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. 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.
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 Sharepro Services India Private Limited
13 AB, Samhita Warehousing Complex,
Sakinaka Telephone Exchange Lane,
Off. Andheri - Kurla Road, Sakinaka,
Mumbai - 400 072.

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
District Solan (HP)

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

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

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.

Highlights of Operations – 2009-10

India Formulations

- Posted sales of 14458 Mio in the India formulations business, up by 12%.
- Strengthened the position in the fast growing cardiovascular segment with the launch of a new division, Zydus Cardiva. Expanded the field force by 300 people in this key segment. The new division will cater to the urban market with a range of anti-hypertensive and aspirin combinations.
- Consolidated the group's position in the respiratory segment and expanded market reach by adding 100 people to explore the potential of anti-asthma inhalation therapy management in the mass markets.

  Launched over 30 new products and similar number of line extensions in the formulations market, of which 17 were first in India. Prominent among them were Cintapro OD, Cinitapride hydrogen tartrate ER Tablets (Gastrointestinal segment); Etogesic MR, Etodolac + Thiocolchicoside Tablets, (Pain Management segment); Fluticone FT, Fluticasone furoate Nasal Spray (Respiratory segment); Inditel, Telmisartan Tablets (Cardiovascular segment); Ivoral, Ivermectin + Albendazole Tablets (Anti-infective segment) and Oxalgin Nanogel, Diclofenac + MS + Menthol Gel in Nanoemulsion (Pain Management segment).

Global Formulations

- Successfully completed the 5th year of commercial operations in the US. Posted another year of robust all-round performance with sales of Rs. 6715 Mio., up by 69% y-y and launched 6 new products. 12 out of the total 29 products launched in the US so far have achieved an attractive level of average 20% market share. Zydus Pharmaceuticals USA Inc., now ranks amongst the top 20 generic companies in the US and has bagged the 'Preferred Supplier' status from most of its customers.
- Posted sales of Rs. 2740 Mio. in Europe, up by 31% y-y.

  Operations in France surged ahead with the launch of 14 new products, including 8 day one launches. This has helped increase the group's market share to 2.65% in participated French generics market, improving the overall ranking to 10. In Spain, the thrust on new products and filing of more dossiers for future launches continued.
- Strengthened the position in the $13 bn Brazilian branded market with the launch of 6 new products in the Neuropsychiatric segment. Also posted a healthy growth in the generic business, to register overall sales of Rs. 1818 Mio. in Brazil, up by 12% y-y.
- Launched 4 in-licensed products in Japan, the world's second largest pharmaceutical market during the year. Acquired 'Aldomet', an anti-hypertensive drug, for a strategic foray into the hospital segment in Japan.

  During the year, posted sales of Rs. 316 Mio., up by 44% y-y in Japan.
- Acquired the remaining 30% stake in Simayla Pharmaceuticals (Proprietary) Limited, the subsidiary in South Africa, from its co-promoters, making it a 100% subsidiary of the group.
- Maintained strong leadership positions in Sri Lanka, Myanmar, Uganda and Sudan, and became the only Indian company to successfully start operations in Taiwan.

Other Businesses

- Zydus Wellness Ltd. posted strong results with an all-round performance from all the three pillar brands - Sugar Free, EverYuth and Nutralite and registered sales of Rs. 2675 Mio., up by 37% and Net Profit of Rs. 453 Mio, up by 90%. Launched 'Menz', an exclusive skincare range for men under the EverYuth banner during the year.
- API Exports (other than that of Zydus Nycomed) continued to grow largely driven by the sales of Clopidogrel Besylate to the key EU customers, posting a growth of 28%. A new chemical plant for Clopidogrel was commissioned at Dabhasa in Gujarat within a short span of just 8 months.
- Zyfine, the group's fine chemicals division received the USFDA approval for its manufacturing facility near Ahmedabad. It now becomes the only Contract Manufacturing Organisation offering services in the high potency actives area in India to have the USFDA approved facility.
- Zydus Hospira JV commenced commercial operations from May 2009, with a supply of three oncological injectable products (two commercial and one process validation) for the EU market and posted sales of Rs. 1678 Mio. (50% of which is our share).
- Successfully completed the USFDA inspection of the oncological injectable facility of Zydus Hospira.

Manufacturing

- During the year, the tablet facility and lyophylisation facility at Moraiya manufacturing plant successfully completed the AFSSAPS and EU GMP audit.
- Capacity upgradation, enhancement and balancing of several facilities were carried out at the Moraiya plant to meet the increasing demand across markets and facilitate timely availability of products. Various streamlining initiatives were also undertaken during the year to maximise productivity and ensure better utilisation of all facilities.
- Developed and implemented a unique in-house Track & Trace system called ZEET – Zydus End-to-End Tracking system for all packing lines for the US market.
- Received the 'IMAI OE Award for the Pioneering and Paradigm Shifting Applications of OE in Tablet Manufacturing' by the KAIZEN Institute.
- Received the 'Best–In-Class Manufacturing Award (Pharma Sector)' by Stars of the Industry Awards.

  The two awards were in recognition of the group's continuous efforts to bring in operational efficiency.

R&D

- Developed in-house technology for high quality vaccine on H1N1 and became the first Indian Pharma company to get the DCGI's nod to start clinical trials of H1N1 vaccine.
- Set up a new Vaccine Technology Centre near Ahmedabad, to focus on development of vaccines for diseases caused by several viruses and bacteria.
- Filed the 7th IND – ZYD1, a novel GLP-1 agonist molecule with the DCGI as well as the US FDA. ZYD1 is a novel candidate in the class of anti-diabetic agents known as incretin mimetics and has displayed a better efficacy and safety profile.
- Phase III clinical trials for ZYH1, the lead molecule for Dyslipidemia has been initiated. ZYO1, the novel drug candidate for treating obesity and related disorders and ZYH7, the novel drug candidate for treating dyslipidemia and metabolic disorders has completed Phase I clinical trials.
- The collaborative research programmes with Karo Bio, Sweden, have generated a series of novel dissociated non-steroidal glucocorticoid agonist lead compounds within just a year of initiating the programme.
- Initiated the development of NDDS on Nanotechnology and developed a Nanoblu technology platform for topical application. Launched Oxalgin Nanogel in the Indian market.
- Commissioned a new dedicated state-of-the-art manufacturing facility for manufacturing biologics (recombinant therapeutic proteins) near Ahmedabad, to tap the promising opportunities in the biosimilars market.
- Set up a new API R&D hub at Dabhasa to focus on developing processes for the regulated and non-regulated markets. With 10 research labs supported by an analytical lab, the centre has a team of 100 researchers spearheading the initiatives.
- Filed 14 more ANDAs with the US FDA, including 8 ANDAs for parenteral products, taking the total to 106 ANDA filings. Also filed 14 US DMFs with the US FDA, taking the cumulative total to 90 DMFs.
- Received 12 more ANDA approvals from the US FDA, taking the total to 54 product approvals, of which 29 products have been launched so far.
- Filed 35 additional new product dossiers for the EU market, including 22 for the Spanish market, taking the cumulative number of new product dossier filings to 89. The cumulative number of site transfer applications for the EU market has reached 50.
- Filed 14 additional dossiers for the Brazilian market, taking the cumulative number of dossier filings for Brazil to 59.
- Filed 9 additional dossiers for the South African market, taking the cumulative number of dossier filings for South Africa to 67.

Consolidated Financial Highlights

- Total income from operations was up by 26% y-y to Rs. 36.9 bn from Rs. 29.3 bn last year.
- EBIDT was up by 34% y-y to Rs. 8086 Mio. from Rs. 6058 Mio. last year. EBIDT margin was up by 1.2% to 21.9% from 20.7% last year.
- Operating profit before tax (excl. non-operating incomes, exceptional items and exchange rate fluctuation on forex loans) was up by 50% y-y to Rs. 5939 Mio. from Rs. 3962 Mio. last year.
- Net Profit after tax was up by 67% y-y to Rs. 5051 Mio. from Rs. 3031 Mio. last year, and in line, EPS was also up by 67% to Rs. 37.01 from Rs. 22.20 last year.
- Return on average capital employed increased to 21.1% vis-à-vis 17.8% last year, while return on average net worth increased to 35.9% from 28.4% last year.

"At every step of the way, we at Zydus have been adding value to create a dynamic enterprise. We are creating a future focused enterprise capable of sustainable growth and evolution."

Chairman's Message

Growing and evolving the Zydus Way

The last 15 years at Zydus have been about setting goals and directing the entire organisational energy towards achieving them. The first goal that we set out with in 1995 was to become a Rs. 1000 crore company by the year 2000. As we cruised to this milestone, we set our sights higher to post $400 mn in sales by 2006-07. And as we raced past this milestone we had already set our sights higher: to catapult ourselves into the Billion Dollar league by posting sales of over $1bn by 2010-11.

The year 2009-10 therefore was a crucial one as it was important that we performed well and set the right momentum for the Healthy Billion Year of 2010-11. We have been working towards this goal with a single-minded purpose over the last few years and the excellent performance in 2009-10 has helped us enter this landmark year on a high note.

2009-10: A year of excellent performance

- On a consolidated basis, we posted sales of Rs. 36.14 bn, up by 24% y-y. The major growth driver was formulation exports, which grew by 45% y-y.
- Net Profit jumped to Rs. 5.05 bn, a growth of 67%
- There was a further improvement of the EBITA margin by 1.2% from 20.7% to 21.9%.

Going beyond these numbers, there were several exciting initiatives that we had undertaken during the year which form a very important part of our strategic plans for the future. I'd like to share some of them with you:

- As an organisation we have always believed in letting our actions speak for themselves. This is exactly what happened when the collaborative efforts of our vaccine experts, scientific team, researchers and medical advisors resulted in India's very own H1N1 vaccine being launched in the marketplace. From the concept to the final launch of the vaccine in the market - VaxiFlu-S was all about responding to a challenge, shifting gears and functioning at top speed when the situation demanded. The year 2009-10 marked our aspirations to be a committed, long term player in the field of vaccines. We are setting up a state-of-the-art Vaccine Technology Centre to develop a wide spectrum of vaccines against bacterial, viral and protozoal infections.

- Our strategic initiatives for growth have always been about adding value to our businesses. One of the ways we have made this happen with great success is by forging win-win alliances. Our recent alliance with Abbott is yet another step towards this. To start with, we will out license 24 branded generics in 15 key emerging markets where Abbott has a strong and growing presence. This allows us to leverage our robust regulatory pipeline, innovative developmental capabilities and manufacturing excellence. These are our strengths and we will be leveraging them in markets which are expected to grow at three times the rate of the developed markets and account for 70% of the industry's growth over the next few years.

- A comprehensive product and brand portfolio, covering important therapy groups, coupled with its formidable therapy management capabilities, makes your Company a strong player in the India Formulations business. Infact, we were amongst the first to look at therapy management and create specialty divisions with a dedicated field force to address evolving customer needs. Zydus Medica was one of the first specialty divisions to specialise in cardiac care therapy. A decade on, we felt that there was a need to strengthen this segment further and create an additional force. Zydus Cardiva has been set up to address this need. Similarly, we have beefed up our strengths in the GI segment with the launch of a new division Zydus Heptiza which will focus on Hepatitis related therapies. In the women's healthcare segment, we have set up a new division Gynova to service leading gynaecologists specialising in in-vitro fertilisation. A specialised task force has been added in the respiratory segment to bolster our presence in this key segment.

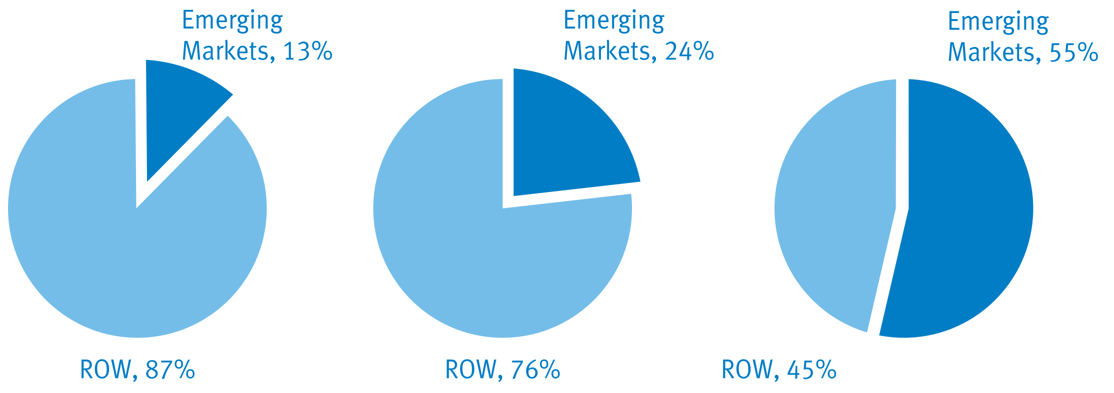
  Our thrust on new product launches continued with 30 new products being launched and similar number of line extensions in the formulations market, of which 17 were first in India.

  16 of the Company's brands now feature in the top 300 pharmaceutical brands in India, which constitute over 40% of the sales.

- We continue to perform well in the global markets with 39% of our revenues coming from formulation exports. It was a robust performance in the US where we grew by 69% y-y. In the EU we posted a growth of 31%, in Japan we grew by 44% and in Brazil by 12%. Our plans for the Spanish market are on course as we line up new products for launch and continue filing more dossiers for future launches. In South Africa, we acquired the remaining 30% stake in Simayla Pharmaceuticals (Proprietary) Limited, making it a 100% subsidiary of the group. We also became the first Indian pharma company to enter Taiwan. Moving ahead, we will continue to refine our business model for the global markets and ensure sustainable profitability over the long term. In the developed markets, we will be looking at difficult-to-make, high-end and niche generics.

- In the Pharmerging markets which are expected to be major markets by 2020, we will be looking at consolidating market share through internal efforts and preferred partners. Our ongoing investments in Pharmerging markets will position us as a company with a leading footprint in these markets. We are very well positioned in terms of product portfolio and a unique strategy to participate in the rapid growth of the Pharmerging markets.

Emerging markets contribute an increasing share of global growth and could exceed 50% by 2020.



- Excellent performance from the pillar brands and new experiences for the customers continues to drive growth in our Wellness business. Sugar Free, EverYuth and Nutralite continued to do well in their respective segments helping notch up the growth in sales by 37% and net profit by 90%. The exclusive skincare range for men – Menz introduced last year has been well received and the summer launch of Sugar Free TeaLite has caught people's imagination.

- Research continues to be an area of focus and we are enriching our NME pipeline. During the year we filed our 7th IND – ZYD1, a novel GLP-1 agonist molecule with the DCGI as well as the US FDA. ZYD1 is a novel candidate in the class of anti-diabetic agents known as incretin mimetics and has displayed a better efficacy and safety profile. We are also geared to tap opportunities in the field of biosimilars. A team of 120 experienced scientists are working on a strong pipeline of 16 biosimilars and 2 novel products. As always we have in place an entire spectrum of end-to end capabilities right from product development to manufacturing to make the most of the opportunities in this field.

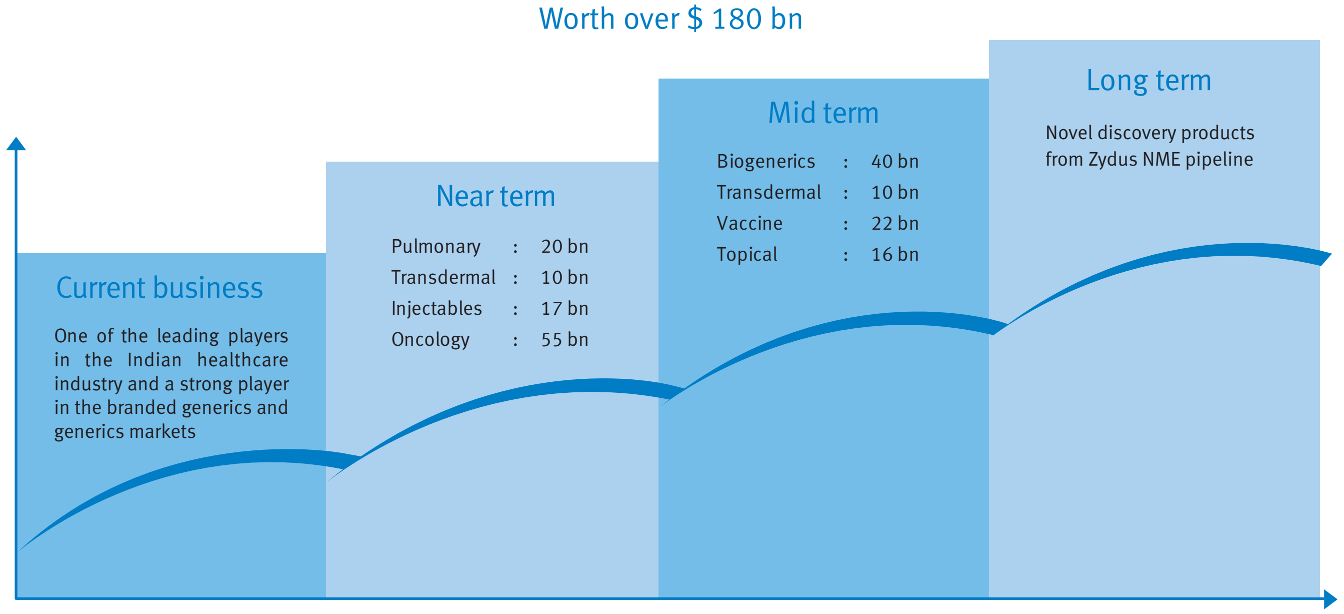
Zydus Cadila's: Biogeneric Portfolio of Choice

Zydus' Biosimilar Portfolio

1. Advanced biogeneric portfolio focusing on large product opportunities
2. High degree of integration of science and commercial competitiveness leading towards best-in-class product purity, and CoGs
3. Backed by fully integrated and proven capabilities in research and development
4. Cost competitive manufacturing of biological products

We know that in the future success will come from recognising and capitalising on market transitions before they occur. Our aim is to capture these market transitions faster than our competitors by recognising trends and markets that will play a crucial role in the future of healthcare. A constant exchange of thoughts, insights, ideas through well established knowledge processes enables us to share these with different teams across the organisation. Our horizon which scales three ranges – immediate, mid-term and long term gives us enough flexibility to chart out our strategic decisions, plan resources, initiate new projects and initiatives and create a sound base for future growth and profitability.

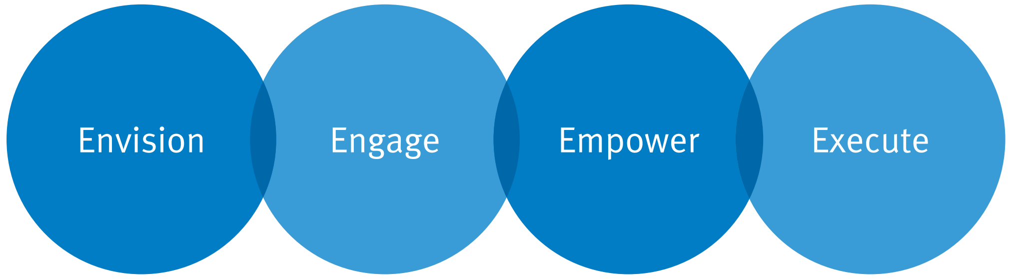
Ongoing Investment in Newer Portfolios
Worth over $ 180 bn



Note: Value indicated is estimated brand sale ($)

The Power of the 4Es

As an organisation we have always believed in driving value from the fundamentals. We have been focussed on creating a sound and growing enterprise that delivers consistent performance. While several factors have been at play to make this happen, a large measure of our success can be credited to the way we have successfully leveraged the expertise built over the years to create a unique Zydus Way of strategising, operating and executing our business plans. This has been the premise of The Zydus Growth Model that is powered by the 4Es - Envision, Engage, Empower, Execute. Clearly articulated goals become the focal point as we weave strategies to achieve it. Once the blueprint is ready the entire organisation galvanises into action and there is no looking back.



I'm convinced that as we continue to accelerate our growth in the coming years, the Zydus growth model will help us respond with speed and agility. The reservoir of knowledge and expertise that we have gained over the years will give us the confidence as we adopt new ideas, technologies and approaches to expand our presence.

Building a Next-Generation Company

The right strategies and right moves at the right time are an unbeatable combination. But it's the right talent mix that is a clincher for any organisation and spells success. So as we continue to perform and grow, our core processes are centered on ongoing talent enrichment and leadership development. The aim of these processes is to create a culture that is cohesive, focused, result-oriented and inspires one to think out-of-the box. I am surrounded by a passionate team of over 11,000 people worldwide comprising scientists, researchers, pharmacists, doctors, technicians, technologists, engineers, skilled workers and other professionals. Their imagination, ideas, determination and perseverance, helped us end 2009-10 with considerable value creation in your investment.

At every step of the way, we at Zydus have been adding value to create a dynamic enterprise. We are creating a future focused enterprise capable of sustainable growth and evolution. We are giving shape to new platforms for growth in new markets. We are exploring new opportunities in the existing markets, re-inventing ourselves at every step; we are forging win-win alliances with global partners charting out mutually advantageous paths; and we are committed to delivering more value to our shareholders.

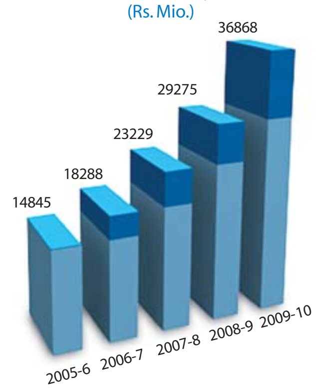
It's on this high note that we prepare ourselves for the big leap forward into the Billion Dollar League in 2010-11. As we surge ahead on this exciting journey, I look forward to your continuing support.

Pankaj R. Patel

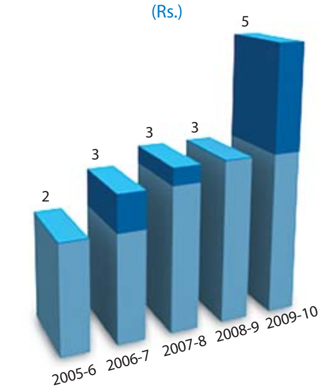
June 15, 2010

Financial Highlights (Consolidated)

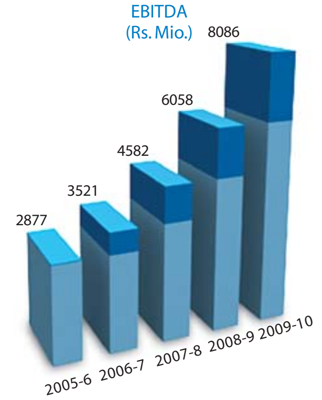
Total Income from Operations (Rs. Mio.)



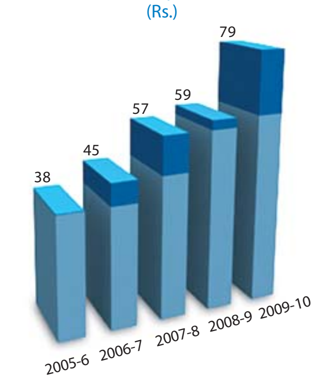
Dividend per share[1] (Rs.)



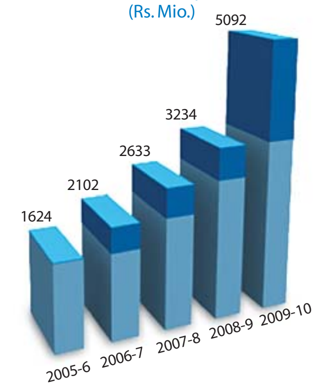
EBITDA (Rs. Mio.)



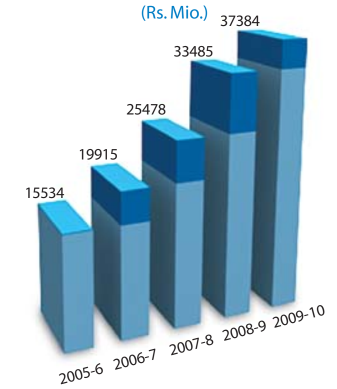
Book value per share[1] (Rs.)



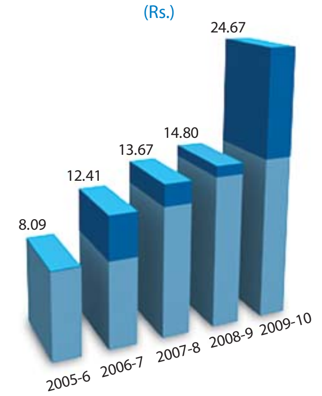
Net Profit before Exceptional Items (Rs. Mio.)



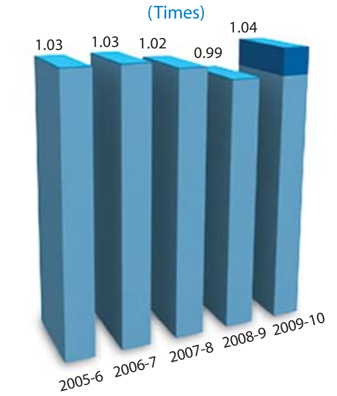
Total Assets (Rs. Mio.)



EPS[1] (Rs.)

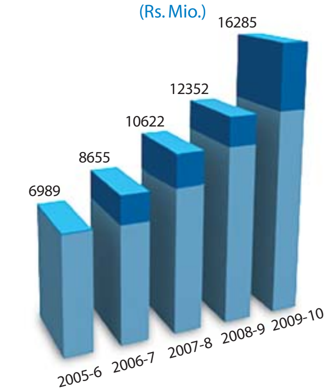


Total Asset Turnover (Times)

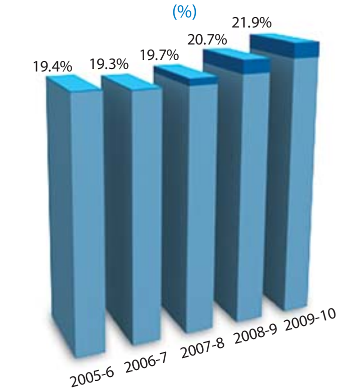


1 EPS, DPS and Book value per share of earlier years have been adjusted for bonus shares issued in the ratio of 1:1 in 2006-07 and 1:2 in 2009-10.
2 Excl. Exceptional Items.
Previous years' figures have been regrouped wherever necessary.

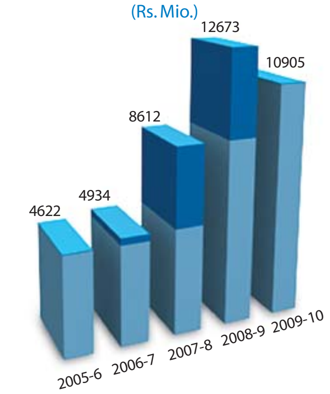
Net Worth (Rs. Mio.)



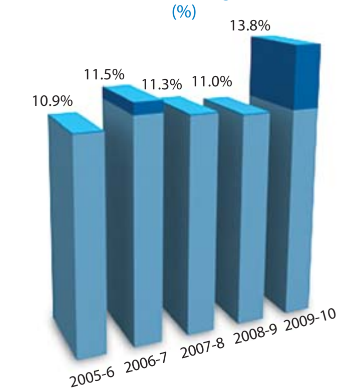
EBITDA Margin (%)



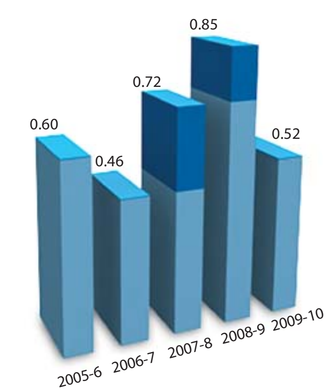
Total Debt (Rs. Mio.)



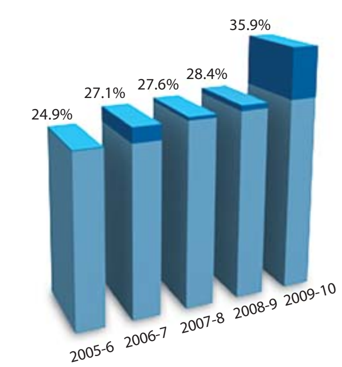
Net Profit Margin[2] (%)



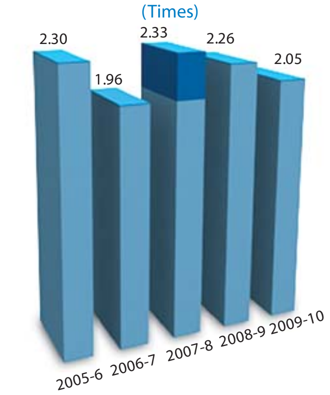
Net Debt / Equity Ratio



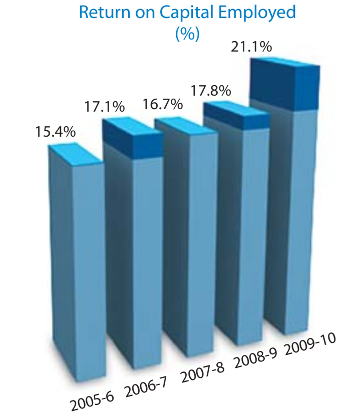
Return on Equity (%)



Current Ratio (Times)



Return on Capital Employed (%)



Base Value   Incremental Value

Management's
Discussion and Analysis – 2009-10

Economy and Industry Overview

Global Economy and Pharmaceutical Industry

The acute phase of the financial crisis which surfaced in 2008 and was at its peak in 2009 seems to have passed its worst and a global economic recovery looks to be underway. After several months of downturn and deep global recession, economic growth has turned positive towards the end of 2009-10. After a 2.2% decline in 2009, the global economy is expected to grow at the rate of 2.7% in 2010, and developing nations are expected to contribute more to this growth compared to the developed nations. This has, however, been possible after a wide range of government bail–outs in various countries which supported demand and reduced uncertainty and systematic risk in the financial markets. Global industrial production and trade have stabilised and are recovering, but still remain fragile. However, it is feared that the recovery process is expected to slow down as the financial stimulus packages provided by the governments would be withdrawn sooner or later. The economic crisis in the western European countries, particularly in Greece, which has emerged recently, has raised fresh concerns about the eurozone economies and hence over the long-term sustainability of global economic recovery. Unless new stimulus measures are initiated by states to rescue these economies, the global economy is expected to witness another phase of decline and recession. (Source: World Bank Report on 'Global Economic Prospects 2010')

The pharmaceutical industry, which was historically considered to be relatively immune to such downturns, was also affected by the ongoing economic recession. The global pharmaceutical industry is estimated to have grown by over 5.5% and crossed $ 800 bn. The growth rate has slowed down compared to the average growth rate of 6.8% registered between 2003 and 2008. The highly developed and matured markets of North America, Europe and Japan grew by approximately 4%, while emerging markets of Asia and Latin America, termed as 'Pharmerging' markets, grew by nearly 17%. These markets will continue to show strong growth over the next few years.

Generics continue to outpace patented drugs in terms of growth on all fronts - volume, value and prescription. Globally, generics account for over half of the volume sales and continue to increase their penetration, though their contribution in value is only 15%, underscoring the well known vast cost differential between patented and generic drugs. The global generics market is expected to be well on track, with growth climbing to over 7.5% in 2009. The generics market is quite concentrated with eight key markets holding 76% of generic sales.
(Source: IMS Health).

Declining R&D productivity of 'big pharma' companies, no major 'block-buster' drug expected in the near future and lacklustre growth from existing blockbusters coupled with increasing generic penetration, have forced the big pharma companies to think of alternative strategies for growth. These include entering the generics space either from scratch or through acquisition, strengthening their presence through consolidation, looking at newer growth avenues like biotech, entering 'Pharmerging' markets, improving R&D productivity by entering into contract research with low cost players in India and elsewhere and rationalising costs by outsourcing the manufacturing operations.

