

Unified strokes, a new growth strategy



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Cadila Healthcare Limited  
Annual Report 2011-12

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## Important Communication To Members

The Ministry of Corporate Affairs has taken a "Green Initiative in Corporate Governance" by allowing paperless compliances by the Companies and has issued circulars allowing service of notices / documents including Annual Report by e-mails to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail address so far, are requested to do the same immediately.



### I AM VALUE CREATION

I like action  
It's my basic nature to grow, to expand  
I like to get stretched  
I like to step into new roles  
So let me put in my best in all that I do  
Let me take special care of my health and fitness profile  
How can I expect to win the race without it?

### I AM INNOVATION

People say I am brilliant, I can light up anything  
I can make things look different  
I don't like to be in a box  
I can be a change agent  
But like the bulb I need power to switch on  
I need the power of new thoughts and ideas



### I AM COLLABORATION

I can't exist alone  
You give your best, I give my best  
Together we complement each other  
Together we are unbeatable  
Together we are unstoppable  
Together, the universe is ours  
So, let's join hands



### I AM ACCOUNTABILITY

I stand by whatever I promise, come what may  
If I have said it will be done, it will be  
I will deliver, everytime, as agreed  
You can always count on me



**BEYOND THE BILLION**  
2015



The newly inaugurated, state-of-the-art QA/QC centre located within the global manufacturing hub at Moraiya

## Highlights of Operations – 2011-12

### Home Markets

#### India

- Acquired 100% stake in Biochem Pharma, one of the top 40 pharma companies in India, having presence in the antibiotics, cardiovascular, anti-diabetic and oncological segments, to capitalise on the growth of the acute segment and in turn, further strengthen presence in the Indian pharmaceutical space.
- Maintained strong leadership positions in the cardiology, gynaecology, gastrointestinal and respiratory segments.
- Launched over 90 new products (incl. over 40 line extensions) in India, of which 29 were first in India.
- Overall, the India formulations business posted sales of Rs. 18,954 Mio., up by 17%.

#### US

- Entered the \$ 7 bn generic controlled substances market in the US, with the acquisition of the assets of Neshor Pharmaceuticals Inc., which has the capability to manufacture controlled release medications or DEA-controlled substances.
- Launched 6 new products in the US market.
- During the year, the US business posted sales of Rs. 12,431 Mio., up by 29%.

#### Brazil

- Launched 7 new products during the year, with an aspiration to be a leading player in the chronic therapy segments like cardiovascular, diabetes and neuro psychiatry.
- Overall, the Brazil operations posted sales of Rs. 2,473 Mio., up by 10% during the year.

### Steady Growth Businesses

#### Europe

- Launched 16 new products in the French generic market, of which, 6 were Day-1 launches.
- Launched 12 new products in the Spanish generic market.
- Overall, the Company's European business posted sales of Rs. 2,983 Mio., registering a growth of 8%.

#### Japan

- Launched 2 in-licensed products and received the PMDA approval for 3 new products, including one for Day-1 launch.
- During the year, the Japanese business registered a growth of 24% with sales of Rs. 522 Mio.

#### Emerging Markets

- The Company's business continued progress in the markets of Asia Pacific, Africa and the Middle East, gaining market share in Philippines, Vietnam and Sri Lanka.
- Over 30 new products were launched in the focussed markets of Asia Pacific and Africa during the year.

#### Consumer Wellness

- Sugar Free, India's leading sugar substitute, achieved a milestone market share of more than 90% in the category.
- 'ActiLife' – a nutritional milk additive for adults, which was launched last year, progressed on expected lines during the year.
- During the year, Zydus Wellness Ltd. registered sales of Rs. 3,446 Mio., up by 3% and net profit of Rs. 677 Mio., up by 14%.

#### Animal Health

- The company continued its thrust on new product launches with 11 new product introductions during the year.
- Zydus Animal Health Ltd. (Z AHL), acquired 100% stake in Bremer Pharma GmbH, Germany – a global animal health company. This will help Z AHL expand its animal health business and gain strategic access to the key markets across Europe, South America, Asia and Africa.
- On a consolidated basis, Z AHL posted sales of Rs. 1,944 Mio., with a growth of 40% during the year.

#### APIs and Intermediates

- The company's API business continued to provide strong support in the form of backward integration to cater to the demand for finished formulations across markets.
- During the year, 10 DMF filings were made in the US, taking the cumulative US DMF filings to 107.

#### JVs & Alliances

- Zydus Nycomed JV commenced commercial production and supply of 7 generic APIs to Nycomed.
- Zydus Hospira JV commenced commercial production and supply of 2 products for Europe and 1 product for the US market.
- Bayer Zydus Pharma, the JV with Bayer Schering Pharma commenced commercial operations in India during the year.
- Added 7 products and 3 markets in the out-licensing deal with Abbott Labs.
- Overall, the JVs reported sales of Rs. 4,230 Mio., up by 16%.

#### New Technologies

- 5 biosimilar products were launched in the Indian market, developed and manufactured in-house. 3 more products are in the advanced stages of development.

- On the novel biologics front, filed clinical trial applications for both PEGEPO and Rabimabs.
- Filed 2 ANDAs for transdermal patches with the USFDA.

### NCE Research

- ZYOG1, a novel, orally acting GLP-1 agonist completed Phase I(a) clinical trials. The Company applied for permission to conduct Phase I(b) trials during the year.
- ZYD1, a novel GLP-1 agonist for treating diabetes and ZYGK1, a novel Glucokinase activator are currently in Phase 1 clinical trials.
- The Company also received Phase I clinical trial permission for ZYPH0907, a novel oral PTH agonist for treating osteoporosis, and ZYG19, a novel GPR-119 agonist for treating diabetes.

### Manufacturing Operations

- Baddi formulations manufacturing plant received an approval from the USFDA during the year, opening up an additional resource to cater to the growing needs of the US business.
- Commenced commercial production from the Ointments facility during the year.

### Financial Highlights

- Total income from operations was up by 14% y-y to Rs. 52.6 bn from Rs. 46.3 bn last year.
- Profit before interest, depreciation and tax, excluding the impact of exchange rate fluctuation loss on operating transactions, was up by 14% y-y to Rs. 11,772 Mio. from Rs. 10,287 Mio. last year. PBIDT margin was up by 0.2% to 22.4% from 22.2% last year.
- Net profit, excluding the impact of exchange rate fluctuation loss on the operating transactions and forex loans was up by 7% y-y to Rs. 7,468 Mio. from Rs. 6,992 Mio. last year.





Chairman and Managing Director, Mr. Pankaj R. Patel at the launch of VICA during the Chairman's Annual Meeting, January 2012

## Chairman's Message

The Year 2011-12 was a launchpad in many ways for our journey ahead - Beyond the Billion (BtB). It began with an extensive dialogue process that included key stakeholders across the organisation. In the weeks and months that ensued, we asked ourselves questions related to our business model, strategies, markets, operations and our review mechanisms. Along the way, we also looked at the success factors that had helped us achieve our growth and how they could be the levers for our growth as we move ahead. All these discussions and insights culminated into a strategic blueprint for the road ahead that was different, refreshing and opened the door to new possibilities.

### New Paths, New Approaches

Your Company has never believed in waiting for favourable tailwinds to achieve its goals. We have always believed in seizing opportunities and pursuing aggressive plans to capture them. This phase of our growth will be no different. We are moving ahead with a well thought out strategy. The vision, objectives and detailed road-map for each of these businesses have been defined and strategic initiatives have been identified along with an execution plan to ensure that each business achieves its own vision and BtB objectives. We identified 15 markets and 13 therapies which would be our core areas of focus. The clusters that emerged are home markets, steady growth businesses and new technology businesses. Our accomplishments in our journey of growth so far, have been the result of six core strengths : clear vision, superior performance and execution, strong leadership, unrivalled collaboration with partners, innovation and a successful acquisition track record. Apart from this, our operational excellence, robust review mechanism and ownership of the goals set, have also helped us achieve successive milestones and unleash value for our stakeholders. I am confident that we will continue with this winning stride as we head towards our goal of 2015 and beyond.



### Beyond the Billion and VICA

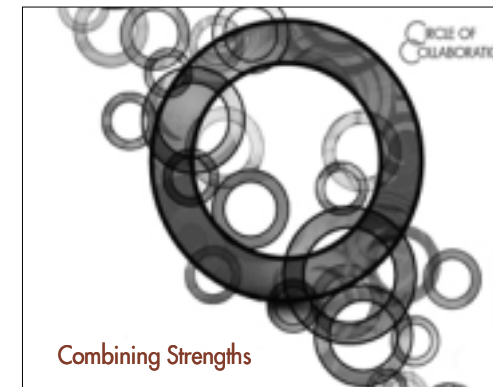
With the blueprint in place to achieve sales of over \$3bn by 2015, we also looked at the key elements that will help us achieve this overarching goal. Our collective thinking zeroed in on the four pillars of Value Creation, Innovation, Collaboration and Accountability (VICA). Under each of these pillars, several initiatives and ideas have been identified which can support our big leap forward.

**Accelerating Value Creation:** A sustainable value creation process begins with looking at value accruing points and embedding them in our products, technologies, processes and services. It's like a kaleidoscope that reflects many hued images, each different from the other. The value creation initiative under VICA looks at different initiatives to build value by optimising resources, creating new talent pools and leveraging existing talent resources, creating new knowledge platforms, honing leadership capabilities and connecting and engaging with people globally, to create a unified, concerted thinking on sustainable value creation. Over the past few years, we have been successfully institutionalising several best practices in the organisation. One such initiative was PRISM 1- a landmark programme launched in 2002 which encouraged an organisation-wide ideation process on how we can generate savings through innovative, out-of-the-box thinking. Another successful initiative was the Strategic Lean Integrated Manufacturing programme or SLIM. It established a Zydus Way of Manufacturing of looking at lean manufacturing practices with significant increase in efficiency while lowering costs. At the start of this year, we launched PRISM 2 which has a core team of 63 members who are exploring creative ideas to optimize savings in procurement costs. Spread over 24 months, an important feature of PRISM 2 will be to institutionalise the ideas so the impact becomes a sustainable one on a year-on-year basis.

**Instituting a culture of Innovation:** In the current business environment, the need to innovate stretches far beyond the purely research and technological spheres. Now, more than ever, innovation is critical to our competitiveness and at another level, simply adding zest to our worklife by building in freshness and creating new experiences. So, how are we preparing our innovation processes for these challenges?



We've recently adopted a new innovation programme called the 'Zydus Innovation Farm', calling for three definite actions of planting ideas, nurturing ideas and harvesting ideas in consistent and measureable ways that brings in yields, year after year. First, we want to come up with innovations that improve our existing business initiatives and processes. The second goal of the programme is to develop more of the groundbreaking innovations that open up new markets. Third, to spur Open Innovation that connects all Zydans across the organisation and drawing on ideas from the grassroot level which can impact our business, operations and services. With local farm committees fanning out and building a momentum, we can expect the Zydus Innovation Farm to deliver a rich harvest in the coming year.



**Creating the Circles of Collaboration:** Collaboration at Zydus is more than just team work. It's about networking and integrating efforts and being able to reach out for information and expertise, or engage with people from different teams for critical decision making. An integrated and energised organisation is one in which collaboration networks enable teams and individuals across functions, departments, distance and technical specialities to side step bottlenecks. Under VICA, we have been able to study collaboration challenges across functions and geographies, address gaps to enhance connectivity and leverage solutions in targeted ways. Circles of Collaboration aims at helping teams, leverage diverse cross functional expertise and drive adoption of new ideas across geographies. Service Level Agreements and Cross Functional Teams will look at effectively serving the needs of business stakeholders and fast tracking processes.

**Gearing up with Accountability:** The fourth pillar of VICA is also closely linked to the performance culture that has taken root in the organisation over a period of time. We are fortunate to have forged a team of like-minded individuals with high aspirations, a bias for action, passion and energy to drive results and possessing the ability to turn commitment into strong performance. These characteristics have evolved a winning paradigm that helps us excel over and over again. The pillar of Accountability reinforces this and encourages Zydans across the organisation to take ownership for the overall business performances and celebrate in meaningful outcomes of it. It's about examining all the performance parameters at an individual, team and the organisational level and see how they can be supported adequately so that the expectations against performance commitments are understood and widely shared.

### On the path of sustained growth

Over the last 17 years, we have been building for the future, that looks at excellence and opportunities that create new horizons in healthcare. We'd like to thank all those who have shared our optimism and conviction, especially the talented team of over 15000 Zydans spread across the world and our Partners in Progress, who help us achieve our mission of creating healthier communities globally. As we continue to explore new vistas, we remain dedicated to the company's core values of being adaptable to change, being people-driven, commitment to deliver, and being humble, value-driven and innovative in what we do. In the years ahead, our aim will be to maintain our growth focus, drive our business strategy to produce successful results, provide innovative healthcare solutions and deliver increasing shareholder value.

Pankaj R. Patel  
June 30, 2012



The leadership team of the Zydus Group is seen here with the Zydus Executive Board (ZEB) members - Chairman and Managing Director, Mr. Pankaj R. Patel, Deputy Managing Director, Dr. Sharvil Patel and COO and Executive Director, Mr. Ganesh Nayak during the Chairman's Annual Meeting held in January 2012

## Management's Discussion & Analysis - 2011-12

### Global economy and Pharmaceutical Industry

The global economy has passed through a challenging phase in 2011-12, characterised by significant risks and instability. The intense financial crisis prevailing in Europe has had a ripple effect in both the developing and high-income countries, and has generated significant headwinds. Capital flows to developing countries have declined by almost half as compared to last year. While Europe seems to be in recession, several major developing countries like Brazil, India, and to a lesser extent Russia, South Africa and Turkey have witnessed deceleration in economic growth owing to a variety of factors including domestic policies. This has resulted in a sharp slowdown in the global economic growth. As against a growth of 4.1% in 2010, the global economic growth, measured by GDP, is expected to have slowed down to 2.7% in 2011. Also, the outlook for 2012 looks muted with expected growth of 2.5% as against 3.6% projected earlier (Source: Global Economic Prospects 2012 by World Bank).

The global pharmaceutical industry, particularly the branded innovator drugs segment, is also facing pressure due to a number of factors like patent expiry of a large number of high revenue molecules, a diminishing R&D pipeline of new drugs, regulatory challenges and pricing pressures from governments across the globe, apart from ballooning costs of doing research. There has been a shift of focus towards the emerging markets of Asia, Africa and Latin America, which are growing three times faster than the leading markets of North America, Japan and Europe. In 2011, while the leading pharmaceutical markets of North America and Europe continued to grow at a matured market rate of less than 3%, the emerging markets are expected to have grown by more than 15% (Source: IMS Health). The generics segment growth continued to outpace branded drugs, with several drugs losing patent protection in 2011, including 'block-busters' like Atorvastatin in the USA.

### Indian Economy and Pharmaceutical Industry

The financial year 2011-12 was a year of slow growth for the Indian economy. The GDP is estimated to have grown at less than 7% during 2011-12 after it grew by more than 8% during the two preceding financial years. Agriculture and industry showed slower growth during the year as compared to the growth that was registered in the previous year, resulting in slower overall growth.

Inflation remained high, with the Wholesale Price Index (WPI) remaining at over 9% for the most part of FY 2011-12, although it showed signs of moderating towards the later part of the fiscal year. The average WPI inflation rate for 2011-12 was 8.79% as against 9.56% during 2010-11. The global economic slowdown and the crisis in European economies, especially Greece and now Spain, have resulted in currency movement from Euros to US Dollars and Pound Sterling, and a clamour for USD, which has gained in strength. This in turn, has led to a sharp depreciation of currencies of developing economies, including the Indian Rupee vis-à-vis the US Dollar and other currencies. The exchange rate for the Indian Rupee vs. the US Dollar, which was below Rs. 45, has shown a steady rise from August 2011 and reached a peak of Rs.53.7 in December 2011, before closing at Rs. 50.9 in March 2012 (Source: Monthly Economic Report, March 2012, as published by the Ministry of Finance, Govt. of India).

The Indian pharmaceutical market is on the path of becoming a major global market and is one of the biggest drivers of growth in the Asian subcontinent, apart from China. The year 2011 was yet another year of robust growth for the Indian pharmaceutical industry as it grew by 15%, reaching a market size of more than Rs. 60,000 crores (Source: AIOCD Market Intelligence Report 2012). This high growth can be attributed to the increase in investment by market players, high penetration into the rural areas, increasing purchasing power of the consumers and improving availability of healthcare facilities. Rural markets, now termed as the 'Extra Urban' markets, offer high growth potential for the Indian pharmaceutical industry. The anti-infectives therapy is the highest contributor to the Indian pharmaceutical market, in terms of sales.

### 2011-12: Journey Beyond the Billion begins

While the year 2010-11 marked the achievement of an important milestone of \$ 1 bn in consolidated revenues by the Company, the year 2011-12 marks the beginning of the journey Beyond the Billion in pursuit of its next milestone of \$ 3 bn in 2015.

During the year, the Company carried out a detailed exercise to work out the strategy for this journey Beyond the Billion (BtB). After a detailed study of various therapies and markets, the Company has identified 15 markets / countries and 13 therapies as key focus areas. Different markets / therapies have been classified into different clusters. They are home markets, steady growth businesses and new technology businesses.

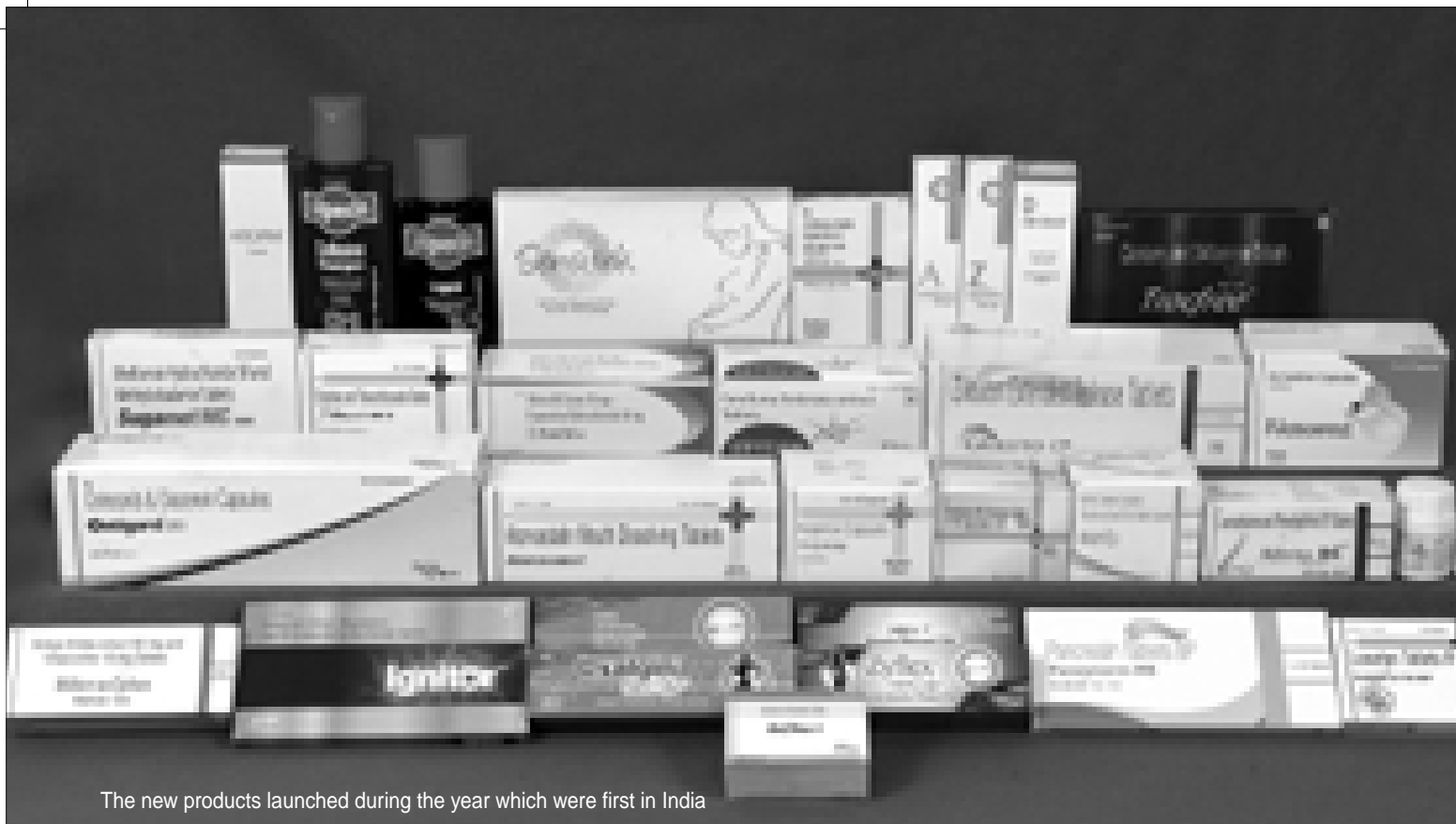
Home markets comprise the two established markets of India Formulations and US generics and the two promising future markets of Brazil and Mexico. While the established home markets are expected to continue sustainable and profitable growth with significant revenue contribution, the future home markets offer a high growth potential with a large revenue contribution in times to come. The steady growth businesses comprise Europe, Japan, the Emerging Markets, Consumer Wellness, Animal Health, APIs, JVs and Alliances. These markets are expected to continue a steady growth momentum with low variability in business performance.

The new technology businesses comprise Biosimilars, Transdermals, Vaccines, Injectibles, Inhalers, Creams and Ointments and NCEs. While these businesses require high upfront investments, which the Company has already initiated, they have a very large potential upside in the future.

The vision, objectives and detailed road-map for each of these businesses have been defined. Several strategic initiatives have been identified for each of the businesses, alongwith their execution plans to ensure that each business achieves its own vision and BtB objectives. Key risks and their mitigation plans have also been identified for each business.

To ensure better review and monitoring process, greater accountability and better focus, the Company has also revamped the internal governance architecture. Key initiatives and implementation plans have been laid out for improving overall organisational health in the areas of Value Creation, Innovation, Collaboration and Accountability. These four pillars of VICA have been identified as the growth drivers in the journey Beyond the Billion.

Highlights of operations of the different businesses and markets in FY 2011-12 are as follows.



The new products launched during the year which were first in India

## Home Markets

### India Formulations

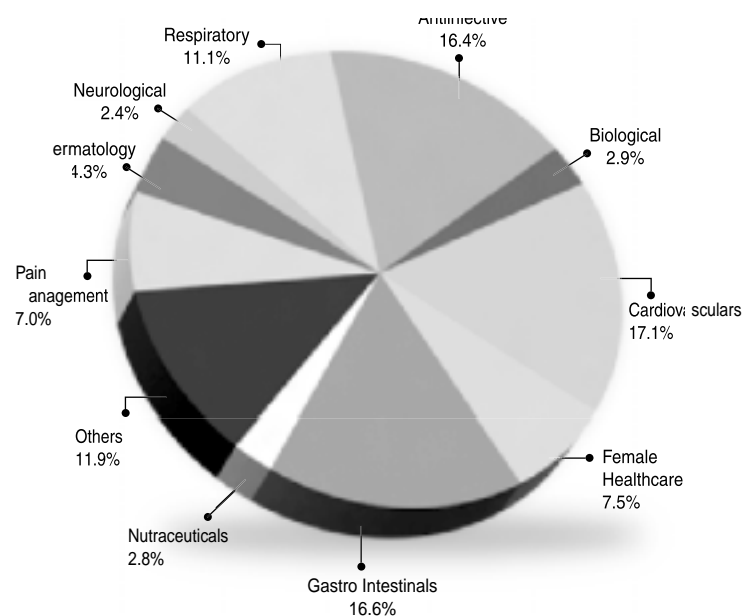
The Company's formulations business in India is of strategic importance in the journey Beyond the Billion. It is currently the largest contributor to the Company's revenues, and is expected to remain one of the largest contributors in the BtB journey.

