C Nominal value of equity share	INR	5	5
D Basic and Diluted EPS :	INR		
a Before Exceptional items		23.97	21.06
b After Exceptional items		22.20	20.51

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

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

16 Deferred Tax :

A The Deferred tax liability of Rs. 84 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 on 31-03-09	As on 31-03-08
Deferred Tax Liabilities :		
Depreciation	1486	1441
Others	180	14
Total	1666	1455
Deferred Tax Assets :		
Retirement benefits	81	65
Receivables	26	14
Others	243	142
Total	350	221
Net Deferred Tax Liability	1316	1234

As per our report of even date

For Mukesh M. Shah & Co.,
Chartered Accountants

Pankaj R. Patel
Chairman & Managing Director

Mukesh M. Shah
Partner
Membership No. 30190.
Ahmedabad, Dated : April 28, 2009.

Jyotindra B. Gor
Chief Accounts Officer

Upen H. Shah
Company Secretary

Sharvil P. Patel
Deputy Managing Director

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

(Rs. in Mn)

Name of the subsidiary companies	Accounting year ending of the Subsidiary	Number of equity shares held with its face value	Extent of holding in %	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 concerns the members of the holding company and dealt with in the holding company's accounts
Zydus Pharmaceuticals Limited	31st March 2009	950000 Equity Shares of Rs.10/- each	100	1.07		11	4
German Remedies Limited	31st March 2009	24000 Equity Shares of Rs.100/- each	100	17		39	15
Dialforhealth India Limited	31st March 2009	5000000 Equity Shares of Rs.10/- each	100	(9.9)		(92)	
Dialforhealth Unity Limited ++	31st March 2009	27500 Equity Shares of Rs. 10 each	55	(0.01)		(2)	
Zydus Wellness Limited [Formerly known as Carnation-Nutra Analogue Foods Ltd.]	31st March 2009	27432138 Equity Shares of Rs. 10 each	70.21	167		48	6
Liva Healthcare Limited	31st March 2009	90750 Equity Shares of Rs.100/- each	100	29		19	
Zydus Animal Health Ltd.	31stMarch 2009	54000000 Equity Shares of Rs. 10 each	100	164		118	
Zydus Technologies Ltd.****	31st March 2009	850000 Equity Shares of Rs. 10/- each	85.16	(0.2)			
Zydus International Pvt. Ltd. (Ireland)	31st December 2008	25961500 Equity Shares of Euro 1.462843 each	100	72		(10)	
Zydus Healthcare S.A. (Pty.) Ltd. (South Africa) @	28thFebruary 2009	14759129 Ordinary Shares of South African Rand 1 each	100	(2)		(0.4)	
Simayla Pharmaceuticals (Propriotary) Limited (South Africa) *	28th February 2009	140 Ordinary Shares of South African Rand 1 each	70	(16)			
Zydus Pharmaceuticals (USA) Inc. @	31st December 2008	3000000 Equity Shares of face value of US$ 1 each	100	144		37	
Zydus Healthcare (USA), LLC @	31st December 2008	200000 Ordinary Shares of face value of US$ 1 each	100	1.15		2.8	
Zydus Healthcare Brasil Ltda. **	31st December 2008	57706879 Quotas of Brasilian Rial 1 each	100	(73)		(225)	
Zydus France SAS @	31st December 2008	1944134 Shares of Face Value Euro 8/- each	100	110		(658)	
Quimica E Pharmaceutica Nikkho Do Brasil Ltda. @@	31st December 2008	350000 Quotas of Brasilian Rial 1 each	100	67		60	
Nippon Universal Pharmaceutical Company Ltd @	31st December 2008	5000 Ordinary Shares of Yen 50000 each 19295 Ordinary Shares of Yen 26976 each	100	(178)		(44)	
Zydus Netherlands B.V. @	31st December 2008	44820 Common Equity Shares of Euro 100/-	100	(183)		(17)	
Etna Biotech S.R.L. @	31st December 2008	90000 Shares of Face Value Euro 1 each	100	(16)			
Laboratorios Combix S.L., Spain**	31stDecember 2008	6641806 Common Equity Shares of Euro 1/-	100	(197)			
Zydus IntRus Limited @	31st December 2008	1000000 Common Equity Shares of Ruble 1 each	100	(2)			
Zydus Noveltech Inc. (USA)***	31st December 2008	1000 common stock shares of US $ 3000 each	85	(169)		(132)	