The year gone by has witnessed much action in this direction. In one of the biggest consolidation waves so far, the pharmaceutical industry saw some of the large sized deals involving merger / acquisition of multinational corporations such as those of Wyeth with Pfizer, Schering Plough with Merck, Genentech with Roche, Solvay with Abbott to name a few. There have been many such strategic buy-outs and in-licensing deals by innovator companies in generics, biotech and emerging market space. With regulatory authorities across the globe becoming more and more stringent, several generic companies including some Indian companies faced stiff action for non-compliance in regulatory requirements. This has been an eye-opener for the generics industry and generic companies have increased their focus on strengthening their regulatory compliance levels. The historic healthcare reforms in the US, brought in by the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act enacted recently by the government, would have far reaching impact on the US economy and the pharmaceutical industry. The reforms aim at providing affordable healthcare to all the US citizens and cover almost 95% of the citizens under the health insurance. It offers insurance cover to an additional 32 Mio. people who were not covered earlier and is likely to open up newer opportunities for generic companies.

Indian Economy and Pharmaceutical Industry

The Indian economy, as measured by its GDP, is expected to have grown by 7.2% in 2009-10 compared to 6.7% in 2008-09. Though the growth rates have come down from the level of over 9% during 2005 to 2008, it is still remarkable considering the global economic scenario. Moreover, the gradual recovery in GDP growth was broad based, as seven out of eight sectors have shown a growth rate of over 6.5%. Index of Industrial Production (IIP), the barometer of Indian industry, is expected to have grown by around 10% in 2009-10 compared to less than 3% in 2008-09, clearly indicating that the Indian industry is back on the growth track. The rise in capital inflows and increasing foreign investments and weak economic conditions in other countries resulted in sharp appreciation in the Indian Rupee vis-à-vis other currencies. The steep rise in inflation has, however, been a major area of concern. The annual inflation rate measured in terms of Wholesale Price Index (WPI), which was at 1.2% in the beginning of the year, remained negative in the initial period during the year, but started rising in the second half, and was at 9.9% at the end of the year. This has prompted the government to initiate tightening of monetary controls to curb the inflation. (Source: Monthly Economic Report, March 2010 as published by Ministry of Finance, Govt. of India).

The Indian pharmaceutical industry has grown from a modest Rs. 1,500 crores in 2008 to over Rs. 75,000 crores in 2009. India ranks 3rd in terms of volume of production, with approximately 10% of global share and 14th in terms of value. (Source : India Economic Survey, 2009.) The growth has been driven by exports which continued to grow rapidly with the rising sale of generic products in the developed markets and the emerging markets. Strong cost competitiveness and well developed local industry base, combined with a large pool of technical talent has triggered the inclusion of India as a part of all global sourcing initiatives across the global pharmaceutical businesses. These advantages coupled with technological capabilities have also helped Indian pharmaceutical companies to increase their share in the global generics space. With governments in the developed nations encouraging generic suppliers to play a vital role in reducing their healthcare costs, the Indian pharmaceutical industry stands to gain given the edge which it has over other countries.

India's domestic pharmaceutical market also continued to grow and crossed Rs. 41,000 crores ($9 bn) in 2009-10 with over 17% growth against over 10% growth in 2008-09. (Source: ORG IMS MAT Mar-10.) Rising income levels and increased government spending on healthcare continued to fuel this growth. Chronic therapies continued to outpace acute therapies in terms of growth, and key therapeutic areas like the Anti-diabetic, CVS, Respiratory, Gynaecology, Neuropsychiatry and Dermatology segments continued to grow above the average market growth. New product introductions continued to drive the growth for most of the therapeutic areas and contributed to about 8% of the overall market growth. Metro cities (with population above 10 lacs) and Class-I towns (with population between 1 lac to 10 lacs) were the key contributors to the growth of the market. However, the 'extra-urban' market (towns with population › 20,000 to 1 lac) gained momentum and is expected to grow at a faster pace in the near future. (Source: ORG IMS Market Intelligence Report, Dec-2009)

Operating Highlights

India Formulations

The Company is one of the oldest players in the Indian formulations market for several years. There has been a continuous thrust on improving market presence and market share. The Company has expanded its portfolio by entering newer therapeutic areas organically or through acquisitions, aggressively launching new products with the first mover advantage in several products, gradually shifting its focus from acute segments to fast growing and sustainable chronic segments and enhancing market penetration through field force expansion. These strategic initiatives have helped the Company become one of the dominant players in the Indian formulations market with the leadership position in several therapeutic categories.

During the year 2009-10, the Company's branded formulations business in India posted a sale of Rs. 13,625 Mio., up by 12% from Rs. 12,146 Mio. last year. The Company maintained its overall 5th ranking in the Indian pharmaceutical market with a market share of 3.7% (Source: ORG IMS, MAT March 2010). The generic business grew by 12% and recorded a sale of Rs. 833 Mio. vis-à-vis Rs. 743 Mio. last year.

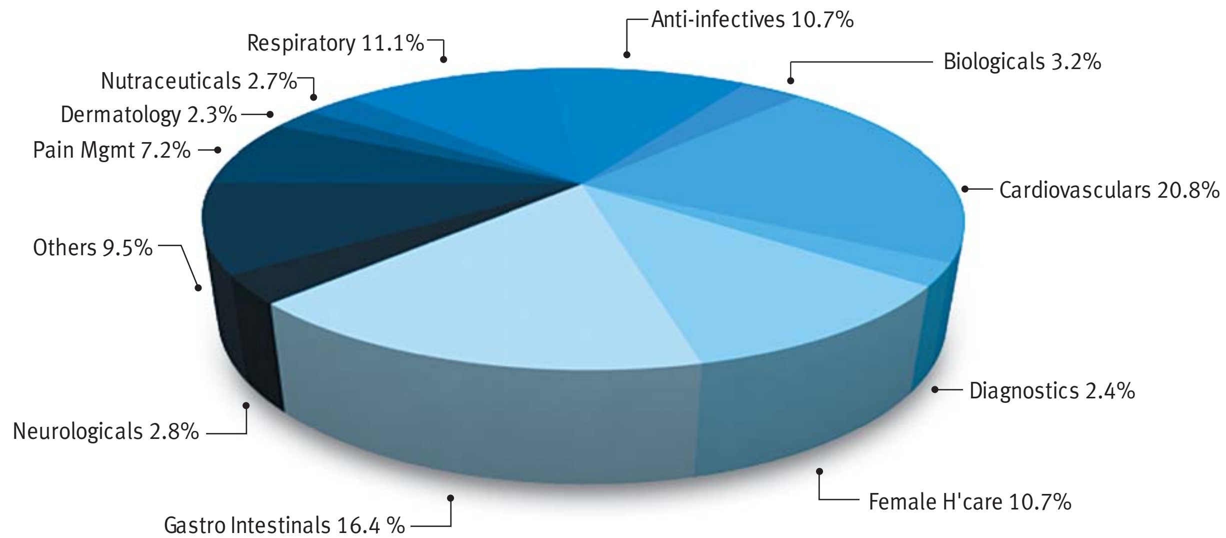
The initiatives taken by the Company in 2008-09 in the areas of nutraceuticals and rheumatology segments have yielded encouraging results. 'Zydus Nutriva' division, which was launched with an addition of 250 people to strengthen the group's position in the nutraceuticals market, grew by over 30% in 2009-10. 'Zydus Synovia' division, created with a field force of 50 people to focus on high-end products for treating rheumatoid arthritis posted growth of over 35% in 2009-10. The formation of a COPD task force for Chronic Obstructive Pulmonary Diseases and a hospital focused 'Topcare' division have helped the Company consolidate its position in niche segments.

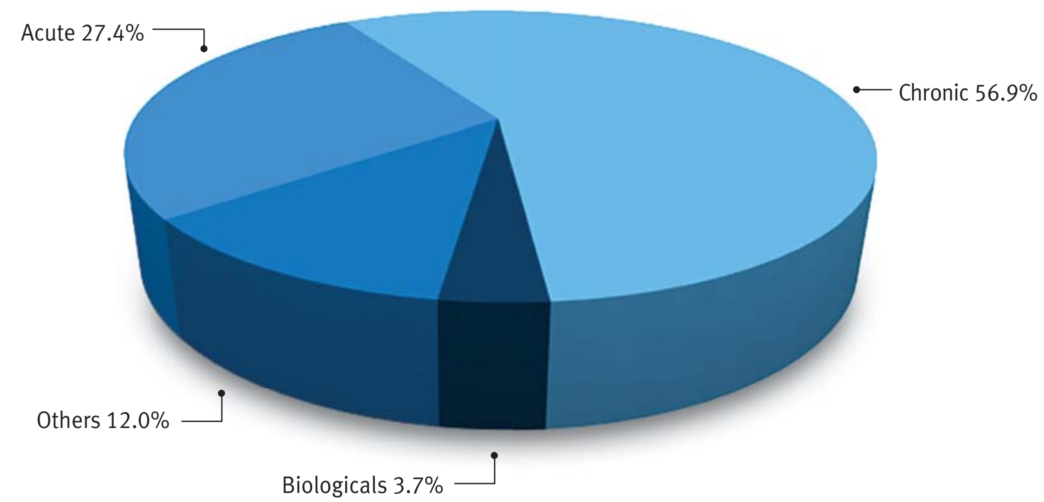
The year 2009-10 witnessed a major expansion of field force in the cardiovascular segment with an objective of strengthening the Company's position in this fast growing segment. The Company added a field force of nearly 300 people in this segment in the last quarter of 2009-10, and launched a new division, 'Zydus Cardiva'. The products and field force have been reshuffled and divided between 'Zydus Cardiva' and 'Zydus Medica', which is the existing cardiology division. 'Zydus Cardiva' will cater to the urban market with its range of anti-hypertensive and aspirin combinations. The launch of this division will also help the Company leverage the strengths of both the divisions for the launch of new products in the cardiovascular segment.

To consolidate its position in the respiratory segment, the Company expanded its area coverage by adding nearly 100 people to tap the potential of the anti-asthma inhalation therapy in the mass markets. With a physician focus, these initiatives are expected to start yielding desired results from next year.

The Company continued its thrust on launch of new products to drive growth, and launched over 30 new products and a similar number of line extensions in the formulations market, of which 17 were first in India. Prominent among them were Cintapro OD, Cinitapride hydrogen tartrate ER Tablets (Gastrointestinal segment); Etogesic MR, Etodolac + Thiocolchicoside Tablets, (Pain Management segment); Fluticone FT - Fluticasone furoate Nasal Spray (Respiratory segment); Inditel Telmisartan Tablets(Cardiovascular segment); Ivoral, Ivermectin + Albendazole Tablets(Anti-infective segment) and Oxalgin Nano Gel, Diclofenac + MS + Menthol Gel in Nanoemulsion (Pain Management segment). New products launched in 2009-10 contributed by over 2.5% in the growth of formulations business in India.

Strengthening its leadership initiatives, 16 of the Company's brands now feature in the top 300 pharmaceutical brands in India, which constitute over 40% of the sales. (Source: ORG IMS MAT March 2010). The Company retained leading positions in cardiovascular, 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 global API market is estimated to be $90 bn to $100 bn and India commands about 10% to 12% of this market. The API market, traditionally dominated by small molecule drugs is currently witnessing a rapid shift towards biopharmaceuticals.

The year 2009-10 has been good for the API business of the Company, which posted a growth of 19%, with exports of APIs and intermediates registering a growth of 28%. This growth was driven by the Clopidogrel Besylate API sales to the key EU customers. Apart from Clopidogrel for the EU market, two new products were also launched in the Indian market, of which Fluticasone Furoate was launched for the first time in India.

Strengthening its regulatory pipeline, the Company filed 14 new DMFs with the US FDA during the year. Apart from commercial business, the API operations continued to support the Company's formulations business by providing the key inputs at the most competitive costs for the Indian, regulated and the emerging global markets. It also contributed to the success of the new product launches in these markets.

*Excluding business of JV with Nycomed.

International Formulations Business

A. US

The overall pharmaceutical environment in the US, the world's largest pharmaceutical market, is showing a positive trend. With the effects of economic meltdown dissipating, pharmaceutical industry in the US is expected to be back on track, though the recovery is bound to be slow. The US generics industry, which accounts for largest portion in the global generics space, continued to surpass patented drugs in terms of growth, and registered over 7% growth compared to 3% growth posted by patented drugs (Source: IMS Health). The recent healthcare reforms enacted by Barack Obama government are expected to bring several changes in the pharmaceutical industry in the US and increase the dominance of generic players in volumes and prescriptions.

Zydus Pharmaceuticals (USA) Inc., the Company's 100% subsidiary in the US, successfully completed its fifth year of commercial operations, posting another year of robust all-round performance. Sales in the US continued to grow and posted sales of Rs. 6,715 Mio., up by 69%, with the launch of six new products. With a continuous endeavour to meet needs of the customers across all trade classes, the Company has achieved 'Preferred Supplier' status from many of its customers. 12 out of total 29 products launched in the US so far have achieved an attractive level of average 20% market share, and the Company is among the top 20 generic companies in the US.

This stellar performance has been the result of the Company's several initiatives in developing and launching difficult to make technology products rather than hyper competitive generics. Thus, the Company targets niche, low competition, and high margin products while increasing the customer base and growing market presence through novel partnership solutions and offerings. The Company's continuous endeavour to improve service levels have helped it achieve close to 100% service satisfaction level of the customers. Strict adherence to the regulatory requirements and rigorous compliance with the quality norms have also helped the Company gain confidence of the customers in a scenario where several other generic manufacturers have been facing regulatory challenges.

The US generic market is an extremely competitive one, putting pressure on prices and margins. Stiff competition and price erosion are now accepted as part of the business. However, to sustain such pressures and remain competitive, the Company is continuously working on several initiatives to bring in increased efficiency in operations and rationalise costs across the board, ensuring that quality and service levels are not compromised. The generic industry is also facing a challenge in the form of reduced rate of ANDA approvals by the US FDA as the average time from filing to approval of ANDA has increased to over 24 months. The Company is working with GPHA (Generic Pharmaceutical Association) to help design and implement programmes to address this issue at the US FDA.

Going forward, the Company's growth momentum in the US market will continue with a thrust on its four pronged strategy of offering large basket of products, strict compliance of regulatory norms and superior quality standards, gaining competitive edge through supply chain transactional excellence and customer centric approach. The Company would continue launching value added generic products that drive incremental sales and margins for itself as well as for its customers. The initiatives started in the areas of filing ANDAs for other dosage forms like pulmonary, nasal and injectible products are also expected to take the Company onto a higher growth trajectory.

B. Europe

The Company has been present in the French generics market through its subsidiary Zydus France SAS. The acquisition of Laboratorios Combix marked the Company's entry into the Spanish market in 2008.

The overall French generics market was valued at over Euro 2.5 bn in 2009, which represented a growth of 15% over the previous year. The represented generics market in which the Company is present was worth about Euro 1.6 bn, and also grew at 15%. This healthy growth in the market was due to a range of patent expiries of which two in particular, Pantoprazole and Clopidogrel, were significant. The Spanish generic market grew by 5% to reach Euro 713 Mio. in 2009. (Source: IMS Health)

Against this backdrop, the Company's European operations registered sales of Rs. 2,740 Mio., up by 31% y-o-y. Sales of Clopidogrel in France were particularly strong and the Company benefited from the backward integration into the API manufacturing to maximise the contribution from this product.

The focus on new product launches continued during the year, and the Company launched 14 new molecules (28 SKUs) in France in 2009-10, including the launch of 8 molecules on Day One of patent expiry. All these initiatives have helped the Company strengthen its position, which is now among top 10 generic companies in France with 2.65% share in the participated market segment.

The product portfolio in the Spanish market has reached 27 products in 2009-10. The Company's initiatives in the field of filing more and more product dossiers from India have continued with the filing of 22 additional new product dossiers for the Spanish market, taking the cumulative total to 30. In addition, during the year, the first site transfer application files were submitted and by the end of March 2010, a total of 5 files have been submitted to the Spanish regulatory agency. The launch of these products would be a key to the Company's success in Spain in the times to come.

In 2010-11, the French generics market is expected to grow at 9%. This growth will be driven by some of the major molecules losing patent protection. The Company expects the market to remain competitive and is focused on ensuring a steady stream of new products to increase its presence in the market.

The forthcoming year will be an interesting one for the company in Spain. On the positive side, it is expected to continue its progress on new product launches, submissions and site transfers – all of which will build the presence of the Company in the market. However, the Spanish Government has recently announced severe price reductions within the generics market whilst also introducing a limit on discounts that can be offered to pharmacists. It is believed that the two actions may serve to offset each other and therefore the impact on the business of the Company would be limited.

C. Latin America

The Brazilian pharmaceutical market is one of the seven 'Pharmerging' markets, valued at over $15 bn and has been growing at approximately 11%. Of this, the branded generics market is valued at over $13 bn, and has been growing at over 9%, while unbranded generics market is valued at over $2 bn which has been growing at much higher rate of approximately 20%. (Source: IMS Health).

Brazil is one of the key markets for the Company, and it is present in both branded as well as unbranded generics market through its subsidiaries – Quimica e Farmaceutica Nikkho do Brasil Ltda. (Nikkho) and Zydus Healthcare Brasil Ltda. Overall, the Brazilian operations of the Company grew by 12%, and posted sales of Rs. 1,818 Mio. in 2009-10.

In the branded generics space, Nikkho further strengthened its position through introduction of new products in the neuro–psychiatric segment, taking the total number of products in this range to six. This initiative will create a new growth platform for the Company in the future. The focus on people development through trainings in relevant areas through internal and external faculties was a major thrust area, so as to increase the productivity with optimised manpower level. The unbranded generics business of the Company also continued to progress well, which now ranks 14th in the list of unbranded generic companies. (Source: IMS Health)

To meet the increasing demand in the market, expansion of the capacity of the manufacturing facility of Nikkho in Rio de Janeiro has been initiated. This will also reduce the dependence on third parties for catering to the surge in demand.

The events which might change the dynamics of the pharmaceutical market in Brazil are the forthcoming presidential elections at the end of the year 2010, consolidation of the market players through mergers and acquisitions, change in distribution dynamics with supermarkets introducing large pharmacy chains to dilute distributors' role by direct purchase from the companies and ANVISA, the Brazilian regulatory authority, becoming more stringent in terms of compliance. The Company is well geared to face these challenges and take advantage of the opportunities offered by these developments. It would continue its thrust on new products and create a future pipeline of interesting and promising products.

D. Japan

With approximately $80 bn value, Japan continues to be the second largest pharmaceutical market in the world. Rapidly aging population and the ever increasing healthcare costs have forced the Japanese government to think seriously about the need to reduce the healthcare costs by promoting generics. As a result, the penetration of generic drugs in the market has been increasing gradually, and accounts for over 5% of the market in value terms and about 19% in volume terms. Lower penetration levels and encouragement from the government provide significant opportunities for the generic players to expand and grow.

Nippon Universal Pharmaceutical (Nippon), the Company's subsidiary spearheading its operations in Japan, is working to tap these opportunities through several initiatives. The Company is positioning itself as a special generic pharmaceutical company which can address all the requirements of the key customers – medical practitioners, pharmacists and Japanese patients. A dedicated field force has been deployed to fulfill this.

Expansion in product portfolio is a key factor to meet the stiff competition in the generics market. Towards this end, intensive product development, registration and launch programmes for the Japanese market from India have been planned for next five years. Till such time that in-house products are developed and launched, the Company has adopted a strategy of in-licensing and/or acquiring as many products as possible to expand the operations. In 2009-10, the Company launched 4 in-licensed products, taking the cumulative total of in-licensed products to 24. In a strategic move to get entry into the hospitals segment, the Company acquired brand 'Aldomet', an anti-hypertensive drug.

The Tokyo manufacturing facility of Nippon has been inspected by the Japanese regulatory authority and granted an approval for the next 5 years.

Overall, the Company's Japanese operations registered sales of Rs. 316 Mio. in 2009-10, up by 44%.

E. Emerging Markets of Asia Pacific, Africa and Middle East and CIS Regions

The Company's presence in highly potential and rapidly growing emerging markets is marked by its operations in selected countries of Asia Pacific, Africa and Middle East and CIS regions.

The Company enjoys leading positions in the markets of Sri Lanka, Myanmar, Uganda and Sudan, which were further strengthened in 2009-10. Last year, the Company launched operations in Taiwan, and became only Indian company to successfully start operations in that highly regulated but promising market. The Company also expanded its operations in Phillippines, further increasing its field force and customers. It aims to be among top players in this market in the next few years. The Company's operations in Vietnam are to be restructured with an expansion in the field force and several other initiatives are to be undertaken. The Company's operations in the CIS markets of Russia and Ukraine experienced difficult market conditions.

South Africa, the largest market in Africa, has been identified as a market of strategic importance. To consolidate its base in this key market, the Company had acquired 70% stake in Simayla Pharmaceuticals (Pty.) Ltd. through its subsidiary Zydus Healthcare SA (Pty.) Ltd. The Company plans to leverage its robust product portfolio and marketing capabilities and establish itself as a leading company in South Africa. During 2009-10, the Company acquired the remaining 30% stake in Simayla from the co-promoters.

To meet the increasing demand across the markets and ensure timely availability of products, the Company has taken several initiatives in the manufacturing operations. One such an initiative was to dedicate its formulations manufacturing facility at Moraiya in Gujarat for regulated markets and shift products currently manufactured at Moraiya for the emerging markets to another facility in Goa. As the process is underway and will take time to complete all regulatory requirements, the Company has not been able to cater to the orders from the emerging markets. This has resulted in a reduction of 9% in sales to emerging markets, which posted sales of Rs. 1,590 Mio. in 2009-10. The Company expects the situation to normalise soon after it starts supplying products to the emerging markets from its Goa plant.

Consumer Healthcare and Wellness Business

The increasing consciousness of the Indian consumers towards health and wellness, rising affordability and willingness to spend more on fitness, the consumer wellness business provides tremendous opportunity for growth. Products which are healthy, nutritious and nourishing have a tremendous potential in the consumer wellness domain.

The Company's presence in this rapidly growing segment is marked by Zydus Wellness Ltd. (ZWL), a publicly listed subsidiary in which it owns ~72% stake. ZWL was created after restructuring of the Company's consumer business which was operated under two different corporate entities. This was done to leverage strengths of both the entities and gain benefits of synergies in terms of focused management, combined marketing and brand promotion and availability of more funds for investment in R&D in the wellness space.

ZWL has a legacy of building strong brands in the niche categories which enjoy top of the mind recall amongst the consumers in the wellness segment. The Company has been creating and developing novel categories with the launch of brands like 'Sugar Free' in the sugar substitutes segment, 'EverYuth' in the skin-care segment and 'Nutralite' in the premium table-spread segment. Through continuous scientific promotion, creating an awareness on the health aspects and with expansion of the categories through launch of variants and newer versions of the products, these brands have come to enjoy a strong leadership in their respective categories and virtually define the categories themselves.

During the year 2009-10, ZWL maintained its track record of achieving newer zenith with an all-round performance from all the three pillar brands, and registered sales of Rs. 2675 Mio., up by 37% and net profit of Rs. 453 Mio, up by 90%. All the three brands grew by over 25%, and maintained their leadership positions in their respective categories. Focused promotion and advertising helped the Company achieve this performance. Its initiatives in the field of category expansion continued with the launch of 'Menz', an exclusive skin-care range for men under the EverYuth banner. 'Menz' provides skin-care solutions for men who are far more exposed to heat and pollution than women. Several other newer variants under the three broad categories are under way and planned to be launched in the near future.

To cater to the growing demand of Sugar Free and EverYuth, which are outsourced at present, ZWL is setting up a manufacturing facility in Sikkim, which is expected to be commissioned in 2010-11. This state of the art facility will be sufficient to meet the supply requirements for the next five to seven years.

ZWL envisions creating newer experiences with its products that will nourish, nurture and energise the lives of the consumers and aims at becoming a Rs. 500 crores company by 2013-14. With a continuous thrust on strengthening its brand portfolio through promotion and expansion to reach more consumers, launch of newer variants within the existing categories and exploring possibilities of entering newer categories in the wellness domain, ZWL is confident of achieving its vision and bringing wellness to the lives of all its stakeholders.

Animal Health Business

The Company is present in the animal health market in India through its 100% subsidiary Zydus Animal Health Ltd., (ZAHL), which is one of the leading companies in this segment having a strong high market share in several therapeutic areas. ZAHL offers several products meant for the livestock and poultry segments.

During the year 2009-10, sales of ZAHL grew by 8% to Rs. 1191 Mio. Poor monsoon had an impact on the rural economy and also the livestock business, the bird flu outbreak in some parts of the country had an unfavourable impact on the poultry business. Despite such challenges, ZAHL remained focused on the effective promotional activities, right product mix and necessary austerity measures.

Being a leading animal health company, ZAHL believes in ensuring newer solutions in disease prevention, treatment and improving overall productivity of the animals. During 2009-10, ZAHL launched 8 new products including "Home Food Plus" granules - a new concept to nutritionally balance the diet of the canines. ZAHL also organised several seminars and camps for the benefit of the farmers, pet owners and the veterinarians, who are its key stakeholders.

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 continued its consistent quest for excellence by recording yet another good year. The JV caters to over 60% of the global requirement of intermediates (KSM's) for the anti-ulcerant Pantoprazole. Apart from being accredited with ISO:9001:2008, the quality of supply together with the prompt delivery schedules paved way for the JV to be chosen as the hub of global supplies for a gamut of APIs by Nycomed.

During the year 2009-10, the JV posted sales of Rs. 1515 Mio. and Net Profit of Rs. 929 Mio., 50% of which is accounted for as the Company's share.

The expansion project for the JVs manufacturing facility is on the verge of completion. The JV would start commercial supply of several other APIs apart from the KSMs of Pantoprazole by the end of next year. This expansion in the scope of the JV will strengthen its performance in the years to come.

Zydus Hospira Oncology Pvt. Ltd.

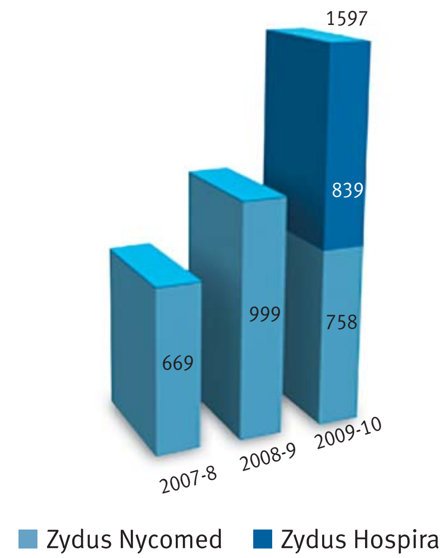
The year 2009-10 marked the beginning of the commercial operations of Zydus Hospira, the Company's 50:50 JV with Hospira Inc., USA set up with an objective of commercial manufacturing of oncological injectables. These products would be marketed by both Hospira and Zydus Cadila in the respective territories assigned to them. The JV began production and supply of three products (two commercial and one process validation) to Hospira for the European market in the month of May 2009. Domestic business operations also started with supplies of these products to Zydus Cadila for India. With this, the JV posted sales of Rs. 1,678 Mio. and Net Profit of Rs. 504 Mio. (of which 50% is the share of the Company)

During the year under review, the USFDA inspection of the JV's manufacturing facility was successfully carried out, and the facility received the approval from the USFDA, which enables the JV to supply the products to the US market also. Apart from this, the second inspection of the facility by MHRA of the EU was also completed successfully. In addition, the site has also got an approval from Health, Canada.

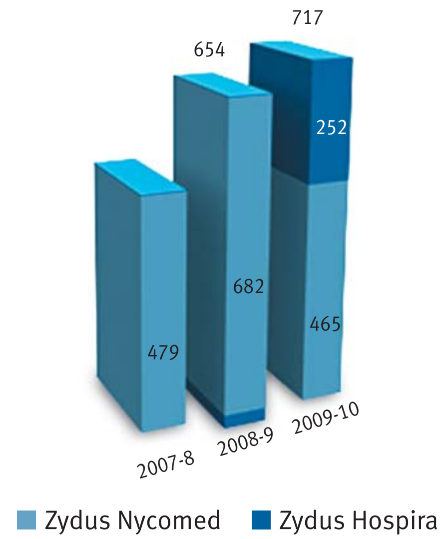
Going forward, the JV plans to expand the product base to five products next year. The remaining two products are in the pipeline and their process validation batches have been taken up while the data is under submission for market registration. Apart from expanding the product base, the markets that the JV will cater to, will also be increased.

The contribution of the JVs into the consolidated revenues and profits of the Company have been protected, even after reduction in volumes of Zydus Nycomed JV. The gap that has been bridged by Zydus Hospira JV, is shown below:

Sales Contribution from JVs



Profit Contribution from JVs



Zydus BSV Pharma Pvt. Ltd.

Zydus BSV Pharma Pvt. Ltd. (ZBSV) is a 50:50 JV set up in alliance with Bharat Serums and Vaccines Ltd. ZBSV owns rights to a novel and patented product for use in the oncology segment. Apart from this, ZBSV also operates in the generic oncology segment by way of contract manufacturing. ZBSV's business plans are supported by its state-of-the-art manufacturing facility at the SEZ near Ahmedabad.

For a novel patented product, the JV completed the Phase I clinical trials, the outcome of which has been in line with the expectations. As the next step, for the approval of this product in the US and Europe, ZBSV has already finalised the clinical trial designs and has sought the opinion of the US FDA by way of pre-IND submission. Simultaneously, the Phase II/III clinical trials have already been initiated to facilitate market development in India and some of the less regulated markets. Dossiers have already been submitted for registrations in some of the overseas markets. In the Indian market, the product, marketed as 'NUDOXA' continues to enjoy strong support from the oncology practitioners.

The market potential for ZBSV's novel product continues to remain very attractive as it is in the area of targeted therapy for some of the most common and difficult to treat cancers.

For the generic oncology business, an ANDA has been submitted under a contract manufacturing arrangement and the Company is now awaiting the audit and approval of the same. Apart from these initiatives in the contract manufacturing business, ZBSV is also developing its own generic product portfolio.

Manufacturing Operations

The brisk progress which the Company has made across various geographies and verticals would not have been possible without the strong support in terms of backward integration from its state-of-the-art manufacturing facilities. These facilities have been instrumental in consistently catering to the demand for high quality products at the most competitive costs, and have given the Company an edge in this highly competitive scenario and have helped grow the business.

A. Formulation Manufacturing

During the year 2009-10, our tablet facility and lyophylisation facility of Moraiya plant successfully completed the AFSSAPS (French regulatory authority) and the EU GMP audit.

To meet the increasing demand across the markets and ensure timely availability of products, capacity upgradation, enhancement and balancing of several facilities have been carried out. In the Moraiya plant, two additional tablet manufacturing facilities have been commissioned which are dedicated for specific products and markets. A facility for manufacturing nasal products has also been started at Moraiya, while the injection facility is now ready for the US FDA inspection. For the US market, documents for transfer of manufacturing site from Moraiya to Baddi plant for various products have been submitted and the Baddi plant is now ready for the US FDA inspection. Construction has begun on two additional tablet manufacturing facilities for the US market. This will help meet the increasing demand in the US market. Manufacturing of products for the Moraiya plant is being shifted to Goa. With this, the Moraiya plant will now cater exclusively to the regulated markets of the US, Europe and Japan. To meet the growing demand for injectables, the upgradation of the injection facility at Goa plant has also been initiated.

Various streamlining initiatives were also undertaken during the year to ensure maximum productivity and better utilisation of all the facilities. The Company has developed and implemented a unique in-house Track & Trace system called ZEET – Zydus End to End Tracking system for all packing lines for the US market.

The Company's continuous efforts to bring in operational efficiency have been rewarded during the year –
(i) The Company won the 'IMAI OE Award for the Pioneering and Paradigm Shifting Applications of OE in Tablet Manufacturing' by the KAIZEN Institute.
(ii) It also bagged the 'Best - In Class Manufacturing Award (Pharma Sector)' by Stars of the Industry Awards.