During the year, the Company acquired 100% stake in Biochem, one of the top 40 pharma companies in India. A well-integrated pharma player, Biochem has a presence in the antibiotics, cardiovasculars, anti-diabetics and oncological segments. It has over 1100 employees (including a field force of 900) and a manufacturing facility at Daman. This acquisition is aimed at strengthening the Company's presence in the Indian pharmaceutical space by capitalising on the growth of the acute segment where it has a relatively smaller presence.

The Company continued to maintain its strong position in the participated market segments of cardiovasculars, gastro-intestinals, respiratory and women's healthcare during the year. 20 of the Company's brands now feature amongst the top 300 pharmaceutical brands in India. (Source: AIOCD AWACS Report, MAT March 2012). During the year, the Company made a foray into a new therapy segment of ophthalmology with the launch of the division, Zydus Occucare. The Company continued its thrust on new product introductions and launched over 90 new products, including over 40 line extensions, of which, 29 were first in India. The new products launched during 2011-12 contributed to about 3% in the growth of the formulations business in India.

During the year, the Company's formulations business in India posted sales of Rs.18,954 Mio., up by 17% from Rs.16,208 Mio. last year.

The therapeutic area-wise break up of branded formulations sales in India is given below:



### US Oral Solids

The US pharmaceutical market remains the world's largest pharmaceutical market accounting for more than 40% of the market share. The Company's business in the US is spearheaded by its 100% subsidiary, Zydus Pharmaceuticals (USA) Inc. It ranks amongst the top three players in the market for nine out of the top ten products marketed by it in the US and has also recently been ranked 11th amongst the top US generic companies based on scripts (Source: IMS).

During the year, Zydus Pharmaceuticals (USA) Inc., through its subsidiary Neshor Pharmaceuticals USA LLC, acquired the assets of the US based pharmaceutical company, Neshor Pharmaceuticals Inc. Neshor has capabilities to manufacture controlled release medications or DEA-controlled substances. With this, the Company will now be able to manufacture and distribute generic controlled substances in the US market, which otherwise cannot be imported. The market for controlled substances medications in the US is estimated at \$7 bn.

The Company's business in the US continued to grow and posted sales of Rs.12,431 Mio., up by 29% during the year. The Company launched 6 new products in the US market. This performance reflects the capabilities of the Company to offer high quality low cost generic products, making it a trusted and preferred supplier. The Company's continuous endeavour to improve service levels has helped it achieve close to 100% service level satisfaction of the customers. Going forward, the Company's growth momentum in the US market will continue with the launch of value added generic products that will drive incremental sales and margins.

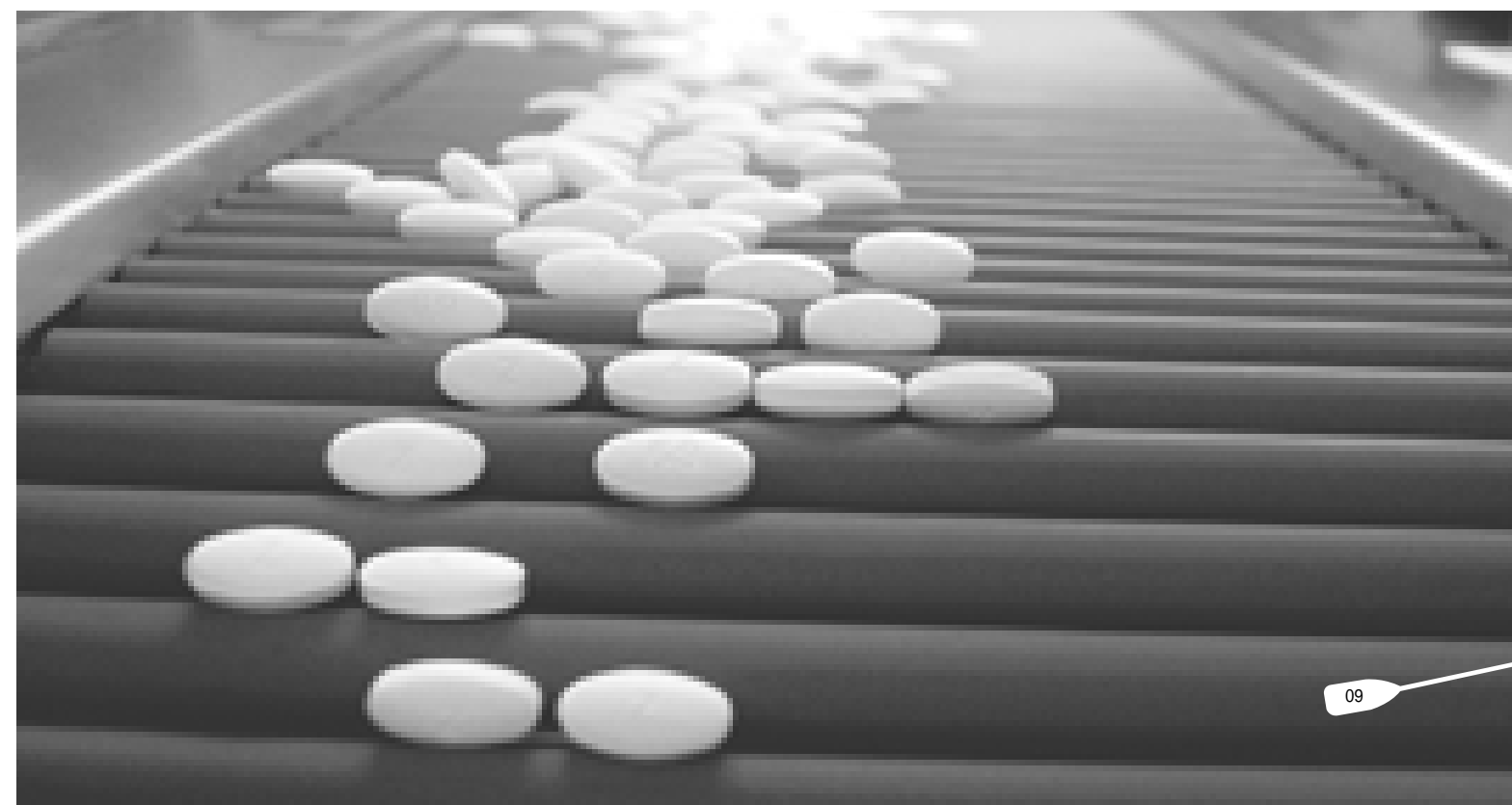
### Brazil

Rated as one of the most promising 'pharmerging' countries across the world, the Brazilian pharmaceutical market has been continuously growing for the last few years and offers significant potential. Several factors such as strong Government support and high healthcare demand, amongst others are propelling the Brazilian healthcare market to grow at a faster pace.

The company is present in both the branded and generic segments of the Brazilian pharmaceutical market. With an aspiration to be a leading player in chronic therapy segments like cardiovascular, diabetes and neuro psychiatry, the Company launched 7 new products in Brazil during the year. Overall, the Company posted sales of Rs. 2,473 Mio., up by 10% during the year.

### Mexico

The Company is present in Mexico, the second largest pharmaceutical market of Latin America, valued at \$11 bn, through its 100% subsidiary, Zydus Pharmaceuticals Mexico S.A. de C.V. The Mexican market is expected to show an upward trend, with prescription medicines continuing to dominate the market, representing about 85% of its total value (Source: IMS and BMI). During the year, the organisational structure at Mexico including the basic regulatory, finance and marketing were put in place. Going forward, the Company expects to continue its aggressive product development and filing strategy and commence commercial operations in 2013.







## Steady Growth Businesses

### Europe

The Company has its presence in Europe through its subsidiaries in the generic markets of France and Spain. During the year, the French generics market grew by approximately 3% to reach €2.8 bn. Market growth showed a decline as compared to the previous years, mainly due to lower than expected generic substitution rates. The Spanish generic market, on the other hand, grew by about 30% and reached €1.4 bn, led by the increase in generic penetration, combined with some key patent expiries.

The Company's business in France maintained its progress during the year, despite the slowdown in the overall French market. The Company launched 16 new products in France, including 6 Day-1 launches. In Spain, the Company registered a robust growth backed by the launch of 12 new products. More than half of the products launched in France and Spain were manufactured and supplied from India.

During the year, the Company's business in Europe posted sales of Rs. 2,983 Mio., up by 8%.

### Japan

The Company is present in Japan, the world's second largest pharmaceutical market, through its subsidiary Zydus Pharma Japan Co. Ltd. (ZPJ). Japan continues to face the challenge of a rapidly ageing population and increasing healthcare costs, forcing the government to intervene by promoting generics. This offers a promising opportunity for the generic players to expand and grow. During the year, the Company launched two in-licensed products and received the PMDA approval for three new products including one Day-1 launch.

The Company's sales in Japan grew by 24% and reached Rs. 522 Mio. during the year.

### Emerging Markets of Asia Pacific, Africa and the Middle East

During the year, the Company's business continued to perform well in the participated markets of Asia Pacific, Africa and the Middle East despite a slowdown in some of the markets due to political imbalances, regulatory changes and adverse currency fluctuations. The Company expanded its market share in the Philippines, Vietnam and Sri Lanka. With the launch of over 30 new products, the Company posted sales of Rs. 1,889 Mio. during the year in the Emerging Markets.

### API & Intermediates

The Company's APIs and Intermediates business continued to provide support in the form of backward integration to cater to the demand for finished formulations across markets. The Company filed 10 US DMFs during the year, taking the Company's cumulative filings to 107.

The year 2011-12 saw a decline in the sales of APIs at Rs. 2,854 Mio., down by 18% primarily on account of price erosion in the key international markets and higher capacity allocation to internal requirements for manufacturing of finished formulations.

### Consumer Wellness

The health and wellness market in India is a niche segment, which has been growing rapidly as in the recent past there has been an increased awareness and concern for health and wellness. The Company is present in this segment through its subsidiary, Zydus Wellness Ltd., which has become a significant player in this growing market with its portfolio of health care brands such as Sugar Free, EverYuth, Nutralite and the recently launched Actilife.

During the year 2011-12, Sugar Free, India's leading sugar substitute achieved a milestone market share of over 90%, through its multi-product presence. The year witnessed an intense competition in the skincare category from new entrants. In EverYuth skincare range, the scrubs and peel-off segments continued to grow, despite stiff competition. The last quarter of the FY 2011-12 saw a rapid revival in the market share backed by the strong marketing support. Nutralite also faced competition in the margarine space, as there have been multiple launches from low priced competitors, especially in the institutional segment. Despite this, Nutralite has successfully maintained its position through high service levels that complement strong brand equity.

Actilife, a nutritional milk additive for adults, launched last year, has seen steady progress during the year. Being a new concept, the Company has invested in creating awareness, not just through theme advertising but also through large scale consumer contact programs involving education and sampling. This brand will be in focus for the next few years as it has a potential to become an additional pillar of growth for the Company.

During the year, Zydus Wellness Ltd. registered sales of Rs.3,446 Mio., up by 3% and net profit of Rs. 677 Mio., up by 14%.



## Animal Health Business

Zydus Animal Health Ltd., (Z AHL), a 100% subsidiary of the Company, is one of India's leading animal healthcare providers with its wide range of drugs, feed supplements and vaccines for livestock, companion animals and poultry. During the year 2011-12, Z AHL continued its prowess in launching new products with the introduction of 11 new products in India.

During the year, Z AHL expanded its operations globally with the acquisition of a 100% stake in Bremer Pharma GmbH, Germany. This acquisition will help Z AHL, expand its animal health business and gain strategic access to the key markets across Europe, South America, Asia and Africa.

On a consolidated basis, Z AHL posted sales of Rs. 1,944 Mio, with a growth of 40% during the year.

## JVs and Alliances

### A. Zydus Nycomed Healthcare Pvt. Limited

Zydus Nycomed is a 50:50 JV between Nycomed and Cadila Healthcare Ltd., for manufacturing of Key starting materials (KSMs) for Pantoprazole and also a hub for supplying various APIs of Nycomed's generic portfolio and in future for Takeda, following the acquisition of Nycomed by Takeda .

During the year, the Zydus Nycomed JV commenced the commercial production and supply of 7 generic APIs to Nycomed. The JV was successful in getting approvals from the Danish Medicine Agency after their regulatory audits for different products.

### B. Zydus Hospira Oncology Pvt. Ltd.

Zydus Hospira Oncology Pvt. Ltd. (ZHOPL), the 50:50 JV between Cadila and Hospira Inc., USA, successfully completed its third year of operations. During the year, the JV successfully completed audits by the Korean and Saudi FDA. With this, the JV has received approvals from the regulatory authorities of US, Europe, Canada, Australia, Brazil, Uganda, Korea and Saudi. The JV commenced commercial production and supply of 2 additional products for Europe and 1 for the US market during the year.

### C. Bayer Zydus Pharma Pvt. Ltd.

Bayer Zydus Pharma Pvt. Ltd., the joint venture with Bayer Schering Pharma, commenced commercial operations in India during the year. The JV aims at operating in key segments of the Indian pharmaceutical market with a focus on women's healthcare, metabolic disorders, diagnostic imaging, cardiovascular diseases, anti-diabetic treatments and oncology.

### D. Zydus BSV Pharma Pvt. Ltd.

Zydus BSV Pharma Pvt. Ltd. (ZBSV), the 50:50 JV set up in alliance with Bharat Serums and Vaccines Ltd., owns rights to a novel and patented product for use in oncology. ZBSV also operates in the generic oncology segment by way of contract manufacturing. The JV's novel and patented product progressed well in the Indian market. This clearly indicates the superior benefits, this product offers to cancer patients and further supports the Company's plans for developing the product for global markets. The Company's ongoing clinical trial in breast cancer is progressing as per schedule and will assist in gaining market share in India as well as approvals in various other markets.

### E. Strategic out-licensing deal with Abbott Laboratories

During the year, the company expanded its alliance with Abbott Laboratories to 3 more countries taking the total number of countries to 18. Further, 7 more products were added to the existing portfolio of 24 products, taking the number of out-licensed products to 31.

Overall, the Company's share in the sales from the JVs was Rs. 4,230 Mio. during the year, up by 16%.



## New Technologies

### Biologics

The Company is developing a pipeline of 19 biologics, comprising 17 biosimilars and 2 novel biological products. During the year, the Company launched 5 biosimilar products in the Indian market, developed and manufactured in-house. 3 more products are in an advanced stage of development. On the novel biologics front, the Company filed clinical trial applications for PEGEPO, which is being developed in collaboration with Prolong Pharma, USA and Rabimabs, which is being developed in collaboration with WHO.

### Transdermals

The Company's initiatives to develop a niche portfolio of technologically complex and advanced new drug delivery systems have progressed well during the year, with filings with the USFDA for 2 ANDAs for transdermal patches.

### NCE Research

The Company's state-of-the-art Zydus Research Centre (ZRC) spearheads the Company's NCE and Biologics research activities. The company currently conducts basic new drug discovery research in cardio-metabolic, inflammation, pain and oncology therapeutic areas, with a portfolio of 8 candidates in various stages of development.

During the year, ZYOG1, the Company's novel, orally acting GLP-1 agonist completed Phase I(a) clinical trials in healthy human volunteers and the Company applied for permission to conduct Phase I(b) trials in diabetic patients. ZYD1, a novel GLP-1 agonist for treating diabetes and ZYGK1, a novel Glucokinase activator are currently undergoing Phase 1 clinical trials. The Company also received Phase I clinical trial permission for ZYPH0907, a novel oral PTH agonist for treating osteoporosis and ZYG19, a novel GPR-119 agonist for treating diabetes.

### Intellectual Property Rights

The Company's efforts in the development of new molecules, newer delivery systems, processes and technologies have continued. The Company's research and development centres have filed over 150 patents in the US, Europe and other countries during the year, taking the cumulative number of filings to over 800.





## Consolidated 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.

### Sales

The gross sales revenue grew by 15% to Rs. 51,807 Mio., in 2011-12 from Rs. 45,211 Mio., in 2010-11. Sales growth was driven largely by the US oral solids business and the Indian formulations business, which grew by 29% and 17% respectively.

### Gain / loss on account of foreign exchange rate fluctuations

The Company has an exposure in foreign currencies, mainly US Dollar and Euro. The company is a net foreign exchange earner due to its higher export earnings compared to imports. However, the steep depreciation of the Indian Rupee vis-à-vis the US Dollar, particularly in the second half of the year has resulted in a negative impact on the earnings due to the large foreign currency denominated borrowings, while hedge contracts entered in the earlier periods to protect export receivables have restricted the upside available during the depreciation of the Indian Rupee.

The Company continued to recognise the gain / loss on account of foreign exchange rate fluctuations ("forex gain/loss") arising on translation of foreign currency long term loans under "Foreign Currency Monetary Items Translation Difference Account" (FCMITDA) and amortize the same during the tenure of the loan, but not beyond 31st March 2020. Such forex gain/loss is adjusted to the cost of fixed asset, in case the foreign currency loan is taken for funding fixed assets.

During the year, the Company has adopted the provisions of Accounting Standard 30 on "Financial Instruments: Recognition and Measurement" issued by ICAI for accounting of derivatives and hedge instruments. Accordingly, any changes in the fair value of such instruments which are designated and effective as hedges are recognised in "Hedge Reserve" and ineffective portion is charged to Profit & Loss account.

During the year, the total forex loss was Rs.1,177 Mio., as against gain of Rs.148 Mio., last year. Of this, the loss on foreign currency loans was Rs. 776 Mio., which includes loss of Rs. 138 Mio. reclassified as interest cost as per Accounting Standard 16 on "Borrowing Costs".

### Profits and margins

The PBIDT (Profit before Interest, Depreciation and Tax) grew by 9% to Rs. 11,370 Mio., from Rs. 10,393 Mio., last year. PBIDT excluding the impact of forex loss on operating transactions was up by 14% y-y to Rs. 11,772 Mio. from Rs. 10,287 Mio. last year. The PBIDT margin excluding such forex loss was up by 0.2% to 22.4% from 22.2 % last year.

Net profit, excluding the impact of exchange rate fluctuation loss on operating transactions and forex loans was up by 7%, y-y to Rs. 7,468 Mio. from Rs. 6,992 Mio. last year.

### Net Worth

The consolidated net worth increased to Rs. 25,736 Mio., at the end of March 2012, up by 19% from Rs. 21,715 Mio., at the end of March 2011.

The reserves and surplus increased by Rs. 4,021 Mio., to Rs. 24,712 Mio., at the end of the year 2011-12, from Rs. 20,691 Mio., last year. The book value per share increased to Rs.125.85 as on 31st March 2012 from Rs. 106.06 last year.

## Manufacturing Operations

The Company's state-of-the-art facilities for manufacturing formulations and APIs are considered to be the backbone of the Company's global operations and would be one of the important pillars for success in the BtB journey.

During the year, the formulations manufacturing plant at Baddi, Himachal Pradesh received an approval from the USFDA. This opens up an additional resource to cater to the growing needs of its US business. Further, commercial production was started from the Ointment facility during the year for the Indian market.

## Environment, Health and Safety

The company is aiming for sustainable development, specially focussed on EHS by recognising, understanding and addressing EHS related matters, right from the stage of development to delivery. During the year, the EHS portal was launched to bring in information asymmetry across various manufacturing units on techno-legal aspects in the field of EHS. All the manufacturing units in India completed the fire safety audit through the expert committee. By integrating various treatment options in API units, the Company was successful in treatment and utilisation of treated effluent as a boiler feed. Two of the Company's units received the safety award from the Gujarat Safety Council for the second consecutive year in a row. At present, 11 of the Company's manufacturing facilities are accredited by ISO 14001 and OHSAS 18001.

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) stood at 27.5% for the year.

### Debt

Consolidated debt of the Company stood at Rs. 22,951 Mio., as on 31st March, 2012 as against Rs.10,973 Mio., last year. This includes long term borrowings, short term borrowings and current maturities of long term borrowings classified as current liability as per the requirements of the revised Schedule VI of the Indian Companies Act.

There was, however, cash and bank balance of Rs.4,666 Mio., as on 31st March 2012 as against Rs. 2,952 Mio., last year. Net debt (adjusted for cash and bank balances) as on 31st March, 2012 was at Rs. 18,285 Mio., against Rs. 8,021 Mio., last year. The increase in debt was mainly to fund the capex, increased working capital and other opportunities. Net debt-equity ratio stood at 0.71:1 as on March 31, 2012 as against 0.37:1 as on March 31, 2011.

### Fixed Assets and Capital Expenditure

The consolidated gross block (including capital work in progress) at the end of the year was Rs. 45 bn, up by over Rs. 12.4 bn from Rs. 32.6 bn last year. Net capital expenditure (excluding goodwill, but including capital work in progress) during the year was Rs. 6,495 Mio., which was incurred mainly for upgradation and expansion of the capacity of existing facilities for formulations and API manufacturing, expansion of research facilities, building of new facilities for new dosage forms and acquisition of assets of Neshor Pharma. This also included capital expenditure on R&D of Rs. 423 Mio.

### 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. 49.9 bn, up from Rs. 33.8 bn at the end of the previous year. The increase in capital employed was mainly due to the increase in the Debt, which has increased by Rs.12 bn during the year from Rs.11 bn to Rs. 23 bn. Return on Capital Employed (ROCE = Adjusted earnings before interest net of tax / Average CE) stood at 19.1% during the year.

## Risk Identification, Risk Mitigation and Internal Controls

Various risks identified by the Company in the ever changing economic, commercial, regulatory and political scenarios across the globe are explained below.

### Risk related to economic and political environment across the world

The Company has a global presence with its operations spanning 15 countries and 5 continents. Different countries of the world today face different political and economic challenges and in today's era of globalisation, policies of countries that the Company operates in are reviewed periodically to evaluate risks.

### Risk of competition, price pressure and Government controls on prices

The Company's business in the developed as well as emerging generic markets across the globe faces stiff competition as the generic markets are characterised by a number of players competing with each other to grab market share, creating pricing pressures. The company's strategies in such markets are tailored to mitigate such risks.

### 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 stringent regulations and 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 the competitors and 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.

The company does take out 'Product Liability Insurance' wherever necessary, as a safeguard against unrealistic claims. It also maintains constant vigilance on quality standards of shipments, to ensure the high standards of the Company, often superior to those required.

### 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 the currencies of these countries vis-à-vis its functional currency viz., the Indian Rupee.

### Risk of efforts on Research and Development proving to be unproductive

The Company invests about 6 to 7% of its revenues on research and development activities (both revenue and capital expenditure) every year. NCE and NDDS research require significant investment and a longer gestation period, with chances of success being determined by many factors. This exposes the Company to the risk of its drug discovery efforts, proving to be unproductive at any phase. However, as a global player, this risk is a necessity as the Company aspires to be a research-driven player by 2020.

### 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 strategies and implementation of the same takes place in a structured manner. The process of evaluation and validation of business-specific risks and risks affecting overall organisation is carried out regularly. The review of the risk management policy and framework is also carried out at regular intervals by the Risk Management Committee as well as the Board of Directors. Requisite internal control mechanisms have been put in place by the Company on various activities across the board to minimise the impact of various risks. A well-defined and established system of internal audit has also been set up 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.



## Sustainability Report

Sustainability, we believe is a part of Value Creation and that is why it has been an inherent part of all our growth strategies. Since 1995, we at Zydus have been on a path of accelerated growth, exploring new paths and business avenues in order to deliver value to our stakeholders. At every step, we have forged meaningful partnerships with our employees, stakeholders, partners in progress and the community at large. Ethical practices, accountability, robust governance and sustainable initiatives are at the very core of our business strategy, planning and operations which helps minimise risks and seize opportunities to create value.