++ Subsidiary Company of Dialforhealth India Limited.
@ Wholly owned subsidiaries of Zydus International Pvt. Ltd. (Ireland)
@@ Whollly owned subsidary Company of Zydus Healthcare Brasil Ltda.
* Subsidiary Company of Zydus Healthcare S.A. Proprietary Ltd. (South Africa)
** Whollly owned subsidiary Company of Zydus Netherlands B.V., The Netherlands
*** 85% held by Zydus International Private Limted and 15% held by Dr. Sharad Govil.
**** 85% held by Cadila Healthcare Limited and 15% held by Dr. Sharad Govil.

Notes:

A. There has been 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

Pankaj R. Patel
Chairman & Managing Director

Jyotindra B. Gor
Chief Accounts Officer

Upen H. Shah
Company Secretary

Sharvil P. Patel
Deputy Managing Director

Ahmedabad, Dated : April 28, 2009.

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	INR - Millions									
					Capital	Reserves	Total Assets	Total Liabilites	Investment other than Investment in Subsidiary	Turnover	Profit / (Loss) before Taxation	Provision for Taxation	Profit / (Loss) after Taxation	Proposed Dividend
1	Zydus Pharmaceuticals Limited	India	INR	1.00	10	11	23	2	1	-	1.56	0.49	1.07	
2	German Remedies Limited	India	INR	1.00	2	42	52	8	10	18	18	1	17	12
3	Dialforhealth India Limited	India	INR	1.00	50	(102)	75	127	1	103	(10)	0.10	(9.90)	
4	Dialforhealth Unity Limited	India	INR	1.00	0.5	(2.40)	0.10	2			(0.04)	(0.03)	(0.01)	
5	Zydus Wellness Limited (Formerly known as Carnation-Nutra Analogue Foods Ltd.)	India	INR	1.00	391	299	1133	443		1947	365	127	238	59
6	Liva Healthcare Limited	India	INR	1.00	9	(2)	157	150	1	435	44	15	29	
7	Zydus Animal Health Limited	India	INR	1.00	540	13	703	150		1103	185	21	164	
8	Zydus Technologies Limited	India	INR	1.00	9.98	(0.21)	9.77	0.001			(0.21)		(0.21)	
9	Zydus International Private Limited @	Ireland	Euro	67.48	2563	55	3017	399		49	90	18	72	
10	Zydus HealthcareSA (Pty.) Limited #	South Africa	SA Rand	5.34	79	(3)	159	83		3	(2)		(2)	
11	Zydus Pharmaceuticals (USA) Inc. @	USA	US Dollar	50.68	152	143	3049	2754		4015	241	97	144	58
12	Zydus Healthcare (USA) LLC @	USA	US Dollar	50.68	10	4	15	1		20	1.65	0.48	1.15	
13	Zydus Healthcare Brazil Ltda. @	Brasil	Brasil Rial	21.82	1259	(382)	1292	415		257	(112)	39	(73)	
14	Quimica E Pharmaceutica Nikkho Do Brazil Ltd.@	Brasil	Brasil Rial	21.82	8	46	578	524		1145	108	41	67	
15	Nippon Universal Pharmaceutical Co. Ltd. @	Japan	Yen	0.51	301	(94)	404	197		172	(178)		(178)	
16	Zydus Noveltech Inc., USA @	USA	US Dollar	50.68	253	(355)	79	181		1	(199)	0.03	(199)	
17	Zydus France, SAS @	France	Euro	67.48	1050	(576)	1913	1439		2056	110		110	
18	Zydus Netherland B.V. @	The Netherlands	Euro	67.48	302	(200)	2277	2175		2	(183)		(183)	
19	Simayla Pharmaceutical (Proprietary) Limited #	South Africa	SA Rand	5.34	0.001	26	377	351		121	(17)	6	(23)	
20	Laboratorios Combix @	Spain	Euro	67.48	448	(41)	515	108		138	(197)		(197)	
21	Zydus IntRus Limited @	Russia	Rubble	1.48	1	(2)	7	8			(2)		(2)	
22	Etna Biotech S.R.L. @	Italy	Euro	67.48	6	26	71	39		45	(16)		(16)	