B. APIs and Intermediates Manufacturing

The API and intermediate manufacturing facilities at Ankleshwar and Dabhasa (both in Gujarat) have maintained their track record of maximising efficiency and cost effectiveness through various initiatives, and have successfully improved yield of various products. Capacity balancing and upgradation of several chemical plants in these facilities have been carried out to cope with the growing demands from the global markets and captive requirements of formulations manufacturing. A new chemical plant for Clopidogrel was also commissioned at Dabhasa in Gujarat within a short span of 8 months. During the year 2009-10, Zyfine, the Company's fine division received the US FDA approval for its manufacturing facility near Ahmedabad. With this, Zyfine became the only Contract Manufacturing Organisation offering services in the high potency actives area in India to have a USFDA approved facility. Construction of a new facility near Ahmedabad for manufacturing oncology APIs has also been initiated during the year.

Environment, Health and Safety

The Company aims for excellence in Environment, Health and Safety (EHS) by engaging and involving every stakeholder across the Company and by creating a unique culture of commitment and dedication to our core principles of EHS management. To attain the objective, the Company continues to invest substantial resources towards sustaining and continuously improving standards of environment, occupational health and safety in a bid to go beyond legal requirement.

During the year 2009-10, effective monitoring and counselling visits across the business locations were carried out for EHS compliances by the team members of dedicated EHS Cell. To create an awareness about EHS and the need for compliance with regulations among the employees, an EHS meet was arranged for all the units of the Company located in India with an exhibition of unique EHS products. The process for getting accreditation for compliance with EHS related regulations for all the units was also initiated and so far nine units have been certified by ISO 14001 and OHSAS 18001. With well defined strategy for water conservation, significant reduction of fresh water consumption was achieved. As a part of its commitment to environmental protection, the Company has implemented Effective In-Plant Effluent Segregation System, which leads to effective operation of effluent treatment plants and in turn provides effective solvent recovery.

Research and Development

The Company aims to become an innovation driven research based company by 2020, and its efforts in the area of research and development are directed to achieve this goal. With state-of-the-art facilities for NME, NDDS and biologics research, generics formulations development and API process research and a talent pool of over 950 dedicated scientists, the Company has been investing consistently on research and development.

During the year 2009-10, the total expenditure on R&D initiatives was Rs. 2,075 Mio., up by 11%. Of this, the revenue expenditure was Rs.1,660 Mio., while the capital investment was Rs. 415 Mio. The total R&D spend as a % to total operating income was 5.6%.

A. NME Research

The Company's state-of-the-art Zydus Research Centre (ZRC) leads the Company's NME, NDDS and Biologics research activities with a dedicated research team of over 350 research professionals and with a special focus on chronic therapeutic areas like cardiometabolic, inflammation, pain and oncology.

During the year 2009-10, ZRC's NME research programme made brisk progress. The Company filed its 7^{th} IND – ZYD1, a GLP-1 agonist molecule with the DCGI as well as the US FDA. ZYD1 is a novel candidate in the class of anti-diabetic agents known as incretin mimetics and has displayed a superior efficacy and safety profile. Phase III clinical trials for ZYH1, the Company's lead molecule for dyslipidemia have been initiated. ZYO1, the novel drug candidate for treating obesity and related disorders and ZYH7, the novel drug candidate for treating dyslipidemia and metabolic disorders have completed Phase I clinical trials. The Company has a strategic R&D collaboration with Karo Bio, Sweden for discovery and development of novel, non-steroidal GR agonists, and within one year of initiation, the research programme has generated a series of novel dissociated non-steroidal glucocorticoid agonist lead compounds. The Company also has strategic research alliance with Eli Lilly and Co. for discovery and development of drugs on a novel cardiovascular target.

The following chart shows the status of various NME projects currently pursued by ZRC.

PROJECT	Target	Indication	Drug Discovery	Lead Optimisation	Preclinical Development	IND	Phase I	Phase II	Phase III	NDA
ZYH1	PPAR alpha;gamma	Dyslipidemia								
ZYI1	Multi-model	Pain								
ZYO1	CB-1 antagonist	Obesity, Diabetes								
ZYH2	PPAR alpha; gamma	Diabetes								
ZYH7	PPAR alpha	Dyslipidemia								
ZYT1	TR beta agonist	Dyslipidemia								
ZYD1	GLP-1 agonist	Diabetes								
ZYOG1	GLP-1 agonist	Diabetes								
	Undisclosed	Diabetes								
	Undisclosed	Atherosclerotic Plaque								
Collaborative program	Selective GR agonist	Inflammation	with Karo Bio							
Collaborative program	Undisclosed	CVS	with Eli Lilly							

The Novel Drug Delivery Systems (NDDS) team initiated work on Nanotechnology, and successfully developed a Nanoblu technology platform for topical application. This platform gave the Company its first product 'Oxalgin Nanogel', which has given remarkable results in the pain management therapy.

B. Biosimilars and Novel Biologics

On the biosimilars side, the Company is well positioned with 120 dedicated scientists, end-to-end product development and manufacturing capabilities and a strong IP position either through own patent or non-infringing processes. The Company is developing a portfolio of 15 biosimilar products, which includes therapeutic proteins and therapeutic monoclonal antibodies. A new dedicated state-of-the-art manufacturing facility for manufacturing biologics (recombinant therapeutic proteins) near Ahmedabad was commissioned and will cater to the global business requirements of biosimilars. During the year, the Company received marketing authorisation for biosimilar versions of G-CSF and PEG-GCSF in India.

The Company is also developing a portfolio of novel biologics and is collaborating with the World Health Organisation (WHO) for developing a novel monoclonal antibody for treating rabies, and with Prolong Pharmaceuticals, USA for developing a novel next generation PEG-EPO.

The status of various biosimilar development programmes currently pursued by the Company is shown below:

Product	Expression Host	Development	CT	Launch
G-CSF	E. coli			
Peg G-CSF	E. coli			
IFN-a 2b	P. pastoris			
Peg IFN-a 2b	P. pastoris			
IFN-b 1b	E. coli			
EPO	CHO			
Prod 1	CHO			
Prod 2	E. coli			
Prod 3	E. coli			
Prod 4	CHO			
MAb 1	CHO			
Tenecteplase	CHO			
MAb 2	CHO			
MAb 3	CHO			
MAb 4	CHO			
Peg EPO	CHO			
Rabies Mabs	Murine			

C. Vaccines Research and Development

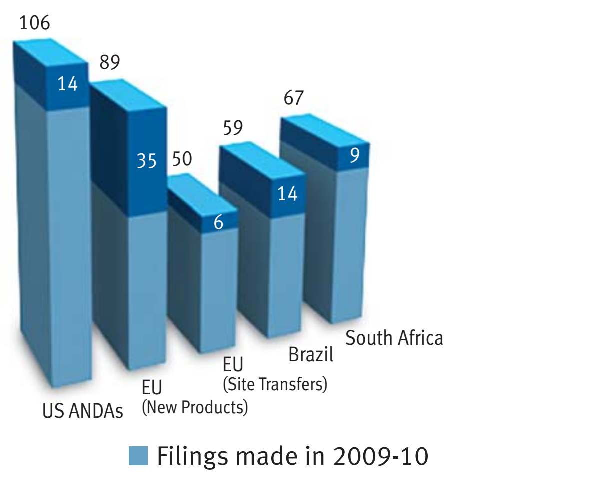
Etna Biotech, an Italy based research outfit, which the Company acquired last year, works on cutting edge R&D projects in the area of vaccine research. The Company has several vaccine research programmes under progress in Italy as well as in India which are under different stages of development. Construction of a dedicated state-of-the-art Vaccine Technology Centre near Ahmedabad in India has also been initiated which will undertake several vaccine research programmes.

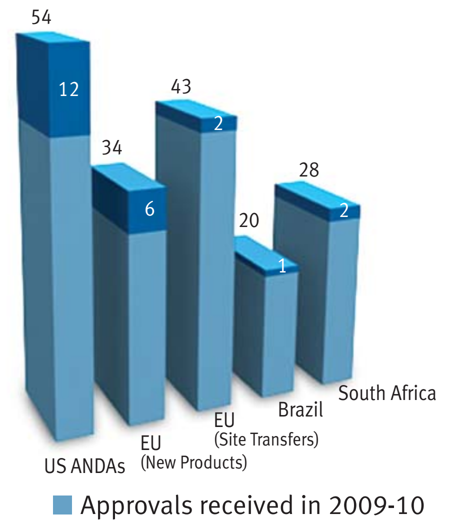
During the year, the Company developed an in-house technology for high quality vaccine for H1N1 Flu (Swine Flu) using the pre-existing know-how within the Company. The Company became the first Indian pharmaceutical company to get the DCGI nod to start clinical trials of the vaccine. In the meantime several million doses of H1N1 vaccine have been successfully produced and tested in clinical Phase II and III trials and the Company expects marketing authorisation for the same in India shortly.

D. Pharmaceutical Technology Development

The Pharmaceutical Technology Centre (PTC), the Company's formulations development centre is responsible for developing formulations for the regulated and other emerging markets. The capabilities which PTC has developed over the years have helped the Company have an edge in the global generics space with differentiated product offerings.

During the year, PTC continued its product development efforts at the same pace and filed over 100 product applications for the global markets. A summary of the filings made by PTC in the focused regulated markets of the US, EU, Brazil and South Africa and the approvals received so far are given below:





The US ANDA filings of 14 for the year 2009-10 include 8 ANDAs for injectible products. PTC has also initiated development of products in ointments, creams and oncology areas, and filings for such products would start going forward. Such filings in different dosage forms and therapies and products involving difficult technologies would help the Company to have an edge over other players and continue its growth momentum.

PTC is also well equipped with an in-house clinical packaging facility which is expected to bring cost reduction in the packaging development area.

E. New Drug Delivery Systems (NDDS)

In the generic pharmaceutical markets across the globe, which are characterised by continuous price erosion due to fierce competition, margin pressures particularly on oral drugs, even after continuous cost improvement make such products less profitable. In a market environment such as this, products with novel drug delivery systems (NDDS) offer a market niche with superior efficacy and safety profiles. NDDS products require high-end capabilities to meet complex product development and manufacturing requirements, and therefore readily lend themselves to technology patent protection. As they attract only limited competition, NDDS products offer higher margins. In addition, the prospect for offering a drug during its patent life in an NDDS offers a life extension opportunity to the drug patentee, while also providing significant revenues to the NDDS patentee / manufacturer.

The Company is investing on NDDS research as such niche products will enable the Company to take next leap in its growth journey. The Company's investment in Zydus Noveltech Inc. (ZNI) and Zydus Technologies Ltd. (ZTL) marks its first step in creating such opportunities in the non-oral dosage forms in the regulated generics markets. ZNI is a US-based alliance between the Company and TGL Enterprises, which intends to develop, patent, and market non-oral dosage forms of generic and branded drugs. The Company will utilise multiple drug delivery systems in several therapeutic areas targeting regulated markets in the US, Canada, Mexico, Western Europe and Japan. These products would be 'difficult-to-formulate' or 'easier-to-formulate, but difficult-to-manufacture' products with a minimal to low IP barrier with limited competition.

ZTL is the Indian arm of the alliance, which will be responsible for developing and manufacturing these products. This alliance creates synergies by bringing in the Company's world class developmental and manufacturing capabilities and TGL's technological and business expertise in creating novel dosage forms. Construction of the state-of-the-art product development and manufacturing facility for ZTL is under way at the SEZ near Ahmedabad. Meanwhile, the development of 7 transdermal products is also underway and are at different stages of development, trials and testing. ZTL plans to initiate submission of the product dossiers with regulatory authorities next year.

F. API Chemical Process Research

The Company's vertically integrated API manufacturing capabilities have been the backbone to its success in the global generic formulations markets. Continuous process improvement and cost reduction in the manufacturing of these APIs have been the key factors to the Company's ability to sustain price erosions in the generics market. The Company's API process research and development teams have been spearheading these initiatives.

During the year 2009-10, the Company set up a new API R&D hub at Dabhasa, which will focus on developing processes for the regulated and non-regulated markets. With 10 research labs supported by an analytical lab, the centre has a team of 150 researchers working in these areas. The main areas of focus at the API R&D hub are to develop and file API Drug Master Files (DMFs) for the regulated markets, develop newer APIs to be manufactured in-house and reduce cost and improve processes of existing APIs.

The API R&D Centre has developed 24 products for DMF filings, and made 14 DMF filings with the US FDA during the year 2009-10. Apart from this, it has also developed 12 new products for the Indian market. On the cost reduction front, API R&D, through various process improvement initiatives, has substantially reduced the cost for 20 products, and filed over 20 process patents. It has also contributed in scaling up and commercialising several products for their launch.

G. Intellectual Property Rights

The Company efforts in the development of new molecules, newer delivery systems, processes and technologies have continued. Various centres for research and development – ZRC, PTC and the API R&D Centre have filed over 90 patents in the US, Europe and other countries during 2009-10, taking the cumulative number of filings to over 530.

Human Resources

Bringing HR to Business

Over the last few years, Team HR of the Company has been leading initiatives for organisational change, building organisational capability and strengthening the impact of HR on business outcomes. In the year 2009-10, Team HR continued to focus on these thrust areas:

Alignment	Performance	Transformation	Relationships
Integrating HR initiatives with organisational goals, helping shape the corporate strategy	Setting the context for individual and team performances through a robust mechanism of reviewing, evaluating & analysing performances	Developing leaders for tomorrow & championing the change process	Creating the culture of a global corporation and bringing in greater connectedness

Here are the initiatives undertaken during the year:

Building Organisational Capability

ALIGNMENT
CONNECTING HR WITH THE BUSINESS

- Integrating initiatives with business plans
- Contributing and supporting corporate strategy
- Optimising HR delivery systems and enhancing the organisation's 'readiness-to-do business' quotient. 1613 people were recruited last year to support business expansion of which 29 were strategic positions

PERFORMANCE
ACHIEVING HIGH QUALITY BUSINESS RESULTS

- Setting a robust mechanism in place to track, review and evaluate performance
- Analysing outcomes
- Providing opportunities to improve performance
- A round-the-year learning calendar looked at various skill and capability building programmes
- In all, 1521 training programmes were held spread over 69,500 training hours during the year

KNOWLEDGE
BRINGING HR TO BUSINESS

- Creating the right organisational dynamics for positive business outcomes
- Engaging, enabling and energising 'people' to connect with the organisation's goals and contribute towards them
- Creating a robust framework of policies and processes

TRANSFORMATION
CHAMPIONING THE CHANGE PROCESS

- Creating a positive climate for change
- Developing leaders for tomorrow through specific OD initiatives
- Increasing the leadership bandwidth – 11 new members were added to the leadership bench strength during the year. Mentoring and coaching continued for the 127 members identified as potential business leaders
- Reviewing and creating new organisational structures to facilitate growth

RELATIONSHIPS
PARTNERING WITH THE BUSINESS

- Engaging and connecting with over 11,000 people worldwide
- Respecting local cultures and identities within the broader organisational framework
- Creating touch points for people to feel and experience the mission/vision and values of the organisation

To Deliver Buisness Outcomes

The entrepreneurial vision that started it all

Zydus' inspiring journey of growth began in 1995 with the entrepreneurial vision of Mr. Pankaj R. Patel who set out with a team of 2200 people to create an innovative and dynamic pharma enterprise. The group embarked upon its journey with the HR philosophy 'We Build People to Build our Business'. Since then the group has been growing, evolving and transforming itself into a global healthcare company and now has over 11,000 dedicated employees worldwide. It was therefore a special occasion when Ernst and Young conferred the Ernst and Young Entrepreneur of the Year – Healthcare and Life Sciences Award on Chairman and Managing Director, Mr. Pankaj R. Patel. The award felicitates outstanding Indian entrepreneurs for their vision, courage and leadership in building successful global businesses.

A distinguished six-member jury headed by former Securities and Exchange Board of India (SEBI) Chairman, Mr. M. Damodaran adjudged the winners. The jury had screened 310 nominations to choose 18 finalists, which included leading industrialists from India. Mr. Pankaj R. Patel is seen here receiving the award from Veteran Congress Leader, Shri Digvijay Singh on 16th February 2010 at Mumbai.

The vision for excellence

It was a high point for the group as it bagged the Best-in-Class Manufacturing Leadership Award (pharmaceutical sector) at the International India Innovation Summit held at Taj Land's End, Mumbai on the 11th of February, 2010. The Best-in-Class Manufacturing awards are in recognition of companies and professionals who have demonstrated excellence and innovation as a culture, have gained recognition amongst peers for outstanding achievements and reiterated their reputation as a market leader. Mr. S.G. Belapure, President and Head, BU Manufacturing is seen receiving the award from Smt. Indira Parikh, President, Foundation for Liberal and Management Education, Pune.

Communicating the vision

Recognising the role of strategic communications in Zydus' growth over the years, the Association of Business Communicators of India (ABCI) felicitated Mr. P.R. Joshi, President, Group HR and Corporate Communications, Zydus Cadila, with the 'Communicator of the Decade' Award. He is seen receiving the award from His Excellency, the Governor of Maharashtra, Mr. K. Sankaranarayanan. Dr. Subir Gokarn, Deputy Governor, Reserve Bank of India was the Guest of Honour at the function.

Engaging ways, winning ways

At the World HRD Congress held at Mumbai in February 2010, the group won the coveted Employer Branding Award. The awards for this category have shot to prominence in the last 4 years across Europe, parts of America & in the Asia Pacific region like Singapore, Malaysia and India. Among other parameters, the award takes into account an organization's ability to attract talent, the initiatives for engaging its people and various ways in which they create a positive brand experience for employees. The award is in recognition of the group's talent management, learning and development and employee engagement activities.

Corporate Social Responsibility

Creating healthier communities

In keeping with its corporate philosophy in creating healthier, happier communities, Zydus Cadila's objective is to work closely for the development of the society. As a part of the countdown to the 15th Founder's day celebrations, employees across the group dedicated an entire week to community outreach programmes. With the theme 'Colours of Life', the employees spearheaded various initiatives to spread joy and happiness in the community. While the team in France carried out a week long campaign to highlight the importance of the benefits of walking and exercising for good health, teams in Goa, Ankleshwar, Mumbai and Ahmedabad took part in various initiatives and spent quality time with terminally ill patients, visually disadvantaged people, elderly at old age homes and with children at orphanages. There was also a green wave across the group with the clarion call 'Each one, plant one', resulting in a huge tree planting drive in different parts of the globe.

As part of the 'Colours of Life', blood donation camps, the rural healthcare camp at Moraiya and free hypertension and diabetes detection camps were also held. At the rural healthcare camp, a team of 35 leading physicians from the city of Ahmedabad, alongwith the group's medical advisors attended to more than 1500 villagers.

Employees seen participating in blood donation camps and conducting diagnostic camps

Spending time with terminally ill patients at the hospital, with the elderly at old age home and children at an orphanage as part of the community outreach programmes

Employees worldwide participating in the 'Each one, plant one' Green Earth campaign.

More than 1500 villagers attending the annual healthcare camp at Moraiya

The group also reached out to the earthquake affected victims in Haiti with Zydus Pharmacueticals USA Inc., donating more than 4,500 bottles of Metformin tablets to the AmeriCares Foundation for Haiti Relief Work. AmeriCares is a non-profit, disaster relief and humanitarian aid organisation which provides immediate response to emergency medical relief and supports long term, humanitarian assistance programme for people around the world.

As part of its initiatives in the field of education, the group had set up Zydus School for Excellence in 2002 to provide a creative, academic environment for young learners. The school's new campus, set up in the rural outskirts of Ahmedabad city, begins its 1st academic year in June, 2010. The school will have classes from Jr. Kg. to Std.XII and will be affiliated to the CBSE board.

The new school premises of the Zydus School for Excellence II

Financial Highlights*

* In the consolidated financial statements, the Company's 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 JV has been considered for better understanding.

Operating Incomes

Sales

The gross sales revenue grew by 24% to Rs. 36,142 Mio. in 2009-10 from Rs. 29,171 Mio. in 2008-09. Sales growth was mainly driven by formulations exports, which grew by 45% buoyed by sales growth of 69% in the US generic business, 31% growth in European business and commencement of sales in Hospira JV. API exports (other than Nycomed JV) also posted a strong growth of 28%.

Formulations business in India grew by 12% while consumer wellness business posted a robust growth of 37%.

Other Income from Operations

The other income from operations, which comprise of export incentives, income from global contract manufacturing operations, royalty and government grants, grew by 73% to Rs. 1,127 Mio. from Rs. 651 Mio. in 2008-09.

Income from global contract manufacturing and processing charges grew by 14% to Rs. 401 Mio. from Rs. 353 Mio. in 2008-09.

Other operating incomes also include royalty of Rs. 288 Mio., which was received under a settlement agreement with the US based company for 'Ribavirin', a product sold in the US generic market. During the year 2009-10, the Company received Rs. 39 Mio. as grant-in-aid from Ozone Cell, Ministry of Environment and Forests, Government of India for meeting the expenditure incurred towards activities carried out in relation to phasing out of Chlorofluorocarbons (CFCs) in the manufacture of Pharmaceutical Metered Dose Inhalers (MDIs).

Other Incomes

Other incomes, which mainly include interest and rental incomes, reduced by 22% to Rs. 159 Mio. from Rs. 204 Mio. last year.

This reduction was mainly due to a one time profit of Rs. 97 Mio. booked last year on disposal of API manufacturing facility at Patalganga. There was no such major one time income in 2009-10.

Interest income grew by 46% to Rs. 145 Mio. from Rs. 99 Mio. in 2008-09.

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 by 1.1% to 34.6% from 35.7% in last year.

The reduction of 0.8% in excise duty as % to gross sales was mainly due to the increase in sales of non excisable goods i.e. mainly exports, which grew by 37% vs. 14% growth in domestic sales, and increased volumes from non-excisable areas like Sikkim.

The Company has been continuously working on rationalising the costs across the board by improving efficiencies and better resource utilisation, which coupled with better product mix have contributed to the reduction of material cost and processing charges as a % of gross sales, inspite of reduced exports realisations due to appreciating Indian Rupee.

Personnel Costs

The personnel costs (excluding R&D staff costs) increased by 27% y-y to Rs. 3,995 Mio. from Rs. 3,147 Mio. last year. This increase was both due to net addition in manpower and increase in average cost per employee. Manpower addition was mainly for the new division and task forces created for the Indian formulations business – cardiology and respiratory, and for the formulations manufacturing facilities. The personnel cost, as % to operating income, was marginally up from 10.7% last year to 10.8% in 2009-10.

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 28% y-y to Rs. 10,730 Mio. from Rs. 8,387 Mio. last year. This includes loss of Rs. 154 Mio. on buy-back of shares by Zydus Animal Health Ltd., and growth in MSGA expenses excluding this loss was 26%. Overall, MSGA (excluding foreign exchange fluctuation losses) as % to operating income were marginally up at 29.1% from 28.6% last year.

Research and Development Expenses

Revenue expenditure, including staff cost on Research and Development (R&D) was Rs. 1,660 Mio., up by 6%, which was 4.5% of total operating income. Expenditure on NME and NDDS research formed 25% of the total R&D expenditure while the rest was spent on formulations development and API process research.

Depreciation and Amortisation

The depreciation and amortisation expenses were up by 20% y-y to Rs. 1,339 Mio., from Rs. 1,118 Mio in 2008-09. This includes amortisation of over Rs. 500 Mio on intangible assets. Growth in depreciation expenses was mainly due to the net additions to fixed assets of over Rs. 1.65 bn which took place in 2008-09, 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. 2.7 bn which took place in 2009-10 have also partially resulted in an increase in depreciation charge.

Deficit on account of fluctuation in foreign exchange rates

After having suffered badly during 2008-09 as a result of economic downturn caused by global financial crisis, global financial markets showed signs of improvement during 2009-10, more particularly with a positive impact in India.

Foreign investment has started increasing and coupled with good GDP growth, Indian Rupee started appreciating throughout the year against the US Dollar. Emerging markets have been growing faster as against de-growth in trend by the US, UK and most Euro zone economies. The exchange rate for the Indian Rupee v/s the US Dollar, which was Rs. 50.74 at the beginning of the year, appreciated by almost 12% in the year 2009-10 and closed below Rs. 45 in March 2010.

The Company has exposure in foreign currencies, mainly the US Dollar and the Euro. Though the Company is a net foreign exchange earner, with large export earning compared to imports, due to the hedge contracts entered in prior years earlier to protect exports realisations in view of then appreciating the Indian Rupee, the Company could not reap full benefit of the higher exchange rate of Indian Rupee prevalent during initial months of the year 2009-10. This apart, settlement of foreign currency trade transactions, alongwith mark-to-market adjustment of notional loss for outstanding forward contracts, resulted in net loss on account of foreign exchange fluctuations during the year. This, however, has been partially offset by gains due to foreign exchange fluctuations on servicing of foreign currency loans in the later part of the year.

During the year 2009-10, net loss on account of foreign exchange fluctuations, excluding loss on debt repayment and mark-to-market adjustment of debt, amounted to Rs.303 Mio., compared to Rs.249 Mio. last year. The exchange rate fluctuation loss on settlement of foreign currency debt and mark-to-market adjustment of outstanding foreign currency debt amounting to Rs.12 Mio. compared to Rs.227 Mio last year.

Interest and Financial Charges

Inspite of high volatility in the currency market and tightening of liquidity situation, the Company has been able to manage its debt portfolio well, resulting in bringing down the finance cost (including impact of realised loss on fluctuation in foreign currency loans repaid during the year) to around 6% (against average 5-year G-Sec rate of 7% for 2009-10 and 7.61% during 2008-09 on a similar basis).

Overall finance cost (excluding foreign currency fluctuation loss not classified as interest cost) was down by 17%, from Rs. 978 Mio. last year to Rs. 809 Mio.

Exceptional Items

The exceptional expenses reduced to Rs. 46 Mio. against Rs. 241 Mio. last year. This includes compensation of Rs. 24 Mio. paid on retrenchment of a few employees of Nikkho, the Company's subsidiary in Brazil, under a staff optimisation programme last year and expenses of Rs. 22 Mio. incurred on restructuring of consumer wellness business carried out under a composite scheme of arrangement in 2008-09.

Provision for Taxation

The provision for Taxation as a % to Profit before Tax reduced to 12.3% as compared to 18% last year. This was mainly due to increased volume of the Sikkim operations for the domestic market and reversal of deferred tax liability created on Foreign Currency Monetary Items Translation Difference Account (FCMITDA) in 2008-09. Due to appreciation of the Indian Rupee vis-à-vis other currencies, the balance of FCMITDA account has reduced from Rs. 438 Mio. in March 2009 to Rs. 102 Mio. in March 2010, and consequently the provision for deferred tax liability which was created last year on the same has also been reversed.

Profits and Margins

The EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation excluding non operating incomes) increased by 33% to Rs. 8,086 Mio. from Rs. 6,058 Mio. last year. The EBITDA margin (% to operating income) increased by 1.2% to 21.9% from 20.7% a year ago.

The PBT (Profit Before Tax) increased by 63% y-y to Rs. 6,039 Mio. from Rs. 3,698 Mio. last year, mainly on account of saving in interest and financial costs and reduction in exceptional items as compared to last year. PBT before exceptional items grew by 54% to Rs. 6,085 Mio. from Rs. 3,939 Mio. last year. As a % to operating incomes, PBT before exceptional items was at 16.5% as against 13.5% last year.

Net profit after the tax and the minority interest was up by 67% y-y to Rs. 5,051 Mio., from Rs. 3,031 Mio. last year. The net margin stood at 13.7% vis-à-vis 10.3% last year. The net margin excluding exceptional items was at 13.8% compared to 11.0% last year.

Reconciliation of net margin

	% to Operating Income
Net margin before exceptional items for 2008-09	**11.0%**
Increase in EBIDTA margin	1.2%
Lower Other Incomes	-0.3%
Lower depreciation charge	0.2%
Reduction in net interest expenses	1.9%
Reduction in tax provision	0.4%
Increase in share of minority in profits of partly owned subsidiaries	-0.6%
Net margin before exceptional items for 2009-10	**13.8%**
Exceptional expenses net of tax	-0.1%
Net margin for 2009-10	**13.7%**

Net Worth

The consolidated net worth increased to Rs. 16,285 Mio. at the end of March 31, 2010, up by 32% from Rs. 12,352 Mio. at the end of March 31, 2009. The reserves and surplus increased to Rs. 15,603 Mio. at the end of the year 2009-10, from Rs. 11,670 Mio. last year. Apart from the net increase of Rs. 3,814 Mio. in retained earnings, reserves and surplus also increased by Rs. 181 Mio., being exchange rate difference arising on consolidation of non-integral foreign subsidiary operations.

The book value per share increased to Rs. 118.9 as at 31st March 2010 from Rs. 88.8 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 35.9% from 28.4% last year.

Debt

The consolidated debt of the Company stood at Rs.10,905 Mio., reduced by Rs.1,768 Mio. from Rs.12,673 Mio. last year. There was, however, cash and bank balance of Rs.2,507 Mio on 31st March 2010 as against Rs.2,517 Mio. last year. Net debt (adjusted for cash and bank balances) was Rs.8,398 Mio., against Rs.10,156 Mio. last year. The Company invested amount of over Rs.3.3 bn for capital expenditure and acquisition of 30% shares of Simayla Pharma, its subsidiary in South Africa, which have been partly funded out of internal accruals and fresh long term loans of over Rs.2.4 bn. Partial reduction in debt is due to impact of appreciation of Indian Rupees during the year.

Of the total debt, Rs.5,536 Mio. is denominated in foreign currency, representing 51% of aggregate debt at the end of the year. About 27% of the foreign currency debt has been hedged through derivative contracts.

The company has low leverage in the form of Net Debt Equity Ratio of 0.52:1 (marked improvement from 0.85:1 from last year) due to 32% jump in its net worth as a result of 33% growth in retained earnings during the year vis-à-vis reduction of net debt (after adjusting cash and bank balance) by over 14% during the year.

Fixed Assets and Capital Expenditure

The consolidated gross block (including capital work in progress) at the end of 2009-10 was Rs. 28.1 bn, up by Rs. 3.3 bn from Rs. 24.8 bn last year. Net capital expenditure (excluding goodwill, but including capital work in progress) during the year 2009-10 was Rs. 3,247 Mio., which was incurred for up-gradation and expansion of capacity of existing facilities for formulations and API manufacturing, and building up of new facilities for oral dosages, biologics, transdermals, Clopidogrel API and oncology APIs.

Working Capital and Liquidity

The Working Capital level at the end of 2009-10 was of Rs. 9,088 Mio. as against Rs. 8,695 Mio the last year, which shows an increase of Rs. 393 Mio. Average working capital excluding cash balance; however, remained at the level of ~17% of total operating income, which was reduced by ~ 2.6% compared to last year.

The Accounts Receivable increased by Rs. 119 Mio. to Rs. 4,668 Mio. at the end of 2009-10 representing 47 days (of gross sales), as against 51 days last year. This reduction was mainly due to the relatively lower sales in the last quarter of 2009-10.

The Inventory level went up to Rs. 7,504 Mio. at the end of 2009-10 from Rs.6,012 Mio. last year. Average inventory levels of input materials (raw and packing materials) remained at about 81 days of consumption compared to 95 days last year, while average levels of finished goods and work in progress inventories remained at about 104 days of cost of goods sold, compared to about 101 days last year.

The overall current ratio at the end of the year 2009-10 reduced to 2.05 from 2.26 last year.

Capital Employed and Operating Efficiency

The Total Capital Employed (CE), adjusted for exceptional items and deferred expenses, at the end of the year was Rs. 28.3 bn, up from Rs. 26.1 bn at the end of the previous year, showing an increase of 8% which corresponds to the growth of business. The Return on Capital Employed (ROCE = Adjusted earnings before interest net of tax / Average CE) increased to 21.1% vis-à-vis 17.8% last year, showing the overall improvement in operating efficiency across all parameters.

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. Its operations span in the Indian and several other generics markets across the globe. The Company is also engaged into research and development in the areas of new molecular entity (NME), novel drug delivery systems (NDDS) and generic product development. The various risks associated with the highly regulated pharmaceutical industry, the business scenario for which keeps on changing rapidly, are explained below.