All our value creation initiatives whether it is in the organization or in the community where we operate, are therefore linked to sustainability.

We at Zydus, are conscientious of the impact on the society and environment, and strive to carry out our CSR activities/ sustainability practices with a high degree of efficiency. Our strategy for community engagement is based on volunteerism and is an intensive, comprehensive and sustainable programme.

Good health, happiness, joy, growth, togetherness, discovery, learning, exploration, evolution, transformation, aspirations, are all intrinsically linked with life. Zydus Cadila is dedicated to all these dimensions. Zydus Srishti, the group's CSR programme, is about reaching out to make a difference in a myriad ways in the areas of health – Swaasthya, education – Shiksha and research – Shodh. Through these initiatives, the group reaches out to the community that it forms a part of, finding new expressions for its mission to create healthier communities globally.

*Details of the Company's financial and economic performance are featured in the other pages of this annual report. This section therefore confines itself to the social and environmental aspects of sustainability.*

Zydus Srishti – the world of CSR activities are focussed on the three core areas of Swasthya (Health, Safety and Environment), Shiksha (Education) and Shodh (Research). Over the last 17 years, these CSR initiatives have helped us translate our mission to create healthier, happier communities into a reality.

### Swasthya - Health, Safety and Environment



#### Rural Healthcare Camps

Contributing to the communities that we form a part of, rural healthcare camps are conducted at villages close to our manufacturing site. Interestingly, the idea for these camps had emerged from an internal brainstorming on how the Founder's day at Zydus could be made more meaningful and purposeful. Once the decision to organise the camp got underway, the venue, Moraiya village was a unanimous one as it was adjacent to our group's manufacturing plant. It formed an integral part of our group's mission of developing the community around it. This entire programme right from the conceptualisation to co-ordination and implementation is entirely volunteer driven. Each year, Zydans organise themselves

into groups to co-ordinate with the doctors, register the patients and update their medical history, assist the doctors and dispense free medicines. So far, the group has organised general healthcare camps, diagnostic, dental-care, eye-care and paediatric camps.

During the year, Zydans at the API plant, Dabhasa organised a medical check-up camp for people from the villages and rural areas in and around Dabhasa in association with the Mobile Hospital Unit Medical College and the Shri Sayajirao Gaikwad Civil Hospital, Vadodara. General Practitioners, Gynaecologists, Paediatricians, ENT specialists, Ophthalmologists and Pathologists volunteered their services for the camp. More than 300 people from the rural community in Dabhasa participated in the camp. Each year, Zydans organise blood donation camps at various premises. In 2011-12, Zydans at the Goa Formulation Plant and Zydus Research Centre organised blood donation camps. More than 500 Zydans from Goa and Ahmedabad donated blood in these camps.

#### ATENTION Hypertension : Hypertension detection camps in the rural interiors

Hypertension causes nearly 60,000 deaths every year and is directly related to more than 250,000 deaths from stroke. Hypertension is also the silent killer because people don't know that they are suffering from the disease. Recognising the pressing need to create awareness on hypertension across the country, particularly in the far-flung remote districts, a hypertension awareness drive called 'ATENtion Hypertension' was launched.

To ensure that maximum number of people benefit from this initiative and make it a broad based programme, we launched the 'Aten Outreach Programme' where co-ordinators visit various towns in a mobile van and conduct hypertension detection camps. These camps provide free blood pressure check-up and also counsel people on the perils of hypertension, map the family history on hypertension for future record and emphasise on the need for regular, periodic check-ups with the local doctors.

After nearly 16,000 awareness camps spanning over a decade, the programme has now been taken to the next level with AVAS (Aten village adoption and support) campaign. The target is to step up the drive and organise more than 250 Hypertension detection camps in the rural interiors, every year.





GCS New Medical College, Hospital and Research Centre

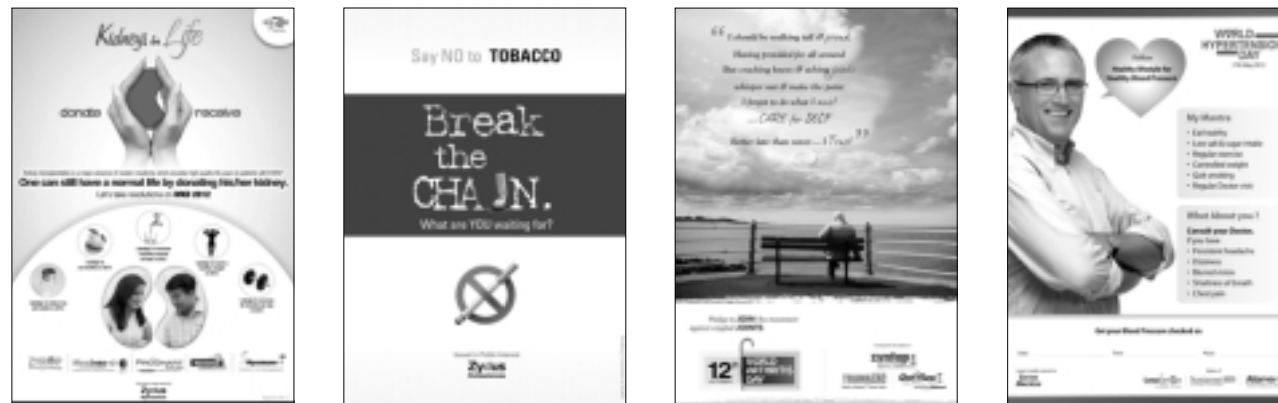


### Contributing to a new beginning in cancer care

During the year, the Gujarat Cancer Society's new multi-specialty hospital and medical college at the new campus at Naroda, Ahmedabad, a unique model of public-private partnership and people's participation in public health was dedicated to the people of Gujarat by the Hon'ble Chief Minister, Shri Narendra Modi. On the occasion, the Hon'ble Chief Minister also inaugurated the PET CT Scan – the first-of-its-kind to be introduced in a public health hospital in Gujarat. Our group had extended its support and contributions towards this new healthcare initiative. With the addition of the multi-specialty hospital, medical education and research, GCS now offers a broad spectrum of services right from education to treatment and research. This makes it one of the most comprehensive and self sustaining healthcare centres of world-class standards. Our Chairman and Managing Director, Mr. Pankaj R. Patel also officiates as the Executive Chairman, Vice President and Trustee of the Gujarat Cancer Society and Chairman of the Gujarat Cancer and Research Institute.

### Spreading Awareness through Health Campaigns

Being aware and taking timely steps can help prevent a major health setback. Every year, our specialty divisions run campaigns and create health alerts to educate community members, employees on various disorders and the steps to lead a healthier life.



### Environment, Health and Safety - Green Initiatives

We at Zydus have been engaging and involving every stakeholder across the company for our initiatives in Environment, Health and Safety (EHS). To this end, our group continues to invest substantial resources towards sustaining and continuously improving standards of environment, occupational health and safety. We have moved beyond compliance to taking several proactive and innovative steps. Separate EHS Cells have been instituted at individual facilities of the group. The EHS cell continuously looks at environment-friendly practices such as developing green technologies for the efficient treatment of waste water, use of cleaner fuels like natural gas and bio diesel, rain water harvesting to ensure water conservation etc.

In keeping with the significance of the activities undertaken under EHS, we have set up the Environment Health and Safety Corporate Cell which directly reports to the Chairman and the Managing Director. The team has created a portal which is a ready reckoner on all the developments and updates in the field of Environment, Health and Safety. To ensure effective compliance and adherence to EHS norms, we have devised the EHS Index system defining almost 50 aspects and 600 criteria to quantify the compliance level. This index is monitored on a monthly basis. The 3-tier monitoring approach – compliance, monitoring and surprise checks, ensures the readiness of the facilities and adherence to EHS guidelines.



In recognition of the various safe environmental processes and systems adopted by our group, our manufacturing facilities have been awarded the ISO 14001, OHSAS 18001 and an ISO 22000 accreditations. For the Year 2011-12, the EHS Performance Awards were awarded by the EHS team to the units in recognition of the innovative practices and processes initiated at the group's facilities. The Zydus Research Centre bagged the Gold award followed by the manufacturing plant at Sikkim with the Silver Award.

### Ankleshwar leading the green wave

The API manufacturing plant at Ankleshwar, set up in 1972, is spread over a total area of 45,000 sq.mtrs. The facility has 14 multi-purpose plants with 7 pharma blocks and a total equipment capacity of 420 kl. The facility has received approvals from the US FDA and AFSSAPS of France. The facility caters to the demand for APIs and specialty chemicals in both the domestic as well as the international markets. As per the Environment Management System, the API manufacturing facility has received the ISO 14001 certification. Here are some of the green initiatives undertaken at this facility.

### Ceramic Ultrafiltration System - the first-of-its-kind effluent treatment in India

- This tubular ceramic membrane works on the principle of cross flow filtration.
- All the dead bacteria, soil, mud etc., which are present in the secondary effluent, is retained by the membrane and the filtrate is the clear liquid, free from turbidity.
- Using the ultrafiltration (UF) system, we are able to obtain an SDI (Silt Density Index) of less than 1 and NTU of less than 1, which greatly enhances the performance of the RO.
- There is also around 10-20% reduction in the Chemical Oxygen Demand (COD). The UF system works on 90% recovery and the reject of 10% is taken back into the secondary treatment.
- The ceramic UF system is designed for 10 kl/hr and 90 % recovery.
- Total effluent treatment capacity of 200 kl/day.
- This technology has been used for the first time for effluent treatment in India.



### Effective Reverse Osmosis (RO) Plant facilitates a TDS of 95%



- Thin film composite polymeric membranes are used to treat the UF permeate. This polymeric membrane is a specially built blend membrane to withstand the incoming COD in the effluent.
- Using the RO system, we achieve a 95 % reduction in Total Dissolved Solids, 96 % Reduction in COD and 90 % reduction in Ammonical Nitrogen.
- The RO System is designed for 85 % recovery and the 15 % rejected material is sent to the Multi Effect Evaporator (MEE) for treatment.
- The RO Permeate which has COD less then 25 mg/l and TDS- less than 250 mg/l can be reused.
- The RO system is designed to treat 180 kl/ day UF permeate.

## Solvent Recovery Plant

- A new Solvent Recovery Plant (SRP) has been installed which helps recover various solvents like acetone, methanol, acetonitrile, IPA, toluene etc. from the mother liquor.
- Total 3 distillation columns and 2 multipurpose batch columns have been commissioned in SRP.
- One continuous column dedicated for IPA has also been commissioned.
- The plant runs on an average 95% efficiency and our solvent recovery has almost doubled in the last three years.

## New Multi Effect Evaporator Plant



- The Multi Effect Evaporator (MEE) is run on the evaporation principle by applying the steam in the jacket of the calenderia.
- MEE is designed for evaporation of high TDS effluent by using four calenderia in a series which works on the force circulation principle where a constant circulation from the vapour separator to calenderia and back takes place.
- MEE Plant is designed for an effluent treatment of 150 kl/day.
- Two streams received from the MEE system are MEE condensate (85% of the feed) and MEE concentrate ml (15 % of the feed). The condensate is taken back into the ETP for further treatment and concentrate ml is fed into the ATFD.

## Agitated Thin Film Dryer (ATFD)

- The Agitated Thin Film Dryer is designed for higher concentration and to derive waste in a powdered form. It is a jacketed vessel with a rotor inside.
- Concentrated feed from the third effect of evaporation is fed into the ATFD by a suitable pump.
- A thin film of liquid is formed and intensely agitated with the help of the rotor.
- The feed starts evaporating and the wipers remove deposition of the solids on the inner wall which are collected at the bottom of ATFD. The vapour condenses and is collected separately.
- The waste product which comes out in a solid form is ready to be disposed.

## Optimising Water Resources

To optimise the conservation and utilisation of water resources, the rain water harvesting system has been installed at various facilities across the group including the Zydus Research Centre and the manufacturing plants at Moraiya and Dabhasa. The system has been set up to collect the utility roof top water and recharge ground water which in turn improves the quality of ground water. Here is a detailed analysis of the water being recharged through rain water harvesting.

A detailed report on the total water recycled and recharged with the rainwater harvesting system set up across locations

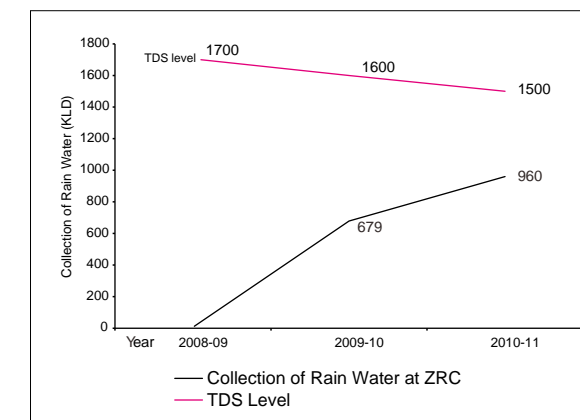
Location	Water Recycled (KLD)	Water Recharged (KLD)	Total (KLD)
Zydus Research Centre	42610	26244	14594
Dabhasa	628	629	289
Moraiya	500	500	284

## Rain water harvesting at ZRC lowers TDS levels

Due to the recharging of rain water during the last two monsoons, the total dissolved solids of the ground water has reduced to 1500 ppm. The total water recharged during the last monsoon was 14594 KLD.



The rainwater harvesting system at ZRC



## Recycling wastewater at ZRC

The modular plant established at the Zydus Research Centre with a capacity of 30,000 litres per day comprises the collection tank, aeration tank, settling tank, filters and at the final stage, ultraviolet treatment for disinfection. The raw effluent (wastewater) from the primate and dog house is passed through the collection tank wherein it passes through the air given for mixing and preparation. The water is then pumped into the aeration tank where the biodegradation process takes place in the presence of air supplied by the fine bubble air diffuser system. The treated effluent with active biomass then flows for solid-liquid separation. The biomass is then either recycled back to the aeration tank or sent to the sludge drying beds. The supernatant effluent collected in the intermediate holding sump is then pumped through the pressure sand filter and the activated carbon filter. This is followed by ultrafiltration and UV treatment before recycling or reusing. The treated/recycled water is reused for washing the animal house floor. In order to ensure complete recycling of water, the treated water is passed through one more unit of the Ultraviolet system before being used at the animal house. The quantity of water recycled daily is approx. 25000 litres on an average basis.

### Analytical Results of the Modular Treatment Plant

	pH	TDS	TSS	BOD	O&G	COD	pH	TDS	TSS	BOD	O&G	COD
MIN	7.10	1950	140	50	2	200	7.10	1980	15	4	1.0	16
MAX	7.70	2250	170	71	3	285	7.90	2080	30	9	1.0	36
AVE	7.32	2013	153	60	2	237	7.35	2053	20	6	1.0	25

Average Flow: 25 m<sup>3</sup>/day • Reuse & Recycle: Washing the animal house floor

## The lush green lawns at the manufacturing facility at Moraiya thrive on recycled water



At the manufacturing facility at Moraiya, a conventional Effluent Treatment Plant (ETP) has been set up, comprising oil and grease trap, equalisation tank, flash mixer, flocculator for chemical dosing, and primary tube settler. The primary treated effluent goes to the aeration tank for biodegradation. The treated effluent is then passed through the secondary clarifier and sand filter. The water treated at the plant is further polished by using the ultrafiltration system. This water is reused for gardening and in the washrooms for flushing and in cooling

towers. As a result, the dependence on bore well water has considerably reduced. About 90 kl treated water is used in the washroom flushing system. From the recycled water, approximately 196 m<sup>3</sup> / day is used in the cooling towers and the remaining 119 m<sup>3</sup> / day for gardening (September 2011). Upto 65-70% of the steam condensate is also recovered in the process.



## Treating wastewater using the indigenously developed electrolysis technology

The electrolysis technology has been successfully implemented at the group's API manufacturing plant at Ankleshwar. The advantages of this technology developed by the EHS team is that, it is cost-effective, easy to install and does not occupy much space unlike the large conventional ETPs.



### Industrial application

The process was tested with various electrodes in various treatment options. The treatment option of primary treatment unit outlet + Electrolysis + Chemical Treatment + Resin treatment was the most effective with an 80% reduction in COD. Some of the conclusions include: The electrolysis process can be used to treat the wastewater; in the case of pharma effluents, maximum efficiency is found with the aluminum electrode; maximum 40% efficiency found for the COD removal and 30% efficiency found for the amonical nitrogen removal; maximum efficiency is derived in the 30 minute duration of electrolysis; this method helps in narrowing the BOD/COD ratio and enhances effective biological treatment.

### Sharing know-how with others in the community

Apart from implementing this technology at its plant, the group has also been sharing the know-how of this green technology with other industrial units in the community. A series of demonstrations were held to show the efficacy of the process. Following this, the technology has been successfully installed at NEPL Naroda. Industrial units from the Ankleshwar GIDC industries, Panoli GIDC industries, Naroda GIDC industries etc., have also expressed interest in this technology.

### Reduction in chemical usage

The Company has started using bioculture at its ETP plant at the Zydus Research Centre instead of lime, alum, urea and DAP, which in turn has reduced the chemical content in the water. A lecture on 'Managing E-waste' was organised at the manufacturing unit at Goa where Mr. A. D'souza, Chief Chemical Inspector from Goa Factories and Boilers explained the various guidelines for adopting environmentally sound practices for managing e-waste.

### Energy Conservation

The Company has undertaken various initiatives for conservation of energy, which includes the installation of the auto condenser tube cleaning system to effectively maintain the heat transfer, converting the incinerator operation from bio-diesel to piped natural gas, the installation of the modular ETP for the dog house and primate research and using bioculture instead of chemicals and the installation of a screw air compressor reciprocating Air Compressor. Apart from this, LED lights and timer for lightings, low HP Pumps, auto condenser tube cleaning systems, electrically control AHU blower motors have also been used across the organisation. Regular maintenance of equipment to reduce transmission losses, steam leakages etc., have resulted in maintaining the power factor above 99%. We have also installed the N2 generation plant in place of the compressed gas cylinder bottle. Further, we have replaced the old low efficient high voltage equipments to high efficient low voltage equipments. We have installed gas based power plants to reduce the consumption of petroleum products thereby reducing the air emission.

The total quantity of direct and indirect fuel consumed by all the manufacturing units is as under:

Nature of Energy	2011-12	2010-11
Coal (MT)	13459	13251.73
Electricity (Units Nos.)	63967150	57165223
Own Generation (Units in nos.)		
• through DG	2408393	2025179
• through HFO DG	2597540	8743970
• through CPP (Natural Gas)	26405608	18131325
Furnace Oil (K. Ltr.)	871.74	490.15
HSD (K. Ltrs.)	537.64	578.54
Natural Gas (M3)	13155872	10607724
Bagasse (MT)	1486.55	864.09

## Shiksha - Education

Zydus School for Excellence, Vejalpur and Godhavi: Encouraging children to think differently



The Zydus School for Excellence, established as a community initiative of The Ramanbhai Foundation, was the brainchild of our Founder Chairman, Late Mr. Ramanbhai Patel, who believed that a school is not just a place where young minds come to learn, but it's an institution where character is built and a fountainhead, where children can constantly seek creative expressions for their endeavours. Committed to this belief, the school encourages children to think differently and independently with a curriculum that provides them with a series of educational experiences and a supportive learning environment. The aim is to provide each student with the opportunity to develop his or her full potential.



The Zydus School for Excellence, Vejalpur affiliated to the ICSE Board was set up in 2002. Over the last 10 years, the school has been nurturing creativity, excellence and providing a rich academic experience in the child's world of learning. The new school campus, Zydus School for Excellence, Godhavi, a proposed CBSE school, in the rural outskirts of Ahmedabad was inaugurated by the Former President of India Dr. A.P. J. Abdul Kalam in 2010. Both schools now have more than 1500 young learners and a faculty strength of over 100 teachers.





## Shri Ramanbhai B. Patel - AMA Centre for Excellence in Education

In 2002, Zydus Srishti set up the Shri Ramanbhai B. Patel – AMA (Ahmedabad Management Association) Centre for Excellence in Education in memory of our Founder Chairman Late Mr. Ramanbhai Patel. The Centre which was inaugurated by Dr. A.P.J. Abdul Kalam provides a platform for parents, teachers and students to highlight the critical educational issues of the day. The centre conducts open house discussions, memorial lectures on excellence in education, progressive learning programmes for academicians and knowledge sharing forums, which study the successful learning models across the country. Providing a platform to share thoughts and ideas on various facets of life beyond formal education, Zydus Srishti regularly conducts the Ramanbhai B. Patel Memorial lecture on Excellence in Education. There have been speakers from different genres addressing varied issues and topics. Dr. M.S. Swaminathan, the Hon'ble Member of the Rajya Sabha and the pioneer of the Green Revolution in India, delivered the memorial lecture in 2011. In the past, Dr. Abid Hussain, Former Indian Ambassador to USA, Shri P.N. Bhagwati, Former Chief Justice of India, Dr. Karan Singh, Member of Rajya Sabha and Dr. C. Rangarajan, Chairman Economic Advisory Council to Prime Minister of India have delivered the memorial lectures.



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## Shri Ramanbhai Patel-AMA Shreshtha Shikshak Awards

A teacher can be a catalyst in the process of transformation - in the thoughts and actions of children, thus leading to progress and growth. To recognise and honour the contributions of a teacher to a child's world of learning and the society at large, Zydus Srishti instituted the "Shreshtha Shikshak Award". These teachers are unsung heroes who have put in an outstanding effort to promote learning. Some, undeterred by the lack of infrastructure, have been the pillars of learning in the rural hinterland. Some others, have struggled to promote education of the girl child, while others have helped the differently abled children and helped dyslexic children integrate themselves with the mainstream to emerge as the Shreshtha Shikshak. Every year 2000 nomination forms are sent out to schools across Gujarat and teachers from far-flung areas such as Amreli, Porbandar, Junagadh, Jamnagar etc., send in their nominations. For the year 2011, Ms. Kamna Gupta from Vadodara, Mr. Vinodbhai Parmar from Goraj village, Vadodara and Mr. Rameshbhai Parmar from Gariyadhar village in Bhavnagar District were selected as the Shreshtha Shikshaks. They received their awards from Ms. Neerja Birla, Vice Chairperson, Aditya Birla Group, Education Projects, who presided as the Chief Guest.



Taking this a step further, the Shiksha Shikshak Jagruti Abhiyan, a mentoring programme to empower teachers in the rural communities was launched last year. This is a joint initiative of the Ramanbhai Foundation, Ahmedabad Management Association and the Zydus School for Excellence.

## IPA-Shri Ramanbhai B. Patel Foundation (IRF) Awards

Commitment to quality, excellence and innovation is the key to the growth of the pharmaceutical industry and the profession of pharmacy in India. The Ramanbhai Foundation along with the Indian Pharmaceutical Association set up the IPA – Shri Ramanbhai B. Patel Foundation (IRF). The IRF recognises and awards 'commitment and excellence' in the field of pharmacy. The IRF honours stalwarts who have made outstanding contributions in the field of pharmacy and powered its growth through their vision with the 'Lifetime Achievement Award'. The foundation also supports young pharmacists and pharmaceutical scientists with research scholarships and grants. For the year 2011-12, the Foundation honoured Mr. Prafull Sheth and Prof. H. L. Bhalla with the Lifetime Achievement Award for their pivotal contributions in the growth of the pharmaceutical profession in India.