The figures given in Indian Rupee is equivalent of the figures given in foreign currencies appearing in the accounts of subsidiary companies at the exchange rate as on March 31, 2009.

@ The financial year of these Companies ended on December 31, 2008.

The financial year of these Company ended on February 28, 2009.

CADILA HEALTHCARE LIMITED

Regd. Office : `Zydus Tower', Satellite Cross Roads, Sarkhej-Gandhinagar Highway, Ahmedabad - 380015.

Notice

Notice is hereby given that the FOURTEENTH ANNUAL GENERAL MEETING of the members of CADILA HEALTHCARE LIMITED will be held on Wednesday, the 29th day of July 2009 at 10.00 a.m. at Bhaikaka Bhavan, Near Law Garden, Ellisbridge , Ahmedabad – 380006 to transact the following business:

ORDINARY BUSINESS

1.To receive, consider and adopt the audited Balance Sheet as at and the Profit and Loss Account of the Company for the year ended on 31st March 2009 and the Reports of the Directors and Auditors thereon.

2. To declare dividend on Equity Shares.

3. Mr. H. K. Bilpodiwala, Director of the Company, retiring by rotation has not offered himself for re-appointment. It is proposed not to fill-in the vacancy caused by the retirement of Mr. H. K. Bilpod iwala.

4. To appoint a Director in place of Mr. H. Dhanrajgir, who retires by rotation and being eligible offers himself for re-appointment.

5. To appoint Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

By order of the Board of Directors

Place : Ahmedabad.
Date : April 28, 2009.

Upen H. Shah
Company Secretary

Registered Office:
"ZYDUS TOWER"
Satellite Cross Roads
Sarkhej-Gandhinagar Highway
Ahmedabad - 380015.

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF, ON A POLL ONLY AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. However Proxy Form(s) duly stamped, completed and signed, should be deposited at the Registered Office of the Company not less than 48 hours before the Meeting.

2. The Register of Members and Share Transfer Books of the Company will remain closed from 20th July 2009 to 29th July 2009, both days inclusive.

The dividend, if declared, will be paid on or after 4th August 2009 but within the statutory time limit of 30 days, to those members entitled thereto whose names appear in the Register of Members of the Company as on 29th July 2009. In respect of shares held in dematerialised form in the Depository System, dividend thereon will be paid to the beneficial owners as per the list to be provided by the Depositories.

NOTES - Continue :

3. Payment of Dividend through ECS:

a) Members holding shares in physical form are advised to submit particulars of their bank account, viz., name and address of the branch of the bank, 9 digit MICR code of the branch, type of account and account number latest by 25 th July 2009 directly to the Company's Registrar and Share Transfer Agents, M/s. Pinnacle Shares Registry Private Limited, Near Asoka Mills, Naroda Road, Ahmedabad-380025.

b) Members holding shares in demat form are advised to inform the particulars of their bank account to their respective depository participant.

4. The bank account particulars of the members will be printed on the dividend warrants. In respect of shares held in physical form, the bank account particulars should be sent to Registrar and Share Transfer Agents a t the above address.

Members holding shares in demat form must give particulars of their bank account to their Depository Participants. The Company or its Registrar and Share Transfer Agents will not act on any such request received from members for change in their bank account particulars. Further, instructions given by members for shares held in physical form would not be applicable to the dividend paid on shares also held in demat form.