Risk related to economic and political environment across the world

The Company has operations in over 25 countries. In today's era of globalization, where economies of all the countries are interlinked, any development in the economy of one or more country would have impact on the economy of the other countries too. Any changes in the economic and / or political conditions in any country can affect the operations of the company favourably or adversely, though the magnitude of such impact could vary from country to country.

Risk of competition, price pressure and Government controls on prices

The generic markets across the world are characterised by a number of players competing with each other to grab the market share, putting continuous pressure on prices of the products. The Company's business in developed generics 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 its pricing power adversely.

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

The pharmaceutical products and their manufacturing and supply chain processes are subject to the stringent regulations and the quality standards. Any deviation from prescribed regulations or any variation in quality from standards laid down by 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 its functional currency – the Indian Rupee. Any depreciation of an Indian Rupee can lead to higher exports realisation, but will also lead to higher outgo on repayment of debt and other payments. The situation can be reverse, as it was in 2009-10, in case of any appreciation in the Indian Rupee.

Risk of efforts on Research and Development proving to be unproductive

The Company invests 5-6% 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, probability of success of NME and NDDS research is very minimal. The time required for successful discovery and commercial launch of a new drug could be as long as 8 to 10 years, or even higher, and the resources and costs involved in that are also of large magnitude. This exposes the Company to the risk of its drug discovery efforts proving to be non-productive at any stage.

Risk Management and Internal Control Systems

The Company has established a well defined process of risk management, wherein the identification, analysis and assessment of the various risks, measurement of the probable impact of such risks, formulation of risk mitigation strategy and implementation of the same takes place in a structured manner. Though the various risks associated with the business cannot be eliminated completely, all the efforts are made to minimise the impact of such risks on the operations of the Company. An enterprise-wide risk evaluation and validation process is carried out regularly, and review of the risk management policy and framework is also carried out at regular intervals by the Risk Management Committee (RMC) to ensure that risk mitigation strategies work in the desired direction. New risks which might have arose or impact of existing risks which might have increased are identified and proper strategy is put in place for mitigation of such risks.

Requisite internal control mechanisms have also been put in place by the Company on various activities across the board to ensure that business operations are headed towards attaining the stated organisational objectives with an optimum utilisation of the resources. There are periodic visits of both internal and management audit teams to each manufacturing location to ensure adequate internal control systems and procedures to mitigate risks. Apart from these internal control procedures, a well-defined and established system of internal audit is in place to independently review and strengthen these control measures. The Audit Committee of the Company regularly reviews the reports of the internal auditors and recommends actions for further improvement of the internal controls and remedy for any weakness in the systems.

Financial Section 2009-10

Director's Report

Your Directors take pleasure in presenting the 15th Annual Report of the Company with the Audited statement of Accounts for the year ended 31st March 2010.

Financial Results

Particulars	INR - Millions Year ended March 31,		Growth
	2010	2009	(%)
Sales and Other Income	24684	20052	23.1
Profit Before Interest, Depreciation, Exceptional items and Tax (PBIDET)	6534	4798	36.2
Less: Depreciation, Amortisation and Impairment	900	826	9.0
Profit Before Interest, Exceptional items and Tax (PBIET)	5634	3972	41.8
Less: Interest	431	880	(51.0)
Less: Exceptional Expenses : Expenses incurred pursuant to Composite Scheme of Arrangement	0	128	
Profit Before Tax	5203	2964	75.5
Less: Provision for Tax	170	305	(44.3)
Profit After Tax	5033	2659	89.3
Add: Profit brought forward from the previous year	2030	1628	
Add : Pursuant to a Composite Scheme of Arrangement	0	38	
Profit available for appropriation, which is appropriated as follows:	**7063**	**4325**	
Proposed Dividend	1024	614	
Corporate Dividend Tax on Proposed Dividend [Net of CDT Credit]	116	105	
Transferred to Debenture Redemption Reserve	100	0	
Transferred to General Reserve	2500	1576	
Balance carried to Balance Sheet	3323	2030	
Total	**7063**	**4325**	
Earnings per share [EPS] [Face Value of shares Rs.5/-] [in Rupees] Basic : - Before Exceptional items - After Exceptional items Diluted :* - Before Exceptional items - After Exceptional items	 36.87 36.87 24.58 24.58	 20.42 19.48 13.61 12.99	

* After considering bonus equity shares issued after 31st March, 2010.

Operations and Business Performance

During the year under review, the Company achieved sales of Rs.18549 mn, showing a growth of 6.8% compared to the previous year. The PBIDT increased by 36.2 % to modest Rs.6534 mn. The Profit before Tax was higher by 75.5 % to Rs. 5203 mn. The Profit after Tax increased to Rs. 5033 mn up by 89.3 % compared to Rs.2659 mn in 2008-09. The Company achieved EPS (After Exceptional items) of Rs.36.87 compared to Rs.19.48 in 2008-09. EPS on enhanced capital after considering the issue of Bonus Equity Shares was Rs.24.58. A detailed analysis of performance for the year has been included in the Management Discussion and Analysis, which forms part of the Annual Report.

After 31st March 2010, the Company has capitalized the entire amount of Rs.115,711,547/- from Security Premium Account and Rs. 225,535,988/- from General Reserves for issuing fully paid-up bonus equity shares.

Issue of Bonus shares and Dividend

The Board of Directors in February, 2010 recommended the issue of Bonus shares in the ratio of 1:2 to the shareholders of the Company. Subsequently, an Extra Ordinary General Meeting of the shareholders of the Company was held on 22nd March 2010. The Shareholders approved the increase in Authorised Share Capital from Rs. 700 mn to Rs. 1100 mn divided into 220,000,000 Equity Shares of Rs. 5/- each and issue of Bonus Equity shares in the ratio of 1:2 i.e. One Equity share of Rs. 5/- each fully paid-up for every Two Equity Shares of Rs. 5/- each held by them on 6th April 2010, being the Record Date fixed by the Bonus Committee for the purpose to ascertain the names of the shareholders entitled to receive the Bonus shares. The said committee has allotted Bonus Equity Shares on 9th April 2010 to all the shareholders whose names were appearing on the Register of Members or in the respective beneficiary accounts with their Depository Participants as per the details provided by NSDL and CDSL ("the Depositories") on the Record Date. The demat accounts of the eligible shareholders were credited as per the confirmations provided by the depositories. For the Bonus shares issued in physical form, the corresponding share certificates were dispatched to the addresses of the respective shareholders.

Your Directors are pleased to recommend a dividend of Rs.5.00 (previous year Rs.4.50) per equity share on enhanced paid-up share capital consequent to Bonus Issue in the ratio of 1:2, which was 204,748,520 equity shares of Rs.5/- each for the financial year ended 31st March 2010. 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 16.13 percent.

Funding

During the year, your Company issued Secured Redeemable Non-Convertible Debentures (NCDs) aggregating to Rs. 500 mn on a private placement basis. NCDs are listed on the Wholesale Debt market segment of National Stock Exchange of India Limited. NCDs were rated AA+ by CRISIL Limited, a renowned rating agency. IDBI Trusteeship Services Limited has been appointed as the Trustees for these NCDs.

The Company will continue to raise additional funds from banks, financial institutions, bond markets, commercial papers, etc. in line with the need for maintaining sustained growth of business.

Performance of Subsidiary / Joint Venture Companies

The performance of subsidiaries and joint ventures as per the audited accounts of the respective subsidiary / joint venture companies is summarised hereunder. The accounts of the foreign subsidiaries are audited as at December, 2009 / February, 2010 whereas the January / February to March, 2010 accounts are subjected to limited review.

(INR - mn)

Sr. No.	Name of the Subsidiary Company	% holding	Main business	Year ended on	Revenues	Profit / (Loss) after tax
1	Zydus Pharmaceuticals Limited, India	100	Distribution of pharmaceuticals	31st March	2	1
2.	German Remedies Limited, India	100	Marketing services	31st March	71	70
3.	Dialforhealth India Limited, India	100	Operates a chain of retail pharmacies	31st March	140	(3)
4.	Liva Healthcare Limited, India	100	Marketing of Pharmaceuticals	31st March	502	67
5.	Zydus Animal Health Limited, India	100	Manufacturing and marketing of animal health products	31stMarch	1213	171
6.	Dialforhealth Unity Limited, India	55	Operates a chain of retail pharmacies on Franchisee basis	31st March	-	(0.02)
7.	Dialforhealth Greencross Limited, India*	100	Operates a chain of retail pharmacies in Maharashtra	31st March	0.08	(0.68)
8.	Zydus Wellness Limited, India	72.51+	Manufacturing and marketing of consumer products	31stMarch	2740	453
9.	Zydus Technologies Limited, India	99	Manufacturing and marketing of NDDS products.	31st March	-	(5)
10.	Zydus International Private Limited, Ireland	100	Holds Company's Global Investments	31st Dec.	99	56
11.	Zydus Healthcare SA (Pty) Ltd., South Africa	100	Marketing of formulations in South Africa	28th Feb.	242	(8)
12.	Simayla Pharmaceuticals (Pty.) Ltd., South Africa**	100	Marketing of Pharmaceutical products	28th Feb.	519	(18)
13.	ZC Pharma Services (Proprietary) Ltd., South Africa***	100	Providing marketing intelligence and data management services to pharmaceutical industry	31st March	10	0.06
14.	Laboratorios Combix, Spain	100	Marketing and distribution of pharmaceutical products	31st Dec.	161	(207)
15.	Etna Biotech S.R.L. (Italy)	100	Carrying out biotech research	31st Dec.	29	(13)
16.	Zydus Healthcare (USA) LLC, USA	100	Marketing of APIs in USA	31st Dec.	33	2

Performance of Subsidiary / Joint Venture Companies

(INR - mn)

Sr. No.	Name of the Subsidiary Company	% holding	Main business	Year ended on	Revenues	Profit / (Loss) after tax
17.	Zydus Pharmaceuticals USA Inc., USA	100	Marketing of formulations in USA	31st Dec.	5709.0	79.0
18.	Zydus Noveltech Inc., USA	85	Developing, marketing, selling and distribution of Pharmaceutical dosages	31st Dec.	385.8	235.0
19.	Zydus Netherlands B.V., the Netherlands	100	Holds investments in fellow subsidiaries	31st Dec.	0.5	(10.0)
20.	Zydus Healthcare Brasil Ltda, Brazil	100	Marketing of formulations	31st Dec.	447.3	(101.0)
21.	Quimica E Farmaceutica Nikkho Do Brasil Ltda, Brazil	100	Manufacturing, marketing and Distribution of Pharmaceutical Products	31st Dec.	1403.4	48.0
22.	Zydus France SAS, France	100	Marketing of Pharmaceuticals in France	31st Dec.	2198.0	159.0
23.	Nippon Universal Pharmaceutical Company Limited, Japan	100	Manufacturing, Marketing and Distribution of Pharmaceutical Products	31st Dec.	315.8	(248.0)
24.	Zydus IntRus Limited, Russia	100	Providing logistic services and distribution of Pharmaceutical products in Russia	31st Dec.	63.0	12.0

* Became a 100% subsidiary during the year upon acquisition of 50% shares held by a joint venture partner pursuant to an agreement.

** Became a 100% subsidiary during the year upon acquisition of 30% shares held by a joint venture partner pursuant to an agreement.

*** Acquired during the year.

Particulars under section 212 of the Companies Act, 1956

Your Company has received an approval under section 212 (8) of the Companies Act, 1956 from the Ministry of Corporate Affairs, Government of India vide its letter No. 47/152/2010-CL-III dated 19th April, 2010 exempting the Company from attaching the Annual Report of the subsidiary companies with the Annual Report of the Company. As required under the provisions of section 212 of the Companies Act, 1956, a statement of the holding Company's interest in the subsidiary companies is attached to this report. The annual accounts of the subsidiary companies are kept at the Company's Registered Office and also at the respective Registered Offices of the subsidiaries for inspection. Shareholders desirous of obtaining the annual accounts of subsidiaries may obtain the same upon request.

Consolidated Financial Statements

As stipulated in clause 41 of the 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.

Performance of 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 turn over of Rs.1786.5 mn for the year ended on 31st December 2009 as against Rs.1747.1 mn in the previous year. The net profit of the Company was Rs.1139.4 mn as against Rs.1241.3 mn in the previous year.

2 Zydus Hospira Oncology Private Limited (ZHOPL)

This 50:50 joint venture Company has set up manufacturing facilities near Ahmedabad and got approval of USFDA, Medicines and Healthcare Products Regulatory Agency, UK (MHRA) and Department of Therapeutics Goods Administration, Australia (TGA). ZHOPL has commenced its commercial operations from May, 2009. ZHOPL has earned total income of Rs. 1702 mn and Profit after Tax of Rs. 504 mn for the year ended on 31st March, 2010.

3 Zydus BSV Pharma Private Limited (ZBSV)

This is a 50:50 joint venture between the Company and Bharat Serums and Vaccines Limited. ZBSV's novel and patented oncology product continued to perform well in the Indian market. ZBSV completed the Phase I clinical trial during the year and has initiated the Phase II / III Clinical Trials. ZBSV has also sought the opinion from the US FDA for the pivotal trials for approval in the US. ZBSV's patent has been granted by the EU Patent Office and few other countries during the year. As part of its generic business plans, ZBSV has submitted an ANDA during the year and is in talks with couple of buyers in Europe to leverage its manufacturing capabilities set up near Ahmedabad as SEZ unit. During the year, ZBSV has earned total income of Rs. 5.7 mn as compared to Rs.9.2 mn in the previous year.

4 Zydus Noveltech Inc., USA (ZN)

This Joint Venture is between the Company and Dr. Sharad Govil, a technocrat. ZN 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. ZN is in the development stage. ZN has not commenced any commercial operations and therefore no revenue has been generated during the year ended on 31st December 2009.

5 Zydus Technologies Limited (ZTL)

This JV Company has set up its Research and Development and Manufacturing facilities at SEZ near Ahmedabad. ZTL will commence the developmental activities in 2010-11. ZTL will develop and manufacture NDDS products for export to the developed countries.

Overseas Acquisitions

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

1 Pursuant to an agreement Zydus Healthcare S.A. (Pty.) Limited ("ZHSA") has acquired remaining 30% stake in Simayla Pharmaceuticals (Pty.) Limited, South Africa (Simayla). The acquisition will open up several new opportunities for the group in a market which is USD 5 bn (IMS 2009). Now, Simayla has become a wholly owned subsidiary of ZHSA.

2 ZHSA has purchased 100% stake in Newshelf 1034 (Proprietary) Limited, South Africa from its promoters. The name of the Company was changed to ZC Pharma Services (Proprietary) Limited. This Company will market intelligence and data management services in pharmacy market to ZHSA and Simayla.

Director's Report

International market initiatives

The Company's commercial operations in the regulated developed markets like US, Europe, Japan and Brazil and other semi and non-regulated markets of Asia Pacific and Africa and Middle East regions have continued their journey on the growth path and have made significant contribution in your company's overall business growth. With continuous endeavour to meet needs of the customers across all trade classes, Zydus Pharmaceuticals USA Inc., the subsidiary in US has achieved "Preferred Supplier" status from many of the customers and has gained good market share in the participated market. In Europe, the French subsidiary continued strong performance, with launch of several new products, including a couple of launches on day of patent expiry, which helped strengthen its position in the French generics market. Laboratorios Combix, the subsidiary in Spain, continued its thrust on new products and filing of more dossiers for launch in future. The subsidiary in Brazil launched new products in neuro - psychiatric segment to strengthen its position in branded market space. Continuing your company's initiatives to build presence in Japan, world's second largest pharmaceutical market with promising potential for generics players, the subsidiary in Japan launched several in-licensed products. In a strategic move to get entry into the hospitals market in Japan, your company has acquired brand "Aldomet", an anti-hypertensive drug. Zydus Healthcare SA (Proprietary) Limited, our subsidiary in South Africa acquired remaining 30% stake in Simayla Pharmaceuticals (Proprietary) Limited, from the co-promoters. With this, Simayla became 100% subsidiary of Zydus Healthcare SA (Proprietary) Limited. We aim to consolidate our position in this key market and contribute to the healthcare community in South Africa in a meaningful way. In the emerging markets of Asia Pacific, Africa and Middle East, your company continued its journey on the growth path and maintained leading positions in Sri Lanka, Myanmar, Uganda and Sudan. 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 invited / 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 and its subsidiaries, except those specifically stated in this report.

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 and Company's Articles of Association, Mr. Apurva S. Diwanji and Mr. Mukesh M. Patel, Directors of the Company will retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Board has recommended their re-appointment. As required under clause 49 of the Listing Agreement, a brief profile of these Directors is given as annexure to the notice of the ensuing Annual General Meeting.

Mr. H. K. Bilpodiwala ceased to be a Director with effect from 29th July 2009 as he has not offered for re-appointment at the last Annual General Meeting. The Board records its appreciation for the services rendered by Mr. Bilpodiwala.

Auditors

The Auditors of the Company, M/s. Mukesh M. Shah & Co., Chartered Accountants retire 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 have 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, if made will be within the limits prescribed under section 224 (1B) of the Companies Act, 1956.

Internal Audit

During the year under review, the Company has engaged the services of KPMG India Limited, Mumbai as Internal Auditors to carry out internal audit on regular basis. The reports of the internal audit are presented for review before the Audit Committee. The Audit Committee also scrutinizes all the programmes and the adequacy of the internal audits.

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 2010 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 2010 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 relevant clause of 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 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 : 29th April 2010

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 2010.

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 LED Type Street Light Fittings instead of 70W HPSV Street Light,
- Chilled water Pumps & cooling tower water higher rating pumps replaced by highly efficient pumps,
- Installed natural air ventilation system for Technical Area to reduce heat load and lighting load,
- Using of Bio Diesel for incinerator,
- Additional area added for condensate recovery and
- Using of coal based Steam Boiler to generate steam at lower cost.

Unit at Goa :

Installed :

- Air cooled screw type Air compressor to save water & power,
- APFC Panel for eliminating Harmonics to improve Power factor and reduce KWH consumption and
- Sheperd make energy saver for lighting.

API Plants :

Unit-I at Ankleshwar :

- Installed local push buttons provided for cooling tower pumps & ejector pumps at appropriate places, so as to save unnecessary running of these pumps.

Unit-II at Ankleshwar :

- Installed VFD for CPP ventilation system,
- Installed auto controllers. Lighting circuits divided and Metal Halide lamps retrofitted,
- Modified CPP Jacket heat recovery system to heat feed water of Boiler,
- Plant ejector cooling tower pumps and fans are controlled by temperature controller,
- Installed Delta T controllers in plant 4 and 5 for process cooling tower fans,
- Replaced cooling tower pumps from 356 mm to 300 mm in plant 4 and 5 and then run the plants on one 60 HP pump,
- Recovered steam condensate and fed to Boiler,
- Installed variable frequency drive to regulate motor RPM to avoid running of air compressor on unloaded condition,
- Replaced trim impellers of chilled water primary pumps from 295mm to 280mm,
- Installed VFD to modulate fan RPM constantly to regulate jacket water temperature precisely at 70 deg C,
- Replaced 60 HP pump to 40 HP pump for cooling tower in plant 4 and 5 and
- Provided local push button stations for ejectors & cooling tower pumps.

Unit at Dabhasa :

- Installed transformer to save power.

At R&D Center (Moraiya) :

- Installed Cooling water separator to vacuum pumps to save and reduce waste water,
- Installed flush tank in place of flush cock valve in toilets to save usage of water,
- Started modular ETP Plant having capacity of 80000 Liters/day, to recirculate waste water of Dog house washing and Primate facility washing and
- Recirculation of water in Buchi to avoid wastage of water in Chemistry Lab and Pilot Plant.

At Zyfine :

- Installed new transformer of 2000 KVA,
- Installed "shephered" energy conservation unit for lighting load,
- Installed "L&T" make maximum demand controller to control the demand of GEB power in main LT panel and
- Installed APFCR panel to improve factor for electrical system.

b. Proposals for additional investments :

At Formulation units :

Unit at Moraiya :

- To replace HFO Generator set by installing Gas based Power Generator,
- LED Lighting system for additional area and
- To replace low efficient higher HP Pumps by high efficient low HP pumps.

At API Units :

Unit - I & II at Ankleshwar

- Installation of Auto Transformer in lighting circuits,
- Installation of flame proof timers in vessel lamp circuits as well as lighting circuits,
- Installation of variable frequency drive to run air compressor at less RPM,
- Installation of compressed air pressure control system, LED light fittings and automatic vacuum control system and steam condensate recovery system.

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

The adoption of energy consumption measures of the type indicated above has resulted in reducing power cost by using more efficient instruments and saving of water consumption.

Form - A

(A) Power and fuel consumption :

	Unit of Measures	Year Ended March 31, 2010	2009
1. Electricity :			
(a) Purchased :			
Units	Nos.	48279973	35072103
Total Amount	Rs. in mn	271.45	189.78
Rate/Unit	Rs.	5.62	5.41
(b) Own Generation :			
i) Through Diesel Generator :			
Units	Nos.	2865547	2298468
Units per lt. Of Diesel oil	Nos.	3.26	3.17
Cost/Unit	Rs.	10.51	11.52
ii) Through HFO DG Set :			
Units	Nos.	11826620	12390645
Unit per lit. of Fuel	Nos.	4.20	4.12
Cost / Unit	Rs.	5.60	5.83
iii) Through CPP (Natural Gas) :			
Units	Nos.	16297824	16495322
Unit per lit. of Gas (M3)	Nos.	3.66	3.52
Cost / Unit	Rs.	4.29	4.24
2. Coal (used in Boiler for steam generation) :			
Quantity	MT	6317	-
Amount	Rs. In mn	25.66	-
Average cost per MT	Rs.	4062	-
3. Furnace Oil / HSD / LDO :			
Furnace OIL :			
Quantity	K. Ltrs.	3277.93	5617.10
Total Amount	Rs. in mn	80.90	150.77
Average Rate per Lt.	Rs.	24.68	26.84
HSD :			
Quantity	K. Lt.	860.59	1061.736
Total Amount	Rs. in mn	30.09	37.86
Average Rate per Lt.	Rs.	34.97	35.66
LDO :			
Quantity	K. Ltrs.	1406.30	-
Total amount	Rs. in mn	39.37	-
Average Rate per Lt.	Rs.	28.00	-
4. Others/Internal Generation :			
Natural Gas :			
Quantity	m3	6163300	9977785
Total Cost	Rs. in mn	87.07	120.03
Rate/Unit	Rs.	14.13	12.03
Bagasse :			
Quantity	MT	1224.51	3005.09
Total Amount	Rs. in mn	5.83	13.16
Rate/Unit MT	Rs.	4766.20	4377.74

(B) Consumption per unit of production :

As 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 Oseteoporosis **b. Cardiovascular Diseases :** Thrombosis Hypertension Atherosclerosis **c. Inflammation and Pain :** Rheumatoid arthritis Pain **d. Oncology :** Anticancer agents for Solid Tumors **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 & Oncologics. **3. Biotechnology Research :** Research is being directed towards : **a.** Development of Biogenerics therapeutic proteins. **b.** Development of New Biological Entities including monoclonal antibodies. **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.	**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 clinical trials for treating dyuslipidemia associated with diabtetes and related disorder and currently in Phase III clinical trials. **Antidiabetic:** ZYH2 the lead compound for treating diabetes is in Phase I evaluation. The Company filed IND application for ZYD1, a novel GLP-1 agonist. **Antiobesity:** ZYO1 lead compound for treatment of obsesity & related disorders has completed Phase I clinical trials. **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 is currently in Phase II clinical trials. **Dyslipidemia:** Phase II clinical trials completed for ZYH1 and Phase I clinical trials completed for ZYH7, a novel drug candidate for treating dyslipidemia and metabolic disorders. Further ZYT1, a novel lipid lowering molecule filed with USFDA and DCGI and currently under Phase I clinical trials. Zydus has strategic R&D partnerships with Karo Bio, Sweden for discovery and development of novel non-steroidal GR agonist and with Eli Lilly for discovery and development of drugs on a novel cardiovascular target **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 :** The Company is developing a biosimilars portfolio of 15 products. The biosimilars portfolio includes therapeutics proteins and therapeutic monoclonal antibodies. The Company has received Indian marketing authorization for two biosimilar versions. Other biosimilar products are undergoing various stages of clinical development. The Company is also developing a portfolio of novel biologics. The Company is collaborating with the World Health Organisation (WHO) for developing a novel Monoclonal antibody for treating Rabies and with Prolong Pharma, USA for developing a novel next generation PEG-EPO. **4. Novel Drug Delivery Research NCE Formulation Development :** 1. Zydus is investing into novel drug delivery systems with a strategic intent to develop better formulations of existing drugs as well as its NMEs. 2. Several new technology platforms are under evaluation. 3. These ongoing investments in novel drug delivery systems are expected to provide a portfolio of improved products as well as benefit its NME initiatives. **5. IPR :** Filed 48 patent applications and 15 patents have been granted during the year.

Director's Report

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.	1. Development of formulations for regulated markets like US, France, Spain, Brazil, South Africa, Ukraine, Taiwan and emerging markets Thailand and African Countries. 2. To develop non-infringing process for new formulation and apply for patents of developed formulation. 3. To carry out process improvement studies as a part of line extension and evaluation of newer methods of manufacturing. 4. Innovative formulation development of latest blockbuster drugs.	1. Developed a robust competitive portfolio of generic products. 2. 105 dossiers have been filed in regulated markets and 113 dossiers have been filed in emerging markets. 3. Filed first Zydus Injectable dossier in USA. 4. A total of 47 new products launched in India and out of which 14 are First in India including two Nasal Products. 5. Products are being formulated under New Drug Delivery systems. 6. Commencement of activities for Ointment and Cream and Oncology products. 7. Formulated and filed difficult quality ANDAs in USA.
3.	Research and Development in Active Pharmaceutical Ingredients (APIs)	**Dabhasa :** 1. Development of novel, cost effective and non-infringing processes for API's and intermediates. 2. Filing patents and creating IP advantage. 3. Developing molecules for DMF filing. 4. Cost reduction of existing products. 5. New product developments (NPD's) for domestic formulation market. 6. Solving production related problems. 7. Supporting Marketing Regulatory Affairs, Quality Assurance, Quality Control and Formulation development.	**Dabhasa :** 1. Developed 24 products for DMF filing. 2. Developed 12 new products for domestic formulations. 3. Substantially cost reduction of 20 products. 4. Successful DMF filed for 14 products 5. Scaled up / commercialized number of products. 6. Filed 20 process patents thereby generated Intellectual Health of the organization.
		Zyfine : 1. Discovery chemistry services. 2. Process research and development services / Custom synthesis under cGMP environment for Innovators / Drug discovery companies. 3. Polymorphism / Salt screening / early development compounds under FTE. 4. Contract manufacturing. 5. Designing molecules under international standard and environmental friendly atmosphere. 6. Analytical research and development.	**Zyfine :** 1. Commercialized number of molecules and cost reduction of existing products. 2. HPAPI and peptides to Pharma and Biotech Companies worldwide commercially.

2. Future plan of actions :

Cadila Healthcare Ltd (CHL's) mission statement "Dedicated to Life" underscores our belief that R&D has a major role to play in novel, cost effective and quality medicines to address global healthcare challenges. In an endeavor to emerge as research based pharmaceutical company, R&D will remain a key driver of the company's growth in the future.

We will continue to leverage our ongoing investment in R&D by creating competitive opportunities in global markets. Four areas of our research focus are:

A. Basic Research at Zydus Research Centre : NME Research :

CHL has designated four core therapeutic areas within its NME research focus: Metabolic disorders, Cardiovascular disorders, inflammatory disorders, Oncology. These therapeutic areas represent few of the largest commercial opportunities to develop innovative medicines & improve therapy outcomes. In coming years, CHL will actively pursue its global quality research programs focused on above therapy areas, based on its unique research strategy, which is designed to develop in-house R&D capabilities, focused deployment of research resources and diversification of risk to validated and novel research targets. These ongoing investments in NME research will help CHL to generate a broad pipeline of high-quality drug candidates and develop highly competitive drug candidates in globally competitive scenario.

In coming years, CHL will continue to work on more new targets in focus therapy areas by optimizing existing leads and further strengthen the early stage preclinical candidates. In addition, CHL will also undertake validation of new targets, development of various assays and specific animal models to screen NMEs. CHL will also strengthen its capabilities by creating world class Primate Research facility. CHL will also continue to seek opportunities to pursue collaborative research, out-licensing and seek alliance partners for our development compounds.

B. Biotechnology Research :

CHL will continue to invest into Biotechnology Research, focused on two large global commercial opportunities: Follow on biologicals / biosimilars and novel biologicals like monoclonal antibodies. In addition, the company will continue to invest in process research to gain competitive position and vertical integration in biological product manufacturing. CHL will continue to invest in ongoing R&D of high quality biosimilar, novel biologic products and process research. The ongoing investment in Biosimilars research at CHL will enable participation in global opportunity for developed markets (USA, Europe and Japan) and emerging markets. In coming years, additionally, we will also continue to invest in developing products like monoclonal antibodies and other human recombinant proteins.

C. Process Research & Novel Process Research :

CHL will continue to invest into Process Research & Novel Process Research in coming years. This program is focused on following areas:

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

D. Novel Drug Delivery Systems (NDDS) :

NDDS research provides an opportunity to create differentiated products in market place. In coming year, the NDDS program will:

- Continue to develop proprietary formulation technologies for oral drug delivery and expand its research in newer areas like nanotechnology-based formulations.
- Continue to develop novel formulations for in-house molecules (NMEs as well as biologicals)

E. Pharmaceutical Technology Centre (PTC) :

During coming year, our research investment at PTC will remain focused on creating a portfolio of generic products for developed markets (like USA, Europe & Japan) as well as emerging markets (like Brazil, South Africa, Asia Pac, AfriMe). We will continue to expand our range of generic products through research and development efforts at PTC. We will continue to develop generic products in a variety of dosage forms, including tablets, capsules, ointments, creams, Injectibles and pulmonary products. We will add new dosage form franchise (like oral oncology products) in our generic portfolio. We will continue to enhance our investments and capabilities in developing brand product opportunities for US market through 505b(2) route.

3. Expenditure on R & D :

(INR - mn)

	Year ended March 31,	
	2010	**2009**
Capital	385	313
Recurring [Excluding depreciation of Rs. 127 {2008-09 Rs.116} mn]	1763	1582
Total	2148	1895
Total R&D expenditure as a percentage of turnover	11.58	10.91

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 / APIs.
  - Cost reduction in API to compete in the market.
  - Manufactured new APIs for captive consumption and exports.
  - Filed 14 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 - mn)

	Year ended March 31,	
	2010	**2009**
Earnings :		
F.O.B. Value of exports	9600	6434
Others	735	912
Outgo :		
CIF value of imports	2077	1738
Expenditure in foreign currency	988	1178

By order of the Board of Directors

Place : Ahmedabad.
Date : 29th April, 2010.

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 good corporate governance practices, such as managing its affairs with diligence, transparency, full disclosures of material facts, responsibility and accountability. The Company firmly believes that only good Corporate Governance will generate value on a sustained basis to all its stakeholders. 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 with an overall view to earn trust and respect of all its stakeholders.

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 2010, your Company's Board comprised of six Directors; which include two Executive Directors and four 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. As against minimum requirement of 50 % of the Independent Directors as per the Listing Agreement, Independent Directors account for about 67% of the Board's strength. The Non-Executive Independent Directors are eminent professionals, having expert knowledge in the fields of finance, taxation, legal and industry, thus the Board represents a balanced mix of professionals, their knowledge and expertise.

Attendance of Directors at Board Meetings and last Annual General Meeting, number of other Directorships, Chairmanships / Memberships of Committee of each Director.