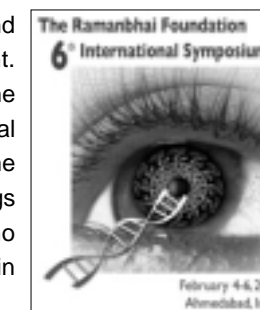
## Partnering Educational Initiatives

During the year, we also contributed to the Shroff S. R. Rotary Institute of Chemical Technology (SRICT), a multi-dimensional project set up at Ankleshwar. SRICT aims at creating platforms for cohesive action and looks to work with private, public and third sector partners for entrepreneurship development, economic development and involvement in neighbourhood renewal and regeneration within community of chemical industries at Ankleshwar. The basic academic philosophy is to focus on Chemical Technology (covering Chemical Engineering and other Chemical Technology Courses) as Gujarat's industrial strength lies in these areas. Besides providing trained manpower, SRICT also aims to create a strong R&D infrastructure in Gujarat.

## Shodh - Research

### The Ramanbhai Foundation International Symposium

Research and development are not just an important part of the operations of the healthcare industry but is at the very heart of it. There is always a need to focus on new initiatives in drug discovery and development and explore all opportunities of creating value through Research and Development. Creating an interactive forum for sharing new insights on the latest advancements, broadening the horizons, and sharing knowledge formed the blueprint of The Ramanbhai Foundation International Symposium. Leading researchers and academicians from across the world converge in India at The Ramanbhai Foundation International Symposium held once in every two years. The symposium brings together the scientific community from across the world, both from academia and industry who deliberate upon unmet medical needs, new research initiatives and some latest advancements in healthcare and medical science.



The Ramanbhai Foundation 5th International Symposium was held in 2011 in the field of Translational Medicine. The Nobel Laureate Dr. Rolf Zinkernagel delivered the Keynote Address. The first international research symposium was organised in 2003 on the theme: 'Recent Trends in Pharmaceutical Sciences'. Scientists, academicians and experts from across the world converged once again in 2005 at ZRC to share their thoughts on the 'Role of Genomics and Proteomics.' The Symposium was dedicated to advancements in diabetes therapy in 2007 and advancements in cardio-metabolic disorders in 2009. The preparations for the next symposium on 'Advances in New Drug Discovery Technologies and Translational Research' are underway.



## Lending a helping hand in times of crisis

At Zydus Srishti, we have been quick to extend a helping hand in times of natural calamities. Zydus Healthcare, Sikkim has extended help to the residents of Sikkim in the natural calamity – Earthquake which took place in September, 2011. A special team of the unit went to the earthquake affected areas in North Sikkim and delivered medicines and food packets. Medicines were provided to the Mangan District Hospital and support was also extended at the relief camp at Naga. Our group also contributed to the Chief Minister's Relief Fund, to support the rehabilitation programme for the quake affected.

## Product Liability

The Company is committed to develop, manufacture and market products, which are safe and efficacious. The Company ensures that the drugs manufactured meet all the regulatory and safety standards and has adopted automation in manufacturing the drugs, which enhance quality, reliability and consistency. We have also undertaken various initiatives and introduced systems to prevent counterfeiting of drugs, which includes specific sequences of batch numbering, manufacturing and expiry of drugs by using hologram stickers and installed specialised printing techniques to safeguard products.

## Connecting with customers



### Transplant Protocol Updates

We have instituted several forums and work closely with the medical fraternity for discussions on new trends in disease management, treatment, patient-care etc. 'Transplant Konnect', a round table meet for nephrologists, 'World Wide Women & CMS' – a first-of-its-kind initiative which connects cardio-metabolic focus and women, nation-wide web-based oncology classroom



programmes called 'Meet the Master' for oncologists and haematologists, were a few of the campaigns started in 2011. These unique initiatives aim to create awareness and bridge both doctors and patients, to form a seamless world of healthcare.

## Awards and recognition

In the ranking of India's Best CEOs in a study conducted by HBR and INSEAD published by the Business Today Magazine (Feb 2012), Mr. Pankaj R. Patel was ranked 8th.



### Pankaj R. Patel, Cadila Healthcare

Call him a strategic thinker or a calculated risk-taker. In 1995, Pankaj Patel, CMD, Cadila Healthcare, worried more about setting up a state-of-the-art plant at Moraiya on the outskirts of Ahmedabad than survival. The same attitude took the company from \$400 million in 2007 to over \$1 billion in 2010/11.

Cover Story, India's Best CEOs, Business Today, February 2012



Mr. Amit Jain, Chief Financial Officer of Zydus Wellness bagged the Business Today – YES Bank, Best CFO Award 2012 in the category 'Consistent Liquidity Management'. The nominations were shortlisted based on a ranking of companies by market capitalisation. Mr. Jain was the youngest CFO amongst the awardees. Mr. Amit Jain is seen here (photo on the left) with the then Finance Minister of India, Mr. Pranab Mukherjee after receiving the award.



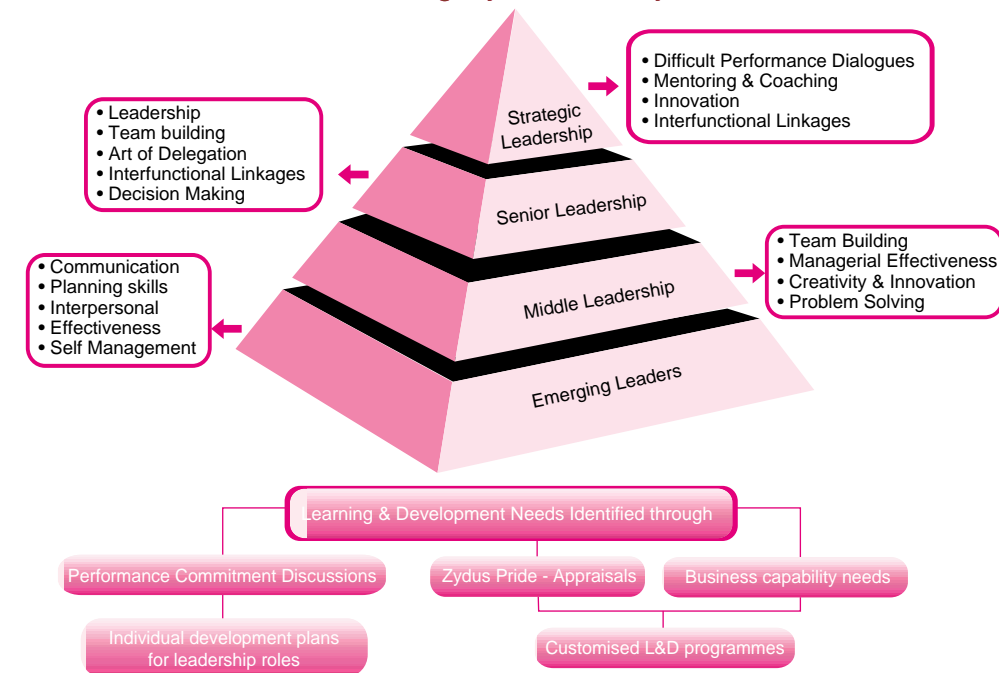
Mr. Nitin D. Parekh, Group Chief Financial Officer was ranked amongst the top 100 CFOs in India and was felicitated with the award for the best CFO in the 'Winning Edge in Risk Management' category instituted by the CFO Institute's CFO India Magazine. The CFO100 is an annual initiative to recognise India's finance leaders' extraordinary contributions to the corporate world.

Zydus Research Centre, Ahmedabad has achieved the full AAALAC accreditation for the fourth year in a row. It has also received accreditation from College of American Pathologists (CAP) upon completion of the inspection process. This accreditation was received in the first inspection itself.

## Human Resources - Learning and development

Over the last few years, HR as a strategic partner in the business has been in the process of leading change through organisational transformation initiatives. The focus of these initiatives has been to support our organisation's performance and productivity as our group surges ahead towards the new goal of Beyond the Billion. The Learning Pyramid at Zydus looks at a comprehensive learning and development programme in alignment with the organisational goals.

### Learning Pyramid at Zydus



In line with this, here is a broad overview of the initiatives undertaken by team HR during the year 2011-12:

### Leadership development

Building leadership capabilities and expanding the leadership bandwidth has been one of the priorities of the Company. To this end, a road map of interventions, developmental programmes, mapping leadership competencies and executing the leadership development plans have been a part of an ongoing leadership development programme. There are currently 139 leadership role holders across the organisation. These leaders connect with our organisation's big picture in terms of goals, business health parameters and enabling a collective strategic thinking on challenges and the way forward.

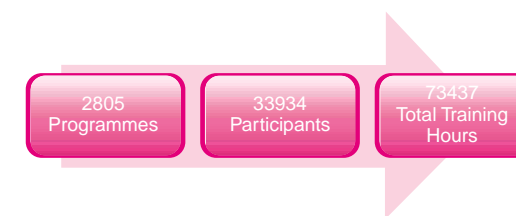
### Capability Building

The Team HR has been looking at capability building – which is also one of the pillars of the organisational transformation process – to see how the learning of individuals and teams can be maximised for organisational effectiveness and performance. The approach is two-fold: Firstly, to raise the competency bar across the organisation to bring in greater effectiveness and keep pace with the

expansion needs. Secondly, to look at specific initiatives that hones expertise and brings depth to our organisation's talent pool. The process includes -

- Mapping and aligning training needs with the organisation's business initiatives and priorities
- Focusing on 'Next Level' competencies, through skill building and functional programmes across the organisation
- Creating new levels of influence and impact through programmes on strategic leadership development, executive and management development

With our group poised to post sales of over \$3 bn by 2015 and become a research-driven player by 2020, the process of aligning HR with the organisational goals will continue. To this end, we will continue to explore new approaches to talent management, create leadership bench strength, invest in human capital development and leverage knowledge and expertise for organisational growth.





## The way forward

Our aim is to move beyond compliance to look at initiatives that are in alignment with our core values, mission and value creation for the stakeholders. To this end, the initiatives undertaken will be sustainable, meaningful and purposeful. We shall always strive to step up efforts towards this.

Developing leadership for tomorrow, building capabilities and bringing in connectedness.



Thinking differently and looking at innovation in all aspects of the operations.



Conserving all natural resources and optimising their use.



Demonstrating good governance and building shareholder value.



Championing green initiatives across the organisation.



Providing a creative, academic environment for young learners and recognising the efforts of teachers in the community.



# Financial Section 2011-12



# Directors' Report

Your Directors are pleased to present 17th Annual Report and the audited accounts for the financial year ended on March 31, 2012.

## Financial Results:

The financial performance of the Company, for the year ended on March 31, 2012 is summarized below:

(INR-Millions)

Particulars	For the year ended on March 31, 2012	For the year ended on March 31, 2011	Growth (%)
Sales and Other Income	33,899	29,784	13.82
Profit before Interest, Finance Charges, Depreciation, Amortisation and Impairment and Tax (PBITD)	9,069	7,659	18.41
Less: Depreciation, Amortisation and Impairment	1,082	969	11.66
Profit Before Interest and Finance charges and Tax (PBIT)	7,987	6,690	19.39
Less: Interest and Finance charges	1,283	318	303.46
Profit Before Tax	6,704	6,372	5.21
Less: Provision for Tax	129	268	(51.87)
Profit After Tax	6,575	6,104	7.72
Add: Profit brought forward from the previous year	6,675	3,323	
Profit available for appropriation, which is appropriated as follows:	<b>13,250</b>	<b>9,427</b>	
Proposed Dividend	1,536	1,280	
Corporate Dividend Tax on Proposed Dividend [Net of CDT Credit]	170	146	
Transferred to Debenture Redemption Reserve	450	100	
Transferred to General Reserve	1,000	1,226	
Balance carried to Balance Sheet	10,094	6,675	
<b>Total</b>	<b>13,250</b>	<b>9,427</b>	
Earnings per share [EPS] [Face Value of shares Rs.5/-] [in Rupees]	32.11	29.81	

## Results of operations:

During the year under review, the consolidated sales grew by 14.59 %. On standalone basis, the Company has achieved sales of Rs. 24,565 millions, showing a growth of 11.09 % compared to the previous year. The PBITD increased by 18.41 % to Rs. 9,069 millions. The Profit before Tax was higher by 5.21 % to Rs. 6,704 millions. The Profit after Tax increased to Rs. 6,575 millions up by 7.72% compared to Rs. 6,104 millions in 2010-11. The Company achieved EPS of Rs. 32.11 compared to Rs. 29.81 in 2010-11. A detailed analysis of performance for the year has been included in the Management Discussion and Analysis, which forms part of the Annual Report.

## Dividend:

Your Directors have recommended a dividend of Rs. 7.50 per Equity Share [last year Rs. 6.25 per Equity Share] on 204,748,520 equity shares of Rs.5/- each fully paid-up for the financial year ended March 31, 2012, amounting to Rs. 1,706 millions [inclusive of tax of Rs. 170 millions]. The dividend, if declared by the shareholders at the ensuing Annual General Meeting, will be paid to those shareholders, whose names stand registered in the Register of Members as on August 6, 2012. In respect of shares held in dematerialized form, it will be paid to the members whose names are furnished by National Securities Depository Limited and Central Depository Services [India] Limited, as beneficial owners. The Dividend Payout ratio for the current year (inclusive of corporate tax on dividend distribution) is 25.95 percent.

## Management Discussion and Analysis [MDA]:

MDA, for the year under review, as stipulated under clause 49 of the Listing Agreements with the Stock Exchanges is presented in a separate section, which forms part of the Annual Report.

## Consolidated Financial Statements:

In accordance with the Accounting Standard AS-21 on Consolidated Financial Statements read with Accounting Standard AS-23 on Accounting for Investments in Associates and AS-27 on Financial Reporting of Interest in Joint Ventures and as provided under the Listing Agreement with the Stock Exchanges, the audited Consolidated Financial Statements are provided in the Annual Report, which show the financial resources, assets, liabilities, income, profits and other details of the Company, its associates companies and its subsidiaries after elimination of minority interest, as a single entity.

## Subsidiary Companies:

During the year, Quimica E Pharmaceutica Nikkho Do Brazil Ltda., Brazil was merged with Zydus Healthcare Brazil Ltda, Brazil with effect from April 1, 2011. After the merger, the name of the Company was changed to Zydus Nikkho Pharmaceutica Ltda, Brazil.

In accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Statement of Profit and Loss and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. As required under the circular, the Board of Directors at its meeting held on May 10, 2012 passed a resolution giving consent for not attaching these documents with the Balance Sheet of the Company.

The Company will make available the Annual Accounts of the subsidiary companies and the related detailed information to any member of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary companies will also be kept open for inspection at the Registered Office of the Company and that of the respective subsidiary companies. The Consolidated Financial Statements presented by the Company include financial results of its subsidiary companies.

The statement containing the list of subsidiaries along with brief financial details of the subsidiaries is given in this Annual Report separately.

## Directors:

Mr. Apurva S. Diwanji, Director of the Company retires by rotation at the ensuing Annual General Meeting and being eligible, has offered himself for reappointment. The Board of Directors recommends the reappointment of Mr. Apurva S. Diwanji.

The Board of Directors of the Company has, subject to approval of the shareholders at the ensuing Annual General Meeting reappointed Dr. Sharvil P. Patel as Deputy Managing Director of the Company. An abstract of the terms and conditions of his appointment and memorandum of interest under section 302 of the Act have been sent to the members of the Company.

Brief profiles of the Directors proposed to be reappointed as required under clause 49 of the Listing Agreement are annexed to the notice convening 17th Annual General Meeting forming part of this Annual Report.

## 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:

- the Annual Accounts for the year ended March 31, 2012 are prepared on going concern basis;
- in preparation of the Annual Accounts, all the applicable accounting standards have been followed. Necessary explanations are given for material departures, if any;
- 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 March 31, 2012 and of the profit of the Company for the year ended on that date and
- 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

# Directors' Report

## Corporate Governance:

A detailed report on the Corporate Governance together with a certificate from the statutory auditors, confirming the compliance of conditions of Corporate Governance stipulated under clause 49 of the Listing Agreements with the Stock Exchanges forms part of the Annual Report.

## Auditors:

M/s. Mukesh M. Shah & Co., Chartered Accountants, (Firm Registration No. 106625W) Statutory Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

The Company has received a letter from them to the effect that their reappointment, if made, would be within the prescribed limits under section 224 (1B) of the Companies Act, 1956 and that they are not disqualified for reappointment within the meaning of section 226 of the said Act.

## Auditors' Report and Notes on Accounts:

The Board has duly reviewed the Statutory Auditor's Report on the Accounts. The observations and comments, appearing in the Auditor's Report are self-explanatory and do not call for any further explanation / clarification by the Board of Directors under section 217[3] of the Companies Act, 1956.

## Cost Auditors:

The Central Government has directed an audit of the cost accounts maintained by the Company in respect of formulations and bulk drugs businesses. For conducting the cost audit for these activities for the financial year ended March 31, 2012, based on the recommendation of Audit Committee, the Board has appointed M/s A. G. Dalwadi & Co., Cost Accountants and made an application to the Central Government in accordance with MCA Circular dated April 11, 2011. The Cost Auditor has filed the cost audit reports for the financial year ended on March 31, 2011 for formulations and bulk drugs businesses within the due date on September 17, 2011. The due date of filing the cost audit report was September 30, 2011.

## Particulars of Employees:

The names and other particulars of the employees as set out under section 217(2A) of the Companies Act, 1956 and rules made thereunder is provided in Annexure forming part of the Report. In terms of section 219(1) (b) (iv) of the Companies Act, 1956, the Report and Accounts are being sent to the shareholders excluding the aforesaid Annexure. Any shareholder interested in obtaining a copy of the same may write to the Company Secretary. None of the employees listed in the said Annexure is related to any Director of the Company.

## Energy Conservation, Technology Absorption and Foreign Exchange Earning and Outgo:

The particulars relating to energy conservation, technology absorption, foreign exchange earnings and outgo, as required to be disclosed under section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Directors) Rules, 1988, are provided in the Annexure - A to this Report.

## Acknowledgment:

Your Directors place on record their sincere appreciation for the continued co-operation extended to the Company by the Consortium Banks and Financial Institutions. Your Directors also thank the Medical Profession, the Trade and Consumers for their patronage of the Company's products. Your Directors also place on record sincere appreciation of the continued hard work put in by the employees at all levels. The Directors also thank the Company's vendors, investors, business associates, Government of India, State Government and various departments and agencies for their support and co-operation.

By Order of the Board of Directors

Pankaj R. Patel  
Chairman

Place : Ahmedabad  
Date : May 10, 2012

## Annexure to the Directors' Report

Information under section 217[1][e] of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) rules, 1988.

### A. Conservation of Energy:

#### a. The following energy conservation measures were undertaken at various plants/ units during the year ended on March 31, 2012.

##### General measures :

1. Installation of LED lights and timer for lighting. Turning off lights and AC, when not in use.
2. Installation of Motion Sensor for controlling energy consumption.
3. Installation of high efficient low HP pumps.
4. Boiler shut down during night hours or when no steam is required.
5. Regular preventive maintenance of equipments to reduce transmission losses, steam leakages, etc.
6. Maintenance of power factor above 99%.

##### Specific measures :

1. Installed Motion Sensors in office area to control operations of air conditioners, blowers, lighting in exhaust fans.
2. Installed auto condenser tube cleaning system to maintain the heat transfer effectively.
3. Converted incinerator operation from existing Bio-Diesel to Piped Natural Gas.
4. Replaced higher HP AHU blower motors with either electronically controlled or PM motors.
5. Installed modular ETP for Dog House and primate research and use of Bioculture instead of chemicals at Zydus Research Centre.
6. Installed Natural Gas based 1 MW CPP with 270 TR VAHP and installed Heat Recovery Unit on 10 TPH boiler stack at API plants in Ankleshwar.
7. Installation of screw air compressor replacing reciprocating air compressor at API Plant in Dabhasa.

#### b. Proposals for additional investments:

1. Installation of coal based boiler to stop using FO based boiler.
2. Installation of two auto tube brushing system.
3. Installation of closed chilling water circulation system.
4. Installation of 66 KV power sub-station considering the future power load requirements at Moraiya.
5. Installation of screw compressor for air and chilling system at other plants.
6. Installation of transparent FRP sheet in utility area to use optimum sunlight.
7. Purchase of energy efficient motor [EFF 1] at new projects.
8. Introduction of permanent magnet motor in AHU blower.

#### c. Impact of measures (a) and (b):

The adoption of energy conservation measures listed above has resulted in the following benefits:

1. Maintaining cost of production at optimum level.
2. Reduction in power and water consumption.
3. System up gradation.
4. Reduction in cost of maintenance.
5. Conservation of costly petroleum production.
6. Improvement in environment condition by implementing green house technology.

#### d. Total energy consumption and energy consumption per unit of production:

## Form - A

### Form for disclosure of particulars with respect to conservation of energy

#### a. Power and fuel consumption :

Particulars	Unit of Measures	2011-12 (April 1, 2011 to March 31, 2012)	2010-11 (April 1, 2010 to March 31, 2011)
<b>1. Electricity :</b>			
(a) Purchased:			
Units	Nos.	63967150	57165223
Total Amount	INR-Mn	396.99	332.52
Rate / Unit	INR	6.21	5.82
(b) Own Generation :			
i) Through Diesel Generator:			
Units	Nos.	2408393	2025179
Units per litre of Diesel oil	Nos.	3.21	3.19
Cost / Unit	INR	13.28	11.83
ii) Through HFO DG Set:			
Units	Nos.	2597540	8743970
Unit per litre of Fuel	Nos.	4.13	3.67
Cost / Unit	INR	10.18	8.44
iii) Through CPP (Natural Gas):			
Units	Nos.	26405608	18131325
Units per litre of Gas (M <sup>3</sup> )	Nos.	3.86	3.74
Cost / Unit	INR	7.20	5.50
<b>2. Coal (Used in Boiler for steam generation):</b>			
Quantity	MT	13459	13251.73
Amount	INR-Mn	71.91	63.75
Average rate per MT	INR	5343	4810
<b>3. Furnace Oil / HSD / LDO:</b>			
<b>Furnace Oil:</b>			
Quantity	K. Ltrs	871.74	490.15
Total Amount	INR-Mn	36.18	14.41
Average Rate per litre	INR	41.50	29.39
<b>HSD:</b>			
Quantity	K. Ltrs	537.64	578.54
Total Amount	INR-Mn	22.26	21.85
Average Rate per litre	INR	41.41	37.76
<b>4. Others / Internal Generation :</b>			
<b>Natural Gas:</b>			
Quantity	M <sup>3</sup>	13155872	10607724
Total Cost	INR-Mn	340.71	185.53
Rate / Unit	INR	25.90	17.49
<b>Bagasse:</b>			
Quantity	MT	1486.55	864.09
Total Amount	INR-Mn	7.54	5.04
Rate / Unit MT	INR	5073	5230

#### b. Consumption per unit of production:

As the Company manufactures wide range of APIs and number of formulations in different pack sizes and operates in multi-facility production system, each requiring different compositions and mix, it is not possible to apportion the consumption and cost of utilities to each product.

## Form - B

### B. Research and Development [R&D]:

#### a. Specific areas in which R&D work carried out by the Company:

The focus of the Company's R&D efforts was on the following areas:

1. Development of chemical processes for the manufacture of APIs and its intermediates for captive consumption and both domestic and regulated markets,
2. Development of process for the manufacture of APIs, which is cost effective and environment friendly,
3. Development of molecules for DMF filing and NPD molecules,
4. Creating intellectual properties for the organization,
5. Development of generic products to file products in US and other regulated markets,
6. Development of solid orals, pulmonary, parenterals, suppository, topical and oncology products.

#### b. Benefits derived as a result of the above R&D efforts:

Some of the major benefits derived as a result of R&D include:

1. Successfully filed nine Drug Master Files [DMFs] in advanced countries like US, EU and Japan,
2. New products development [NPD] for formulations,
3. Improved processes and enhanced productivity,
4. Filed 73 products in US, France, Spain, Brazil, Japan and Mexico and about 90 products in emerging markets and
5. Developed about 73 products for Indian market of which 15 are the first of its kind in India.