5. Those members who have not encashed their dividend warrants pertaining to the following financial years are requested to approach the Company for the payment thereof as the same will be transferred to the Investor Education and Protection Fund, pursuant to section 205A(5) of the Companies Act, 1956 on the respective dates mentioned there against. Kindly note that after such date, the members will loose their rights to claim such dividend.

	In respect of dividend declared by Cadila Healthcare Limited	In respect of dividend declared by erstwhile German Remedies Limited (merged with the Company)
Financial year ended	Due date of transfer	Due date of transfer
31-03-2002	04-10-2009	01-10-2009
31-03-2003	03-10-2010	N.A.
31-03-2004	26-07-2011	N.A.
31-03-2005	01-08-2012	N.A.
31-03-2006	01-08-2013	N.A.
31-03-2007	01-08-2014	N.A.
31-03-2008	04-08-2015	N.A

6. Members holding shares in physical form are requested to intimate Registrar andShare Transfer Agents of the Company viz., Pinnacle Shares Registry Private Limited, Unit: Cadila Healthcare Limited, Near Asoka Mills, Naroda Road, Ahmedabad – 380025, changes, if any, in their registered address alongwith Pin Code. Members holding shares in electronic form may update such details with their respective Depository Participant.

7. The information required to be provided under the Listing Agreement entered into with the Stock Exchanges, where the equity shares of the Company are listed, regarding the Directors who are proposed to be appoin ted / re-appointed are annexed hereto.

REQUEST TO THE MEMBERS

1. Members desiring any relevant information on the accounts at the Annual General Meeting are requested to write to the Company at least seven days in advance of the date of Annual General Meeting at its Registered Office, so as to enable the company to keep the information ready.

2. Members are requested to bring their copy of the Annual Report to the Meeting.

(ANNEXURE TO THE NOTICE DATED 28th APRIL 2009)

Details of Directors seeking appointment / re-appointment at the forthcoming Annual General Meeting (Pursuant to Clause 49 of the Listing Agreement).

Name of the Director	H. Dhanrajgir
Age	72
Date of Appointment on the Board	16th August 2003
Brief resume and nature of expertise in functional areas	He is a B. Tech (Chem. Eng.) from Loughborough University, U.K., M.I. Chem. E (London.), C. Eng (London), AMP (Harvard). He started his carrier in 1960 at British Oxygen Co. Ltd., London. On his return to India, he worked for Burmah Shell, India as a covenanted officer for five years. He joined Glaxo India Ltd., and held several important positions including that of Managing Director in January 1990. He retired as Executive Vice Chairman in August, 1994. Thereafter, he was appointed as Managing Director of Lupin Laboratories in late 1994 helping the Company in its globalisation. He joined Kodak India Ltd. as its CEO & Managing Director in October, 1995. He retired after five years term in October, 2000. He was the President of Organisation of Pharmaceutical Producers of India (OPPI) from 1992 to 1994, having served as its Vice President for 2 years prior to that. He also served on the General Committee of the Bombay Chamber of Commerce and Industry (BCCI) for two years and was a past Vice Chairman of the Indo-British Business Committee. He is a member - Global Advisory Board, Asian Centre for Corporate Governance, Trustee of the Dr. P. V. Cherian Artificial Kidney Trust, Trustee of Breach Candy Hospital Trust, Lintas Employees Welfare Trusts, Associate of A. M. Pappas Ventures, Research Triangle Part, North Carolina, U.S.A. He is on the Indian Advisory Board of U.S. Pharmacopoeia. He is also an independent Director on a few Boards such as HDFC Asset Management Co., Emcure Pharmaceuticals Ltd., Neuland Laboratories Ltd., Sami Labs Limited, Next Gen Publishing Limited etc.
Directorships held in other Companies (excluding foreign and private Companies)	1. HDFC Asset Management Company Limited 2. Neuland Laboratories Limited 3. Sami Labs. Limited 4. Emcure Pharmaceuticals Limited 5. Themis Medicare Limited 6. Next Gen. Publishing Limited 7. Zydus Wellness Limited
Memberships / Chairmanships of Committees across public Companies	Chairman Audit Committee : 1. Neuland Laboratories Limited 2. Next Gen Publishing Limited Member Audit Committee : 1. HDFC Asset Management Company Limited 2. Emcure Pharmaceuticals Limited 3. Themis Medicare Limited 4. Zydus Wellness Limited Shareholders' / Investors' Grivence Committee : 1. Zydus Wellness Limited
Shareholding of Non-Executive Director	Nil