Sr. No.	Name of the Directors and designations	No. of Board Meetings held during the year	No. of Board Meetings attended during the year	Whether attended last AGM	Member of (Chairman) * of other Board Committees **	Number of other Directorships held in India
1.	Mr. Pankaj R. Patel *** (Chairman and Managing Director)	5	5	Yes	5 (3)	10
2.	Mr. Homi K. Bilpodiwala **** (Non-Executive and Independent Director)	5	1	No	N.A.	N.A
3.	Mr. Mukesh M. Patel (Non-Executive and Independent Director)	5	5	Yes	9 (5)	8
4.	Mr. Pranlal Bhogilal (Non-Executive and Independent Director)	5	4	Yes	2 (1)	2
5.	Mr. Humayun Dhanrajgir (Non-Executive and Independent Director)	5	5	Yes	8 (2)	7
6.	Mr. Apurva S. Diwanji (Non-Executive and Independent Director)	5	5	Yes	1	0
7.	Dr. Sharvil P. Patel ***** (Deputy Managing Director)	5	5	Yes	1	5

* Figures in ( ) indicate the number of Board Committees of which Director is Chairman
** In Compliance with Clause-49, Memberships / Chairmanships of only the Audit Committees and Shareholders' / Investors' Grievance Committees of all Public Limited Companies including Cadila Healthcare Limited were considered.
*** Promoter Director and father of Dr. Sharvil P. Patel
**** Ceased to be a Director w.e.f. 29th July, 2009
***** Son of Mr. Pankaj R. Patel

Number, day, date and venue of Board Meetings held during the year :

The Board meeting dates are normally determined in advance. During the year, the Board met five times, the details are as follows:

Sr. No.	Day	Date	Venue
1	Tuesday	28th April, 2009	Ahmedabad
2	Monday	27th July, 2009	Mumbai
3	Tuesday	27th October, 2009	Ahmedabad
4	Monday	25th January, 2010	Mumbai
5	Thursday	25th February, 2010	Mumbai

In compliance with clause 49 of the Listing Agreement and as required under the Companies Act, 1956, the Board met at least once in each quarter and the gap between any two Board meetings was not more than four months.

The agenda papers along with the draft of the relevant resolutions, documents and explanatory notes on agenda containing all necessary information were made available to Directors at least a week in advance, enabling them to discharge their responsibilities effectively and take informed decisions. When it was not practicable to attach or send the relevant information as a part of the agenda papers, the same was tabled at the meeting and presentations to the Board were made by the Chairman and Managing Director and / or concerned managers to the Board. 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 Independent Directors play an important role in the discussions and deliberations at the Board meetings and bring with them rich experience in the field of pharmaceuticals, industry, marketing, finance, taxation and other laws. The draft minutes of the meeting after approval of the Chairman were circulated to all Directors generally within three weeks after the conclusion of the meeting.

The information, as required under clause 49 of the Listing Agreement, was also made available to the Board of Directors, whenever applicable, for discussion and consideration.

Review of compliance reports by the Board of Directors :

Compliance certificates confirming the due compliance with the statutory requirements are placed at the Board Meeting for review by the Directors. A system of ensuring material compliance with the laws, orders, regulations and business and affairs of the Company is in place. Instances of non-compliance, if any, are also separately reported to the Board and subsequently rectified.

(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. The increase in sitting fees to the Non-Executive Directors is proposed for the approval by the members at the ensuing Annual General Meeting.

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 2010.

Corporate Governance

II Committees of the Board:

Currently, the Board has five Committees, namely;

A) Audit Committee;
B) Share Transfer Committee;
C) Shareholders' / Investors' Grievance Committee;
D) Committee of Directors and
E) Bonus Committee.

While constituting the Committee of Directors, the requirements of clause 49 of the Listing Agreement that a Director shall not be a member of more than 10 committees and Chairman of more than 5 committees as provided in that clause have been complied with.

A) Audit Committee :

As on 31st March, 2010, the Audit Committee comprised of four Independent Directors. Names of the members and the Chairman of the Committee as on 31st March, 2010 together with their attendance are given in the following table.

Meetings and attendance during the year:

Four Audit Committee meetings were held during the year, on 27th April 2009, 27th July 2009, 26th October 2009 and 25th January 2010. The time gap between any two meetings was less than four months.

Name of the Member	No. of Meetings	Meetings Attended
Mr. Mukesh M. Patel, Chairman	4	4
Mr. Homi K. Bilpodiwala *	4	1
Mr. Pranlal Bhogilal	4	3
Mr. Humayun Dhanrajgir	4	4
Mr. Apurva S. Diwanji **	4	2

* Ceased to be a member w.e.f. 29th July, 2009 as he ceased to be a Director.
** Appointed as a member w.e.f. 1st October, 2009.

The members of the committee have accounting, financial, legal and management knowledge, whereas few members have financial and management expertise.

The Chairman and Managing Director, Deputy 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 a Secretary to the Committee.

Brief description of terms of reference :

The Terms of Reference of the Audit Committee cover the matters specified 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, includes 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 at the Audit committee meetings as the 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:

Terms of reference:

The Committee was constituted by the Board to look into the following matters.

- approve registration of transfer of shares and other securities issued and those which may be issued from time to time;
- approve or reject applications for transmission of shares;
- approve / reject applications for re-materialization, subdivision, consolidation, transposition and thereupon issue share certificates to the shareholders and
- lay down suitable procedure and approve issue of duplicate certificates of shares and other securities;

Composition of the Committee:

The Share Transfer Committee comprises the following members:

1. Mr. Pankaj R. Patel - Chairman
2. Mr. Mukesh M. Patel
3. Mr. Pranlal Bhogilal

Meetings during the year:

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

C) Shareholders'/Investors' Grievance Committee:

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.

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	Meetings Attended
Mr. Pranlal Bhogilal, Chairman	4	3
Mr. Pankaj R. Patel	4	4
Mr. Mukesh M. Patel	4	4

The Company Secretary acts as 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 shareholders / investors pertaining to non-receipt of dividend warrants, transfer/transmission 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. Only one grievance remained pending as on 31st March, 2010.

As on 31st March 2010, 43552 equity shares remained in the in-transit account with National Securities Depository Limited and Central Depository Services (India) Limited.

D)Committee of Directors :

The Committee of Directors comprises of three Directors namely, (1) Mr. Pankaj R. Patel - Chairman, (2) Dr. Sharvil P. Patel and (3) Mr. Mukesh M. Patel. The Committee looks after the businesses, which are administrative in nature within overall Board approved directions and framework. The Committee met two times during the year. The Chief Financial Officer and the Company Secretary remain present at the meeting. The concerned officer, whenever required also attends the meeting. The Company Secretary acts as the secretary to the Committee. Minutes of the Committee are placed before the Board for its information.

E) Bonus Committee :

The Committee of Directors comprising of three Directors namely, (1) Mr. Pankaj R. Patel - Chairman, (2) Dr. Sharvil P. Patel and (3) Mr. Mukesh M. Patel was constituted by the Board of Directors to take necessary decisions for the implementation of issue and listing of Bonus Equity Shares and the matters incidental thereto. The Committee met only once during the year. The Committee will be wound up immediately upon all formalities pertaining to Bonus issue are completed. The Chief Financial Officer and the Company Secretary remain present at the meeting. The Company Secretary acts as the secretary to the Committee. Minutes of the Committee are placed before the Board for its information.

III Subsidiary Companies :

The Company does not have any material non-listed subsidiary within the meaning of definition provided in clause 49 of the Listing Agreement. The performance and management of the subsidiary is monitored inter-alia by means of financial statements and in particular the investments made by the unlisted subsidiary companies are reviewed by the Audit Committee of the Company. The Board Minutes of unlisted subsidiary companies are placed at the Board Meeting of the Company for its regular review.

IV Disclosures :

A. **Related Party Transactions:**

The Company has not entered into any transaction of material nature with related parties, which may have potential conflict with the interest of the Company at large. The management auditor confirms that all related party transactions were in the ordinary course of business and on arm's length basis. The Register of Contracts containing transactions in which Directors are interested pursuant to the provisions of the Companies Act, 1956 was placed before the Board regularly for its approval. The details of related party relationships and transactions as required by Accounting Standard 18 on Related Party Disclosures issued by the Institute of Chartered Accountants of India are disclosed in the financial section of this Annual Report.

B. **Remuneration of Directors:**

Mr. Pankaj R. Patel and Dr. Sharvil P. Patel are the executive 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 executive Directors for the year ended on 31st March 2010 was as follows:

(INR - mn)

Name of the Executive Directors	Salary & Allowances	Commission	Perquisites	Retiral Benefits	Service Tenure	Notice Period (months)
Mr. Pankaj R. Patel Chairman and Managing Director	286	0	0	0.3	5 yrs. from 1st September 2006	3
Dr. Sharvil P. Patel Deputy Managing Director	11	0	0	1.3	5 yrs. from 1st April 2007	3

Independent Directors were paid sitting fees of Rs. 5,500/- per Board and Committees meeting (other than Shareholders' and Investors' grievance committee and Share Transfer Committee) attended by them, which was increased to Rs. 20,000/- w.e.f. 1st October, 2009. Non-Executive Independent Directors were also paid commission within the limits approved by the shareholders, which shall not exceed one per cent per annum of net profits of the Company, subject to maximum of Rs. 10 mn in aggregate. The Commission to these Directors were paid as per the details provided in the following table based on the performance of the Company. Directors were also reimbursed the traveling and out-of-pocket expenses for attending meetings. The details of the commission / sitting fees paid to the Non-Executive Directors for the year 2009-10 are given below:

(INR - mn)

Name of the Non-Executive Directors	Commission	Sitting fees		Total
		Board Meetings	Committee Meetings	
Mr. Mukesh M. Patel	0.8	0.071	0.111	0.982
Mr. H. K. Bilpodiwala *	0.8	0.005	0.005	0.810
Mr. Pranlal Bhogilal	0.8	0.051	0.031	0.882
Mr. H. Dhanrajgir	0.8	0.071	0.051	0.922
Mr. Apurva Diwanji	0.8	0.071	0.040	0.911

* ceased to be Director w.e.f. 29th July, 2009.

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 mn 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. 298.6 mn for the year 2009-10. Computation of the remuneration of the Managing Director / Deputy Managing Director is given in Note - B-10 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 Board has framed a Code of Conduct, which inter alia, prohibits purchase / sale of securities of the Company by Directors, Officers and such employees of the Company who are expected to have access to unpublished price sensitive information in relation 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 31st March, 2010	Details of shares bought / (sold) during 2009-2010
Mr. Pankaj R. Patel *	102,081,631 *	222,886 **
Mr. Homi K. Bilpodiwala ***	NIL	NIL
Mr. Mukesh M. Patel	800	NIL
Mr. Pranlal Bhogilal	NIL	NIL
Mr. Humayun Dhanrajgir	NIL	NIL
Mr. Apurva S. Diwanji	NIL	NIL
Dr. Sharvil P. Patel	2,000	(50)****

* Held also as a Karta of HUF and Trustee of the Family Trusts.
** Acquired by Zydus Family Trust during the year.
*** Ceased to be a Director w.e.f. 29th July, 2009.
**** Transferred in favour of Zydus Family Trust as a beneficiary.

E. **Management Discussion and Analysis Report :**

The detailed Management Discussion and Analysis Report along with risks and concerns is given separately in the Annual Report.

F. **Compliance by the Company:**

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

G. **Disclosure regarding appointment or re-appointment of Directors:**

Mr. Apurva S. Diwanji and Mr. Mukesh M. Patel will retire at the ensuing Annual General Meeting by rotation and have offered themselves for re-appointment. 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.

V CEO/CFO Certification:

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

VI Means of Communication:

a) The Company has 37,684 shareholders as on 31st March 2010. 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, its joint ventures and subsidiaries. The Chairman also responds to the specific queries of the shareholders.

c) The Company also intimates to the Stock Exchanges all price sensitive information which in its opinion is 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 Business Standard" 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, which has been discontinued with effect from 1st April 2010.

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	Date and Time	Venue
2008-09	14th AGM on 29th July 2009 at 10.00 a.m.	Bhaikaka Bhavan Nr. Law Garden, Ellisbridge, Ahmedabad - 380 006
2007-08	13th AGM on 29th July, 2008 at 10.00 a.m.	
2006-07	12th AGM on 31st July 2007 at 10.00 a.m.	

VIII General shareholder information:

Date and Time of 15th AGM	27th July, 2010 at 10.00 a.m.
Venue of 15th AGM	H.T. Parekh Hall, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad - 380 015
Financial Year	1st April, 2009 to 31st March 2010
Book Closure Date	19th July, 2010 to 24th July, 2010 (Both days inclusive)
Registered Office Address	"Zydus Tower", Satellite Cross Roads, Sarkhej Gandhinagar High Way, Ahmedabad - 380 015.
Dividend Payment Date	On or after 27th July, 2010
Compliance Officer	Mr. Upen Shah, Company Secretary
Website Address	www.zyduscadila.com

Financial Calendar for the financial year 2010-11 (tentative):

First Quarter Results	Before 31st July 2010
Half Yearly Results	Before 31st October 2010
Third Quarter Results	Before 31st January 2011
Audited Results for the year 2010-11	Before 31st May 2011

Listing of shares:

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

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

Listing fees:

The Company has paid the annual listing fees for the financial year 2010-11 to all the Stock Exchanges where its securities are listed.

Stock Code:

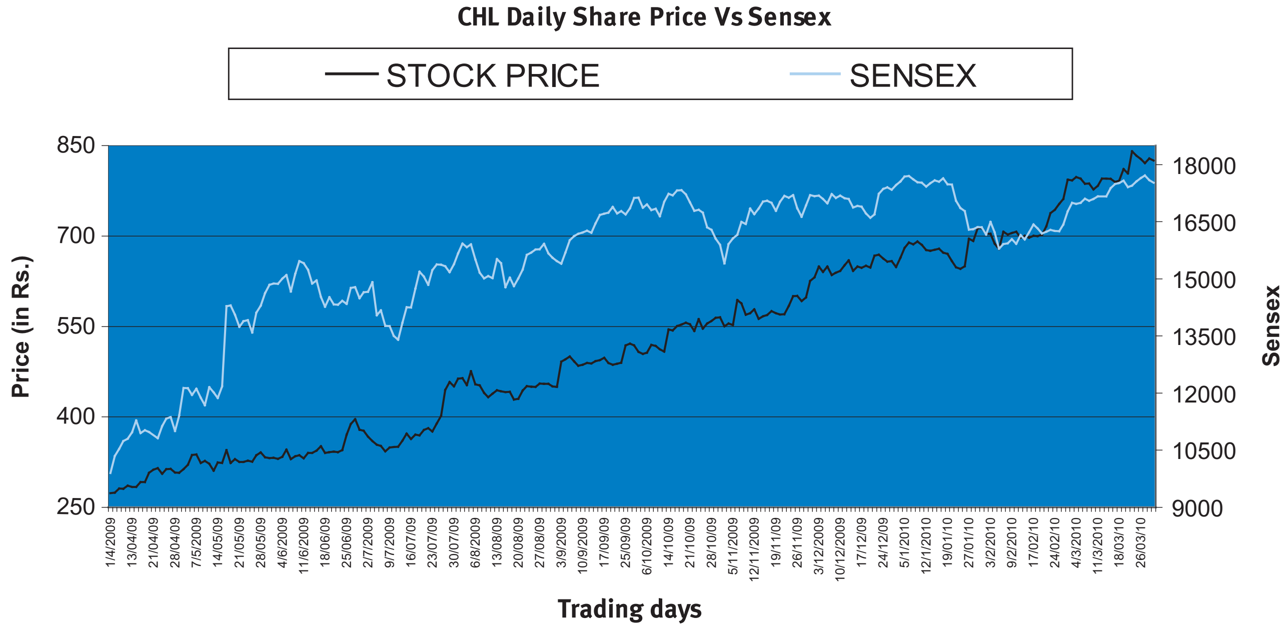
Name of the Stock Exchange	Stock Code No.	Closing Price as on 31st March 2010 (Rs.)
The National Stock Exchange of India Limited	CADILAHC	828.60
Bombay Stock Exchange Limited	532321	825.00
Ahmedabad Stock Exchange Limited	10927	No trading reported

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, 09	11403.25	329.00	271.51	12752	329.90	269.85	24508
May, 09	14625.25	346.90	282.10	28356	347.75	306.00	68768
June, 09	14493.84	401.90	318.00	25470	401.85	315.00	40454
July, 09	15670.31	478.00	335.00	23661	479.00	337.00	74387
Aug., 09	15666.64	482.95	417.05	35455	485.00	413.00	52822
Sept., 09	17126.84	539.85	436.00	34988	537.00	442.00	73076
Oct., 09	15896.28	574.40	480.00	9678	580.00	475.95	36916
Nov., 09	16926.22	617.95	542.10	15039	639.00	542.25	50838
Dec., 09	17464.81	699.00	602.00	21877	699.00	575.00	81366
Jan., 10	16357.96	735.00	620.00	26952	734.80	621.10	73398
Feb., 10	16429.55	770.95	660.00	15242	773.90	640.00	55360
March, 10	17527.77	853.70	763.05	21292	850.00	760.00	52255

No Trading Recorded on the Ahmedabad Stock Exchange Limited.

Chart 'A' Stock Performance :



Registrar and Share Transfer Agents :

The Company has appointed M/s Sharepro Services (India) Private Limited with effect from 1st April, 2010. For lodgment of transfer deeds and other documents or any grievances / complaints, investors may contact the Company's Registrar and Transfer Agent at the following address:

M/s. Sharepro Services (India) Pvt. Ltd.,
13 AB, Samhita Warehousing Complex,
Sakinaka Telephone Exchange Lane,
Off Andheri Kurla Road,
Sakinaka, Mumbai - 400 072.
Telephone: 022 - 67720300 / 400
Fax number: 022 - 28591568, 28508927
Email: sharepro@shareproservices.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) of the 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 2009-10, 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 2010 is given below:

No. of Equity Shares	No. of Folios	% to total folios	No. of Shares	% to total shareholding
1 to 1000	36926	97.99%	5042510	3.69%
1001 to 2000	388	1.03%	554322	0.41%
2001 to 4000	145	0.38%	416530	0.30%
4001 to 6000	52	0.14%	268622	0.20%
6001 to 8000	26	0.07%	188311	0.14%
8001 to 10000	18	0.05%	167554	0.12%
10001 to 20000	34	0.09%	504270	0.37%
20001 to above	95	0.25%	129356894	94.77%
Grand Total	**37684**	**100.00**	**136499013**	**100.00**
Shareholders in Physical Mode	6158	16.34%	1193875	0.87%
Shareholders in Electronic Mode	31526	83.66%	135305138	99.13%
Grand Total	**37684**	**100.00**	**136499013**	**100.00**

Shareholding pattern as at 31st March 2010:

Category	No. of Shares held			% to total shareholding
	Physical	Electronic	Total	
Promoter's holding	2400	102089631	102092031	74.79%
Mutual Funds and UTI	2356	10480292	10482648	7.68%
Banks, FIs and Insurance Companies	1118	7944490	7945608	5.82%
Foreign Institutional Investors	250	5246742	5246992	3.84%
NRIs / OCBs	13048	2287117	2300165	1.69%
Other Corporate Bodies	5714	1280769	1286483	0.95%
Indian public	1168989	5976097	7145086	5.23%
Total	**1193875**	**135305138**	**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 99.13% 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 Agent 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.

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

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, 2010.

Place : Ahmedabad.
Date : 29th April, 2010.

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 2010 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 2010, no such investor grievances remained unattended, however one complaint remained pending for resolution 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

Mukesh M. Shah
Partner

Place : Ahmedabad.
Date : 29th April, 2010.

Auditors' Report

Auditors' Report to the Members of Cadila Healthcare Limited

1. We have audited the attached Balance Sheet of Cadila Healthcare Limited ('the company') as at March 31, 2010, Profit and Loss Account and also 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 the 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 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 paragraphs 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 those 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 section 211(3C) of the Companies Act, 1956;

e) on the basis of the written representations received from the directors and taken on record by the Board of Directors, we report that none of the director is disqualified as on March 31, 2010 from being appointed as a director in terms of section 274 (1)(g) of the Companies Act, 1956;

f) In our opinion, and to the best of our information and according to explanations given to us, the said financial statements, read together with the 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 March 31, 2010;

(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

Mukesh M. Shah
Partner
Membership No.: 30190
Firm Registration No.: 106625W

Place : Ahmedabad
Date : April 29, 2010.

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 financial statements for the year ended March 31, 2010, 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 inventories has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable, having regard to the size of the Company and nature of its business.

(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 the internal control systems.

5. (a) In our opinion, and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956, have been 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 price at the relevant time.

6. The company has not accepted any deposits from the public as per provisions of sections 58A, 58AA or other relevant provisions of the Companies Act, 1956 and the rules framed there under.
7. The company has an internal audit system, which, in our opinion is commensurate with its size and the nature of its business.
8. We have broadly reviewed the books of accounts 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 same.

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. Moreover, as at March 31, 2010, there are no such undisputed dues payable 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 as at March 31, 2010, which have not been deposited on account of any dispute, are as follows:

Name of the Statute	Nature of dues	Amounts involved (Rs. in Millions)	Period to which the amount relates	Forum where the dispute is pending
The Income Tax Act, 1961	Income Tax	9.41	2005-06	Commissioner of Income Tax (Appeals)
		2.55	2001-02 and 2008-09	Assessing Officer
The Central Sales Tax and Local Sales Tax Acts	Sales Tax	65.31	1996-97 1997-98 1998-99 1999-00 2004-05 2005-06 2006-07	Commissioner of Sales Tax
		9.04	2001-02	Tribunal
The Central Excise Act and the Service Tax Act	State Excise Duty	7.35	2005-06 to 2008-09	Dy. Secretary, Govt. of Gujarat
	Excise Duty, Service Tax	9.44	1985-86 1986-87 1987-88 1988-89 Various Cases for the period 1991 to 1998	ACCE/DCCE/JCCE/Add.Comm.
		9.31	1997-98 Various Cases for the period 2005-06 to 2008-09	Commissioner (Appeals)
		21.06	Various cases for the period 1995 to 2000, 2003 and 2005-06 to 2008-09	CESTAT
		2.19	Jan. 95 to Nov. 95	High Court

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

11. The company has not defaulted in repayment of dues to financial institution or bank or debenture holder.

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 company/nidhi/mutual benefit fund/society.

14. According to the information and explanations given to us, the company is not dealing or trading in shares, securities, debentures and other investments.

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 from banks are not prima facie, prejudicial to the interest of the company.

16. Term loans obtained by the Company were applied for the purposes 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.

19. The company has issued non-convertible debentures during the year. The company has created Securities in respect of debentures so issued.

20. The company has not raised any money by public issues during the year.

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

Mukesh M. Shah
Partner
Membership No.: 30190
Firm Registration No.: 106625W

Place : Ahmedabad
Date : April 29, 2010.

Balance Sheet as at March 31, 2010

	Schedule No.	INR - Millions		
		As at March 31,		
		2010		2009
SOURCES OF FUNDS :				
Shareholders' Funds :				
Share Capital	1	**682**		682
Reserves and Surplus	2	**15539**		11646
			16221	12328
Loan Funds :				
Secured Loans	3	**5542**		6367
Unsecured Loans	4	**399**		1831
			5941	8198
Deferred Tax Liability [Net]	20[B-22]		**1149**	1259
Total			**23311**	21785
APPLICATION OF FUNDS :				
Fixed Assets :	5			
Gross Block		**15567**		13585
Less : Depreciation, Amortisation and Impairment		**6063**		5216
Net Block		**9504**		8369
Capital work-in-progress		**1429**		1173
			10933	9542
Investments	6		**5989**	5954
Net Current Assets :				
Current Assets, Loans and Advances :				
Inventories	7	**3808**		3490
Sundry Debtors	8	**4008**		3523
Cash and Bank Balances	9	**282**		256
Loans and Advances	10	**3627**		2705
		11725		9974
Less : Current Liabilities & Provisions :				
Current Liabilities	11	**3831**		2936
Provisions	12	**1517**		1053
		5348		3989
			6377	5985
Foreign Currency Monetary Items Translation Difference Account	20[B-1]		**12**	304
Total			**23311**	21785
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.

Jyotindra B. Gor
Chief Accounts Officer

Upen H. Shah
Company Secretary

Sharvil P. Patel
Deputy Managing Director

Ahmedabad, Dated : April 29, 2010

Profit and Loss Account for the year ended March 31, 2010

	Schedule No.	INR - Millions Year ended March 31, 2010		2009
INCOME :				
Sales and Income from Operations :				
Gross Sales		**18549**		17374
Less : Excise Duty		**220**		389
Net Sales		**18329**		16985
Other Income from Operations	13	**5920**		2472
Total			**24249**	19457
Other Income	14		**435**	595
			24684	20052
EXPENDITURE :				
Consumption of Materials and Finished Goods	15	**7679**		6498
General Expenses	16	**8708**		7174
Research Expenses	17	**1763**		1582
Interest and Financial Charges	18	**431**		880
Depreciation, Amortisation and Impairment		**900**		826
			19481	16960
Profit before exceptional items and Tax			**5203**	3092
Less : Exceptional Expenses :				
Expenses incurred on Composite Scheme of Arrangement			**0**	128
Profit before Tax			**5203**	2964
Less : Provision for Taxation	19		**170**	305
Profit after Tax			**5033**	2659
Add : Balance brought forward		**2030**		1628
Add : Pursuant to a Composite Scheme of Arrangement		**0**		38
			2030	1666
PROFIT AVAILABLE FOR APPROPRIATIONS			**7063**	4325
Appropriations :				
Dividends :				
Proposed Dividend		**1024**		614
Corporate Dividend Tax on Proposed Dividend [Net of CDT credit]		**116**		105
		1140		719
Transfer to Debenture Redemption Reserve		**100**		0
Transfer to General Reserve		**2500**		1576
			3740	2295
Balance carried to Balance Sheet			**3323**	2030
Basic & Diluted E P S [in Rupees] :	20[B-23]			
Before Exceptional items			**36.87**	20.42
After Exceptional items			**36.87**	19.48
Adjusted Basic & Diluted E P S [in Rupees] :				
Before Exceptional items			**24.58**	13.61
After Exceptional items			**24.58**	12.99
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 29, 2010.

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, 2010

Particulars	INR - Millions			
	Year ended March 31,			
	2010		2009	
A Cash Flows from Operating Activities :-				
Net profit before taxation and extraordinary items		**5203**		2964
Adjustments for :-				
Depreciation	**900**		826	
[Profit] / Loss on sale of assets [net]	**5**		(88)	
[Profit] / Loss on sale of investments [net]	**154**		0	
[Interest income]	**(73)**		(100)	
[Dividend income]	**(359)**		(405)	
Interest expenses	**374**		644	
Balance of Profit & Loss A/c acquired under amalgamation	**0**		38	
Bad debts written off	**0**		20	
Provision for doubtful debts	**47**		36	
Provisions for retirement benefits	**19**		(45)	
Provisions for probable product warranty claims and return of goods	**(9)**		18	
Total		**1058**		944
Operating profit before working capital changes		**6261**		3908
Adjustments for :-				
[Increase] / Decrease in trade receivables	**(511)**		(768)	
[Increase] / Decrease in other receivables	**(924)**		623	
[Increase] / Decrease in inventories	**(318)**		(231)	
Increase / [Decrease] in trade payables & other liabilities	**898**		305	
Total		**(855)**		(71)
Cash generated from operations		**5406**		3837
Capital Subsidy received during the year	**0**		3	
Interest received	**75**		100	
[Interest paid]	**(382)**		(650)	
[Direct taxes paid] [Net of refunds]	**(256)**		(228)	
Total		**(563)**		(775)
Cash flow before extraordinary items		**4843**		3062
Extraordinary income / [expenditure]		**292**		(380)
Net cash from operating activities		**5135**		2682
B Cash flows from investing activities :-				
Purchase of fixed assets	**(2325)**		(1750)	
Purchase of investments	**(530)**		(1516)	
Proceeds from sale of Investments	**341**		10	
Proceeds from sale of fixed assets	**23**		240	
Dividend received	**359**		405	
Net cash from investing activities		**(2132)**		(2611)

Cash Flow Statement for the year ended March 31, 2010

Particulars	INR - Millions			
	Year ended March 31,			
	2010		2009	
C Cash flows from financing activities :-				
[Borrowings] [net]	**(2257)**		718	
[Dividends paid]	**(615)**		(564)	
[Tax on dividends paid]	**(105)**		(96)	
Net cash used in financing activities		**(2977)**		58
Net increase / (-) decrease in cash and cash equivalents		**26**		129
Cash and cash equivalents at the beginning of the year		**256**		190
Cash and cash equivalents acquired due to amalgamation		**0**		4
Cash and cash equivalents transfer on Demerger		**0**		(67)
Cash and cash equivalents at the close of the year		**282**		256

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. 6 [Rs. 2] 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 29, 2010.

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,			
		2010		2009
Schedule : 1 - Share Capital :				
Authorised :				
220,000,000 [As at 31-03-09 : 140,000,000] Equity Shares of Rs.5/- each		**1100**		700
		1100		700
Issued, Subscribed and Paid-up :				
136,499,013 [As at 31-03-09 : 136,499,013] Equity Shares of Rs.5/- each fully paid-up		**682**		682
Notes : Of the above Shares,				
[A] 133,919,637 Equity Shares were allotted as fully paid-up without payments being received in cash and 90,000,000 Equity Shares were extinguished pursuant to different Composite Schemes of Arrangement.				
[B] 77,691,976 [As at 31-03-09 : 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**		682
Schedule : 2 - Reserves & Surplus :				
Capital Reserve :				
Balance as per last Balance Sheet	**0**		3	
Add : Capital Subsidy received during the year	**0**		3	
	0		6	
Less : Utilised under a Composite Scheme of Arrangement	**0**		6	
		0		0
Capital Redemption Reserve :				
Balance as per last Balance Sheet	**0**		32	
Less : Utilised under a Composite Scheme of Arrangement	**0**		32	
		0		0
Security Premium Account :				
Balance as per last Balance Sheet	**116**		2247	
Less : Utilised under a Composite Scheme of Arrangement	**0**		131	
Less : Transfer to International Business Development Reserve pursuant to a Composite Scheme of Arrangement	**0**		2000	
		116		116
International Business Development Reserve :				
Balance as per last Balance Sheet	**2000**		0	
Add : Created out of Security Premium Account pursuant to a Composite Scheme	**0**		2000	
		2000		2000
Debenture Redemption Reserve :				
Balance as per last Balance Sheet	**0**		0	
Add : Transfer from Profit & Loss account	**100**		0	
		100		0
General Reserve :				
Balance as per last Balance Sheet	**7500**		6000	
Add : Transfer from Profit & Loss account	**2500**		1576	
	10000		7576	
Less : Transfer to Foreign Currency Monetary Item Translation Difference Account	**0**		76	
		10000		7500
Balance in Profit and Loss Account		**3323**		2030
Total		**15539**		11646

Schedules forming part of the Balance Sheet

	INR - Millions	
	As at March 31,	
	2010	2009
Schedule : 3 - Secured Loans :		
A 8.5% Secured Redeemable Non Convertible Debentures Privately placed	**500**	0
[Redeemable on December 4, 2014]		
B Loans and Advances from Banks :		
a Term Loans	**750**	0
b Working Capital Loans	**879**	2050
[Including Packing Credit foreign currency loans of Rs. 526 { As at 31-03-09 : Rs. 224 } Millions]		
c Term Loans - External Commercial Borrowings in Foreign Currency	**3413**	4317
	5042	6367
Total	**5542**	6367

Securities for Loans :

[A] Rs. 500 [As at 31-03-2009 : Rs. Nil] Millions is secured by a specific Trade Mark of the Company.

[B-a] Rs. 750 [As at 31-03-2009 : Rs. Nil] Millions is secured by securities mentioned at [B-c][i] above on “pari passu” basis with lenders referred to at [B-c][i], [B-c][ii] and [B-c][v] and further secured by hypothecation of a specific Trade Mark of the Company.

[B-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, excluding Plant & Machineries, both present & future, to rank "pari passu" amongst banks.

[B-c] Out of External Commercial Borrowings in Foreign Currency :

[i] Rs. 360 [As at 31-03-09 : Rs. 660] 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 [B-c][ii], [B-c][v] & [B-a].