#### c. Future plan of actions:

The Company will continue its R&D efforts in the various areas indicated in [a] above. The major focus will be on developing new products and drug delivery systems and filing of more products and the dosages in the regulated markets.

#### d. Expenditure on R & D:

Sr. No.	Particulars	(INR - Millions)
a.	Capital	423
b.	Recurring	3,584
c.	Total	4,007
d.	Total R&D Expenditure as a percentage of total turnover	12.72%

### C. Technology absorption, adaptation and innovation:

#### a. Efforts, in brief, made towards technology absorption, adaptation and innovation:

The Company has developed indigenous technology in respect of the products manufactured. R&D team of the Company continuously endeavors to develop, transfer and absorb innovative technologies and commercialize them. The API technologies are complex and developed through process chemistry innovation after investing in hardware and software. The Company is upgrading its R&D facilities on regular basis and employs scientifically skilled manpower.

#### b. Benefits derived as a results of the above efforts:

1. Improvement in effluent treatment, pollution control and all-round safety standards,
2. Development and introduction of new products for import substitution,
3. Product quality improvement with cost competitiveness,
4. Improvement in operational efficiency.



## Directors' Report

### c. Information regarding imported technology [imported during the last 5 years reckoned from the beginning of the financial year]:

1. Technology imported: No imported technology.
2. Year of Import: Not applicable.
3. Has the technology been fully absorbed: Not applicable.
4. If not fully absorbed, area where this has not taken place, reasons therefore and future plans of action: Not applicable.

### D. Foreign Exchange Earnings and outgo:

#### a. Activities relating to exports, initiative taken to increase exports, development of new export market for products and services, and export plans:

Export sales were Rs. 13,569 millions for the financial year 2011-12. The Company's exports constitute 43.07 % of the total turnover. The Company has entered in an agreement with Abbott for commercializing branded generics in emerging markets. Further, the Company has filed Drug Master Files [DMFs] for API with the regulatory authorities in several countries. The Company has taken initiatives for the development of new export markets, which includes incorporation of Zyneshier Pharmaceuticals [USA] LLC [name changed to Neshier Pharmaceuticals {USA} LLC], which has acquired manufacturing facilities of Neshier Pharmaceuticals Inc., USA. Further, the Company has through its subsidiary acquired Bremer Pharma GmbH, Germany to expand its animal health business. The Company is continuously exploring possibilities of exporting its products to different markets. More details are covered in the Management Discussion and Analysis Report, which forms part of Directors' Report.

#### b. Total foreign exchange earnings and outgo:

During the year, the foreign exchange outgo was Rs. 5,067 millions and the earning in foreign exchange was Rs. 14,641 millions. Details of the same have been given in Notes 32 to 34 of Notes to the Financial Statements.

By order of the Board of Directors

Place : Ahmedabad.  
Date : May 10, 2012.

Pankaj R. Patel  
Chairman

## Corporate Governance

### Company's Philosophy on Corporate Governance Code:

Cadila Healthcare Limited believes in continuous good corporate governance and always strives to improve performance at all levels by adhering to corporate governance practices, such as managing its affairs with diligence, transparency, responsibility and accountability. We have, therefore, designed our systems and action plans to enhance performance and stakeholders' value in the long run. To create a culture of good governance, your Company has adopted practices that comprise of performance accountability, effective management control, constitution of Board Committees as a part of the internal control system, fair representation of professionally qualified, non-executive and independent Directors on the Board, adequate and timely compliance, disclosure of information on performance, ownership and governance of the Company and discharge of statutory dues. The Compliance Report on Corporate Governance herein signifies compliance of all mandatory requirements of clause 49 of the Listing Agreement.

### The Internal Governance Structure:

The internal governance structure is redesigned during the year under review. For effective Management and Control under the broad policy and framework approved by the Board of Directors, a Zydus Executive Board ["ZEB"] comprising of three members, viz., the Managing Director, Deputy Managing Director and Executive Director [functional] has been set-up. The main function of the ZEB members will be to continuously review the performance parameters and health, regulatory management, risks management strategy, safety and EHS and succession planning and leadership development. ZEB will co-ordinate across top management the responsibilities of businesses and functions amongst three members. ZEB will enable Zydans to move collectively in next growth journey and will expand management bandwidth for running a 3 bn \$ organization. The Company has also formed Zydus Management Committee ["ZMC"] during the year which consists of heads of various businesses and functions to supervise and control business operations on a periodic basis.

### I Board of Directors:

The ZEB and ZMC will manage the day-to-day business affairs of the Company. The Board of Directors monitor the overall business operations based on updates of the Company's performance provided by the Managing Director / Deputy 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 March 31, 2012, 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 in terms of Sub clause-I (A) (iii) of Clause 49 of the Listing Agreement. Independent Directors have expert knowledge in the fields of finance, taxation, legal and industry. Thus, the Board represents a balanced mix of professionals, who bring the benefits of their knowledge and expertise.

#### (B) Board Meetings / Directors' Particulars:

In compliance with clause 49 of the listing agreement and as required under the Companies Act, 1956, the Board meets at least once in each quarter and the gap between any two Board meetings was not more than four months. During the year under review, six board meetings were held on May 6, 2011, June 16, 2011, July 19, 2011, November 10, 2011, December 21, 2011 and February 7, 2012.

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

## Corporate Governance

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

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

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

The following table gives the attendance of the Directors at the Board meetings of the Company and also the number of other Directorships held in Indian Public Limited Companies other than the Company and Chairmanship / membership in Board Committees of Public Limited Companies.

Name of the Director	Category and Position	Board Meetings held during the year	No. of Board meetings attended	Whether attended last AGM	Member (Chairman)* of other Board Committees **	Number of other Directorships held
Mr. Pankaj R. Patel ***	Chairman and Managing Director	6	6	Yes	4 (3)	10
Mr. H. Dhanrajgir	Non-executive and independent	6	5	Yes	9 (0)	7
Mr. Mukesh M. Patel	Non-executive and Independent	6	6	Yes	9 (5)	7
Mr. Nitin R. Desai	Non-executive and independent	6	3	Yes	1(0)	2
Mr. Apurva S. Diwanji	Non-executive and independent	6	4	Yes	3(2)	1
Dr. Sharvil P. Patel ****	Deputy Managing Director	6	6	Yes	2	6

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

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

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

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

### (C) 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 July 27, 2010 and July 29, 2008 respectively which is in accordance with the applicable laws.

Apart from the above, there are no materially significant related party transactions, pecuniary transaction or relationship between the Company and its Directors except those disclosed in the financial statements for the year ended March 31, 2012.

## II Committees of the Board:

The Company has four Board level Committees, namely;

- Audit Committee;
- Share Transfer Committee;
- Shareholders' / Investors' Grievance Committee and
- Committee of Directors.

### (A) Audit Committee:

As on March 31, 2012, the Audit Committee comprised of three Independent Directors. Names of the members and the Chairman of the Committee as on March 31, 2012 together with their attendance are given in the following table.

Name of the Member	No. of Meetings held	No. of Meetings Attended
Mr. Mukesh M. Patel, Chairman	4	4
Mr. H. Dhanrajgir	4	3
Mr. Apurva S. Diwanji	4	3

All the members of the committee have accounting, financial and management expertise. The Audit Committee held four meetings during 2011-12 on May 5, 2011, July 18, 2011, November 9, 2011 and February 6, 2012. The time gap between any two meetings was less than four months.

The Chairman of the Audit Committee attended the Annual General Meeting of the Company held on July 19, 2011 to respond to shareholders' queries.

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

The Audit Committee discharges such functions and duties which are generally 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 Company continued to derive benefit from the deliberations of 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:

### a) Terms of reference:

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

### b) Composition:

The Share Transfer Committee comprises of the following members:

Mr. Pankaj R. Patel - Chairman  
Mr. Mukesh M. Patel  
Mr. Apurva S. Diwanji

### c) Meetings and attendance during the year:

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

## (C) Shareholders'/Investors' Grievance Committee:

### a) Terms of reference:

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

### b) Composition:

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

Name of the member	No. of Meetings held	No. of Meetings Attended
Mr. Apurva S. Diwanji, 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 the shareholders'/ investors' grievances and correspondence are attended and resolved expeditiously. During the year under review, 64 investor grievances were received and all of them have been resolved. There were no investor grievances remaining unattended and pending as on March 31, 2012.

As on March 31, 2012, 89,339 equity shares remained in the in-transit account with National Securities Depository Limited and Central Depository Services (India) Limited.

## (D) Committee of Directors:

Committee of Directors comprises of three members namely; [1] Mr. Pankaj R. Patel, [2] Dr. Sharvil P. Patel and [3] Mr. Mukesh M. Patel. The Committee looks after the businesses, which are administrative in nature and within the overall board approved directions and framework. Two meetings of the Committee were held during the year. The Company Secretary acts as the Secretary to the Committee.

## III Subsidiary Companies:

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

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

## IV Disclosures:

### A) Related Party Transactions:

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

### B) Remuneration of Directors:

Mr. Pankaj R. Patel is the Managing Director and Dr. Sharvil P. Patel is the Deputy Managing Director on the Board. The Board of Directors decides the remuneration of Mr. Pankaj R. Patel and Dr. Sharvil P. Patel within the ceiling fixed by shareholders as per the resolution passed at the Annual General Meeting held on July 28, 2006 and July 27, 2010 respectively. The remuneration paid to these Managing Directors for the year ended on March 31, 2012 was as follows:

(INR-Millions)

Name of the Managing Director	Salary & Allowances	Commission	Perquisites	Retiral Benefits
Mr. Pankaj R. Patel Managing Director	120	-	-	0.3
Dr. Sharvil P. Patel Deputy Managing Director	80	-	-	1.3

The Company has entered into agreements with Mr. Pankaj R. Patel and Dr. Sharvil P. Patel for their respective employment for a period of five years. Either party to an agreement is entitled to terminate the agreement by giving not less than 3 months notice in writing to the other party.

Independent Directors are paid sitting fees of Rs. 20,000/- per Board, Audit Committee and Committee of Directors meeting attended by them and commission to Non-Executive Directors which shall not exceed one per cent per annum of net profits of the Company, subject to maximum of Rs. 10 mio in aggregate. Directors are also reimbursed the traveling and out-of-pocket expenses for attending such meetings. The details of the commission / sitting fees paid to the Non-Executive Directors for the year 2011-12 are given below:



# Corporate Governance

(INR - Millions)

Name of the Non-Executive Directors	Commission @	Sitting fees			Total
		Board Meetings	Audit committee Meetings	Committee of Directors Meetings	
Mr. Mukesh M. Patel	1.20	0.12	0.08	0.04	1.44
Mr. H. Dhanrajgir	1.20	0.10	0.06	N.A.	1.36
Mr. Nitin R. Desai	1.20	0.06	N.A.	N.A.	1.26
Mr. Apurva S. Diwanji	1.20	0.08	0.06	N.A.	1.34

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

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

#### C) Code of Conduct:

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

#### D) Prohibition of Insider Trading:

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

#### Shares held by the Directors:

Name of the Directors	No. of shares held as at March 31, 2012	Details of shares bought / (sold) during 2011-2012
Mr. Pankaj R. Patel @	153122446	Nil
Mr. Mukesh M. Patel	1200	Nil
Mr. H. Dhanrajgir	Nil	Nil
Mr. Nitin R. Desai	50400	Nil
Mr. Apurva S. Diwanji	Nil	Nil
Dr. Sharvil P. Patel	3000	Nil

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

#### E) Management:

##### a) Management Discussion and Analysis Report [MDA]:

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

##### b) Disclosure of material financial and commercial transactions:

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

#### F) Shareholders:

##### Disclosure regarding reappointment of Directors:

Mr. Apurva S. Diwanji will retire at the ensuing Annual General Meeting by rotation. Mr. Diwanji has offered himself for reappointment. The Board recommended his reappointment.

The tenure of five years of appointment of Dr. Sharvil P. Patel expired on March 31, 2012 and the Board of Directors at its meeting held on February 7, 2012 has reappointed him for a further period of five years on the existing terms and conditions, subject to approval of shareholders at the ensuing Annual General Meeting. The Board recommends the reappointment of Dr. Sharvil P. Patel as Deputy Managing Director for a period of five years with effect from April 1, 2012.

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

#### G) Compliance by the Company:

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

## V CEO/CFO Certification:

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

## VI Means of Communication:

- The Company has 42,743 shareholders as on March 31, 2012. 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.
- The Annual General Meeting is a platform for face-to-face communication with the shareholders, where the Chairman makes presentation on the performance, financial results and future plans of the Company. The Chairman also responds to the specific queries of the shareholders.
- The Company also intimates to the Stock Exchanges all price sensitive matters which in its opinion are material and of relevance to the shareholders and subsequently issues a Press Release on such matters, wherever necessary.
- The quarterly and half yearly results are published in widely circulating national and local dailies such as "Business Standard" and "Jansatta", in English and Gujarati respectively. These are not sent individually to the shareholders.
- The Company's results and official news releases are displayed on the Company's web-site, [www.zyducadila.com](http://www.zyducadila.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.

Financial Year	Date and Time	Venue
2010-11	16 <sup>th</sup> AGM on July 19, 2011 at 10.00 a.m	J. B. Auditorium, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad - 380 015.
2009-10	15 <sup>th</sup> AGM on July 27, 2010 at 10.00 a.m	H.T. Parekh Hall, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad - 380 015.
2008-09	14 <sup>th</sup> AGM on July 29, 2009 at 10.00 a.m	Bhaikaka Bhavan, Nr. Law Garden, Ellisbridge, Ahmedabad - 380 006.

### Postal Ballot:

During the year, the Company has not sought shareholders' approval through Postal Ballot.

## VIII General shareholder information:

Date and Time of 17 <sup>th</sup> AGM	August 6, 2012 at 10.00 a.m.
Venue of 17 <sup>th</sup> AGM	J. B. Auditorium, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad - 380 015.
Financial Year	April 1, 2011 to March 31, 2012
Book Closure Date	July 30, 2012 to August 6, 2012 (Both days inclusive)
Registered Office Address	"Zydus Tower", Satellite Cross Roads, Sarkhej Gandhinagar Highway, Ahmedabad - 380 015.
Dividend Payment Date	August 11, 2012
Compliance Officer	Mr. Upen H. Shah, Company Secretary
Website Address	www.zyduscadila.com

### Tentative Financial Calendar for the financial year 2012-13:

First quarter results	Before August 14, 2012
Half yearly results	Before November 14, 2012
Third quarter results	Before February 14, 2013
Audited results for the year 2012-13	Before May 30, 2013

### 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 - 380 015.
Bombay Stock Exchange Limited 1 <sup>st</sup> Floor, New Trading Ring, Rotunda Bldg, P. J. Towers, Dalal Street, Fort, Mumbai - 400 001.
The National Stock Exchange of India Limited Exchange Plaza, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051.

### Listing fees:

The Company has paid the annual listing fees for the financial year 2012-13 to all the Stock Exchanges where its securities are listed.

### Stock Code:

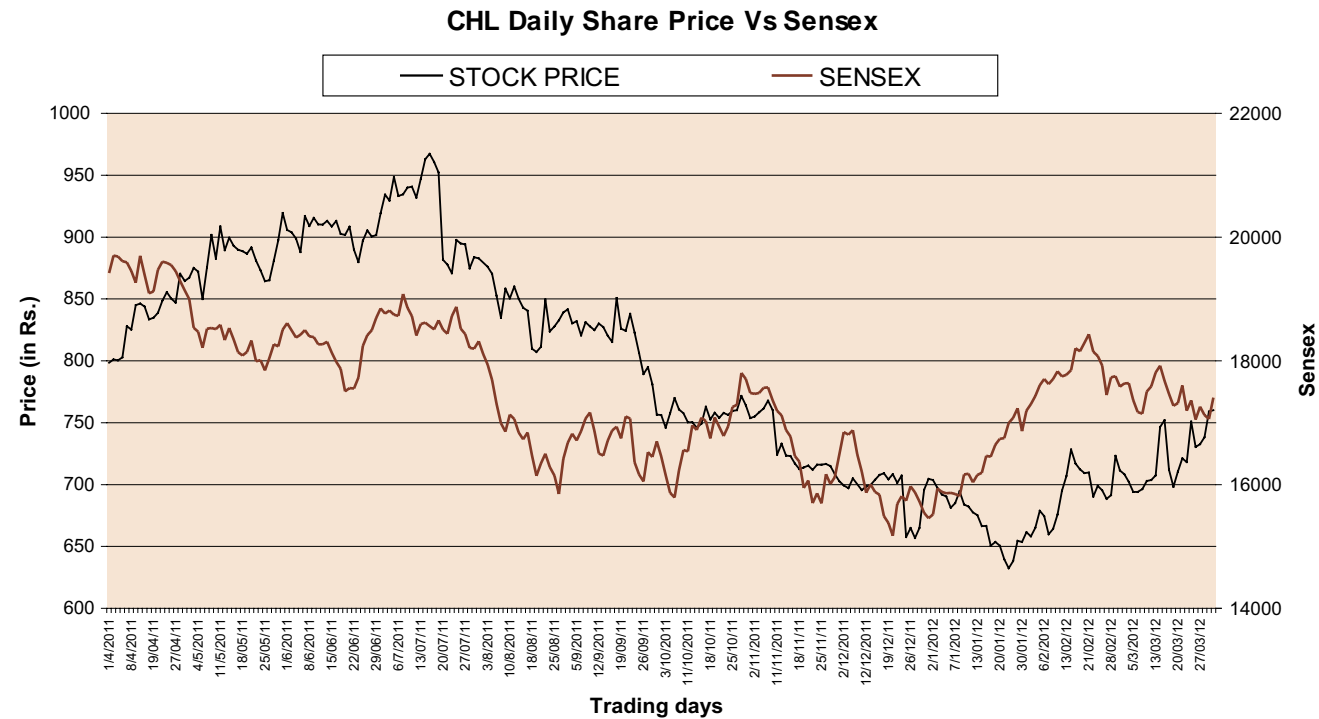
Name of the Stock Exchange	Stock Code No.	Closing Price as on March 31, 2012 (Rs.)
The National Stock Exchange of India Limited, Mumbai	CADILAHC	758.50
Bombay Stock Exchange Limited	532321	760.10
Ahmedabad Stock Exchange Limited	10927	No trading reported

### Stock price and BSE Sensex data:

Month	BSE Sensex	Bombay Stock Exchange Limited			National Stock Exchange of India Limited		
		High (Rs.)	Low (Rs.)	Av. Volume (In Nos.)	High (Rs.)	Low (Rs.)	Av. Volume (In Nos.)
April, 11	19,135.96	941.00	790.35	20,974	889.00	793.00	81,646
May, 11	18,503.28	928.00	820.10	20,766	930.00	820.10	90,071
June, 11	18,845.87	940.70	868.00	11,792	941.90	852.75	88,498
July, 11	18,197.20	983.50	860.00	34,141	985.00	860.00	1,36,860
Aug., 11	16,676.75	898.00	793.70	17,993	900.00	781.10	1,23,091
Sept., 11	16,453.76	884.00	749.90	11,872	884.90	723.60	84,270
Oct., 11	17,705.01	787.00	743.00	5,530	800.00	740.30	78,782
Nov., 11	16,123.46	802.65	705.00	9,237	774.00	703.00	76,724
Dec., 11	15,454.92	759.40	642.95	9,516	735.60	632.00	72,756
Jan., 12	17,193.55	711.10	629.00	8,349	714.00	620.00	1,18,245
Feb., 12	17,752.68	736.00	650.00	21,378	734.80	654.05	2,09,810
March, 12	17,404.20	774.80	683.50	7,564	774.20	669.00	73,779

No trading recorded on the Ahmedabad Stock Exchange Limited.

Chart 'A' Stock Performance :



#### Registrar and Share Transfer Agents:

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

M/s. Sharepro Services (India) Private Limited., 416-420, 4th Floor, Devnandan Mall  
Opp. Sanyas Ashram, Nr. M.J. Library, Ellis Bridge, Ahmedabad - 380 006  
Telephone: 079 - 26582381-84. | Fax number: 079 - 26582385.  
Email: sharepro.ahmedabad@shareproservices.com

#### Share transfer system:

A Committee of Directors has been constituted to approve the transfers, transmission, issue of duplicate shares, etc. The Company's Share Transfer Agent - M/s Sharepro Services [India] Private Limited have adequate infrastructure to process the above matters.

A predetermined process cycle at regular interval ensures the transfer of shares [in physical form] within the stipulated time limit.

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 2011-12, 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 March 31, 2012 is given below:

No. of Equity Shares	No. of folios	% to total folios	No. of Shares	% of shareholding
1 to 1000	41062	96.07	6133793	3.00
1001 to 2000	1009	2.36	1358908	0.66
2001 to 4000	261	0.61	733484	0.36
4001 to 6000	81	0.19	403574	0.20
6001 to 8000	31	0.07	221780	0.11
8001 to 10000	43	0.10	385323	0.19
10001 to 20000	75	0.18	1096285	0.53
20001 and above	181	0.42	194415373	94.95
<b>Grand Total</b>	<b>42743</b>	<b>100.0</b>	<b>204748520</b>	<b>100.00</b>
Shareholders in physical mode	5476	12.81	1602500	0.78
Shareholders in electronic mode	37267	87.19	203146020	99.22
<b>Grand Total</b>	<b>42743</b>	<b>100.0</b>	<b>204748520</b>	<b>100.00</b>

#### Shareholding pattern as at March 31, 2012:

Category	No. of shares held		Total Shares	% of shareholding
	Physical	Electronic		
Promoter's holding	0	153138046	153138046	74.79
Mutual Funds and UTI	2883	14310215	14313098	6.99
Banks, FIs and Insurance Companies	1344	11686245	11687589	5.71
Foreign Institutional Investors	0	8293265	8293265	4.05
NRIs / OCBs	8376	386555	394931	0.20
Other Corporate Bodies	8869	6586808	6595677	3.22
Indian public	1581028	8744886	10325914	5.04
<b>Total</b>	<b>1602500</b>	<b>203146020</b>	<b>204748520</b>	<b>100.0</b>

#### Dematerialisation of shares and liquidity:

The Company's equity shares are traded compulsorily in dematerialised form with effect from July 24, 2000. Approximately 99.22% 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, their conversion date and likely impact on equity:**

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

### **Details of non-compliance:**

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

### **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 March 31, 2012

**Place :** Ahmedabad.

**Date :** May 10, 2012

**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 March 31, 2012 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 March 31, 2012, no such investor grievances remained unattended/pending for more than 30 days.

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

For **Mukesh M. Shah & Co.**  
**Chartered Accountants**  
**Firm Registration No.** 106625W

**Mukesh M. Shah**  
**Partner**  
**Membership Number :** 030190  
**Place :** Ahmedabad  
**Date :** May 10, 2012

### **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, 2012, Statement of Profit and Loss 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, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d) in our opinion the Balance Sheet, Statement of Profit and Loss 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, 2012 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, more particularly Note No. 37(B) regarding change in accounting policy in respect of derivative financial instruments and its consequential effect on the profits for the reporting period, 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, 2012;
    - (ii) in the case of the Statement of Profit and Loss, 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**  
**Firm Registration No.** 106625W

**Mukesh M. Shah**  
**Partner**  
**Membership Number :** 030190  
**Place :** Ahmedabad  
**Date :** May 10, 2012

## Annexure referred to in 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, 2012, 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, in our opinion, do not constitute substantial part of fixed assets of the company and such disposal has not affected the going concern status of the company.
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) In our opinion and according to the information and explanation given to us, the company has maintained proper records of inventory. No material discrepancies were noticed on physical verification of inventory.
3. The company has neither granted nor taken 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.
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, 2012, 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 and other material statutory dues as at March 31, 2012 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	346	2006-07 and 2007-08	Income Tax Appellate Tribunal
		571	2006-07 and 2008-09	Commissioner of Income Tax (Appeals)
		0.20	1995-96	Deputy Commissioner of Income Tax (OSD)
The Central Sales Tax and State Sales Tax Act	Sales Tax	72	1996-97 to 1999-00, 2001-02 and 2004-05 to 2007-08	Commissioner/ Deputy Commissioner / Joint Commissioner of Sales Tax / Revision Board
		9	1997-98 and 2001-02	Appellate Tribunal
The Central Excise Act and the Service Tax Act	Excise Duty, Service Tax	0.02	1985-86, 1986-87, 1987-88, 1988-89 and 1992-93	ACCE/DCCE/JCCE/Add.Comm.
		5	Various cases for the period 1995 to 1999, 2005-06, 2006-07, 2007-08 and 2008-09	Commissioner (Appeals)
		25	Various cases For the period 1995 to 2000, 2003-04, 2005-06, 2006-07, 2007-08 and 2008-09	CESTAT
		2	Jan. '95 to Nov. '95	Bombay High Court

10. The company does not have any accumulated loss 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 any 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.