Notes

Notes

Consolidated Financial Data For Last Five Years

(Rs. in Millions)

Sr No	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	5 Year CAGR
1	Profit & Financials:						
	Gross Sales	13051	15078	18747	23638	29171	18.0%
	Total Income from Operations	12779	14845	18288	23229	29275	19.0%
	EBIDT	2430	2877	3521	4582	6058	19.2%
	EBIT	1712	2098	2698	3613	4940	22.3%
	PBT	1371	1768	2739	3234	3698	19.5%
	Net Profit before Exceptional Items (net of tax)	1307	1624	2102	2633	3234	17.6%
	Net Profit	1199	1524	2338	2576	3031	17.9%
	EPS (Rs) *	9.55	12.13	18.62	20.51	22.20	15.9%
	DPS (FV Rs 5 each) (Rs) *	3.00	3.00	4.00	4.50	4.50	
2	R&D Spends:						
	Revenue	736	797	1344	1336	1564	20.5%
	Capital	322	370	269	268	313	
	Total R&D Spends	1058	1167	1613	1604	1877	16.8%
	Total R&D Spends as % to Operating Income	8.3%	7.9%	8.8%	6.9%	6.4%	
3	Balance Sheet Abstracts:						
	Total Assets	13365	15534	19915	25478	33485	20.7%
	Net Worth	5856	6989	8655	10622	12352	18.8%
	Total debt (incl. Buyers' Credit)	4064	4622	4934	8612	12674	22.8%
	Book value per share (Rs)	47.48	56.44	67.02	85.01	88.77	16.0%
4	Key Ratios: Growth Ratios (Y-Y)						
	Sales Growth	2.2%	15.5%	24.3%	26.1%	23.4%	
	Operating Income Growth	4.3%	16.2%	23.2%	27.0%	26.0%	
	EBIDT Growth	-3.6%	18.4%	22.4%	30.1%	32.2%	
	EBIT Growth	-5.4%	22.5%	28.6%	33.9%	36.7%	
	Net Profit before Exceptional Items Growth	-9.2%	24.3%	29.4%	25.3%	22.8%	
	Net Profit Growth	-9.9%	27.1%	53.4%	10.2%	17.7%	
	Net Worth Growth	12.4%	19.3%	23.8%	22.7%	16.3%	
	Total Assets Growth	2.1%	16.2%	28.2%	27.9%	31.4%	
	Performance Ratios						
	EBIDT margin (% to Operating Income)	19.0%	19.4%	19.3%	19.7%	20.7%	
	PBT (excl. exceptional items) margin	11.7%	12.7%	13.5%	14.2%	13.5%	
	Net profit (excl. exceptional items) margin	10.2%	10.9%	11.5%	11.3%	11.0%	
	Current ratio	2.05	2.30	1.96	2.33	2.26	
	Total assets turnover	0.97	1.03	1.03	1.02	0.99	
	Return on equity	23.2%	24.9%	27.1%	27.6%	28.4%	
	Return on capital employed	13.9%	15.4%	17.1%	16.7%	17.8%	
	Net Debt / Equity Ratio	0.59	0.60	0.46	0.72	0.85	
	Dividend pay out ratio	35.9%	28.2%	25.1%	25.7%	23.7%	

Notes: * EPS and DPS of earlier years (from 2003-04 to 2005-06) have been adjusted for the bonus shares issued in the ratio of 1:1 in 2006-07.

Conceptualised & Designed by Triton Communications Pvt. Ltd. Ahmedabad.

Zydus
dedicated to life

www.zyduscadila.com