[ii] Rs. NIL [As at 31-03-09 : Rs. 330] Millions secured by securities mentioned at [B-c][i] above on "pari passu" basis with lenders referred to at [B-c][i], [B-c][v] & [B-a] and first mortgage of immovable properties and hypothecation of movable properties of Formulation unit situated at Ponda, Goa, excluding current assets, both present and future.

[iii] Rs. 253 [As at 31-03-09 : Rs. 571] Millions are secured by mortgage of immovable properties and hypothecation of movable properties of the API Unit-1 situated at Ankleshwar, excluding current assets, both present and future.

[iv] Rs. NIL [As at 31-03-09 : Rs. 338] Millions secured by mortgage on a specific Trade Mark of the Company.

[v] Rs. 1138 [As at 31-03-09 : Rs. 540] Millions secured by securities mentioned at [B-c][i] above to rank "pari passu" with lenders referred to at [B-c][i], [B-c][ii] & [B-a] and further secured by hypothecation of a specific Trade Mark of the Company. Of this, ECB of Rs. 449 Millions is yet to be secured by the security mentioned herein.

[vi] Rs. 449 [As at 31-03-09 : Rs.507] Millions are secured by first equitable mortgage of immovable properties and hypothecation of movable properties excluding current assets, of the API Unit of the Company at Dabhasa / Umraya, both present and future and a specific Trade Mark of the Company.

[vii] Rs. 1213 [As at 31-03-09 : Rs. 1371] Millions secured by hypothecation of two specific Trade Marks of the Company.

	2010	2010	2009
Schedule : 4 - Unsecured Loans :			
Short - term Loans :			
From Banks [Including foreign currency loans of Rs. NIL { As at 31-03-09 : Rs. 397 } Millions]		**0**	1397
Other Loans and Advances :			
Interest free deemed loan against deferment of sales tax :			
From a Financial Institution [Rs. NIL { As at 31-03-09 : Rs.85 } Millions guaranteed personally by the Chairman & Managing Director of the Company.]	**0**		85
Deferred amount	**361**		349
	361		434
From Others	**38**		0
		399	434
Total		**399**	1831

Schedules forming part of the Balance Sheet

Schedule : 5 - Fixed assets :

	INR - Millions													
	Gross Block				Depreciation				Impairment				Net Block	
Nature of Fixed Assets	As at 31-03-09	Additions During the year	Sales and / or adj. during the year	**As at 31-03-10**	Upto 31-03-09	For the year	On Sales and / or adj. during the year	**Up to 31-03-10**	Upto 31-03-09	For the year	On Sales and / or adj. during the year	**Up to 31-03-10**	**As at 31-03-10**	As at 31-03-09
Tangible Assets :														
Freehold Land	201	53	0	**254**	0	0	0	**0**	0	0	0	**0**	**254**	201
Leasehold Land	90	7	0	**97**	10	1	0	**11**	0	0	0	**0**	**86**	80
Buildings	2536	414	3	**2947**	486	79	0	**565**	0	0	0	**0**	**2382**	2050
Plant & Machinery	7390	1376	59	**8707**	2396	511	44	**2863**	108	9	0	**117**	**5727**	4886
Furniture, Fixtures & Office Equipments	407	43	0	**450**	172	28	(3)	**203**	0	0	0	**0**	**247**	235
Vehicles	264	41	19	**286**	94	24	10	**108**	0	0	0	**0**	**178**	170
Intangible Assets :														
Trade Marks, Patents & Designs	1962	128	0	**2090**	1315	188	0	**1503**	31	0	0	**31**	**556**	616
Technical know-how	680	0	0	**680**	497	59	0	**556**	52	0	0	**52**	**72**	131
Commercial Rights	55	1	0	**56**	55	1	2	**54**	0	0	0	**0**	**2**	0
Total	13585	2063	81	**15567**	5025	891	53	**5863**	191	9	0	**200**	**9504**	8369
2008-09	12410	1509	334	**13585**	4379	826	180	**5025**	192	0	1	**191**	**8369**	

Notes :

[1] Buildings include Rs. 0.02 [As at 31-03-09 : 0.02] Millions being the value of shares held in cooperative societies.

[2] Additions of Rs. 272 [Previous year Rs. 224] Millions in research assets during the year are included in "Additions" column under the respective heads of Gross Block as above.

[3] Reduction of Rs. 100 [Previous year addition of Rs. 104] 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, 2010		2009
Schedule : 6 - Investments [At cost] :					
Long Term Investments :					
In Government Securities [Unquoted] :					
National Savings Certificates [Lodged with Govt. Auth. as security] [Rs. NIL { As at 31-03-09 Rs. 16,350/-}]^			**0**		0
Kisan Vikas Patra [Lodged with Sales Tax Auth. as security] [Rs. NIL { As at 31-03-09 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	27432138	10	**518**		518
Unquoted :					
In fully paid-up equity shares of :					
Dialforhealth India Limited	5000000	10	**50**		50
German Remedies Limited	24000	100	**2**		2
Liva Healthcare Limited	90750	100	**616**		616
Zydus Animal Health Limited	24000000	10	**502**		956
[Share Capital reduced by 30000000 shares]	[54000000]				
Zydus International Private Limited, Ireland	25961500	€ 1.462843	**2329**		2329
Zydus Pharmaceuticals Limited	950000	10	**10**		10
Zydus Technologies Limited	42500000	10	**425**		9
[41650000 Equity Shares subscribed during the year]	[850000]				
Sub-total			**3934**		3972
In fully paid-up preference shares of :					
Zydus Technologies Limited - 8% Non Cumulative Redeemable preference shares [900000 shares subscribed during the year]	900000 [0]	100	**90**		0
				4542	4490
Trade Investments :					
Unquoted :					
In fully paid-up equity shares of :					
Companies under the same Management :					
Zydus BSV Pharma Private Limited	11165000	10	**157**		142
[1450000 Equity Shares subscribed during the year]	[9715000]				
Zydus Hospira Oncology Private Limited	7500000	10	**75**		75
Zydus Nycomed Healthcare Private Limited	10000000	10	**100**		100
			332		317
In fully paid-up 7 % Non Cumulative Redeemable Preference Shares of Zydus Hospira Oncology Private Limited, a company under 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
				719	704

Schedules forming part of the Balance Sheet

	Nos. [*]	Face Value [**]	INR - Millions As at March 31, 2010		2009
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 Bonds redeemed during the year]	0 [391712]	100	**0**		39
			0		39
			1		40
Unquoted :					
In fully paid-up equity shares of :					
Avra Laboratories Pvt. Ltd. [250000 shares sold during the year]	0 [250000]	10	**0**		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
			7		9
Total Other Investments				**8**	49
Total Investments in Shares , Debentures & Bonds				**5269**	5243
[***] In the Capital of a Partnership Firm				**714**	706
Share application Money				**6**	5
Total [Aggregate Book Value of Investments]				**5989**	5954
Unquoted				**5470**	5396
Quoted [Market Value Rs. 10591 { As at 31-03-09 : Rs. 1669 } Millions]				**519**	558
Total				**5989**	5954
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] :				**893**	744
Name of Partners & their Profit Sharing Ratio :					
Cadila Healthcare Limited				**96%**	96%
German Remedies Limited				**2%**	2%
Cadila Healthcare Limited 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,		
	2010		2009
Schedule : 7 - Inventories :			
[As taken, valued and certified by the management] [Valued at lower of cost and net realisable value]			
Stores and Spare Parts		22	52
Stock-in-Trade :			
Raw Materials	1480		1205
Packing Materials	306		345
Finished Goods	1385		1362
		3171	2912
Work-in-progress		615	526
Total		3808	3490
Schedule : 8 - Sundry Debtors [Unsecured] :			
Debts outstanding for a period exceeding six months :			
Considered good	235		321
Considered doubtful	118		71
Total	353		392
Less : Provision for doubtful debts	118		71
		235	321
Other debts - Considered good :			
Due from subsidiary companies [Refer note no. B - 8 of Sch. No. 20]	2391		1669
Others	1382		1533
		3773	3202
Total		4008	3523
Schedule : 9 - Cash and Bank Balances :			
Cash balance on hand		4	3
Bank Balances :			
With Scheduled Banks :			
In Current Accounts [Includes Rs. 10 { as at 31-03-09 : Rs. 11 } Millions in Unclaimed Dividend accounts with banks]	29		77
In Fixed Deposit Accounts [Out of this, fixed deposits of Rs. 6 { As at 31-03-09 : Rs.2 } Millions have been pledged with Banks as Margin Money for Guarantees issued and fixed deposits of Rs. 0.1 { As at 31-03-09 : Rs. 0.1 } Millions have been pledged with Sales-tax Authorities].	206		157
In Foreign Currency Current Accounts	1		6
		236	240
With Other Banks :			
In Current Account in foreign currency with :			
Uni Credit Bank, Moscow, [Maximum amount outstanding during the year Rs. 9 { Previous year - Rs. 6 } Millions]	3		4
Union Bank of Philippines, Philippines, [Maximum amount outstanding during the year Rs. 42 { Previous year - Rs. 9 } Millions]	37		2
OJSC " Reiffeisen Bank Aval, Ukraine [Maximum amount outstanding during the year Rs. 5 { Previous year - Rs. 7 } Millions]	1		7
Exim Bank HCMC US$ A/c - Vietnam [Maximum amount outstanding during the year Rs. 1 { Previous year - Rs. Nil } Millions]	1		0
		42	13
Total		282	256

Schedules forming part of the Balance Sheet

	INR - Millions		
	As at March 31,		
	2010		2009
Schedule : 10 - Loans and Advances :			
[Unsecured, Considered Good, unless otherwise stated]			
Advances to subsidiary companies [Refer note no. B - 9 of Sch. No. 20]		1566	1146
Advances recoverable in cash or in kind or for value to be received :			
Considered good *	1455		1131
Considered doubtful	13		0
Total	1468		1131
Less : Provision for doubtful advances	13		0
* [Includes loan to an Officer Rs. 0.01 { as at 31-03-09 : Rs. 0.1 } Million]		1455	1131
[Maximum balance due during the year Rs. 0.1 { Previous Year Rs. 0.3 } Million]			
		3021	2277
Balances with Custom / Central Excise / Sales Tax Authorities		598	418
Interest receivable		8	10
Total		3627	2705
Schedule : 11 - Current Liabilities :			
Sundry Creditors other than Micro, Small and Medium Enterprises			
[Refer note no. B - 14 of Sch. No. 20] :			
For Capital Goods	45		51
Others	3645		2774
Subsidiary Companies	20		8
		3710	2833
Advances from Debtors		44	32
Trade Deposits		34	19
Investor Education and Protection Fund [*] :			
Unclaimed dividends		10	11
[*][There are no amounts due and outstanding to be credited to Investor Education and Protection Fund]			
Interest accrued but not due on loans		33	41
Total		3831	2936
Schedule : 12 - Provisions :			
Proposed Dividend		1024	614
Corporate Dividend Tax on Proposed Dividend		125	105
Provision for taxation [Net of Advance payment of direct taxes]		197	173
Provision for claims for product warranties and return of goods		24	33
Provision for retirement benefits		147	128
Total		1517	1053

Schedules forming part of the Profit and Loss Account

		INR - Millions	
		Year ended March 31,	
		2010	2009
Schedule : 13 - Other Income from operations :			
Partner's Remuneration from a Partnership Firm		**1300**	480
Share of Profit from a Partnership Firm		**3312**	767
Interest earned on Capital in a Partnership Firm		**16**	17
Income from Contract Manufacturing and Processing Charges			
[T.D.S. Rs. 8 { Previous year - Rs. 5 } Millions]		**401**	352
Export Incentives		**91**	89
Recovery of Development Charges		**195**	658
Government Grants [Refer note no. B - 3 of Sch. No. 20]		**39**	0
Miscellaneous Income [T.D.S. Rs. 17 { Previous year - Rs. 0.7 } Millions]		**566**	109
Total		**5920**	2472
Schedule : 14 - Other Income :			
A Dividends [Gross] :			
From Long Term :			
a Trade Investments :			
I Subsidiaries	**53**		4
II Joint Ventures	**305**		400
	358		404
b Non - Trade Investments - Others	**1**		1
Total Dividend received		**359**	405
B Others :			
Profit on sale of Assets [Net]	**0**		88
Rent Income [T.D.S. Rs. 0.4 { Previous year - Rs.0.4 } Million]	**3**		2
Interest earned - Others [Gross] - [T.D.S. - Rs. 4 { Previous year Rs. 6 } Millions]	**73**		100
		76	190
Total		**435**	595
Schedule : 15 - Consumption of Materials and Finished Goods :			
Raw Materials :			
Stock at commencement	**1205**		965
Add : Purchases	**6012**		4293
	7217		5258
Less : Stock at close	**1480**		1205
		5737	4053
Packing Materials consumed		**1318**	931
Purchase of Finished Goods		**732**	1335
[Increase] / Decrease in Stock of Finished Goods & Work-in-process :			
Stock at close :			
Finished Goods	**1385**		1362
Works-in-progress	**615**		526
	2000		1888
Less : Stock at commencement :			
Finished Goods	**1362**		1369
Work-in-progress	**526**		706
	1888		2075
	(112)		187
Differential Excise Duty on Opening and Closing stock on Finished Goods	**4**		(8)
		(108)	179
Total		**7679**	6498

Schedules forming part of the Profit and Loss Account

	INR - Millions		
	Year ended March 31,		
	2010		2009
Schedule : 16 - General Expenses :			
Personnel Expenses :			
Salaries, wages and bonus	2130		1600
Company's contribution to provident & other funds	144		105
Staff welfare expenses	94		101
		2368	1806
Stores and spare parts consumed		275	172
Power & Fuel		579	463
Processing Charges		248	257
Insurance		58	42
Repairs :			
Buildings	28		30
Plant and Machinery	141		126
Others	85		36
		254	192
Rent		33	32
Rates and Taxes		4	4
Managing Directors' Remuneration		297	163
Commission to Directors		4	3
Traveling Expenses		574	453
Legal and Professional Fees		127	178
Loss on account of fluctuations in foreign exchange rates [Net]		279	329
Miscellaneous Expenses		587	553
Marketing, Selling & Distribution Expenses :			
Commission on sales	276		254
Freight and forwarding on sales	537		516
Sales promotion expenses	551		435
Advertisements	10		18
Seminar, Conference and Exhibition	189		163
Representative Allowance and Incentives	528		442
Bad debts written off	0		20
Provision for Doubtful Debts	47		31
Other marketing expenses	640		571
		2778	2450
Directors' fees [Previous year - Rs. 0.30 Millions]		1	0
Provision for Doubtful Advances		13	0
Loss on sale of Assets [Net]		5	0
Loss on sale of long term Investments [Previous year Rs. 0.14 Millions]		154	0
Donations		70	77
Total		8708	7174

Schedules forming part of the Profit and Loss Account

	INR - Millions		
	Year ended March 31,		
	2010		2009
Schedule : 17 - Research Expenses :			
Materials		**320**	327
Personnel Expenses :			
Salaries, wages and bonus	**363**		326
Company's contribution to provident & other funds	**27**		26
Staff welfare expenses	**21**		22
		411	374
Stores and spare parts consumed		**27**	76
Power & Fuel		**54**	53
Analytical expenses		**480**	436
Insurance		**5**	2
Repairs :			
Buildings	**2**		2
Plant & Machineries	**15**		10
Others	**4**		3
		21	15
Traveling Expenses		**20**	21
Legal and Professional fees		**39**	16
Provision for doubtful debts		**0**	5
Loss [Gain] on account of fluctuations in foreign exchange rates [Net]		**14**	(36)
Others [excluding Depreciation of Rs. 127 { Previous Year - Rs.116 } Millions]		**372**	293
Total		**1763**	1582
Schedule : 18 - Interest and Financial Charges :			
Interest :			
On term loans	**238**		513
On debentures	**14**		0
On working capital loans	**115**		117
Others	**7**		14
		374	644
Loss [Gain] on account of fluctuations in exchange rates on foreign currency loans		**5**	151
Bank commission & charges		**52**	85
Total		**431**	880
Schedule : 19 - Provision for Taxation :			
Current Tax	**280**		200
Deferred Tax	**(110)**		35
Fringe Benefit Tax	**0**		70
Total		**170**	305
Less : Prior year's tax adjustments [Rs. 0.5 { Previous Year Rs. NIL }]		**0**	0
Total		**170**	305

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, Technical Know-how Fees and other similar rights are amortised over their 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 their 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 is 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 Employees' 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 leave encashment scheme is administered through Life Insurance Corporation of India's Employees' Group Leave Encashment cum Life Assurance (Cash Accumulation) scheme. The employees of the company are entitled to leave as per the leave policy of the company. The liability on account of accumulate leave as on last day of the accounting year is recognised (net of the fair value of planned asset as at the balance sheet date) at present value of the defined obligation at the balance sheet date based on the actuarial valuation carried out by an independent actuary using projected unit credit method.

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 and deferred tax.

B Current 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 expenses 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 :

20 Government Grants :

A Government grants are recognized in accordance with the terms of the respective grant on accrual basis considering the status of compliance of prescribed conditions and ascertainment that the grant will be received.

B Government grants related to revenue is recognised on a systematic basis in the profit and loss account over the period during which the related costs intended to be compensated are incurred.

C Government grants of the nature of incentive provided by the government without related costs are credited to capital reserve.

B Notes on Accounts :

1 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". Accordingly, the effects of exchange rate differences arising from long term foreign currency loans availed for funding acquisition of fixed assets have 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.

2 During February, 2010, a fire broke at one of the warehouse of the Company. The Company is in process of lodging a claim with the insurance company, amounting to Rs. 195 Millions [Mio] as estimated by the company. Pending the final settlement this has been shown as "Insurance Claim Receivable" under "Loans & Advances". The difference, if any, on settlement of claim will be effected in Profit and Loss account.

3 The grant-in-aid received amounting to Rs. 39 million from Ozone Cell, Ministry of Environment and Forests for meeting the expenditure incurred towards activities carried out in relation to phasing out of Chlorofluorocabons (CFCs) in the manufacture of Pharmaceutical Metered Dose Inhalers (MDIs) is treated as revenue in nature and accordingly is shownunder the head "Other Income" in the Profit and Loss Account.

4 The Company has imported certain capital equipments at concessional rate of custom duty under "Export Promotion of Capital Goods Scheme" of the Central Government. The Company has undertaken an incremental export obligation to the extent of US $ 2 Millions { equivalent to Rs. 105 Millions Approx. } [Previous Year US $ 0.15 { equivalent to Rs. 8 Millions approx. }] to be fulfilled during a specified period as applicable from the date of imports. The liability towards custom duty payable thereon in respect of unfulfilled export obligations as on March 31, 2010 of Rs. 17 [as at 31-03-09 Rs. 13] Millions is not provided for.

5 The Company has taken various residential / office premises / godowns under operating lease or leave and license agreement. The lease terms in respect of such premises are 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.

6 The Company has invested Rs. 50 Millions and given loans & advances of Rs. 131 [As at 31-03-09 Rs. 122] Millions to Dialforhealth India Ltd. [DIL], a wholly owned subsidiary of the Company. The accumulated losses as at March 31, 2010 amounting to Rs. 105 [As at 31-03-09 Rs. 102] Millions has exceeded the net worth 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.

7 **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, 2010	2009
a Carrying amount at the beginning of the year	**33**	16
b Additional provision made during the year	**24**	33
c Amount used	**33**	16
d Unused amount reversed during the year	**0**	0
e Carrying amount at the end of the year	**24**	33

	As at March 31, 2010	2009
8 Sundry Debtors include amounts due from subsidiary companies :		
A Zydus Healthcare Brazil Ltda. [Maximum amount due during the year Rs. 98 { Previous Year Rs.110 } Millions]	**92**	96
B Zydus Pharmaceuticals (USA) INC [Maximum amount due during the year Rs. 2301 { Previous Year Rs.1245 } Millions]	**2098**	1245
C Zydus France SAS [Maximum amount due during the year Rs. 122 { Previous Year Rs. 146 } Millions]	**96**	104
D Zydus Noveltech Inc., USA [Maximum amount due during the year Rs. 188 { Previous Year Rs. 188 } Millions]	**0**	188
E Zydus IntRus Ltd., Moscow, Russia [Maximum amount due during the year Rs. 31 { Previous Year Rs. 17 } Millions]	**13**	17
F Zydus Healthcare SA [PTY] Ltd. [Maximum amount due during the year Rs. 29 { Previous Year Rs. 11 } Millions]	**8**	10
G Simayla Pharmaceuticals [PTY] Ltd. [SA] [Maximum amount due during the year Rs. 17 { Previous Year Rs. 9 } Millions]	**3**	7
H Quimica E Farmaceutica Nikkho Do Brasil Ltda. [Maximum amount due during the year Rs.4 { Previous Year Rs. 2 } Mio]	**0**	2
I Zydus Technologies Ltd. [Maximum amount due during the year Rs. 81 { Previous Year Rs. NIL } Millions]	**81**	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, 2010	2009
9 Loans & Advances include amounts due from subsidiary companies :		
A Zydus International Pvt. Ltd. [Maximum amount due during the year Rs. 1432 { Previous Year Rs. 1136 } Millions]	**1351**	406
[During the previous year, the Company has provided a convertible loan of Rs. 1098 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.]		
B Dialforhealth India Ltd. [Maximum amount due during the year Rs. 131 {Previous Year Rs. 122} Millions]	**131**	122
C Zydus France SAS [Maximum amount due during the year Rs. 574 { Previous Year Rs. 682 } Millions]	**0**	574
D Nippon Universal Pharmaceuticals Inc., Japan [Maximum amount due during the year - Rs. 31 { Previous Year Rs. 31 } Millions]	**0**	31
E Etna Biotech S.R.L., Italy [Maximum amount due during the year Rs. 48 { Previous Year Rs. 13 } Millions]	**16**	13
F Zydus Technologies Limited [Maximum amount due during the year Rs. 260 { Previous Year Rs. Nil } Mio]	**68**	0
Note : Loans at A is convertible loan & not bearing interest unless converted. Loans at C & F are interest bearing. The terms of repayment not specified in B, D and E.		

	Year ended March 31, 2010	2009
10 A Details of remuneration paid / payable to the Managing Directors :		
a Remuneration	**266**	146
b Contribution to Provident and other Funds	**31**	17
c Total	**297**	163
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	**5033**	2659
b Add :		
Depreciation provided in Accounts	**900**	826
Provision for Taxation - Current, Deferred, Fringe benefit & Prior year tax adjustments	**170**	305
Managing Directors' Remuneration	**297**	163
Commission to Other Directors	**4**	3
Directors' fees [Previous year - Rs. 0.30 Millions]	**1**	0
Provision for doubtful debts	**47**	36
Provision for doubtful advances	**13**	0
Loss / [Profit] on sale of Investments [Net][Previous year Rs. 0.14 Millions]	**154**	0
Loss / [Profit] on sale / disposal of Assets [Net]	**5**	(88)
	1591	1245
c Total [a + b]	**6624**	3904
d Less: Depreciation as per section 350	**900**	826
e Net Profit as per section 198 [c - d]	**5724**	3078
C Maximum remuneration payable at the rate of 10% of the net profit as per section 309 of the Companies Act, 1956 .	**572**	308
Remuneration payable to Chairman & Managing Director @ 5 %	**286**	152
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]	**57**	31
Maximum approved by the Shareholders	**10**	10
Commission approved by the Board	**4**	3
11 Capital expenditure on Research & Development [Including net increase Capital Work-in-Progress Rs. 143 { Previous Year - Rs. 89 } Millions]	**415**	313
12 Miscellaneous Expenses include :		
A Auditors' Remuneration [Including Service Tax] :		
a Audit Fees	**4**	3
b Tax Audit Fees	**1**	1
c Certification & Other Charges	**1**	1
d Total	**6**	5
B Cost Auditor's Remuneration including fees for other services & including Service Tax	**1**	1
13 Borrowing cost capitalised	**0**	0

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, 2010	2009
14 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	**1**	2
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.

15 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 encashment scheme is administered through Life Insurance Corporation of India's Employees' Group Leave Encashment cum Life Assurance (Cash Accumulation) scheme. The employees of the company are entitled to leave as per the leave policy of the company. The liability on account of accumulate leave as on last day of the accounting year is recognised (net of the fair value of planned asset as at the balance sheet date) at present value of the defined obligation at the balance sheet date based on the actuarial valuation carried out by an independent actuary using projected unit credit method.

INR - Millions Year ended March 31,

	2010 Med. Leave	2010 Pre. Leave	2010 Gratuity	2009 Med. Leave	2009 Pre. Leave	2009 Gratuity
B Change in the present value of the defined benefit obligation :						
Opening defined benefit obligation	**3**	**98**	**260**	4	106	242
Interest cost	**0**	**8**	**21**	0	8	19
Current service cost	**4**	**37**	**28**	1	14	25
Benefits paid	**0**	**(49)**	**(99)**	0	(42)	(77)
Actuarial [gain] / losses on obligation	**(2)**	**38**	**90**	(2)	12	51
Closing defined benefit obligation	**5**	**132**	**300**	3	98	260
C Change in the fair value of plan assets :						
Opening fair value of plan assets	**0**	**0**	**239**	0	0	164
Expected return on plan assets	**0**	**1**	**25**	0	0	19
Contributions by employer	**0**	**108**	**132**	0	0	115
Benefits paid	**0**	**(49)**	**(99)**	0	0	(77)
Actuarial gains / [losses]	**0**	**0**	**(1)**	0	0	1
Closing fair value of plan assets	**0**	**60**	**296**	0	0	239
Total actuarial gain [loss] to be recognized	**0**	**38**	**91**	0	12	50
D Actual return on plan assets						
Expected return on plan assets	**0**	**1**	**25**	0	0	19
Actuarial gain / [loss] on plan assets	**0**	**0**	**(1)**	0	0	1
Actual return on plan assets	**0**	**1**	**24**	0	0	20
E Amount recognized in the balance sheet						
[Assets] / Liability at the end of the year	**5**	**132**	**300**	3	98	260
Fair value of plan Assets at the end of the year	**0**	**(60)**	**(296)**	0	0	(239)
Difference	**5**	**72**	**4**	3	98	21
Unrecognised past Service cost	**0**	**0**	**0**	0	0	0
[Assets] / Liability recognized in the Balance Sheet	**5**	**72**	**4**	3	98	21

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, 2010			2009		
		Med. Leave	**Pre. Leave**	**Gratuity**	Med. Leave	Pre. Leave	Gratuity
F	**[Income] / Expenses recognized in the Profit & Loss Account statement :**						
	Current service cost	**4**	**37**	**28**	1	14	25
	Interest cost on benefit obligation	**0**	**8**	**21**	0	8	19
	Expected return on plan assets	**0**	**(1)**	**(24)**	0	0	(20)
	Net actuarial [gain] / loss in the period	**(2)**	**38**	**91**	(2)	12	50
	Net [benefit] / expense	**2**	**82**	**116**	(1)	34	74
G	**Movement in net liability recognised in Balance Sheet :**						
	Opening net liability	**3**	**98**	**19**	4	106	60
	Expenses as above [P & L Charge]	**2**	**82**	**116**	(1)	34	74
	Employer's contribution	**0**	**(108)**	**(132)**	0	(42)	(115)
	[Assets]/Liability recognized in the Balance Sheet	**5**	**72**	**3**	3	98	19
H	**Principal actuarial assumptions as at Balance sheet date :**						
	Discount rate	**8.25%**	**8.25%**	**8.25%**	7.94%	7.94%	7.94%
	[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%**	**9.00%**	**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	**5.00%**	**5.00%**	**5.00%**	5.00%	5.00%	5.00%
	[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%**	**100.00%**	**100.00%**	0.00%	0.00%	100.00%

16 Contingent liabilities not provided for :

		INR - Millions As at March 31, **2010**	2009
A	In respect of guarantees given by Banks and counter guarantees given by the Company.	**135**	107
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	**4294**	4154
C	Claims against the Company not acknowledged as debts [Including Rs. 8 { as at 31-03-09 Rs. 8 } Millions in respect of Amalgamated {*} Companies]	**68**	57
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 31-03-09 Rs. 9 } Millions in respect of Amalgamated {*} Companies]	**49**	332
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 31-03-09 Rs. 42 } Millions in respect of Amalgamated {*} Companies]	**227**	219
F	In respect of Income Tax matters pending before appellate authorities which the Company expects to succeed, based on decisions of Tribunals / Courts.	**12**	14
G	In respect of Sales Tax matters pending before appellate authorities / Court which the Company expects to succeed, based on decisions of Tribunals / Courts.	**74**	49

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.

		2010	2009
17	Estimated amount of contracts remaining to be executed on capital account and not provided for [Net of Advances]	**582**	698

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

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

18 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	Value [*] in INR-Mn. As at March 31, 2010	2009	Underlying exposure	Purpose
Currency Forwards / Options	**952**	6446	Forecasted & future cash flows against Exports	For protecting against the risk of exchange rate fluctuations and not for speculation.
Currency Forwards / Options	**575**	3705	Trade payables and Debts servicing	For protecting against the risk of exchange rate fluctuations and not for speculation.
Interest Swap / FRAs	**2964**	3580	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	Value [*] in INR-Mn. As at March 31, 2010	2009
Assets	**6561**	0
Payables	**2955**	81

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

19 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	Assets	Liabilities	Income	Expenditure
				INR - Millions Amount of interest based on last audited accounts			
Zydus Nycomed Healthcare Pvt. Ltd.	50	31-12-09	Audited	**976**	**114**	**923**	**257**
		31-12-08	Audited	681	32	907	205
Zydus Hospira Oncology Pvt. Ltd.	50	31-03-10	Audited	**926**	**428**	**851**	**593**
		31-03-09	Audited	635	388	0	26
Dialforhealth Green cross Limited	50	31-03-10	Audited	-	-	-	-
[Became Wholly owned Subsidiary of Dialforhealth India Ltd. w.e.f. November 20, 2009]		31-03-09	Audited	1	0.1	0.2	1
Zydus BSV Pharma Pvt. Ltd.	50	31-03-10	Audited	**282**	**180**	**3**	**15**
		31-03-09	Audited	244	141	5	8

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, 2010	2009
A In respect of guarantees given by a Bank and counter guarantees given by the jointly controlled entities	**2**	0
B Custom duty liability which may arise if export obligations are not fulfilled against import of machinery under EPCG Scheme	**1**	0
C In respect of Income Tax matters pending before appellate authorities which the Company expects to succeed, based on decisions of Tribunals / Courts.	**816**	0
Estimated amount of contracts remaining to be executed on capital account & not provided for [Net of Adv.]	**64**	63

20 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.