## Auditors' Report

15. In our opinion and according to the information and explanations given to us, the terms and conditions of guarantees/ letter of comfort given by the company for loans taken by subsidiaries and other parties 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 created securities in respect of non-convertible debentures issued so far.
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 material fraud on or by the company was noticed or reported during the year.

For **Mukesh M. Shah & Co.**  
**Chartered Accountants**  
**Firm Registration No.** 106625W

**Mukesh M. Shah**  
**Partner**  
**Membership Number :** 030190  
**Place :** Ahmedabad  
**Date :** May 10, 2012

# Standalone Financial Statements



**Balance Sheet as at March 31, 2012**

Particulars	Note No.	INR - Millions	
		Figures as at end of	
		Current Reporting Period	Previous Reporting Period
		March 31	
		2012	2011
<b>EQUITY AND LIABILITIES:</b>			
<b>Shareholders' Funds:</b>			
Share Capital	1	1,024	1,024
Reserves and Surplus	2	24,469	19,875
		<b>25,493</b>	20,899
<b>Non-Current Liabilities:</b>			
Long Term Borrowings	3	6,844	4,744
Deferred Tax Liabilities [Net]	4	1,248	1,193
Other Long Term Liabilities	5	193	162
Long Term Provisions	6	476	351
		<b>8,761</b>	6,450
<b>Current Liabilities:</b>			
Short Term Borrowings	7	4,114	497
Trade Payables	8	2,848	3,459
Other Current Liabilities	9	4,103	1,805
Short Term Provisions	10	1,795	1,508
		<b>12,860</b>	7,269
<b>Foreign Currency Monetary Items Translation Difference Account</b>	11	<b>78</b>	-
<b>Total</b>		<b>47,192</b>	34,618
<b>ASSETS:</b>			
<b>Non-Current Assets:</b>			
Fixed Assets:			
Tangible Assets	12	12,007	10,033
Intangible Assets	12	170	333
Capital work-in-progress		3,117	2,337
Intangible Asset under Development		-	-
		<b>15,294</b>	12,703
Non-Current Investments	13	11,025	5,665
Long Term Loans and Advances	14	5,658	3,320
		<b>31,977</b>	21,688
<b>Current Assets:</b>			
Current Investments	15	1,097	1,323
Inventories	16	5,012	4,645
Trade Receivables	17	5,812	4,751
Cash and Bank Balances	18	1,183	424
Short Term Loans and Advances	19	1,916	1,399
Other Current Assets	20	195	388
		<b>15,215</b>	12,930
<b>Total</b>		<b>47,192</b>	34,618
<b>Significant Accounting Policies</b>			
<b>Notes to the Financial Statements</b>	1 to 42		
As per our report of even date		For and on behalf of the Board	
For Mukesh M. Shah & Co. Chartered Accountants Firm Registration Number: 106625W		Pankaj R. Patel Chairman & Managing Director	
Mukesh M. Shah Partner Membership Number: 030190 Ahmedabad, Dated: May 10, 2012	Jyotindra B. Gor Chief Accounts Officer	Upen H. Shah Company Secretary	Sharvil P. Patel Deputy Managing Director

## Statement of Profit and Loss for the year ended March 31, 2012

Particulars	Note No.	INR - Millions	
		Figures for the	
		Current Reporting Period	Previous Reporting Period
		March 31	
		2012	2011
<b>REVENUE:</b>			
Revenue from Operations:	23		
Sale of Products [Gross]		24,565	22,113
Less: Excise Duty		432	351
Sale of Products [Net]		24,133	21,762
Sale of Services		-	-
Other Operating Revenues		7,375	7,441
Net Revenue from Operations		31,508	29,203
Other Income	24	2,391	581
Total Revenue		33,899	29,784
<b>EXPENSES:</b>			
Cost of Materials Consumed	25	7,909	6,767
Purchases of Stock-in-Trade	26	3,046	2,283
Changes in Inventories of Finished goods, Work-in-progress and Stock-in-Trade	27	(585)	(351)
Employee Benefits Expense	28	4,345	4,138
Finance Costs	29	1,283	318
Depreciation and Amortisation expenses	12	1,082	969
Other Expenses	30	10,115	9,288
Total Expenses		27,195	23,412
<b>Profit before exceptional &amp; extraordinary items and Tax</b>		6,704	6,372
Less: Exceptional Items		-	-
<b>Profit before extraordinary items and Tax</b>		6,704	6,372
Less: Extraordinary Items		-	-
<b>Profit before Tax</b>		6,704	6,372
Less/ [Add]: Tax Expense:			
Current Tax		74	330
Deferred Tax	4	55	44
Prior year's tax adjustments		-	(106)
		129	268
<b>Profit for the period from continuing operations</b>		6,575	6,104
Profit/ [Loss] from discontinuing operations		-	-
Tax Expense of discontinuing operations		-	-
Profit/ [Loss] from discontinuing operations [After Tax]		-	-
<b>Profit for the period</b>		6,575	6,104
<b>Basic &amp; Diluted Earning per Equity Share [EPS] [in Rupees]:</b>	31		
Before Exceptional Items		32.11	29.81
After Exceptional Items		32.11	29.81
<b>Significant Accounting Policies</b>			
<b>Notes to the Financial Statements</b>	1 to 42		
As per our report of even date		For and on behalf of the Board	
For Mukesh M. Shah & Co. Chartered Accountants Firm Registration Number: 106625W		Pankaj R. Patel Chairman & Managing Director	
Mukesh M. Shah Partner Membership Number: 030190 Ahmedabad, Dated: May 10, 2012	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, 2012

Particulars	INR - Millions	
	Figures for the	
	Current Reporting Period	Previous Reporting Period
	March 31	
	2012	2011
<b>A Cash flows from operating activities:</b>		
Net profit before taxation and extraordinary items	6,704	6,372
Adjustments for:		
Depreciation	1,082	969
[Profit]/ Loss on sale of assets [Net]	2	12
[Profit]/ Loss on sale of investments [Net]	(48)	-
Interest income	(174)	(36)
Dividend income	(2,111)	(524)
Interest expenses	627	342
Bad debts written off	20	95
Provision for doubtful debts written back	(15)	(90)
Doubtful advances written off	14	-
Provision for doubtful advances written back	(3)	-
Provisions for employee benefits	134	199
Provisions for probable product expiry claims and return of goods	(2)	3
Total	(474)	970
Operating profit before working capital changes	6,230	7,342
Adjustments for:		
[Increase]/ Decrease in trade receivables	(329)	514
[Increase]/ Decrease in inventories	(367)	(837)
[Increase]/ Decrease in short term advances	(1,992)	126
[Increase]/ Decrease in long term advances	(538)	(502)
[Increase]/ Decrease in other current assets	195	(31)
Increase/ [Decrease] in trade payables	885	1,081
Increase/ [Decrease] in other current liabilities	(177)	(1,563)
Increase/ [Decrease] in other long term liabilities	26	99
Total	(2,297)	(1,113)
Cash generated from operations	3,933	6,229
Direct taxes paid [Net of refunds]	(232)	(634)
Cash flow before extraordinary items	3,701	5,595
Foreign Currency Monetary items Translation Difference Account Written off	78	-
Hedge Reserve [Net of Liability]	(62)	-
Net cash from operating activities	3,717	5,595
<b>B Cash flows from investing activities:</b>		
Purchase of fixed assets	(3,784)	(3,032)
Proceeds from sale of fixed assets	52	177
Purchase of Non Current investments	(7,060)	(294)
Proceeds from sale of Non Current Investments	1,748	-
Purchase of Current investments	226	(705)
Advances to subsidiary / joint venture companies	(1,617)	(405)
Repayment of Advances by subsidiary companies	-	16
Interest received	172	43
Dividend received	2,111	524
Net cash from investing activities	(8,152)	(3,676)



**Cash Flow Statement for the year ended March 31, 2012**

Particulars	INR - Millions	
	Figures for the	
	Current Reporting Period	Previous Reporting Period
	March 31	
	2012	2011
<b>C Cash flows from financing activities:</b>		
Proceeds from Long Term Borrowings	5,210	669
Repayment of Long Term Borrowings	(1,622)	(589)
Short Term Borrowings [Net]	3,617	(381)
Interest paid	(587)	(328)
Dividends paid	(1,278)	(1,023)
Tax on dividends paid	(146)	(125)
Net cash used in financing activities	5,194	(1,777)
<b>Net increase/ [-] decrease in cash and cash equivalents</b>	<b>759</b>	<b>142</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>424</b>	<b>282</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>1,183</b>	<b>424</b>

**Notes to the Cash Flow Statement**

- 1 All figures in brackets are outflows.
- 2 Previous year's figures have been regrouped wherever necessary.
- 3 Cash and cash equivalent at the end [beginning] of the period includes Rs. 7 [Rs. 6] Millions not available for immediate use.

As per our report of even date

For and on behalf of the Board

For Mukesh M. Shah & Co.  
Chartered Accountants  
Firm Registration Number: 106625W

Pankaj R. Patel  
Chairman & Managing Director

Mukesh M. Shah  
Partner  
Membership Number: 030190  
Ahmedabad, Dated: May 10, 2012

Jyotindra B. Gor  
Chief Accounts Officer

Upen H. Shah  
Company Secretary

Sharvil P. Patel  
Deputy Managing Director

**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 and other pronouncement issued by Institute of Chartered Accountants of India to the extent applicable and with the applicable provisions of the Companies Act, 1956.

**2 Use of Estimates:**

The preparation of Financial Statements in conformity with the Accounting Standards generally accepted in India requires, the management to make estimates and assumptions 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 reporting period while 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** Capitalised costs incurred towards purchase/ development of software are amortised using straight line method over its useful life of four years as estimated by the management at the time of capitalisation.

**G** 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.

**H** 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:**

**A** Borrowing costs that are directly attributable to the acquisition/ construction of a qualifying asset are capitalised as part of the cost of such assets, up to the date, the assets are ready for their intended use.

**B** Other borrowing costs are recognised as an expense in the period in which they are incurred.

**C** Borrowing costs also include exchange rate differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

**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 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, Stock-in-Trade and Work-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 & Stock-in-Trade is determined on Moving Average Method.

**C** Cost of Finished Goods and Work-in-progress is determined by taking material cost [Net of Input tax credit availed], labour and relevant appropriate overheads.

**9 Revenue Recognition:**

**A** Revenue from Sale of goods is recognised when significant risks and rewards of ownership of the goods have been passed to the buyer.

**B** Service income is recognised as per the terms of contracts with the customers when the related services are performed or the agreed milestones are achieved and are net of service tax wherever applicable.

**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.

**Significant Accounting Policies-Continue:****10 Foreign Currency Transactions:**

- A** The transactions in foreign currencies are stated at the rates of exchange prevailing on the dates of transactions.
- B** The net gain or loss on account of exchange rate differences either on settlement or on translation of short term monetary items is recognised in the statement of Profit and Loss.
- C** The net gain or loss on account of exchange rate 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 is amortised during the tenure of loans but not beyond March 31, 2020.
- D** Investments in foreign subsidiaries are recorded in Indian currency at the rates of exchange prevailing at the time when the investments were made.
- E** The foreign currency assets and liabilities including forward contracts are restated at the prevailing exchange rates at the period end. The premium in respect of forward contracts is accounted over the period of the contract.

**11 Derivative Instruments and Hedge Accounting:**

- A** Pursuant to ICAI Announcement "Accounting for Derivatives" on the early adoption of Accounting Standard 30 "Financial Instruments: Recognition and Measurement" which contains accounting for derivatives, the Company has voluntarily adopted the Standard with effect from October 1, 2011, to the extent that the adoption does not conflict with existing mandatory accounting standards and other authoritative pronouncements, Company law and other regulatory requirements in respect of accounting for derivatives and hedge accounting.
- B** The company uses derivative instruments, such as foreign currency forward contracts, other non-derivative financial liabilities and interest rate swaps to hedge its foreign currency risks associated with probable forecasted sales and interest rate fluctuations. The company designates these hedging instruments as "cash flow hedge" in applying the recognition and measurement principles set out in the Accounting Standard 30.
- C** Hedging instruments are initially measured at fair value, and are remeasured at subsequent reporting dates. Changes in the fair value of these derivatives that are designated and effective as hedges of future cash flows are recognised directly in "Hedge Reserves" [under "Reserves & Surplus"] and the ineffective portion is recognised immediately in the statement of Profit and Loss.
- D** Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the statement of Profit and Loss as they arise.
- E** Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time for forecasted transactions, any cumulative gain or loss on the hedging instrument recognised in Hedge Reserve is retained until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in Hedge Reserve is transferred to the statement of Profit and Loss for the period.

**12 Research and Development Cost:**

- A** Expenditure on research and development is charged to the statement of Profit and Loss of the period 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 Employee 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 period 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 reporting period end, which is calculated using projected unit credit method.

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

**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 accumulated leave as on last day of the accounting year is recognised [net of the fair value of plan assets 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.

**D Employee Separation Costs:**

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

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

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



**Significant Accounting Policies - Continue :****16 Taxes on Income:**

- A** Tax expenses comprise of current and deferred tax.
- B** Current tax is measured at the amount expected to be paid on the basis of reliefs and deductions available in accordance with the provisions of the Income Tax Act, 1961.
- C** Deferred tax reflects the impact of current year timing differences between accounting and taxable income 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 and are reviewed at each balance sheet date.

**17 Provision for Product Expiry Claims:**

Provision for product expiry claims in respect of products sold during the reporting period is made based on the management's estimates.

**18 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 statement of Profit and Loss as and when paid.

**19 Government Grants:**

- A** Government grants are recognised 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 are recognised on a systematic and gross basis in the statement of Profit and Loss over the period during which the related costs intended to be compensated are incurred.
- C** Government grants in the nature of incentive provided by the government without related costs are credited to capital reserve.

**20 Provisions, Contingent Liabilities and Contingent Assets:**

Provision is recognised when the company has a present obligation as a result of past events and it is probable that the outflow of resources will be required to settle the obligation and in respect of which reliable estimates can be made. A disclosure for contingent liability is made when there is a possible obligation, that may, but probably will not require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision/ disclosure is made. Contingent assets are not recognised in the financial statements. Provisions and contingencies are reviewed at each balance sheet date and adjusted to reflect the correct management estimates.

## Notes to the Financial Statements

	INR - Millions	
	Figures as at end of	
	Current Reporting Period	Previous Reporting Period
	March 31	
	2012	2011
<b>Note: 1-Share Capital:</b>		
<b>Authorised :</b>		
220,000,000 [as at March 31, 2011: 220,000,000] Equity Shares of Rs.5/- each	<b>1,100</b>	1,100
	<b>1,100</b>	1,100
<b>Issued, Subscribed and Paid-up:</b>		
204,748,520 [as at March 31, 2011: 204,748,520] Equity Shares of Rs.5/- each, fully paid up	<b>1,024</b>	1,024
<b>Total</b>	<b>1,024</b>	1,024
A The reconciliation of the number of Shares outstanding is as under:		
Particulars		
Number of shares at the beginning	<b>204,748,520</b>	136,499,013
Add: Bonus shares issued during the reporting period	-	68,249,507
Number of shares at the end	<b>204,748,520</b>	204,748,520
B The Company has only one class of shares i.e. equity shares. All equity shares rank pari passu and carry equal rights with respect to voting and dividend. In the event of liquidation of the Company, the equity shareholders shall be entitled to proportionate share of their holding in the assets remaining after distribution of all preferential amounts.		
C Details of Share Holders holding more than 5% of Equity Shares of Rs. 5/- each, fully paid:		
Zydus Family Trust		
Number of Shares	<b>153,107,446</b>	153,107,446
% to total share holding	<b>74.78%</b>	74.78%
D 100,885,305 [as at March 31, 2011: 100,885,305] Equity Shares of Rs. 5/- each, fully paid-up were issued and allotted without payment being received in cash and 90,000,000 [as at March 31, 2011: 90,000,000] Equity Shares of Rs. 5/- each were extinguished during February, 2009 pursuant to Composite Scheme of Arrangement.		
E Equity Shares allotted as fully paid bonus shares during the last five years	<b>68,249,507</b>	68,249,507
<b>Note: 2-Reserves and Surplus:</b>		
<b>Securities Premium Reserve:</b>		
Balance as per last Balance Sheet	-	116
Less: Utilised for Issue of Bonus Shares	-	116
	-	-
<b>Debenture Redemption Reserve:</b>		
Balance as per last Balance Sheet	<b>200</b>	100
Add: Transfer from Surplus in statement of Profit and Loss	<b>450</b>	100
	<b>650</b>	200
<b>Other Reserves:</b>		
<b>International Business Development Reserve: [*]</b>		
Balance as per last Balance Sheet	<b>2,000</b>	2,000
<b>General Reserve: [**]</b>		
Balance as per last Balance Sheet	<b>11,000</b>	10,000
Add: Transfer from Surplus in statement of Profit and Loss	<b>1,000</b>	1,226
Less: Utilised for Bonus Issue	-	226
	<b>12,000</b>	11,000
<b>Hedge Reserve: [Refer Note-37]</b>		
Balance as per last Balance Sheet	-	-
Less: Debited during the reporting period	<b>275</b>	-
	<b>(275)</b>	-

## Notes to the Financial Statements

	INR - Millions			
	Figures as at end of			
	Current Reporting Period		Previous Reporting Period	
	March 31			
	2012		2011	
<b>Note: 2-Reserves and Surplus-Continue:</b>				
<b>Surplus in statement of Profit and Loss:</b>				
Balance as per last Balance Sheet	6,675		3,323	
Add: Profit for the reporting period	6,575		6,104	
	13,250		9,427	
Less: Appropriations:				
Dividends:				
Proposed Dividend	1,536		1,280	
Corporate Dividend Tax on Proposed Dividend [Net of CDT Credit]	170		146	
Transfer to Debenture Redemption Reserve	450		100	
Transfer to General Reserve	1,000		1,226	
	3,156		2,752	
Balance as at the end of reporting period	10,094		6,675	
<b>Total</b>	<b>24,469</b>		<b>19,875</b>	
[*] International Business Development Reserve was created pursuant to Composite Scheme of Amalgamation approved by the Hon'able High Court and its utilization shall be as provided in the scheme.				
[**] General Reserve can be used for the purposes and as per guidelines prescribed in Companies Act, 1956.				
<b>Note: 3-Long Term Borrowings:</b>				
	INR - Millions			
	Non-current portion		Current Maturities	
	Figures as at end of			
	Current Reporting Period		Previous Reporting Period	
	March 31		March 31	
	2012		2011	
A Debentures [Secured]:				
a 8.50% Redeemable, Non Convertible privately placed	500	500	-	-
b 9.70% Redeemable, Non Convertible privately placed	1,750	-	-	-
	2,250	500	-	-
B Term Loans from Banks:				
a Term Loan [Secured]	500	750	250	-
b External Commercial Borrowings in Foreign Currency [Secured]	3,580	3,243	1,391	327
c External Commercial Borrowings in Foreign Currency [Unsecured]	339	-	170	-
	6,669	4,493	1,811	327
C Deferred Payment Liabilities [Unsecured]:				
Interest free deemed loan against deferment of sales tax:				
a From a Financial Institution	28	42	14	14
b Deferred amount	113	171	58	58
	141	213	72	72
D From Others [Unsecured]	34	38	4	-
<b>Total</b>	<b>6,844</b>	<b>4,744</b>	<b>1,887</b>	<b>399</b>
The above amount includes:				
Secured borrowings	6,330	4,493	1,641	327
Unsecured borrowings	514	251	246	72
Amount disclosed under the head "Other Current Liabilities" [Note-9]	-	-	(1,887)	(399)
<b>Net amount</b>	<b>6,844</b>	<b>4,744</b>	<b>-</b>	<b>-</b>



## Notes to the Financial Statements

### Note: 3-Long Term Borrowings-Continue:

#### A Securities and Terms of Repayment for Secured Long Term Borrowings:

##### a Debentures:

The Company has issued the following Secured Redeemable Non-convertible Debentures ["Debentures"]:

- i 500 debentures each of Rs. 1 Million allotted on December 4, 2009, which carry interest rate of 8.5% p.a. payable on half-yearly basis. These debentures are redeemable at par at the end of five years from the date of allotment.
- ii 1,750 debentures each of Rs. 1 Million allotted on July 14, 2011, which carry interest rate of 9.7% p.a., payable on half-yearly basis. These debentures are redeemable at par at the end of five years from the date of allotment, with an option to the Company for redemption at the end of third year from the date of allotment. If the Company exercises its option, these debentures will be redeemed at the end of third year from its date of allotment.

These debentures are secured by way of mortgage on specific trade mark[s] and pari-passu charge on land of the Company situated at village Manipur in the State of Gujarat.

##### b Rupee Term Loans:

Rupee Term Loan of Rs. 750 Millions is secured by an equitable mortgage of immovable properties and hypothecation of movable plant and machineries of the Company's Formulation Unit at village Moraiya in the State of Gujarat on pari-passu basis with other lenders. The loan is further secured by way of a hypothecation of a specific brand. The loan is repayable in three yearly installments each of Rs. 250 Millions after a moratorium period of three years from the date of its origination [April 29, 2009] along with accrued interest for the period. Interest rates are reset at the end of each six months from the date of origination, at the rate applicable for 5 years Government Security yield + 3.45% p.a. The outstanding amount of loan as at March 31, 2012 is Rs. 750 [as at March 31, 2011: Rs. 750] Millions.

##### c Foreign Currency Loans:

- i External Commercial Borrowing [ECB] of USD 8 Millions was secured by an equitable mortgage of immovable properties and hypothecation of movable plant and machineries of the Company's Formulation Unit at village Moraiya in the State of Gujarat on pari-passu basis with other lenders. The loan was repayable in six half yearly installments, with first five installments each of Rs. 45 Millions [USD 1 Million] and the sixth installment of Rs. 132 Millions [USD 3 Millions] after a moratorium period of forty two months from the date of its origination [December 29, 2008] along with accrued interest for the period. Interest rates are reset every three months at the rate of 3 months USD LIBOR plus 450 bps p.a. The loan was fully repaid on September 29, 2011 [as at March 31, 2011: Rs. 357 Millions].
- ii External Commercial Borrowing [ECB] of USD 10 Millions was secured by hypothecation on movable plant and machineries of the Company's Formulation Unit at village Moraiya in the State of Gujarat on pari-passu basis with other lenders. The loan is further secured by way of hypothecation on a specific trade mark of the Company. The loan was repayable in three equal installments at the end of third, fourth and fifth year from the date of its origination [May 14, 2009] along with accrued interest for the period. Interest rates are reset every six months at the rate of 6 months USD LIBOR plus 450 bps p.a. The loan was fully repaid on September 15, 2011 [as at March 31, 2011: Rs. 446 Millions].
- iii External Commercial Borrowing [ECB] of USD 10 Millions was secured by hypothecation on movable plant and machineries of the Company's Formulation Unit at village Moraiya in the State of Gujarat on pari-passu basis with other lenders. The loan is further secured by way of hypothecation on a specific trade mark of the Company. The loan was repayable in three equal installments at the end of second, third and fourth year from the date of its origination [2nd February 2010] along with accrued interest for the period. Interest rates are reset every six months at the rate of 6 months USD LIBOR plus 235 bps p.a. The loan was fully repaid on March 22, 2012 [as at March 31, 2011: Rs. 446 Millions].
- iv External Commercial Borrowing [ECB] of USD 10 Millions is secured by an equitable mortgage of immovable properties and hypothecation of movable plant and machineries of the Company's API Unit at village Dabhasa/ Umraya in the State of Gujarat. The loan is further secured by way of hypothecation on a specific trade mark of the Company. The loan is repayable in five half yearly installments after initial moratorium period of four years from the date of its origination [April 5, 2007] along with accrued interest for the period. Interest rates are reset every six months at the rate of 6 months USD LIBOR plus 71.5 bps p.a. The outstanding amount of loan as at March 31, 2012 is Rs. 305 [as at March 31, 2011: Rs. 446] Millions.
- v External Commercial Borrowing [ECB] of USD 27 Millions is secured by hypothecation of specific trademarks of the Company. The loan is repayable in three half yearly equal installments starting from April 12, 2012 along with accrued interest for the period. Interest rates are reset every six months at the rate of 6 months USD LIBOR plus 77.5 bps p.a. The outstanding amount of loan as at March 31, 2012 is Rs. 1374 [as at March 31, 2011: Rs. 1205] Millions.
- vi External Commercial Borrowing [ECB] of USD 15 Millions is secured by hypothecation of a specific trade mark of the Company. The loan is repayable on the maturity of loan at the end of five years and one day from the date of its origination [August 19, 2010] along with accrued interest for the period. Interest rates are reset every three months at the rate of 3 months USD LIBOR plus 275 bps p.a. The outstanding amount of loan as at March 31, 2012 is Rs. 764 [as at March 31, 2011: Rs. 670] Millions.
- vii External Commercial Borrowing [ECB] of USD 8 Millions is secured by hypothecation of a specific trade mark of the Company. The loan is repayable in six half yearly installments, first five installments each of Rs. 51 Millions [USD 1 Million] and the last installment of Rs. 152 Millions [USD 3 Millions] to commence from June 29, 2012 along with accrued interest for the period. Interest rates are reset every six months at the rate of 6 months USD LIBOR plus 160 bps p.a. The outstanding amount of loan as at March 31, 2012 is Rs. 407 [as at March 31, 2011: Nil] Millions.
- viii External Commercial Borrowing [ECB] of USD 15 Millions is secured by hypothecation of a specific trade mark of the Company. The loan is repayable in three half yearly installments after initial moratorium period of five years from the date of its origination [October 17, 2011] along with accrued interest for the period. Interest rates are reset every six months at the rate of 6 months USD LIBOR plus 205 bps p.a. The outstanding amount of loan as at March 31, 2012 is Rs. 764 [as at March 31, 2011: Nil] Millions.

## Notes to the Financial Statements

**Note: 3-Long Term Borrowings-Continue:**

- ix External Commercial Borrowing [ECB] of USD 20 Millions is secured by English mortgage of immovable properties and hypothecation of movable plant and machineries of the Company's Formulation Unit at village Moraiya in the State of Gujarat on pari-passu basis with other lenders. The loan is repayable in five half yearly installments each of Rs. 204 Millions [USD 4 Millions] after a moratorium period of 30 months from the date of its origination [November 15, 2011] along with accrued interest for the period. Interest rates are reset every six months at the rate of 6 months USD LIBOR plus 145 bps p.a. Facility fees of 0.72% to be paid in 4 equal installments with first four interest payment date. The outstanding amount of loan as at March 31, 2012 is Rs. 1018 [as at March 31, 2011: Nil] Millions.
- x External Commercial Borrowing [ECB] of USD 6.67 Millions will be secured by hypothecation of specific trademark[s] of the Company. The loan is repayable in two equal yearly installments starting from February 2, 2013 along with accrued interest for the period. Interest rates are reset every six months at the rate of 6 months USD LIBOR plus 150 bps p.a. The outstanding amount of loan as at March 31, 2012 is Rs. 340 [as at March 31, 2011: Nil] Millions.

**B Terms of Repayment for Unsecured Long Term Borrowings:**

- a Interest Free Deemed loan against deferment of sales tax from a financial institution is guaranteed personally by the Chairman and Managing Director of the Company and another loan is interest free sales tax deferred loan, repayable in seven equal installments starting from May 30, 2009. The outstanding amount as at March 31, 2012 is Rs. 213 [as at March 31, 2011: Rs. 285] Millions.
- b Loan from Department of Science and Technology is repayable in ten yearly equal installments starting from November 1, 2012 along with interest @ 3% p.a. Interest accrued up to October 31, 2012 will be payable in 5 yearly installments along with repayment installment starting from November 1, 2012. The outstanding amount as at March 31, 2012 is Rs. 38 [as at March 31, 2011: Rs. 38] Millions.
- c External Commercial Borrowing [ECB] of USD 10 Millions is repayable in three equal yearly installments starting from May 14, 2012 along with interest for the period. Interest rates are reset every six months at the rate of 6 months USD LIBOR plus 150 bps p.a. The outstanding amount as at March 31, 2012 is Rs. 509 [as at March 31, 2011: Nil] Millions.

**Note: 4-Deferred Tax:****A Break up of Deferred Tax Liabilities and Assets into major components of the respective balances are as under:**

	INR - Millions				As at March 31 2012
	As at March 31 2010	Charge for the previous reporting period	As at March 31 2011	Charge for the current reporting period	
Deferred Tax Liabilities:					
Depreciation	1,463	28	1,491	214	1,705
Others	18	(5)	13	(13)	-
Total	1,481	23	1,504	201	1,705
Deferred Tax Assets:					
Employee benefits	68	(4)	64	35	99
Receivables	40	(26)	14	(6)	8
Others	224	9	233	117	350
Total	332	(21)	311	146	457
Net Deferred Tax Liabilities	1,149	44	1,193	55	1,248

**B The Net Deferred Tax Liabilities of Rs.55 [Previous reporting period: Rs.44] Millions for the reporting period has been provided in the statement of Profit and Loss.**

	INR - Millions	
	Figures as at end of	
	Current Reporting Period	Previous Reporting Period
	March 31	
	2012	2011
<b>Note: 5-Other Long Term Liabilities:</b>		
Trade Deposits	42	39
Derivative Liability	5	-
Others	146	123
<b>Total</b>	<b>193</b>	<b>162</b>

## Notes to the Financial Statements

	INR - Millions					
	Figures as at end of					
	Current Reporting Period			Previous Reporting Period		
	March 31					
	2012		2011			
<b>Note: 6-Long Term Provisions:</b>						
Provision for Employee Benefits	476		351			
<b>Total</b>	<b>476</b>		<b>351</b>			
<b>Disclosure pursuant to Accounting Standard-15 [Revised] "Employee Benefits":</b>						
<b>Defined benefit plan and long term employment benefit</b>						
<b>A General description:</b>						
<b>Leave wages [Long term employment benefit]:</b>						
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 accumulated leave as on last day of the accounting year is recognised [net of the fair value of plan 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.						
<b>Gratuity [Defined benefit plan]:</b>						
The Company has a defined benefit gratuity plan. Every employee who has completed continuous services of five years or more, 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.						
<b>INR - Millions</b>						
<b>Figures as at end of</b>						
	Current Reporting Period			Previous Reporting Period		
	March 31, 2012			March 31, 2011		
	Med. Leave	Leave Wages	Gratuity	Med. Leave	Leave Wages	Gratuity
<b>B Change in the present value of the defined benefit obligation:</b>						
Opening defined benefit obligation	8	223	463	5	132	300
Interest cost	1	19	39	-	11	25
Current service cost	-	39	62	2	42	51
Benefits paid	-	(40)	(29)	-	(37)	(49)
Actuarial [gain]/ losses on obligation	(2)	81	37	1	75	136
Closing defined benefit obligation	7	322	572	8	223	463
<b>C Change in the fair value of plan assets:</b>						
Opening fair value of plan assets	-	81	351	-	60	296
Expected return on plan assets	-	7	35	-	7	30
Contributions by employer	-	-	68	-	15	74
Benefits paid	-	-	(23)	-	-	(49)
Actuarial gains/ [losses]	-	-	5	-	-	-
Closing fair value of plan assets	-	88	436	-	81	351
Total actuarial gain/ [loss] to be recognised	-	81	37	-	75	136
<b>D Actual return on plan assets:</b>						
Expected return on plan assets	-	7	35	-	7	30
Actuarial gain/ [loss] on plan assets	-	-	-	-	-	-
Actual return on plan assets	-	7	35	-	7	30
<b>E Amount recognised in the balance sheet:</b>						
[Assets]/ Liability at the end of the period	7	322	572	8	223	463
Fair value of plan assets at the end of the period	-	(88)	(436)	-	(81)	(351)
Difference	7	234	136	8	142	112
Unrecognised past service cost	-	-	-	-	-	-
[Assets]/ Liability recognised in the Balance Sheet	7	234	136	8	142	112



## Notes to the Financial Statements

## Note: 6-Long Term Provisions-Continue:

	INR - Millions					
	Figures as at end of					
	Current Reporting Period March 31, 2012			Previous Reporting Period March 31, 2011		
	Med. Leave	Leave Wages	Gratuity	Med. Leave	Leave Wages	Gratuity
<b>F [Income]/ Expenses recognised in the Statement of Profit and Loss:</b>						
Current service cost	-	39	62	2	42	51
Interest cost on benefit obligation	1	19	39	-	11	25
Expected return on plan assets	-	(7)	(35)	-	(7)	(30)
Net actuarial [gain]/ loss in the period	(2)	81	37	1	75	136
Net [benefit]/ expense	(1)	132	103	3	121	182
<b>G Movement in net liability recognised in Balance Sheet:</b>						
Opening net liability	8	142	111	5	72	3
Expenses as above [P & L Charge]	(1)	132	103	3	121	182
Employer's contribution	-	39	77	-	(51)	(74)
[Assets]/ Liability recognised in the Balance Sheet	7	235	137	8	142	111
<b>H Principal actuarial assumptions as at Balance sheet date:</b>						
Discount rate	8.50%	8.50%	8.50%	8.35%	8.35%	8.35%
[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%	9.25%	9.25%	0.00%	9.25%	9.25%
[The expected rate of return assumed by the Insurance company is generally based on their Investment pattern as stipulated by the Government of India]						
Annual increase in salary cost	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
[The estimates of future salary increases considered in actuarial valuation, taking into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market]						
<b>I The categories of plan assets as a % of total plan assets are:</b>						
Insurance Company	0.00%	100.00%	100.00%	0.00%	100.00%	100.00%

	INR - Millions	
	Figures as at end of	
	Current Reporting Period	Previous Reporting Period
	March 31	
	2012	2011

## Note: 7-Short Term Borrowings:

Loans repayable on Demand:		
Working Capital Loans from Banks [Secured] [*]	1,162	497
Working Capital Loans from Banks [Unsecured] [**]	2,952	-
<b>Total</b>	<b>4,114</b>	<b>497</b>

[\*] Working Capital loans which are repayable on demand from Banks are secured by hypothecation of inventories of all types, save and except stores and spares relating to plant and machineries [consumable stores and spares], including goods in transit, bills receivables, book debts and other movables of the Company in the nature of current assets, including documents to title of goods. Interest in the range of 10.75% p.a. to 12.75% p.a.

[\*\*] PCFC loan from Banks. It is repayable during May, 2012 to August, 2012. Interest in the range of 95 bps to 165 bps over 6 months USD LIBOR.

## Notes to the Financial Statements

	INR - Millions	
	Figures as at end of	
	Current Reporting Period	Previous Reporting Period
	March 31	
	2012	2011
<b>Note: 8-Trade Payables:</b>		
Micro, Small and Medium Enterprises [*]	-	-
Others	2,848	3,459
<b>Total</b>	<b>2,848</b>	<b>3,459</b>
[*] Disclosure in respect of Micro, Small and Medium Enterprises:		
A Principal amount remaining unpaid to any supplier as at the period end	-	-
B Interest due thereon	-	-
C 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 period	1	2
D 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 period] but without adding the interest specified under the MSMED	-	-
E Amount of interest accrued and remaining unpaid at the end of the accounting period	-	-
F Amount of further interest remaining due and payable in succeeding years	-	-
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.		
<b>Note: 9-Other Current Liabilities:</b>		
Current Maturities of Long Term Debt [Refer Note- 3]	1,887	399
Interest accrued but not due on borrowings	87	47
Unpaid Dividends [*]	13	11
Advances from Debtors	73	42
Others:		
Provision for Expenses	789	1,140
Payable to Statutory Authorities	171	166
Derivative Liability	208	-
Others [**]	875	-
	<b>2,043</b>	<b>1,306</b>
<b>Total</b>	<b>4,103</b>	<b>1,805</b>
[*] There are no amounts due and outstanding to be credited to Investor Education and Protection Fund.		
[**] "Others" include Rs. 875 Millions payment liability towards Escrow Account, upon finalisation and execution of Escrow Arrangement with the sellers of the Biochem Pharmaceutical Industries Limited, pursuant to Share Purchase Agreement, as referred under Note 18.		
<b>Note: 10-Short Term Provisions:</b>		
Provision for Employee Benefits [Refer Note- 6]	19	10
Others:		
Proposed Dividend [Refer Note- 22]	1,536	1,280
Corporate Dividend Tax on Proposed Dividend	170	146
Provision for Taxation [Net of advance payment of tax of Rs. 728 {as at March 31, 2011: Rs. 728} Millions]	45	45
Provision for claims for product expiry and return of goods [*]	25	27
	<b>1,776</b>	<b>1,498</b>
<b>Total</b>	<b>1,795</b>	<b>1,508</b>
[*] Provision for claims for product warranties and return of goods:		
a Provision for product expiry claims in respect of products sold during the period is made based on the management's estimates 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:		
i Carrying amount at the beginning of the period	27	24
ii Additional provision made during the period	25	27
iii Amount used	27	24
iv Carrying amount at the end of the period	25	27

## Notes to the Financial Statements

**Note: 11-Foreign Currency Monetary Items Translation Difference Account:**

The Company had 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, 2020.

**Note: 12-Fixed Assets:**

		INR-Millions							
A	Tangible Assets:	Freehold Land	Leasehold Land	Buildings	Plant and Equipment	Furniture and Fixtures	Vehicles	Office Equipment	Total
	Gross Block:								
	As at March 31, 2011	487	243	3,165	9,809	427	319	71	14,521
	Additions	30	-	793	1,815	21	109	33	2,801
	Disposals	(15)	-	-	(61)	-	(34)	-	(110)
	Other adjustments	-	-	21	95	-	-	-	116
	As at March 31, 2012	502	243	3,979	11,658	448	394	104	17,328
	Depreciation:								
	As at March 31, 2011	-	14	656	3,349	223	120	9	4,371
	Charge for the period	-	3	110	711	28	33	4	889
	Disposals	-	-	-	(40)	-	(16)	-	(56)
	As at March 31, 2012	-	17	766	4,020	251	137	13	5,204
	Impairment Loss:								
	As at March 31, 2011	-	-	-	117	-	-	-	117
	Charge for the period	-	-	-	-	-	-	-	-
	Disposals	-	-	-	-	-	-	-	-
	As at March 31, 2012	-	-	-	117	-	-	-	117
	Net Block:								
	As at March 31, 2011	487	229	2,509	6,343	204	199	62	10,033
	As at March 31, 2012	502	226	3,213	7,521	197	257	91	12,007
B	Intangible Assets:				Brands/ Trademarks	Computer Softwares	Commercial Rights	Technical Know-how	Total
	Gross Block:								
	As at March 31, 2011				1,963	105	56	680	2,804
	Additions				1	27	2	-	30
	Disposals				-	-	-	-	-
	Other adjustments				-	-	-	-	-
	As at March 31, 2012				1,964	132	58	680	2,834
	Depreciation:								
	As at March 31, 2011				1,676	66	55	591	2,388
	Charge for the period				136	29	1	27	193
	Disposals				-	-	-	-	-
	As at March 31, 2012				1,812	95	56	618	2,581
	Impairment Loss:								
	As at March 31, 2011				31	-	-	52	83
	Charge for the period				-	-	-	-	-
	Disposals				-	-	-	-	-
	As at March 31, 2012				31	-	-	52	83
	Net Block:								
	As at March 31, 2011				256	39	1	37	333
	As at March 31, 2012				121	37	2	10	170

## Notes:

- Buildings include Rs. 0.02 [As at March 31, 2011: 0.02] Millions being the value of unquoted shares held in cooperative societies.
- Additions of Rs. 588 [Previous reporting period: Rs. 254] Millions in research assets during the period are included in "Additions" under the respective heads of Gross Block of Tangible assets as above.
- Capital expenditure on Research and Development [including net decrease in Capital Work-in-progress of Rs.165 {Previous reporting period (net increase of): Rs. 220} Millions] is Rs.423 [Previous reporting period: Rs.474] Millions.
- Other adjustments include adjustments on account of borrowing costs and exchange rate differences.
- Break up of additions, disposals and other adjustments for previous reporting period is as under:

	Tangible Assets				Intangible Assets			
	Gross Block	Depreciation	Impairment Loss	Net Block	Gross Block	Depreciation	Impairment Loss	Net Block
As at March 31, 2010	12,643	3,708	117	8,818	2,924	2,155	83	686
Additions	2,048	728	-	1,320	7	241	-	(234)
Disposals	(135)	(65)	-	(70)	(127)	(8)	-	(119)
Other adjustments	(35)	-	-	(35)	-	-	-	-
As at March 31, 2011	14,521	4,371	117	10,033	2,804	2,388	83	333



## Notes to the Financial Statements

	Nos. [*]	Face Value [**]	INR - Millions	
			Figures as at end of	
			Current Reporting Period	Previous Reporting Period
			March 31	
			2012	2011
<b>Note: 13-Non-Current Investments:</b>				
Long Term Investments [Valued at cost]:				
Trade Investments:				
Investments in Equity Instruments			<b>10,507</b>	5,039
Investments in Preference Shares			<b>227</b>	335
Investments in Convertible Preferred Stocks			<b>187</b>	187
Investments in a Partnership Firm			<b>96</b>	96
			<b>11,017</b>	5,657
Other Investments:				
Investments in Equity Instruments			<b>8</b>	8
			<b>11,025</b>	5,665
A Details of Trade Investments [Valued at cost]:				
Investment in Equity Instruments:				
Subsidiary Companies:				
Quoted:				
In fully paid-up equity shares of Zydus Wellness Limited	27443274	10	<b>523</b>	523
Unquoted:				
In fully paid-up equity shares of:				
Liva Healthcare Limited	90750	100	<b>616</b>	616
Zydus Animal Health Limited	24000000	10	<b>502</b>	502
Zydus Technologies Limited	42500000	10	<b>425</b>	425
Zydus Pharmaceuticals Limited	950000	10	<b>10</b>	10
Dialforhealth India Limited	5000000	10	<b>50</b>	50
German Remedies Limited	24000	100	<b>2</b>	2
Biochem Pharmaceutical Industries Limited [7500000 shares acquired during the period]	7500000 [0]	10	<b>5,468</b>	-
Zydus International Private Limited, Ireland	25961500	€ 1.462843	<b>2,329</b>	2,329
			<b>9,402</b>	3,934
Joint Venture Companies [Unquoted]:				
In fully paid-up equity shares of:				
Zydus BSV Pharma Private Limited	11165000	10	<b>157</b>	157
Zydus Hospira Oncology Private Limited	7500000	10	<b>75</b>	75
Zydus Nycomed Healthcare Private Limited	10000000	10	<b>100</b>	100
Bayer Zydus Pharma Private Limited	25000000	10	<b>250</b>	250
			<b>582</b>	582
			<b>10,507</b>	5,039
Investment in Preference Shares:				
Subsidiary Companies [Unquoted]:				
In fully paid-up, 8%, Redeemable Cumulative Preference shares of Zydus Technologies Limited	900000	100	<b>90</b>	90
Joint Venture Companies [Unquoted]:				
In fully paid-up, 10%, Redeemable Cumulative Preference Shares of Zydus BSV Pharma Private Limited [930000 Preference shares subscribed during the period]	1375000 [445000]	100	<b>137</b>	45
In fully paid-up, 7%, Redeemable Non Cumulative Preference Shares of Zydus Hospira Oncology Private Limited [2000 Preference shares redeemed during the period]	0 [2000]	100000	<b>-</b>	200
			<b>227</b>	335
In fully paid-up Convertible Preferred Stock of [Unquoted]:				
Onconova Therapeutic Inc. USA				
Series B	521739	\$0.01	<b>140</b>	140
Series C	280899	\$0.01	<b>47</b>	47
			<b>187</b>	187
Investment in the Fixed Capital of a Partnership Firm [Unquoted]			<b>96</b>	96
			<b>11,017</b>	5,657

## Notes to the Financial Statements

	Nos. [*]	Face Value [**]	INR - Millions	
			Figures as at end of	
			Current Reporting Period	Previous Reporting Period
			March 31	
			2012	2011
<b>Note: 13-Non Current Investments-Continue:</b>				
B Details of Other Investments [Valued at cost]:				
Investment in Equity Instruments:				
Quoted:				
In fully paid-up Equity Shares of:				
Housing Development Finance Corporation Limited	219500	2	1	1
HDFC Bank Limited [Rs.10,850/-]^	4000 [800]	2 [10]	-	-
Saket Projects Limited [Rs. 50,000/-]^	5000	10	-	-
			1	1
Unquoted:				
In fully paid-up Equity Shares of:				
Bharuch Enviro Infrastructure Company Limited [Rs. 12,140/-]^	1214	10	-	-
Bharuch Eco-Aqua Infrastructure Limited	625813	10	6	6
Enviro Infrastructure Company Limited	50000	10	1	1
The Green Environment Co-operative Society Limited [Rs. 5,000/-]^	50	100	-	-
Shivalik Solid Waste Management Limited [Rs. 2,00,000/-]^	20000	10	-	-
			7	7
			8	8
<b>Total</b> [Aggregate Book Value of Investments]			<b>11,025</b>	5,665
C a i Aggregate amount of quoted investments			524	524
ii Market value of quoted investments			10,588	16,546
b Aggregate amount of unquoted investments			10,501	5,141
D Explanations:				
a In "Nos. [*]" figures of Previous reporting period are same unless stated in [ ].				
b In "Face Value [**]", figures in Indian Rupees unless stated otherwise.				
c [ ]^ Figures in bracket denote Rupees.				
E The Company is a partner in M/s. Zydus Healthcare, the relevant details of which are as under:				
Fixed Capital			100	100
Current Capital			1,226	1,630
Total Capital of the Firm			1,326	1,730
Name of Partners and their Profit Sharing Ratio:				
Cadila Healthcare Limited			96%	96%
German Remedies Limited			2%	2%
Cadila Healthcare Staff Welfare Trust			2%	2%
F The Company has invested Rs. 50 Millions in Dialforhealth India Limited [DIL], a wholly owned subsidiary of the Company. The accumulated losses as at March 31, 2012 amounting to Rs. 104 [as at March 31, 2011: Rs. 106] 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 accordingly no provision has been made.				