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

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

21 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
Dialforhealth Green Cross Limited
German Remedies Limited
Zydus Pharmaceuticals Limited
Zydus Animal Health Limited
Zydus Wellness Limited
Liva Healthcare Limited
Zydus Technologies Limited
M/s. Zydus Healthcare, Sikkim, a Partnership Firm
Zydus International Private Limited [Ireland]
Zydus Netherlands B.V. [Netherland]
Zydus France SAS [France]
Zydus Pharmaceuticals (USA) Inc. [USA]
Zydus Healthcare [USA] LLC. [USA]
Zydus Noveltech Inc., [USA]
Zydus Healthcare S.A. (Pty.) Ltd. [South Africa]
Simayla Pharmaceuticals (Pty.) Ltd. [South Africa]
ZC Pharma (Pty.) Ltd. [South Africa]
[Formerly known as Newshelf 1034 (Pty.) Ltd.]
Zydus Healthcare Brasil Ltda [Brasil]
Quimica E Farmaceutica Nikkho Do Brazil Ltda. [Brazil]
Nippon Universal Pharmaceuticals Ltd. [Japan]
Laboratories Combix [Spain]
Zydus IntRus Limited [Russia]
Etna Biotech S.R.L. [Italy]

b Joint Venture Companies :

Zydus Nycomed Healthcare Private Limited
Zydus BSV Pharma Private Limited
Zydus Hospira Oncology Private Limited

c Directors and their relatives :

Shri Pankaj 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 :

Zydus Hospitals and Healthcare Research Private Limited
Cadmach Machinery Company Private Limited
MabS Biotech Private Limited
M/s. Cadam Enterprises
Zydus Infrastructure Private Limited
Cadila Laboratories Limited
M/s. C. M. C. Machinery

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 21 - A [a , b, & d]

Value of the Transactions [INR - Millions]

Nature of Transactions	Subsidiary Companies		Joint venture Companies Year ended March 31,		Entrprises significantly influenced by Directors and/or their relatives	
	2010	2009	**2010**	2009	**2010**	2009
Purchases :						
Goods	**100**	53	**21**	9	**5**	2
Fixed Assets	**2**		**3**		**72**	45
Reimbursement of Expenses	**81**	73			**1**	0.4
Services	**38**	2			**1**	
Sales :						
Goods	**6691**	3332	**3**			
Fixed Assets					**2**	
Reimbursement of Expenses	**5**	13			**0.2**	
Services	**221**	676	**9**	1		
Investments :						
Purchases	**507**	1310	**16**	18		
Share Capital reduction	**300**					
Change in Partner's Capital [net]	**(4619)**	(1025)				
Share of Profit from a firm recd.	**3312**	767				
Interest on Partner's Capital recd.	**16**	17				
Dividend Received	**53**	4	**305**	400		
Finance :						
Inter Corporate Deposits given	**136**	494				
Deposits Repaid	**760**	1233				
Interest Received	**46**	57				
Guarantees given :	**4294**	3936	**0**	218		
Others :						
Partner's Remu. Recd.	**1300**	480				
Outstanding :						
Payable	**20**	8			**24**	20
Receivable	**3957**	2815	**9**			

b Details relating to persons referred to in item 21 - A [c] above :

		INR - Millions Year ended March 31,	
		2010	2009
1	Remuneration	**297**	163
2	Outstanding remuneration payable	**282**	149

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

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

22 Deferred Tax :

A The Deferred tax liability of Rs. 110 Millions for the year has been reversed 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 31-03-09	Charge for the year to Profit & Loss A/c.	**As at 31-03-10**
Deferred Tax Liabilities :			
Depreciation	1445	18	**1463**
Others	146	(128)	**18**
Total	1591	(110)	**1481**
Deferred Tax Assets :			
Retirement benefits	73	(5)	**68**
Receivables	25	15	**40**
Others	234	(10)	**224**
Total	332	0	**332**
Net Deferred Tax Liability	1259	(110)	**1149**

23 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, **2010**	2009
A	Profit after tax attributable to Shareholders :			
a	Before Exceptional items	INR - Millions	**5033**	2787
b	After Exceptional items	INR - Millions	**5033**	2659
B	Basic and * weighted average number of Equity shares outstanding during the year	Nos.	**136499013**	136499013
C	Nominal value of equity share	INR	**5**	5
D	Basic & Diluted EPS :			
a	Before Exceptional items	INR	**36.87**	20.42
b	After Exceptional items	INR	**36.87**	19.48
E	Adjusted Basic & Diluted EPS * :			
a	Before Exceptional items	INR	**24.58**	13.61
b	After Exceptional items	INR	**24.58**	12.99

*** Bonus Declaration :**

Share holders at Extra Ordinary General Meeting held at March 22, 2010 have approved issue of bonus shares and in view of this on April 9, 2010, the Company has allotted 68,249,507 bonus shares in the ratio of one fully paid up equity shares for two equity shares held on the record date. In view of this, no effect of Bonus shares has been given in final accounts. However, the Basic & Diluted EPS has been adjusted for both the reporting periods as per the requirements of Accounting Standard - 20 on" Earning Per Share" issued by the Institute of Chartered Accountants of India.

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

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

24 Quantitative and Value analysis of Sales Turnover :

Class of Goods	Units of Measure	2010 Qty.	2010 INR Millions	2009 Qty.	2009 INR Millions
Tablets	ML. Nos.	**7733**	**9160**	7066	9061
Capsules	ML.Nos.	**880**	**1723**	897	1903
Injections	K.Ltrs.	**2622**	**1706**	1277	2021
Dry Powder Injections	Kgs.	**8245**	**1336**	5874	766
Liquids	K.Ltrs.	**1914**	**475**	1865	382
Dry Syrups, Powders & Granules	Tonnes	**820**	**320**	678	259
Ointments	Tonnes	**316**	**313**	264	263
Cosmeceuticals	Tonnes	**12**	**3**	16	2
Suppositories	ML.Nos.	**13**	**97**	14	74
Transdermal	ML.Nos.	**0**	**189**	0	0
Bulk Drugs	Tonnes	**384**	**3193**	373	2604
Others			**34**		39
Total			**18549**		17374

(Year ended March 31,)

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

Class of Goods	Units of Measure	2010 Qty.	2010 INR Millions	2009 Qty.	2009 INR Millions	2008 Qty.	2008 INR Millions
Tablets	ML.Nos.	**682**	**363**	620	246	600	345
Capsules	ML.Nos.	**120**	**109**	76	39	59	53
Injections	K.Ltrs.	**236**	**148**	199	155	206	165
Dry Powder Injections	Kgs.	**826**	**73**	626	68	1162	68
Liquids	K.Ltrs.	**175**	**26**	201	20	214	24
Dry Syrups, Powders & Granules	Tonnes	**95**	**24**	81	12	37	6
Ointments	Tonnes	**46**	**26**	21	8	29	13
Suppositories	ML.Nos.	**2**	**4**	2	2	2	11
Bulk Drugs	Tonnes	**47**	**311**	59	341	26	256
Others			**16**		14		39
Total			**1100**		905		980

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

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

26 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	2010 Qty.	2010 INR Millions	2009 Qty.	2009 INR Millions	2008 Qty.	2008 INR Millions
Tablets	ML.Nos.	**156**	**126**	196	203	462	159
Capsules	ML.Nos.	**28**	**26**	24	36	46	56
Injections	K.Ltrs.	**254**	**65**	45	150	59	101
Dry Powder Injections	Kgs.	**556**	**34**	425	33	148	19
Liquids	K.Ltrs.	**137**	**23**	167	26	203	14
Dry Syrups, Powders & Granules	Tonnes	**40**	**7**	52	7	59	15
Ointments	Tonnes	**6**	**1**	6	1	9	2
Cosmeceuticals	Tonnes	**0**	**0**	0	0	134	20
Others		**2**	**3**		1		3
Total			**285**		457		389

B Purchases :

Year ended March 31,

Class of Goods	Units of Measure	2010 Qty.	2010 INR Millions	2009 Qty.	2009 INR Millions
Tablets	ML.Nos.	**1166**	**299**	1061	394
Capsules	ML.Nos.	**238**	**98**	191	230
Injections	K.Ltrs.	**1642**	**137**	305	391
Dry Powder Injections	Kgs.	**4595**	**62**	1509	102
Liquids	K.Ltrs.	**604**	**55**	705	125
Dry Syrups, Powders & Granules	Tonnes	**379**	**61**	334	50
Ointments	Tonnes	**32**	**7**	31	5
Bulk Drugs	Tonnes				
Cosmeceuticals	Tonnes	**12**	**2**	16	1
Others			**11**		37
Total			**732**		1335

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

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

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

	Year ended March 31,			
	2010		2009	
	Qty.	**INR Millions**	Qty.	INR Millions
Others [none of which individually accounts for more than 10 % of the total consumption]		**5737**		4053
Total		**5737**		4053

28 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] :

		Installed Capacity As at March 31,		Actual Production Year ended March 31,	
Class of Goods	**Units of Measure**	**2010**	2009	**2010**	2009
Tablets	ML.Nos.	**10236**	7840	**6717**	6148
Capsules	ML.Nos.	**778**	790	**710**	719
Injections	K.Ltrs.	**513**	513	**1281**	1008
Dry Powder Injections	Kgs.	**200**	200	**3689**	4208
Liquids	K.Ltrs.	**0**	0	**1319**	1201
Dry Syrups, Powders & Granules	Tonnes	**5800**	5800	**471**	442
Ointments	Tonnes	**150**	0	**314**	229
Suppositories	ML.Nos.	**8**	7	**14**	12
Bulk Drugs [#]	Tonnes	**881**	639	**494**	504
Lyophised Injections	ML.Nos.	**12**	12	**6**	6
Vaccines	ML.Dosages	**2**	2	**2**	1
Aerosols	ML.Nos.	**3**	3	**2**	1
Transdermals	ML.Nos.	**5**	5	**0**	1

[#] Includes Inter unit Transfer 121 Tonnes [2008-09 - 97 Tonnes] .

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

	Year ended March 31,			
	2010		2009	
	INR Millions	**% to Total**	INR Millions	% to Total
29 A Value of Raw Materials Consumed :				
Imported	**1453**	**25**	1075	27
Indigenous	**4284**	**75**	2978	73
Total	**5737**	**100**	4053	100
B Value of Stores & Spares Consumed :				
Imported	**1**	**0**	4	2
Indigenous	**274**	**100**	168	98
Total	**275**	**100**	172	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, 2010	2009
30 Value of Imports calculated on CIF basis :		
Raw Materials	**1329**	1141
Packing Materials	**104**	79
Finished goods	**234**	276
Spare Parts	**79**	46
Capital goods	**331**	196
31 Expenditure in Foreign currency :		
Travelling	**29**	32
Commission	**69**	90
Patent fees	**119**	48
Trade-marks	**141**	0
Interest	**128**	342
Royalty	**19**	20
Others [Salaries, Legal & professional Fees, Research & Development expenses etc.,]	**483**	646
32 Earnings in Foreign exchange :		
FOB value of Exports	**9600**	6434
Others	**735**	912
33 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	31-03-10
State code	4
	INR - Thousands
2 Capital raised during the year :	NIL
3 Position of Mobilisation & Deployment of Funds :	
Total Liabilities	28659000
Total Assets	28659000
Sources of Funds :	
Paid up Capital	682000
Reserves & Surplus	15539000
Deferred Tax Liabilities	1149000
Secured Loans	5542000
Unsecured Loans	399000
Application of Funds :	
Net Fixed Assets	10933000
Investments	5989000
Net Current assets	6377000
Miscellaneous Expenditure	0
Foreign Currency Monetary Items Translation Difference Account	12000
4 Performance of Company : -	
Turnover [including other income]	24684000
Total Expenditure	19481000
Profit before Tax	5203000
Profit after Tax	5033000
Basic & Diluted E P S [in Rupees] :	
Before Extraordinary items	36.87
After Extraordinary items	36.87
Adjusted Basic & Diluted E P S [in Rupees] :	
Before Extraordinary items	24.58
After Extraordinary items	24.58
Dividend rate [%]	100%
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 29, 2010

Jyotindra B. Gor
Chief Accounts Officer

Upen H. Shah
Company Secretary

Sharvil P. Patel
Deputy Managing Director

Consolidated Financial Statements

Auditors' Report

The Board of Directors,
Cadila Healthcare Limited,
Ahmedabad.

1. We have examined the attached consolidated Balance Sheet of Cadila Healthcare Limited, its subsidiaries and Joint Ventures as at March 31, 2010, 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 have conducted our audit in accordance with generally accepted auditing standards in India. Those 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 subsidiary 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.	114	71
Joint Ventures:		
Zydus BSV Pharma Pvt. Ltd.	282	3
Zydus Hospira Oncology Pvt. Ltd.	926	851

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, 2010 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	3588.88	66.53	31.12.2009
Zydus France SAS, France	1720.06	2158.52	31.12.2009
Zydus Pharmaceuticals USA Inc., USA	3824.88	5707.39	31.12.2009
Zydus Healthcare (USA) LLC., USA	26.25	29.42	31.12.2009
Zydus Healthcare Brasil Ltda., Brazil	1578.70	414.55	31.12.2009
Zydus Healthcare S.A. (Pty.) Ltd., South Africa	669.74	240.78	28.02.2010
Zydus Netherlands B.V., The Netherlands	1991.63	0.46	31.12.2009
Nippon Universal Pharmaceuticals Company Ltd., Japan	563.12	311.84	31.12.2009
Quimica E Farmaceutica Nikkho Do, Brasil Ltda., Brazil	894.65	1375.51	31.12.2009
Zydus Noveltech Inc., USA	14.07	0.08	31.12.2009
Simayla Pharmaceuticals (Pty.) Ltd., South Africa	434.10	517.08	28.02.2010
ZC Pharma Services (Pty.) Ltd., South Africa (Formerly known as Newshelf (1034) Pty. Ltd.)	7.04	9.52	28.02.2010
Laboratorios Combix, Spain.	289.26	136.51	31.12.2009
Etna Biotech S.R.L., Italy	38.06	29.32	31.12.2009
Zydus IntRus Ltd., Russia	65.39	62.90	31.12.2009
Joint Venture:			
Zydus Nycomed Healthcare Pvt. Ltd.	976	923	31.12.2009

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" issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Cadila Healthcare Limited, 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 on 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, 2010;

   (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

Mukesh M. Shah
Partner
Membership No. 30190
Firm Registration No. 1066250W

Place : Ahmedabad,
Dated : April 29, 2010

Consolidated Balance Sheet as at March 31, 2010

	Sch. No.	INR - Millions As at March 31, 2010		2009
SOURCES OF FUNDS :				
Shareholders' Funds :				
Share Capital	1	**682**		682
Reserves and Surplus	2	**15603**		11670
			16285	12352
Minority Interest			**392**	228
Loan Funds :				
Secured Loans	3	**9782**		10684
Unsecured Loans	4	**1123**		1989
			10905	12673
Deferred Tax Liability [Net]	21 [B-14]		**1141**	1316
Total			**28723**	26569
APPLICATION OF FUNDS :				
Fixed Assets :	5			
Gross Block		**25578**		22870
Less : Depreciation, Amortisation and Impairment		**8734**		7572
Net Block		**16844**		15298
Capital work-in-progress		**2111**		1555
Preoperative & Project Expenses pending capitalisation / allocation		**371**		334
			19326	17187
Investments	6		**207**	249
Net Current Assets :				
Current Assets, Loans and Advances :				
Inventories	7	**7504**		6012
Sundry Debtors	8	**4668**		4549
Cash and Bank Balances	9	**2507**		2517
Loans and Advances	10	**3070**		2533
		17749		15611
Less : Current Liabilities & Provisions :				
Current Liabilities	11	**6710**		5730
Provisions	12	**1951**		1186
		8661		6916
			9088	8695
Foreign Currency Monetary items Translation Difference Account	21[B-2]		**102**	438
Total			**28723**	26569
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 29, 2010.

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, 2010

	Sch. No.	INR - Millions Year ended March 31, 2010		2009
INCOME :				
Sales and Income from Operations :				
Gross Sales		**36142**		29171
Less : Excise Duty		**401**		547
Net Sales		**35741**		28624
Other Income from Operations	13	**1127**		651
Total			**36868**	29275
Other Income	14		**159**	204
Total			**37027**	29479
EXPENDITURE :				
Consumption of Materials and Finished Goods	15	**11784**		9566
General Expenses	16	**15338**		12087
Research Expenses	17	**1660**		1564
Interest and Financial Charges	18	**821**		1205
Depreciation, Amortisation and Impairment	19	**1339**		1118
Total			**30942**	25540
Profit before exceptional items and Tax			**6085**	3939
Less : Exceptional Expenses :				
Compensation under Voluntary Retirement Scheme		**24**		97
Expenses incurred on Composite Scheme of Arrangement		**22**		144
			46	241
Profit before Taxes			**6039**	3698
Less : Provision for Taxation	20		**741**	666
Profit after Tax			**5298**	3032
Add / [Less] : Pre-acquisition Loss [Profit] transferred to Goodwill arising on consolidation			**(9)**	82
Add / [Less] : Profit attributable to Minority Share Holders			**(238)**	(83)
Net Profit			**5051**	3031
Add : Balance brought forward		**1704**		1092
Add : pursuant to Composite Scheme of Amalgamation		**0**		38
			1704	1130
PROFIT AVAILABLE FOR APPROPRIATIONS			**6755**	4161
Appropriations :				
Dividends :				
Proposed Dividend on - Equity Shares		**1024**		614
Corporate Dividend Tax on Proposed Dividend [Net of CDT credit]		**213**		182
Total		**1237**		796
Transfer to Debenture Redemption Reserve		**100**		0
Transfer to General Reserve		**2565**		1599
Group's proportionate share in Transfer to General Reserve of Joint Ventures		**57**		62
			3959	2457
Balance carried to Balance Sheet			**2796**	1704
Basic & Diluted E P S [in Rupees] :	21[B-13]			
Before Exceptional items			**37.34**	23.97
After Exceptional items			**37.01**	22.20
Adjusted Basic & Diluted E P S [in Rupees] :				
Before Exceptional items			**24.89**	15.98
After Exceptional items			**24.67**	14.80
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 29, 2010.

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, 2010

Particulars	INR - Millions			
	Year ended March 31,			
	2010		2009	
A Cash Flows from Operating Activities :				
Net profit before taxation and extraordinary items		6039		3698
Adjustments for :				
Depreciation	1339		1118	
Profit on sale of assets [net]	(1)		(88)	
Loss on sale of investments [net]	154		0	
Interest income	(120)		(77)	
Dividend income	(1)		(4)	
Interest expenses	716		858	
Balance of Profit and Loss acquired under scheme	0		38	
Bad debts written off	4		23	
Provision for claims for Product Warranties & Return of Goods	(21)		84	
Provisions for retirement benefits	147		9	
Provision for Bad and Doubtful Debts	64		42	
Total		2281		2003
Operating profit before working capital changes		8320		5701
Adjustments for :				
[Increase] / Decrease in trade receivables	(181)		(1316)	
[Increase] / Decrease in other receivables	(516)		(215)	
[Increase] / Decrease in inventories	(1492)		(1283)	
Change in Minority Interest	164		34	
Increase / [Decrease] in trade payables & other liabilities	789		1570	
Total		(1236)		(1210)
Cash generated from operations		7084		4491
Capital Subsidy Received during the year	0		3	
Interest received	99		68	
Interest paid	(729)		(849)	
Direct taxes paid [Net of refunds]	(771)		(488)	
Total		(1401)		(1266)
Cash flow before extraordinary items		5683		3225
Exchange Rate Fluctuation and other adjustments arising on Consolidation		489		(525)
Extraordinary items		152		(514)
Net cash from operating activities		6324		2186
B Cash flows from investing activities :				
Purchase of fixed assets	(3041)		(4069)	
Pre-operative & Project expenses	(280)		(227)	
Purchase of Investments	(842)		(5)	
Proceeds from sale of Investments	300		10	
Proceeds from sale of fixed assets	47		192	
Dividend received	1		4	
Net cash from investing activities		(3815)		(4095)
C Cash flows from financing activities :				
Borrowings [net]	(1768)		4205	
Dividends paid	(597)		(547)	
Tax on dividends paid	(154)		(162)	
Net cash used in financing activities		(2519)		3496
Net increase / (-) decrease in cash and cash equivalents		(10)		1587
Cash and cash equivalents at the beginning of the year		2517		926
Cash and cash equivalents acquired under scheme of Amalgamation		0		4
Cash and cash equivalents at the close of the year		2507		2517

Consolidated Cash Flow Statement for the year ended March 31, 2010

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 29, 2010.	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,		
	2010		2009
Schedule : 1 - Share Capital :			
Authorised :			
220,000,000 [As at 31-03-09 : 140,000,000] Equity Shares of Rs.5/- each		**1100**	700
		1100	700
Issued, Subscribed & Paid-up :			
136,499,013 [As at 31-03-09 : 136,499,013] Equity Shares of Rs.5/- each fully paid-up		**682**	682
Notes : Of the above Shares,			
[A] 133,919,637 Equity Shares were allotted as fully paid-up without payments being received in cash and 90,000,000 Equity Shares were extinguished pursuant to different Composite Schemes of Arrangement.			
[B] 77,691,976 [As at 31-03-09 : 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**	682
Schedule : 2 - Reserves & Surplus :			
Capital Reserve :			
Balance as per last Balance Sheet	**350**		302
Add : Capital Subsidy received during the year	**0**		3
Less : Utilised under a Composite Scheme of Arrangement	**0**		6
Add / (Less) : Capital Reserve arising due to Consolidation	**(62)**		51
		288	350
Capital Redemption Reserve Account :			
Balance as per last Balance Sheet	**0**		32
Less : Utilised under a Composite Scheme of Arrangement	**0**		32
		0	0
Security Premium Account :			
Balance as per last Balance Sheet	**116**		2247
Less : Utilised under a Composite Scheme of Arrangement	**0**		131
Less : Transfer to International Business Development Reserve pursuant to a Composite Scheme of Arrangement	**0**		2000
		116	116
Debenture Redemption Reserve :			
Balance as per last Balance Sheet	**0**		0
Add : Transfer from Profit & Loss account	**100**		0
		100	0
International Business Development Reserve :			
Balance as per last Balance Sheet	**2000**		0
Add : Created out of Security Premium Account pursuant to a Composite Scheme of Arrangement	**0**		2000
		2000	2000
Foreign Currency Reserve :			
Balance as per last Balance Sheet	**(327)**		63
[Less]/Add: Exchange differences on translation of Non Integral Foreign Operations on consolidation	**181**		(390)
		(146)	(327)
General Reserve :			
Balance as per last Balance Sheet	**7445**		5922
Add : Transfer from Profit and Loss Account	**2565**		1599
	10010		7521
Less : Transfer to Foreign Currency Monetary Items Translation Difference Account	**0**		76
		10010	7445
Balance in Profit and Loss Account		**2796**	1704
		15164	11288
Group's proportionate share in reserves [other than balance in P & L Account] of Joint Ventures		**439**	382
Total		**15603**	11670

Schedules forming part of the Consolidated Balance Sheet

	INR - Millions		
	As at March 31,		
		2010	2009
Schedule : 3 - Secured Loans :			
8.5% Secured Redeemable Non Convertible Debentures Privately placed		**500**	0
[Redeemable on December 4, 2014]			
Loans and Advances from Banks :			
Term Loans	**3815**		3619
Working Capital Loans	**1716**		2419
Term Loans - External Commercial Borrowings in Foreign Currency	**3413**		4317
		8944	10355
Group's proportionate share in secured loans of Joint Ventures		**338**	329
Total		**9782**	10684
Schedule : 4 - Unsecured Loans :			
Short - term Loans :			
From Banks		**724**	1445
Other Loans and Advances :			
Interest free deemed loan against deferment of sales tax :			
From a Financial Institution	**0**		85
Deferred amount	**361**		349
	361		434
From Others	**38**		0
		399	434
		1123	1879
Group's proportionate share in unsecured loans of Joint Ventures		**0**	110
Total		**1123**	1989

Schedule : 5 - Fixed Assets :

Nature of Fixed Assets	INR - Millions							
	Gross Block		Depreciation		Impairment		Net Block	
	As at 31-03-10	As at 31-03-09	**Upto 31-03-10**	Upto 31-03-09	**Upto 31-03-10**	Upto 31-03-09	**As at 31-03-10**	As at 31-03-09
Tangible Assets :								
Freehold Land	**299**	215	**0**	0	**0**	0	**299**	215
Leasehold Land	**280**	158	**13**	11	**0**	0	**267**	147
Buildings	**3551**	3070	**698**	604	**1**	1	**2852**	2465
Plant & Machinery	**9837**	8455	**3170**	2617	**118**	109	**6549**	5729
Furniture, Fixtures & Office Equipments	**604**	554	**286**	240	**0**	0	**318**	314
Vehicles	**319**	282	**117**	102	**0**	0	**202**	180
Intangible Assets :								
Goodwill	**4838**	4782	**42**	42	**0**	0	**4796**	4740
Trade Marks, Patents & Design	**4132**	4023	**3058**	2747	**213**	211	**861**	1065
Technical Know-how	**680**	680	**556**	497	**52**	52	**72**	131
Commercial Rights	**248**	242	**159**	137	**0**	0	**89**	105
	24788	22461	**8099**	6997	**384**	373	**16305**	15091
Share in assets of Joint Ventures	**790**	409	**251**	202	**0**	0	**539**	207
Total	**25578**	22870	**8350**	7199	**384**	373	**16844**	15298
2008-09	**22870**	19118	**7199**	6150	**373**	368	**15298**	-

Schedules forming part of the Consolidated Balance Sheet

	INR - Millions		
	As at March 31,		
	2010		2009
Schedule : 6 - Investments [At cost] :			
Long Term Investments :			
In Government Securities [Unquoted] : [Rs. NIL { As at 31-03-09 : 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	**0**		40
Total	**12**		52
Unquoted :			
In Fully paid-up equity shares	**8**		10
Total	**8**		10
Total Other Investments		**20**	62
		207	249
Group's proportionate share in investments of Joint Ventures		**0**	0
Total [Aggregate Book Value of Investments]		**207**	249
Schedule : 7 - Inventories :			
[As taken, valued and certified by the management]			
[Valued at lower of cost and net realisable value]			
Stores and Spare Parts		**22**	52
Stock-in-Trade :			
Raw Materials	**1811**		1503
Packing Materials	**378**		408
Finished Goods	**4153**		3272
		6342	5183
Works-in-progress		**706**	618
		7070	5853
Group's proportionate share in inventories of Joint Ventures		**434**	159
Total		**7504**	6012
Schedule : 8 - Sundry Debtors : [Unsecured, unless otherwise stated] :			
Debts outstanding for a period exceeding six months :			
Considered good	**250**		375
Considered doubtful	**170**		106
	420		481
Less : Provision for doubtful debts	**170**		106
		250	375
Other debts - Considered good		**4220**	4116
		4470	4491
Group's proportionate share in sundry debtors of Joint Ventures		**198**	58
Total		**4668**	4549

Schedules forming part of the Consolidated Balance Sheet

	INR - Millions		
	As at March 31,		
	2010		2009
Schedule : 9 - Cash and Bank Balances :			
Cash balance on hand		7	36
Bank Balances :			
With Banks :			
In Current Accounts	689		1050
In Fixed Deposit Accounts	1419		1077
		2108	2127
		2115	2163
Group's proportionate share in cash and bank balances of Joint Ventures		392	354
Total		2507	2517
Schedule : 10 - Loans and Advances :			
[Considered Good, unsecured unless otherwise stated]			
Advances recoverable in cash or in kind or for value to be received :			
Considered good	2211		1902
Considered doubtful	13		0
Total	2224		1902
Less : Provision for doubtful advances	13		0
		2211	1902
Balances with Custom / Central Excise / Sales tax Authorities		744	447
Interest receivable		40	19
		2995	2368
Group's proportionate share in loans and advances of Joint Ventures		75	165
Total		3070	2533
Schedule : 11 - Current Liabilities :			
Sundry Creditors :			
For Capital Goods	252		54
Others	5894		5202
Total		6146	5256
Advances from Debtors		84	78
Trade Deposits		39	21
Bank Book Overdraft		26	190
Investor Education and Protection Fund [*] :			
Unclaimed dividends		11	11
[*][There are no amounts due and outstanding to be credited to Investor Education and Protection Fund]			
Interest accrued but not due on loans		45	58
		6351	5614
Group's proportionate share in current liabilities of Joint Ventures		359	116
Total		6710	5730
Schedule : 12 - Provisions :			
Proposed Dividend		1057	630
Corporate Dividend Tax on Proposed Dividend		176	117
Provision for taxation [Net of Advance payment of direct taxes]		348	176
Provision for claims for product warranties & return of goods		84	105
Provision for retirement benefits		358	211
		2023	1239
Group's proportionate share in provisions of Joint Ventures		(72)	(53)
Total		1951	1186

Schedules forming part of the Consolidated Profit and Loss Account

		INR - Millions	
		Year ended March 31,	
		2010	2009
Schedule : 13 - Other Income from Operations :			
Export Incentives		**91**	89
Income from Contract Manufacturing and Processing Charges		**401**	353
Government Grants		**39**	0
Miscellaneous Income		**594**	209
Total		**1125**	651
Group's proportionate share in other income of Joint Ventures		**2**	0
Total		**1127**	651
Schedule : 14 - Other Income :			
Dividends [Gross] :			
From Long Term Non-Trade Investments - Others		**1**	4
Rent Received		**12**	13
Profit on assets sold / discarded [net]		**1**	88
Interest earned [Gross] :			
From Long Term Investments	**0**		2
Others	**120**		75
Total		**120**	77
		134	182
Group's proportionate share in Other Income of Joint Ventures		**25**	22
Total		**159**	204
Schedule : 15 - Consumption of Materials and Finished Goods :			
Raw Materials :			
Stock at commencement	**1503**		1188
Add : Purchases	**7806**		5730
	9309		6918
Less : Stock at close	**1811**		1503
		7498	5415
Packing Materials		**1672**	1172
Purchase of Finished Goods		**3024**	3337
[Increase] / Decrease in Stock of Finished Goods & Work-in-progress :			
Stock at close :			
Finished Goods	**4153**		3272
Work-in-progress	**706**		618
	4859		3890
Less : Stock at commencement :			
Finished Goods	**3272**		2674
Work-in-progress	**618**		727
	3890		3401
		(969)	(489)
Differential Excise Duty on Opening and Closing stock on Finished Goods		**3**	(8)
		11228	9427
Group's proportionate share in material cost of Joint Ventures		**556**	139
Total		**11784**	9566

Schedules forming part of the Consolidated Profit and Loss Account

	INR - Millions		
	Year ended March 31,		
	2010		2009
Schedule : 16 - General Expenses :			
Personnel Expenses :			
Salaries, wages and bonus	3330		2683
Company's contribution to provident & other funds	388		293
Staff welfare expenses	212		133
		3930	3109
Stores and spare parts consumed		332	208
Power & Fuel		660	499
Processing Charges		309	304
Insurance		87	87
Repairs :			
Buildings	41		32
Plant and Machinery	164		131
Others	113		41
		318	204
Rent		126	126
Rates and Taxes		220	113
Managing Directors' Remuneration		326	173
Commission to Directors		4	3
Traveling Expenses		872	705
Legal & Professional fees		359	394
Miscellaneous Expenses		1124	882
Loss on account of fluctuations in foreign exchange rates [Net]		304	251
Marketing, Selling & Distribution Expenses :			
Commission on sales	839		565
Freight and forwarding on sales	931		798
Sales promotion expenses	1503		1134
Advertisements	651		463
Seminar, Conference and Exhibition	236		188
Representative Allowance and Incentives	625		519
Bad debts written off	4		23
Provision for Doubtful Debts	64		37
Other marketing expenses	1092		1110
		5945	4837
Directors' fees [Previous year - Rs. 0.30 Millions]		1	0
Provision for Doubtful Advances		13	0
Loss on Sale of long term Investments [Previous year - Rs. 0.14 Millions]		154	0
Donations		70	77
		15154	11972
Group's proportionate share in general expenses of Joint Ventures		184	115
Total		15338	12087

Schedules forming part of the Consolidated Profit and Loss Account

	INR - Millions		
	Year ended March 31,		
	2010		2009
Schedule : 17 - Research Expenses :			
Materials		**325**	327
Personnel Expenses :			
Salaries, wages and bonus	**363**		326
Company's contribution to provident & other funds	**27**		26
Staff welfare expenses	**21**		22
		411	374
Stores and spare parts consumed		**27**	76
Power & Fuel		**54**	53
Analytical expenses		**480**	436
Insurance		**5**	2
Repairs :			
Building	**2**		2
Plant & machinery	**15**		10
Other	**4**		3
		21	15
Traveling Expenses		**20**	21
Legal and Professional fees		**39**	16
Provision for doubtful debts		**0**	5
Loss [Gain] on account of fluctuations in foreign exchange rates [Net]		**14**	(36)
Others		**264**	275
		1660	1564
Group's proportionate share in research expenses of Joint Ventures		**0**	0
Total		**1660**	1564
Schedule : 18 - Interest and Financial Charges :			
Interest :			
On term loans	**445**		681
On debentures	**14**		0
On working capital loans from banks	**204**		158
Others	**39**		19
		702	858
Loss on account of fluctuations in foreign exchange rates on loans [Net]		**12**	227
Bank commission & charges		**93**	120
		807	1205
Group's proportionate share in net interest and financial charges of Joint Ventures		**14**	0
Total		**821**	1205
Schedule : 19 - Depreciation, Amortisation and Impairment :			
Depreciation		**1285**	1097
Group's proportionate share in depreciation of Joint Ventures		**54**	21
Total		**1339**	1118
Schedule : 20 - Provision for Taxation :			
Current Tax	**808**		412
Deferred Tax	**(183)**		84
Fringe Benefit Tax	**0**		77
Total		**625**	573
Add : Prior year's tax adjustments		**19**	0
		644	573
Group's proportionate share in tax provisions made by Joint Ventures		**97**	93
Total		**741**	666

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	15%
- Electrical Equipments	20%
- Computers and Peripherals	33.33%
- Vehicles	20%
- Office Equipments	20%
- Furniture and Fixtures	16.67%

b In case of Zydus Hospira Oncology Pvt. Ltd., Intangible assets are amortised on Straight Line basis on useful life of 6 years.

c 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.

d Inventories are valued on FIFO basis by foreign subsidiary companies, Liva Healthcare Ltd., Zydus Animal Health Ltd. & Dialforhealth India Ltd.

e In case of Zydus Technologies Limited, the expenditure incurred on development of process technologies and related research activities are capitalised.

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 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 March 31, 2010 comprise the financial statements of Cadila Healthcare Limited [CHL] and its subsidiaries as well as its interest in Joint Ventures as at March 31, 2010, which are as under :

Sr. No.	Name of the Company	Country of incorporation	% Shareholding and voting power	Status of Financial Statement	Financial statement as at
	[a] Subsadiaries :				
A	**Indian Subsidiaries :**				
1	Zydus Pharmaceuticals Limited	India	WOS *	Audited	31-03-10
2	Dialforhealth India Limited [DFH]	India	WOS	Audited	31-03-10
3	Dialforhealth Unity Limited	India	55% holding of DFH	Audited	31-03-10
4	Dialforhealth Greencross Limited [Refer Note-1]	India	WOS of DFH	Audited	31-03-10
5	German Remedies Limited [GRL]	India	WOS	Audited	31-03-10
6	Zydus Wellness Limited	India	70.21% holding of CHL 1.84 % holding of ZAHL	Audited	31-03-10
7	Liva Healthcare Limited	India	WOS	Audited	31-03-10
8	Zydus Animal Health Limited [ZAHL]	India	WOS	Audited	31-03-10
9	Zydus Technologies Limited	India	99% holding of CHL	Audited	31-03-10
B	**Foreign Subsidiaries :**				
1	Zydus International Private Limited [ZIPL]	Ireland	WOS of CHL	**	31-03-10
2	Zydus Healthcare SA [Pty.] Limited [Zydus SA]	South Africa	WOS of ZIPL	Unaudited	31-03-10
3	Zydus Healthcare [USA] LLC	U.S.A.	WOS of ZIPL	**	31-03-10
4	Zydus Pharmaceuticals [USA] Inc.	U.S.A.	WOS of ZIPL	**	31-03-10
5	Zydus France, SAS, France	France	WOS of ZIPL	Unaudited	31-03-10
6	Zydus Netherlands BV [ZNBV]	Netherland	WOS of ZIPL	Unaudited	31-03-10
7	Nippon Universal Pharmaceutical company Ltd	Japan	WOS of ZIPL	**	31-03-10
8	ETNA Biotech S.R.L	Italy	WOS of ZIPL	Unaudited	31-03-10
9	Zydus IntRus Limited	Russia	WOS of ZIPL	Unaudited	31-03-10
10	Zydus Noveltech Inc., USA	U.S.A.	85% holding of ZIPL	Unaudited	31-03-10
11	Zydus Healthcare Brasil Ltda. [ZHBL]	Brazil	WOS of ZNBV	**	31-03-10
12	Laboratorios Combix S.L	Spain	WOS of ZNBV	Unaudited	31-03-10
13	Quimica e Farmaceutica Nikkho Do Brasil Limitada	Brazil	WOS of ZHBL	**	31-03-10
14	Simayla Pharmaceuticals [Pty.] Ltd [Refer Note-2]	South Africa	WOS of Zydus SA	Unaudited	31-03-10
15	ZC Pharma Services [Pty.] Ltd. [Formerly known as Newshelf (1034) Pty. Ltd.] [Refer Note-3]	South Africa	WOS of Zydus SA	Unaudited	31-03-10
	[b] Joint Ventures :				
1	Zydus Nycomed Healthcare Pvt. Ltd.	India	50% holding of CHL	**	31-03-10
2	Zydus Hospira Oncology Pvt. Ltd.	India	50% holding of CHL	Audited	31-03-10
3	Zydus BSV Pharma Pvt. Ltd	India	50% holding of CHL	Audited	31-03-10
1	M/s. Zydus Healthcare - Sikkim	India	96% holding of CHL & 2% holding of GRL	Audited	31-03-10

Explanatory Notes

Note - 1 Became wos of DFH w.e.f. November 20, 2009.

Note - 2 Became wos of Zydus SA w.e.f. December 31, 2009.

Note - 3 Became wos of Zydus SA w.e.f. November 27, 2009.

* 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 March 31, 2010.

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, Dialforhealth Greencross Limited, Simayla Pharmaceuticals [Pty.] Ltd., South Africa became wholly owned subsidiary companies. Besides a new WOS, ZC Pharma Services [Pty.] Ltd., South Africa has been created. The figures for the Current year are, therefore, not comparable with those of the previous year.

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". Accordingly, 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.

3 During February, 2010, a fire broke out at one of the warehouse of the company. The company is in the process of lodging a claim with the Insurance company, amounting to Rs. 267 Mio as estimated by the company. Pending the final settlement, this has been shown as an "Insurance Claim Receivable" under "Loans & Advances". The difference, if any, on settlement of claim will be effected in Profit and Loss account.

4 During the year, Dialforhealth India Ltd. [DHL], a wholly owned subsidiary Company has acquired 50% shares of Dialforhealth Greencross Ltd. [DGL] pursuant to termination of the Joint Venture Agreement by DHL with Greencross Healthcare Pvt. Ltd. Pursuant to this acquisition DGL has become a wholly owned subsidiary Company of DHL.

5 During the year, Zydus Healthcare SA [Pty.] Ltd, South Africa, the second generation subsidiary of the Company, has acquired balance 30% shareholding of Simayla Pharmaceuticals [Pty.] Ltd., South Africa effective from December 31, 2009, it has became third generation 100% subsidiary Company.

6 During the year, Zydus Healthcare SA [Pty.] Ltd, South Africa, the second generation subsidiary of the Company, has acquired one [and all] share Company namely, Newshelf (1034) Pty. Ltd., South Africa and changed its name to ZC Pharma Services [Pty.] Ltd., South Africa and made it third generation 100% subsidiary Company.

7 During the year, Zydus Netherland B.V., a third generation wholly owned subsidiary of the company had made an additional investment in Laboratorios Combix towards the actual amount of working capital as on the closing date of the transaction, against the base amount as per agreement. Hence, amount paid is recognised as "purchase price" and accounted for as investment & the goodwill arising on the acquisition has been calculated accordingly.

8 The Sales include Rs. 1588 Millions [Previous year Rs. 999 millions] Group's proportionate share in net sales of Joint Ventures.

9 **Contingent liabilities not provided for :**

		INR - Millions	
	Cadila Healthcare Ltd. and subsidiaries		Joint Ventures
	As at 31-03-10	As at 31-03-09	**As at 31-03-10**
A In respect of guarantees given by a Bank and counter guarantees given by the Company.	**148**	131	**2**
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	**0**	109	**0**
C Claims against the Company not acknowledged as debts	**75**	379	**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.	**50**	333	**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.	**227**	219	**0**
F In respect of Income Tax matters pending before appellate authorities which the Company expects to succeed, based on decisions of Tribunals / Courts.	**12**	14	**816**
G In respect of Sales Tax matters pending before appellate authorities which the Company expects to succeed, based on decisions of Tribunals / Courts.	**82**	58	**0**

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

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

	INR - Millions		
	Cadila Healthcare Ltd. and subsidiaries		Joint Ventures
	As at 31-03-10	As at 31-03-09	**As at 31-03-10**
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	**99**	12	**1**
J Arrears of dividend on 9,00,000 - 8% Redeemable Cumulative Preference Share	**1**	0	**0**
K Others (Employees Indemnity on retirement / guaranteed severance package)	**26**	42	**0**
10 Estimated amount of contracts remaining to be executed on capital account and not provided for [Net of Advances]	**758**	726	**64**

11 Segment Information :

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

B Secondary Business Segment - By Geographical market :

	INR - Millions					
	Within India Year ended		Outside India Year ended		Total Year ended	
	31-03-10	31-03-09	**31-03-10**	31-03-09	**31-03-10**	31-03-09
a Sales revenue by geographical market	**18724**	16435	**17418**	12736	**36142**	29171
b Carrying amount of segment assets	**31043**	27738	**6239**	5310	**37282**	33048
c Additions to fixed assets	**2628**	1771	**284**	156	**2913**	1927

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.

12 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.
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,	
	2010	2009
1 **Purchases :**		
Goods	**10**	0
Fixed Assets	**1**	0
2 **Sales :**		
Goods	**1**	4
Services	**4**	0
3 **Investments :**		
Purchase	**16**	17
Dividend Received	**305**	400

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

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

13 Calculation of Earnings per Share [EPS] :

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

			Year ended 31-03-10	Year ended 31-03-09
A	Profit attributable to Shareholders			
	a Before Exceptional items	INR - Millions	**5097**	3272
	b After Exceptional items	INR - Millions	**5051**	3031
B	Basic & *weighted average number of Equity shares outstanding during the year	Nos.	**136499013**	136499013
C	Nominal value of equity share	INR	**5**	5
D	Basic & Diluted EPS :	INR		
	a Before Exceptional items		**37.34**	23.97
	b After Exceptional items		**37.01**	22.20
E	Adjusted Basic & Diluted EPS * :			
	a Before Exceptional items		**24.89**	15.98
	b After Exceptional items		**24.67**	14.80

* **Bonus Declaration :**

Share holders at Extra Ordinary General Meeting held at March 22, 2010 have approved issue of bonus shares and in view of this on April 9, 2010, the Company has allotted 68,249,507 bonus shares in the ratio of one fully paid up equity shares for two equity shares held on the record date. In view of this, no effect of Bonus shares has been given in final accounts. However, the Basic & Diluted EPS has been adjusted for both the reporting periods as per the requirements of Accounting Standard - 20 on" Earning Per Share" issued by the Institute of Chartered Accountants of India.

14 Deferred Tax :

A The Deferred tax Asset of Rs. 175 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 31-03-10	As at 31-03-09
Deferred Tax Liabilities :		
Depreciation	**1506**	1486
Others	**46**	180
Total	**1552**	1666
Deferred Tax Assets :		
Retirement benefits	**74**	81
Receivables	**47**	26
Others	**290**	243
Total	**411**	350
Net Deferred Tax Liability	**1141**	1316

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 29, 2010.

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.

INR - mn

Name of the subsidiary companies	Financial 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 2010	950000 Equity Shares of Rs.10/- each	100	1	-	12	4
German Remedies Limited	31st March 2010	24000 Equity Shares of Rs.100/- each	100	70	-	44	27
Dialforhealth India Limited	31st March 2010	5000000 Equity Shares of Rs.10/- each	100	(3)	-	(102)	-
Dialforhealth Unity Limited ++	31st March 2010	27500 Equity Shares of Rs. 10 each	55	(0.01)	-	(2)	-
Dialforhealth Greencross Limited ++	31st March 2010	250000 Equity Shares of Rs. 10 each	100	(0.68)	-	-	-
Zydus Wellness Limited	31st March 2010	28152619 Equity Shares of Rs. 10 each	72.51+	328	-	172	49
Liva Healthcare Limited	31st March 2010	90750 Equity Shares of Rs 100/- each	100	67	-	48	-
Zydus Animal Health Ltd.	31st March 2010	24000000 Equity Share of Rs. 10/- each	100	171	-	282	-
Zydus Technologies Ltd.****	31st March 2010	42500000 Equity Share of Rs. 10/- each	99	(4.6)	-	(0.2)	-
Zydus International Pvt. Ltd. (Ireland)	31st December 2009	25961500 Equity Shares of Euro 1.462843 each	100	56	-	62	-
Zydus Healthcare S.A. (Pty.) Ltd. (South Africa) @	28th February 2010	30168929 Ordinary Shares of South African Rand 1 each	100	(8)	-	(2)	-
Simayla Pharmaceuticals (proprietary) Limited (South Africa) *	28th February 2010	200 Ordinary Shares of South African Rand 1 each	100	(18.43)	-	(15)	-
ZC Pharma Services (proprietary) Limited (South Africa) *	31st March 2010	1 Ordinary Share of South African Rand-1 each	100	0.06	-	-	-
Zydus Pharmaceuticals (USA) Inc. @	31st December 2009	3000000 Equity Shares of face value of US$ 1 each	100	79	-	181	-
Zydus Healthcare (USA), LLC @	31st December 2009	200000 Ordinary of Shares of face value US$ 1 each	100	2	-	4	-
Zydus Healthcare Brasil Ltda. **	31st December 2009	57706879 Quotas of Brasilian Rial 1 each	100	(100)	-	(298)	-
Zydus France SAS @	31st December 2009	1944134 Shares of face Value Euro 8/- each	100	159	-	(548)	-
Quimica E Farmaceutica Nikkho Do Brasil Ltda @@	31st December 2009	350000 Quotas of Brasilian Rial 1 each	100	49	-	127	-
Nippon Univesal Pharmaceutical Company Ltd. @	31st December 2009	25700 Ordinary Shares of Yen 50000 each, 19295 Ordinary Shares of Yen 26976 each	100	(248)	-	(222)	-
Zydus Netherlands B.V. @	31st December 2009	44820 Common Equity Shares of Euro 100/-	100	(10)	-	(200)	-
Etna Biotech S.R.L. @	31st December 2009	90000 Shares of Face Value Euro 1/- each	100	(13)	-	(16)	-
Laboratrios Combix S.L., Spain **	31st December 2009	7441806 Common Equity Shares of Euro 1/-	100	(207)	-	(194)	-
Zydus IntRus Limited. @	31st December 2009	22000000 Common Equity Shares of Ruble -1 each	100	12	-	(2)	-
Zydus Noveltech Inc. (USA) ***	31st December 2009	1000 common stock Shares of US $ 3000 each	85	200	-	(301)	-

+ Together with the holding of a subsidiary company.
++ Wholly owned / subsidiary Company of Dialforhealth India Limited.
@ Wholly owned subsidiaries of Zydus International Private Limites (Ireland)
@@ Wholly owned subsidary Company of Zydus Healthcare Brasil Ltda
* Wholly owned subsidiary Company of Zydus Healthcare S.A. Proprietary Ltd. (South Africa)
** Wholly owned subsidiary Company of Zydus Netherlands B.V. The Netherlands
*** 85% held by Zydus International Private Limted and 15% held by Mr. Sharad Govil.
**** 99% held by Cadila Healthcare Limted and 1% held by Mr. Sharad Govil.

A. There has been no change in the Holding Company's interest in the Subsidiary between the end of the financial year of the Subsidiary Companies and the end of the financial year of the Holding Company.
B. No material changes have occurred between the end of the financial year of the Subsidiary Companies and the Holding Company's financial year in respect of the Subsidiary Companies [a] Fixed Assets [b] Investments [c] Moneys lent [d] Moneys borrowed for
C. Previous year figures are restated / regrouped wherever necessary.

Pankaj R. Patel
Chairman & Managing Director

Jyotindra B. Gor
Chief Accounts Officer
Ahmedabad, Dated : April 29, 2010

Upen H. Shah
Company Secretary

Sharvil P. Patel
Deputy Managing Director

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	7	24	7	1		2	1	1	5
2	German Remedies Limited	India	INR	1.00	2	56	114	56	10	70	71	1	70	48
3	Dialforhealth India Limited	India	INR	1.00	50	(105)	78	133		140	(3)		(3)	
4	Dialforhealth Unity Limited	India	INR	1.00	0.50	(2)	0.50	2			(0.01)	(0.01)	(0.02)	
5	Dialforhealth Greencross Limited	India	INR	1.00	3	(2)	1				(0.68)		(0.68)	
6	Zydus Wellness Limited	India	INR	1.00	391	615	1777	771		2675	693	240	453	117
7	Liva Healthcare Limited	India	INR	1.00	9	45	160	106	1	501	102	35	67	17
8	Zydus Animal Health Limited	India	INR	1.00	240	44	629	345		1192	246	75	171	120
9	Zydus Technologies Limited	India	INR	1.00	519	(5)	1199	685			(4.40)	(0.20)	(4.60)	
10	Zydus International Private Limited @	Ireland	Euro	60.53	2299	114	3589	1176		99	61	5	56	
11	Zydus Healthcare SA (Pty.) Limited #	South Africa	SA Rand	6.15	186	(11)	670	495		241	(8)		(8)	
12	Zydus Pharmaceuticals (USA) Inc. @	USA	US Dollar	44.89	135	222	3825	3468		5707	134	55	79	
13	Zydus Healthcare (USA) LLC @	USA	US Dollar	44.89	9	6	27	12		29	3	1	2	
14	Zydus Healthcare Brazil Ltda. @	Brasil	Brasil Rial	25.20	1454	(483)	1577	606		415	(100)		(100)	
15	Quimica E Farmaceutica Nikkho Do Brazil Ltda @	Brasil	Brasil Rial	25.20	9	95	895	791		1376	98	49	49	
16	Nippon Universal Pharmaceutical Co. Ltd @	Japan	Yen	0.48	716	(357)	560	200		312	(248)		(248)	
17	Zydus Noveltech Inc., USA @	USA	US Dollar	44.89	224	(120)	359	255		345	235		235	
18	Zydus France , SAS @	France	Euro	60.53	941	(428)	1720	1207		2159	159		159	
19	Zydus Netherlands B.V. @	The Netherlands	Euro	60.53	271	(210)	1991	1930		0.46	(10)		(10)	
20	Simayla Pharmaceutical (Proprietary) Limited #	South Africa	SA Rand	6.15	0.001	20	434	414		174	(18.58)	(0.15)	(18.43)	
21	ZC Pharma Services (Pty) Ltd	South Africa	SA Rand	6.15		2	7	5		10	0.08	0.02	0.06	
22	Laboratorios Combix @	Spain	Euro	60.53	450	(255)	289	94		136	(207)		(207)	
23	Zydus IntRus Limited. @	Russia	Rubble	1.51	33	10	66	23		63	15	3	12	
24	Etna Biotech S.R.L. @	Italy	Euro	60.53	5	7	37	25		29	(13)		(13)	

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, 2010.

@ The Financial year of these companies ended on December 31, 2009.

The Financial year of these companies ended on February 28, 2010.

CADILA HEALTHCARE LIMITED

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

Notice

Notice is hereby given that the FIFTEENTH ANNUAL GENERAL MEETING of the members of CADILA HEALTHCARE LIMITED will be held on Tuesday, the 27th day of July, 2010 at 10.00 a.m. at H. T. Parekh Hall, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad - 380 015, 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, 2010 and the Reports of the Directors and Auditors thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Mr. Apurva S. Diwanji, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Mukesh M. Patel, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Statutory Auditors and to fix their remuneration.

SPECIAL BUSINESS:

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as **Special Resolution**:

"**RESOLVED THAT** pursuant to the provisions of section 310 of the Companies Act, 1956, Articles of Association and the provisions of relevant clauses of Listing Agreement, the consent of the members be and is hereby accorded for payment of sitting fees to the non-executive Directors from existing Rs.5,500/- to Rs.20,000/- for attending each of the meeting of the Board and the Committees of Board of Directors, as may be decided by the Board of Directors w.e.f. 1st October 2009."

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as **Ordinary Resolution:**

"**RESOLVED THAT** pursuant to the provisions of sections 198, 269, 309 read with schedule-XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof, for the time being in force) consent of the members be and is hereby accorded to the revision of remuneration of Dr. Sharvil P. Patel, Deputy Managing Director with effect from 1st April 2010 for the remaining tenure of his appointment, upto 5 % of the net profits of the Company computed in the manner laid down in sections 349 and 350 of the Companies Act,1956 (the "Act") during any financial year or such other limits as may be prescribed by Central Government.

RESOLVED FURTHER THAT notwithstanding anything to the contrary herein contained, where in any financial year during the currency of his tenure, the Company has no profits or its profits are inadequate, remuneration by way of salary, dearness allowances, perquisites and other allowances shall be as per the limits set out in section II of part II of schedule XIII of the Companies Act, 1956 as minimum remuneration, unless otherwise determined by the Board of Directors.

RESOLVED FURTHER THAT in addition to the above, the Deputy Managing Director shall also be entitled to the following perquisites, which shall not be included in the computation of the ceiling of minimum remuneration stated hereinabove;

(a) Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961,

(b) Gratuity payable at the rate not exceeding half a month's salary for each completed year of service and

(c) Encashment of leave at the end of tenure.

(d) Company maintained car with driver for official purpose and telephone at residence for official purpose, shall not be treated as perquisites.

(e) Privilege annual leave on full salary for period of 30 days for the completed tenure of one year and any such unutilized leave shall be encashable.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, expedient and proper on behalf of the Company."

By order of the Board of Directors

Upen H. Shah
Company Secretary

Place : Ahmedabad.
Date : 29th April, 2010.

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

NOTES :

1. **A MEMBER ENTITILED 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, the 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 commencement of Meeting.

2. The relative Explanatory Statement pursuant to the provisions of section 173 of the Companies Act, 1956 in respect of the business under item Nos. 6 and 7 set out in the notice and details under clause 49 of the Listing Agreement with the Stock Exchanges in respect of Directors seeking re-appointment at the Annual General Meeting are annexed hereto.

3. The Register of Members and Share Transfer Books of the Company will remain closed from 19th July, 2010 to 24th July, 2010 (both days inclusive).

4. Subject to the provisions of section 206A of the Companies Act, 1956, dividend, if declared at the Annual General Meeting will be paid on or after 28th July, 2010, but within the statutory limit of 30 days, as under:

   (i) To all Members in respect of shares held in physical form, after giving effect to valid transfers in respect of transfer requests lodged with the Company on or before the close of business hours on 18th July, 2010;

   (ii) To all Beneficial Owners in respect of shares held in electronic form as per the data made available by the National Securities Depository Limited and the Central Depository Services (India) Limited.

5. Payment of Dividend through National-ECS:

   i) Members holding shares in physical form are advised to submit the particulars of their new bank account number allotted by your bank after implementation of Core Banking Solution (CBS), along with a photocopy of a cheque pertaining to the concerned account directly to the Company's Registrar and Share Transfer Agent, M/s. Sharepro Services India Private Limited, 13 AB, Samhitha warehousing Complex, Sakinaka Telephone Exchange Lane, Off Andheri Kurla Road, Sakinaka, Mumbai - 400 072.

   ii) Members holding the shares in demat form are advised to furnish the new bank account number allotted by your bank after implementation of CBS, along with photocopy of a cheque pertaining to the concerned account, to your Depository Participant (DP), at your earliest for direct credit of dividend to your bank account.

   Please note that if you do not provide your new account number allotted after implantation of CBS by your Bank to your DP, please note that ECS to your old account number may either be rejected or returned.

6. The bank account particulars of the members will be printed on the dividend warrants. In respect of the shares held in physical form, shareholders are requested to send their bank account particulars or any change to the Registrar and Share Transfer Agent at the above address.

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

7. 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 stand transferred to the Investors' Education and Protection Fund (IEPF), pursuant to section 205A(5) of the Companies Act, 1956 on respective due dates mentioned there against. Kindly note that after such date, the members will loose their right to claim such dividend.

Accounting Year ended	Date of declaration of dividend	Dividend payment %	Expected date of transfer of unpaid dividend to IEPF
31^{st} March, 2003	30^{th} September, 2003	70%	3^{rd} October, 2010
31^{st} March, 2004	20^{th} July, 2004	120%	26^{th} July, 2011
31^{st} March, 2005	26^{th} July, 2005	120%	1^{st} August, 2012
31^{st} March, 2006	28^{th} July, 2006	120%	1^{st} August, 2013
31^{st} March, 2007	31^{st} July, 2007	80%	1^{st} August, 2014
31^{st} March, 2008	29^{th} July, 2008	90%	4^{th} August, 2015
31^{st} March, 2009	29^{th} July, 2009	90%	4^{th} August, 2016

8. Members holding shares in physical form are requested to intimate Registrar and Share Transfer Agent of the Company viz., M/s. Sharepro Services India Private Limited, 13 AB, Samhitha warehousing Complex, Sakinaka Telephone Exchange Lane, Off Andheri Kurla Road, Sakinaka, Mumbai - 400 072, changes, if any, in their registered address along with the Pin Code. Members holding shares in electronic form may update such details with their respective Depository Participants.

REQUEST TO THE MEMBERS:

1. Members desiring any relevant information on the accounts of the Company at the Annual General Meeting are requested to write to the Company Secretary 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.

EXPLANATORY STATEMENT

The following Explanatory Statement, as required by section 173(2) of the Companies Act, 1956, sets out all material facts including the nature, concern or interest of the Directors in relation to the items of Special Business under Item Nos. 6 and 7 mentioned in the accompanying Notice dated 29th April, 2010.

Item No. 6

The Non-Executive Directors of your Company were paid sitting fees @ Rs. 5,500/-(Rupees Five Thousand Five Hundred only) for each meeting of the Board of Directors and Audit Committee attended by them. The payment of sitting fees was approved by the shareholders pursuant to the requirements of Listing Agreement.

Looking to the present growth and size of the Company, considering the time being devoted by the non-executive Directors for attending the Board, Audit Committee and other Committee Meetings and the benefits that the Company is gaining from the expertise of these Directors, it was decided by the Board of Directors to increase the payment of sitting fees to non-executive Directors for attending each Board, Audit Committee and other Committee meetings from existing Rs.5,500/-(Rupees Five Thousand Five Hundred only) to Rs.20,000/-(Rupees Twenty Thousand only) with effect from 1st October, 2009. The payment of sitting fees is within the limits prescribed under section 310 of the Companies Act, 1956, which is subject to approval of the shareholders as provided under the Listing Agreement.

The Board recommends the resolution for approval of the members.

Except Mr. Pankaj R. Patel and Dr. Sharvil P. Patel, all Directors of the Company are concerned or interested in the resolution.

Item No. 7

Dr. Sharvil Patel is a promoter Director and on the Board of the Company from 1st August, 1997. He is a son of Mr. Pankaj R. Patel, Chairman and Managing Director. After graduation in Chemical and Pharmaceutical Sciences from the University of Sunderland, U.K., he joined the Company and has completed his doctorate at John Hopkins, Bay view Medical Centre, USA for his research work in breast cancer. After getting sufficient knowledge, guidance and expertise of the Pharma Industry from his father, late grand father and the Board of Directors from time to time, he was appointed as a Deputy Managing Director with effect from 1st April, 2007.

Under the leadership of the Chairman and Managing Director and with collective efforts of both, the Company has made sustainable growth year after year, which is evident in the sound financials of the Company. Dr. Sharvil Patel is now devoting his full time for the business of the Company and exclusively leads the subsidiary's business of Consumer Durable Products apart from shouldering the responsibility of day to day affairs of the Company jointly with the Chairman and Managing Director. He has been spearheading the healthy billion initiatives of the company and providing key inputs for rapid growth of business.

In view of the growth in the business - both domestic and overseas and the future plans of business as well as considering the siginificant contribution of Dr. Sharvil Patel in these arena, the Board of Directors at their meeting held on 29th April, 2010 proposed to revise his remuneration effective from 1st April, 2010 based on the profitability of the Company for the remaining tenure of his appointment as Deputy Managing Director as set out in the Ordinary Resolution at Item No. 7 of the accompanying Notice.

As required under section 302 of the Companies Act, 1956, an abstract of the revision in remuneration was circulated to the shareholders.

A draft agreement between the Company and Dr. Sharvil Patel for revision in terms of remuneration is available for inspection by the members of the Company at the Registered Office between 11.00 a.m. to 1.00 p.m. on any working days upto the date of Annual General Meeting. Dr. Sharvil Patel satisfies all the conditions set out in Part - I of Schedule XIII to the Companies Act, 1956.

Dr. Sharvil Patel and Mr. Pankaj R. Patel shall be deemed to be concerned or interested in the Resolution as set out at Item No. 7 of the Notice which pertains to revision in remuneration of Dr. Sharvil Patel. None other Directors of the Company is, in any way, concerned or interested in the Resolution.

The Board recommends the resolution for approval of the members.

By order of the Board of Directors

Upen H. Shah
Company Secretary

Place : Ahmedabad.
Date : 29th April 2010.

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

(ANNEXURE TO THE NOTICE DATED 29th APRIL, 2010)

Details of Directors retiring by rotation and seeking re-appointment at the forthcoming Annual General Meeting (Pursuant to Clause 49 of the Listing Agreement)

Particulars	Mr. Mukesh M. Patel	Mr. Apurva S. Diwanji
Age	56 yrs.	41 yrs.
Date of Appointment	1st August, 1997	16th August, 2003
Brief resume and nature of expertise in functional areas.	Mr. Mukesh Patel, an eminent Advocate and International Tax Expert has been in legal practice since 1977, with specialization in the fields of Tax Planning, Appellate Matters, International Taxation, Tax and Investment Planning for Non-Resident Indians and Foreign Collaborations. He has been actively involved in Legal Education and Tax Journalism for the past over three decades, as a visiting faculty with the Gujarat Law Society and the Indian Institute of Management, Ahmedabad and as a Columnist through his popular weekly columns on Direct Taxes with 'Sandesh', 'Gujarat Samachar' and 'The Times of India'. He has also authored a number of acclaimed books on Personal Tax & Investment Planning and Self Development and anchored TV Serials 'Tax Free' and 'Money Magic.' In recognition of his noteworthy contribution and achievements as an Eloquent Speaker, he received 'Fellowship of the World Academy of Speakers' in 1981 and 'Outstanding Speaker of the 20th Century Award' in 2000. Widely traveled around the world, he is an ardent photographer. He has served as the President of the Ahmedabad Management Association, Gujarat Chamber of Commerce and Industry, All Gujarat Federation of Tax Consultants and several other bodies. Currently, he is the President of Indian Red Cross Society, Ahmedabad and the Indo-Japan Friendship Association, Gujarat. He is also a member of the National Executive Committee of FICCI and a Director on the Board of number of leading public companies.	Mr. Apurva Diwanji completed his law degree from Downing College, Cambridge University, UK and after working in the UK with two international law firms, he returned to India to join M/s Desai & Diwanji, Advocates, Solicitors and Notaries. He is currently a partner with M/s Desai & Diwanji and is based in Mumbai. He also has an Economics degree from St. Xavier's College, University of Bombay.

(ANNEXURE TO THE NOTICE DATED 29th APRIL, 2010)

Continue...

Particulars	Mr. Mukesh M. Patel	Mr. Apurva S. Diwanji
Directorships held in other Public Companies (excluding foreign and private Companies).	1. Sandesh Limited. 2. German Remedies Limited. 3. Zydus Wellness Limited. 4. Hitachi Home & Life Solutions (India) Limited. 5. Zydus Pharmaceuticals Limited. 6. Desai Brothers Limited. 7. BA Research India Limited. 8. Federation of Indian Chambers of Commerce and Industry.	Nil
Memberships / Chairmanships of Committees across public companies.	**Chairman - Audit Committee :** 1. Cadila Healthcare Limited. 2. Hitachi Home & Life Solutions (India) Limited. 3. Desai Brothers Limited. 4. Zydus Wellness Limited. 5. Sandesh Limited. **Member - Audit Committee :** 1. BA Research India Limited. **Member - Shareholders' Grievance Committee :** 1. Cadila Healthcare Limited. 2. Hitachi Home & Life Solutions (India) Limited. 3. Zydus Wellness Limited.	**Member of Audit Committee :** 1. Cadila Healthcare Limited.
No. of shares held in the Company.	800 Equity Share	Nil

Notes

Notes