## Notes to the Financial Statements

	INR - Millions	
	Figures as at end of	
	Current Reporting Period	Previous Reporting Period
	March 31	
	2012	2011
<b>Note: 14-Long Term Loans and Advances:</b>		
[Unsecured, Considered Good unless otherwise stated]		
Capital Advances	230	194
Security Deposits	241	131
Loans and Advances to Related Parties [*]	3,572	1,955
Other Loans and Advances:		
Balances with Custom/ Central Excise/ Sales Tax Authorities	865	638
Advance payment of Tax [Net of provision for taxation of Rs. 734 {as at March 31, 2011: Rs. 660} Millions]	416	258
Advances recoverable in cash or in kind or for value to be received:		
Considered good	334	144
Considered doubtful	10	13
	344	157
Less: Provision for doubtful advances	10	13
	334	144
<b>Total</b>	1,615	1,040
	5,658	3,320
[*] Details of Loans and Advances to Related Parties [Refer Note-40 for relationship] are as under:		
a Zyclus International Private Limited [optionally convertible and interest bearing unless converted]	3,224	1,756
b Dialforhealth India Limited [The Company has given loans and advances to Dialforhealth India Limited [DIL], a wholly owned subsidiary of the Company. The accumulated losses as at March 31, 2012 amounting to Rs. 104 [as at March 31, 2011: Rs. 106] Millions has exceeded the net worth of DIL. However having regard to the long term strategic investment, loans and advances are considered good and accordingly no provision has been made and terms of repayment are not specified for the same.]	131	131
c Zyclus Technologies Limited [Interest bearing loan]	67	68
d Bayer Zyclus Pharma Private Limited [Interest bearing loan]	150	-
<b>Total</b>	3,572	1,955
<b>Note: 15-Current Investments:</b>		
Trade Investment:		
Investments in Current Capital of a Partnership Firm [Refer Note-13 E]	1,097	1,323
<b>Total</b>	1,097	1,323
<b>Note: 16-Inventories:</b>		
[The Inventory is valued at lower of cost and net realisable value]		
Classification of Inventories:		
Raw Materials	1,655	1,933
Work-in-progress	917	743
Finished Goods	1,363	1,125
Stock-in-Trade	637	478
Stores and Spares	24	22
Others:		
Packing Materials	416	344
<b>Total</b>	5,012	4,645
The above includes Goods in transit as under:		
Raw Materials	37	50
Stock-in-Trade	5	-
Packing Materials	6	8

## Notes to the Financial Statements

	INR - Millions	
	Figures as at end of	
	Current Reporting Period	Previous Reporting Period
	March 31	
	2012	2011
<b>Note: 17-Trade Receivables:</b>		
[Unsecured]		
Outstanding for a period exceeding six months from the date they are due for payment:		
Considered good	64	86
Considered doubtful	13	28
	77	114
Less: Provision for doubtful debts	13	28
	64	86
Others- Considered good	5,748	4,665
<b>Total</b>	<b>5,812</b>	<b>4,751</b>
<b>Note: 18-Cash and Bank Balances:</b>		
Balances with Banks	1,178	420
Cash on Hand	5	4
<b>Total</b>	<b>1,183</b>	<b>424</b>
A Earmarked balances with banks:		
a Balances with Banks include balances in unclaimed dividend account	13	11
b Balances with Banks include balances to the extent held as margin money deposits against guarantee Margin money are lying with the Scheduled/ Nationalised banks.		
Margin money is given against:		
i Guarantees	7	6
ii For opening letter of credits	-	-
c Bank deposits with maturity of more than 12 months	-	-
d Company keeps Fixed deposit with the Nationalised/ Scheduled banks, which can be withdrawn by the company as per its own discretion/ requirement of funds.	-	-
B Pursuant to the Share Purchase Agreement dated December 21, 2011 with the sellers of Biochem Pharmaceutical Industries Limited [Biochem], the Company has made short term deposit of Rs. 856 Millions with ICICI Bank Limited, to be transferred to Escrow Account upon finalization and execution of the Escrow Agreement. The outstanding balance together with accrued interest amounts to Rs.875 Millions is disclosed as "Balances with Banks" and the corresponding payment liability of the equivalent amount to be transferred to Escrow Account is considered under the head "Other Current Liabilities". [Refer Note- 9]		
<b>Note: 19-Short Term Loans and Advances:</b>		
[Unsecured, Considered Good]		
Others:		
Balances with Custom/ Central Excise/ Sales Tax Authorities	908	724
Loans and Advances to Related Parties [*]	17	-
Advances to Suppliers	884	591
Advances recoverable in cash or in kind or for value to be received	107	84
<b>Total</b>	<b>1,916</b>	<b>1,399</b>
[*] Details of Loans and Advances to Related Parties [Refer Note-40 for relationship] are as under:		
a Etna Biotech S.R.L. [Advance given for research activities]	17	-



## Notes to the Financial Statements

	INR - Millions	
	Figures as at end of	
	Current Reporting Period	Previous Reporting Period
	March 31	
	2012	2011
<b>Note: 20-Other Current Assets:</b>		
Interest Receivables	3	1
Income Receivables	16	20
Insurance Claim Receivables [*]	29	101
Export Incentive Receivables	93	231
Prepaid Expenses	54	35
<b>Total</b>	<b>195</b>	<b>388</b>
[*] During December 2011, a fire broke out at one of the warehouses of the Company. The Company has already lodged a claim with insurance company, amounting to Rs. 27 Millions as estimated by the Company. The difference, if any, on settlement will be effected in the statement of Profit and Loss.		
<b>Note: 21-Contingent Liabilities and commitments [to the extent not provided for]:</b>		
<b>A</b> Contingent Liabilities:		
a Claims against the Company not acknowledged as debts [Including Rs. 1 {as at March 31, 2011: Rs. 1} Million in respect of Amalgamated {*} Companies]	57	57
b i In respect of guarantees given by Banks and/or counter guarantees given by the Company	151	150
ii 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	8,752	4,643
c Other money for which the company is contingently liable:		
i In respect of the demands raised by the Central Excise, State Excise & Service Tax Authority [Including Rs. 9 {as at March 31, 2011: Rs. 9} Millions in respect of Amalgamated {*} Companies]	41	40
ii In respect of the demands raised by the Ministry of Chemicals & Fertilizers, Govt. of India under Drug Price Control Order, 1979/1995 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, which the Company expect to succeed based on the legal advice [Including Rs. 51 {as at March 31, 2011: Rs. 51} Millions in respect of Amalgamated {*} Companies]	328	319
iii In respect of Income Tax matters pending before appellate authorities which the Company expects to succeed, based on decisions of Tribunals/ Courts.	917	66
iv In respect of Sales Tax matters pending before appellate authorities/ Court which the Company expects to succeed, based on decisions of Tribunals/ Courts.	36	93
v Letters of Credit for Imports	46	2
vi The Company has imported certain capital equipment at concessional rate of custom duty under "Export promotion of Capital Goods Scheme" of the Central Government. The Company has undertaken an incremental export obligation to the extent of US \$ 19 Millions [equivalent to Rs. 971 Millions approx. {Previous reporting period: US \$ 4 (equivalent to Rs. 163 Millions approx.)}] to be fulfilled during a specified period as applicable from the date of imports. The unprovided liability towards custom duty payable thereon in respect of unfulfilled export obligations [*] represents contingent liabilities taken over by the Company under the Scheme of Arrangement and Amalgamation of Cadila Laboratories Limited, and erstwhile Cadila Chemicals Limited, Cadila Antibiotics Limited, Cadila Exports Limited and Cadila Veterinary Private Limited with the Company w.e.f. June 1, 1995.	156	5
<b>B</b> Commitments:		
a Estimated amount of contracts remaining to be executed on capital account and not provided for [Net of Advances]	2,082	651
<b>Note: 22-Dividends proposed to be distributed:</b>		
The Board of Directors, in its meeting held on May 10, 2012, recommended the final dividend of Rs. 7.50 per equity share of Rs. 5/- each.		

## Notes to the Financial Statements

	INR - Millions	
	Figures for the	
	Current Reporting Period	Previous Reporting Period
	March 31	
	2012	2011
<b>Note: 23-Revenue from Operations:</b>		
Details of Gross Sales under broad heads:		
Tablets	12,761	10,641
Capsules	2,577	2,247
Injections	2,494	1,897
Dry Powder Injections	1,049	1,657
Liquids	420	404
Dry Syrups, Powders & Granules	579	544
Ointments	374	393
Bulk Drugs	3,155	3,739
Suppositories	133	122
Cosmetics	1	-
Aerosols	459	-
Transdermals	19	14
Vaccines	219	-
Lyophilised Injections	203	-
Others	122	455
Total	24,565	22,113
Other Operating Revenues:		
Partner's Remuneration from a Partnership Firm	1,420	1,700
Share of Profit from a Partnership Firm	4,226	4,115
Interest earned on Capital in a Partnership Firm	-	15
Dossier Fees	501	498
Royalty Income	356	299
Net Gain on foreign currency transactions and translation [*]	-	127
Government Grants [**]	-	24
Miscellaneous Income	872	663
Total	7,375	7,441
[*] Includes Research related net gain	-	4
[**] Government Grants: The grant-in-aid of Rs. Nil {Previous reporting period: Rs. 24} Millions received from Ozone Cell, Ministry of Environment and Forests to meet the expenditure incurred for phasing out Chlorofluorocabons (CFCs) in the manufacture of Pharmaceutical Metered Dose Inhalers (MDIs), is treated as revenue in nature and accordingly is shown under the head "Other Income from Operations" in the statement of Profit and Loss.		
<b>Note: 24-Other Income:</b>		
Interest Income [Gross]:		
From Others [Other than long term/ current investments]	174	36
Dividend Income [Gross]:		
From Long Term Investments [*]	2,111	524
Net Gain on Sale of Investments [Previous reporting period: Rs.412,500/-] [Net of Loss of Rs. Nil {Previous reporting period: Rs. Nil}]	48	-
Other Non-operating Income	58	21
Total	2,391	581
[*] Includes dividend from subsidiary companies	378	272
<b>Note: 25-Cost of Materials Consumed:</b>		
Raw Materials [Pharmaceutical Ingredients]:		
Stock at commencement	1,933	1,480
Add: Purchases	5,894	5,743
	7,827	7,223
Less: Stock at close	1,655	1,933
	6,172	5,290
Packing Materials consumed	1,737	1,477
Total	7,909	6,767



## Notes to the Financial Statements

<b>Note: 27-Changes in Inventories - Continue:</b>			
		<b>INR - Millions</b>	
		<b>Reporting Period ended</b>	
		<b>March 31</b>	
		<b>2012</b>	<b>2011</b>
			<b>2010</b>
[**]	Details of Finished Goods under broad heads:		
	Tablets	<b>449</b>	288
	Capsules	<b>124</b>	104
	Injections	<b>139</b>	122
	Dry Powder Injections	<b>62</b>	100
	Liquids	<b>18</b>	21
	Dry Syrups, Powders & Granules	<b>19</b>	19
	Ointments	<b>20</b>	18
	Bulk Drugs	<b>419</b>	397
	Suppositories	<b>3</b>	6
	Aerosols	<b>34</b>	46
	Lyophilised Injections	<b>28</b>	-
	Vaccines	<b>45</b>	-
	Transdermals	<b>1</b>	2
	Others	<b>2</b>	2
	<b>Total</b>	<b>1,363</b>	1,125
			1,100
[***]	Details of Stock-in-Trade under broad heads:		
	Tablets	<b>259</b>	258
	Capsules	<b>50</b>	39
	Injections	<b>74</b>	91
	Dry Powder Injections	<b>150</b>	42
	Liquids	<b>66</b>	32
	Dry Syrups, Powders & Granules	<b>21</b>	9
	Ointments	<b>3</b>	1
	Others	<b>14</b>	6
	<b>Total</b>	<b>637</b>	478
			285
		<b>INR - Millions</b>	
		<b>Figures for the</b>	
		<b>Current Reporting Period</b>	<b>Previous Reporting Period</b>
		<b>March 31</b>	
		<b>2012</b>	<b>2011</b>
<b>Note: 28-Employee Benefits Expense:</b>			
	Salaries and wages	<b>3,871</b>	3,645
	Contribution to provident and other funds	<b>306</b>	349
	Staff welfare expenses	<b>168</b>	144
	<b>Total</b>	<b>4,345</b>	4,138
	Above expenses includes Research related expenses as follows:		
	Salaries and wages	<b>637</b>	453
	Contribution to provident and other funds	<b>46</b>	35
	Staff welfare expenses	<b>30</b>	27
	<b>Total</b>	<b>713</b>	515
<b>Note: 29-Finance Cost:</b>			
	Interest expense [*]	<b>627</b>	342
	Other Borrowing Costs	<b>21</b>	-
	Net Loss/ [Gain] on foreign currency transactions and translation	<b>592</b>	(77)
	Bank commission & charges	<b>43</b>	53
	<b>Total</b>	<b>1,283</b>	318
	[*] The break up of interest expense in to major heads is given below:		
	On term loans	<b>379</b>	281
	On debentures	<b>164</b>	43
	On working capital loans	<b>55</b>	6
	Others	<b>29</b>	12
	<b>Total</b>	<b>627</b>	342



## Notes to the Financial Statements

	INR - Millions	
	Figures for the	
	Current Reporting Period	Previous Reporting Period
	March 31	
	2012	2011
<b>Note: 30-Other Expenses:</b>		
Research Materials	571	663
Analytical Expenses	1,111	641
Consumption of Stores and spare parts	623	434
Power & fuel	940	794
Rent [*]	38	31
Repairs to Buildings	54	47
Repairs to Plant and Machinery	209	206
Repairs to Others	59	80
Insurance	92	74
Rates and Taxes [excluding taxes on income]	13	7
Processing Charges	282	288
Managing Directors' Remuneration	200	350
Commission to Directors	5	4
Traveling Expenses	601	592
Legal and Professional Fees	741	405
Net Loss on foreign currency transactions and translation	105	-
Commission on sales	285	313
Freight and forwarding on sales	1,013	756
Sales promotion expenses	693	689
Seminar, Conference and Exhibition expenses	377	429
Representative Allowances	435	361
Other marketing expenses	730	809
Bad Debts:		
Bad debts written off	20	95
Less: Transferred from Provision for Doubtful Debts	(15)	(90)
	5	5
Doubtful Advances:		
Doubtful advances written off	14	95
Less: Transferred from Provision for Doubtful Advances	(3)	(90)
	11	5
Directors' fees	1	1
Net Loss on Fixed Assets [Net of profit of Rs. 16 {Previous reporting period: Rs. 9} Millions]	2	12
Donations	31	170
Miscellaneous Expenses [**]	888	1,127
<b>Total</b>	<b>10,115</b>	<b>9,288</b>
Above expenses includes Research related expenses as follows:		
Research Materials	571	663
Analytical expenses	1,111	641
Consumption of Stores and spare parts	347	136
Power & Fuel	101	75
Repairs to Buildings	4	1
Repairs to Plant and Machinery	8	7
Repairs to Others	8	5
Insurance	8	2
Traveling Expenses	31	36
Legal and Professional fees	213	77
Net Loss on foreign currency transactions and translation	9	-
Net Loss on Fixed Assets [Net of profit of Rs. Nil {Previous reporting period: Rs. 1} Millions]	1	10
Miscellaneous Expenses [excluding Depreciation of Rs. 156 {Previous reporting period: Rs.136} Millions]	459	379
Total	2,871	2,032
[*] Rent Expenses:		
The Company has taken various residential/ office premises/ godowns under operating lease or leave and license agreement with no restrictions and are renewable/ cancellable at the option of either of the parties. There are no sub-leases. The lease payments are recognised under "Rent Expenses" is:	22	14
[**] Miscellaneous Expenses include Payment to the auditors as [Including Service Tax]:		
a i Auditor	5	4
ii For taxation matters	1	1
iii For Other Services	1	1
Total	7	6
b Cost Auditor's Remuneration including fees for other services & including Service Tax	1	1

## Notes to the Financial Statements

	INR - Millions			
	Figures for the			
	Current Reporting Period		Previous Reporting Period	
	March 31			
	2012		2011	
<b>Note: 31-Calculation of Earnings per Equity Share [EPS]:</b>				
The numerators and denominators used to calculate the basic and diluted EPS are as follows:				
A Profit attributable to Shareholders				
a Before Exceptional items	INR-Millions	6,575		6,104
b After Exceptional items	INR-Millions	6,575		6,104
B Basic and weighted average number of Equity shares outstanding during the period	Numbers	204,748,520		204,748,520
C Nominal value of equity share	INR	5		5
D Basic & Diluted EPS:				
a Before Exceptional Items	INR	32.11		29.81
b After Exceptional Items	INR	32.11		29.81
<b>Note: 32-Value of Imports calculated on CIF basis:</b>				
Raw materials		1,759		1,553
Packing Materials		222		167
Finished goods		690		322
Spare Parts		160		161
Capital goods		718		496
<b>Note: 33-Expenditure in Foreign Currency:</b>				
Royalty		12		19
Professional and Consultation Fees		284		101
Interest		176		76
Others [including Travelling, Commission, Patent fees, Trademarks, Personnel cost, Research & Development expenses, Marketing expenses etc.,]		1,046		877
<b>Note: 34-Earnings in Foreign Exchange:</b>				
Export of goods calculated on F.O.B. basis		13,569		12,111
Royalty, Know-how, professional and consultation fees		356		293
Interest and dividend [Previous reporting period: Rs. 146,913/-]		-		-
Others		711		613
<b>Note: 35-Remittances made on account of dividend in Foreign currency</b>				
		Nil		Nil
<b>Note: 36-Raw Materials and Spare parts consumed:</b>				
	Current Reporting Period		Previous Reporting Period	
	March 31			
	2012		2011	
	INR - Millions	% to Total	INR - Millions	% to Total
Value of Raw Materials Consumed:				
Imported	1,631	26	1,510	29
Indigenous	4,541	74	3,780	71
<b>Total</b>	<b>6,172</b>	<b>100</b>	<b>5,290</b>	<b>100</b>
Value of Spare parts Consumed:				
Imported	160	26	161	37
Indigenous	463	74	273	63
<b>Total</b>	<b>623</b>	<b>100</b>	<b>434</b>	<b>100</b>

## Notes to the Financial Statements

**Note: 37-Derivative Financial Instruments:**

- A i The Company has entered into various derivative transactions, which are not intended for trading or speculation purpose but to hedge the foreign currency and interest rate fluctuations.  
ii The position of outstanding derivative instruments is as under:

Instruments	Exposure	Risk	Currency Pair	Amount in Millions Reporting period ended March 31	
				2012	2011
Forward Contracts*	Forecasted Sales	Currency	USD/INR	121	93
Interest Rate Swap	Floating Rate Loan	Interest Rate	USD	43	47

\* The forecasted sales hedged through forward contracts are expected to occur during 2012-13.

- iii The company has following unhedged foreign currency risk:

	Currency	2012	2011
Loans, Receivables and Cash & Bank Balances	USD	97	93
	EUR	43	24
	JPY	3	3
Payables including borrowings	USD	170	87
	EUR	6	2
	JPY	1	12
	MXN	27	-

- B i For accounting of derivative instruments the company has been following Accounting Standard 11 "The effects of changes in foreign exchange rates" issued by Institute of Chartered Accountants of India ("ICAI"). However, pursuant to ICAI Announcement on "Accounting for Derivatives" and recommendation for early adoption of Accounting Standard 30 "Financial Instruments: Recognition and Measurement", the Company has voluntarily adopted the Standard with effect from October 1, 2011. The company has designated derivative instruments and non derivative financial liabilities as cash flow hedge. This has resulted in change in accounting policy followed by the company. Consequent to this, the Company's net profit after tax for the reporting period is higher by Rs. 24 Millions.  
ii The effective portion on fair valuation of derivative instruments and non derivative financial liabilities designated as cash flow hedge, amount to Rs. 275 Millions is shown under "Hedge Reserve" under "Reserves and Surplus".

**Note: 38-Financial Reporting of Interest in Joint Venture:**

- A The Company's interest in the jointly controlled entities is 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	Reporting period ending on	Status	INR - Millions Amount of interest based on last audited accounts			
				Assets	Liabilities	Income	Expenditure
Zydus Nycomed Healthcare Private Limited	50	March 31, 2012	Audited	1,111	101	546	338
		December 31, 2010	Audited	1,052	115	657	233
Zydus Hospira Oncology Private Limited	50	March 31, 2012	Unaudited	1,770	150	2,964	758
		March 31, 2011	Audited	2,163	1,557	2,223	761
Zydus BSV Pharma Private Limited	50	March 31, 2012	Audited	313	123	28	67
		March 31, 2011	Audited	320	184	8	14
Bayer Zydus Pharma Private Limited	50	March 31, 2012	Audited	727	662	902	1,085
		March 31, 2011	Unaudited	250	2	-	2

- B The Company's share in contingent liabilities of jointly controlled entities in compliance with the requirements of AS- 27 referred to above is as under:

	INR-Millions Figures as at end of	
	Current Reporting Period	Previous Reporting Period
	2012 March 31	2011
a In respect of guarantees given by a Bank and counter guarantees given by the jointly controlled entities	2	-
b Custom duty liability which may arise if export obligations are not fulfilled against import of machinery under EPCG Scheme	1	1
c In respect of claims against the Company not acknowledged as debts	12	-
d In respect of the demand raised by the Central Excise, State Excise and Customs Authorities	2	-
e In respect of Income Tax matters pending before appellate authorities which the Company expects to succeed, based on decisions of Tribunals/ Courts.	1,320	1,132
f Arrears of Dividend on Cumulative Preference Shares [including Distribution Tax]	10	1
C Estimated amount of contracts remaining to be executed on capital account & not provided for [Net of Advance]	72	38

**Note: 39-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.

## Notes to the Financial Statements

### Note: 40-Related Party Transactions:

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

##### a Subsidiary Companies/ Concerns:

Dialforhealth India Limited	Zydu Pharmaceuticals (USA) Inc. [USA]
Dialforhealth Unity Limited	Nesher Pharmaceuticals (USA) LLC [USA] [Formerly known as Zynesher Pharmaceuticals (USA) LLC]
Dialforhealth Greencross Limited	Zydu Healthcare (USA) LLC [USA]
German Remedies Limited	Zydu Noveltech Inc. [USA]
Zydu Pharmaceuticals Limited	Zydu Healthcare S.A. (Pty) Ltd [South Africa]
Zydu Animal Health Limited	Simayla Pharmaceuticals (Pty) Ltd [South Africa]
Zydu Wellness Limited	Script Management Services (Pty) Ltd [South Africa]
M/s. Zydu Wellness-Sikkim, a Partnership Firm	Zydu Nikkho Farmaceutica Ltda. [Brazil] [Formerly known as Zydu Healthcare Brasil Ltda]
Liva Healthcare Limited	Zydu Pharmaceuticals Mexico SA De CV [Mexico]
Zydu Technologies Limited	Zydu Pharmaceuticals Mexico Services Company SA De C.V.[Mexico]
Biochem Pharmaceutical Industries Limited	ZAHL B.V. [the Netherlands] [Formerly known as RFCL B.V.]
Finest Procuring Solutions Limited	ZAHL Europe B.V. [the Netherlands] [Formerly known as RFCL Europe B.V.]
M/s. Zydu Healthcare, a Partnership Firm	Bremer Pharma GmbH [Germany]
Zydu International Private Limited [Ireland]	Zydu Lanka (Private) Limited [Sri Lanka]
Zydu Netherlands B.V. [the Netherlands]	
Zydu France, SAS [France]	
Etna Biotech S.R.L. [Italy]	
Zydu Pharma Japan Co. Ltd. [Japan]	
Laboratorios Combix S.L. [Spain]	

##### b Joint Venture Companies:

Zydu BSV Pharma Private Limited	Zydu Hospira Oncology Private Limited
Zydu Nycomed Healthcare Private Limited	Bayer Zydu Pharma 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:

Cadmach Machinery Company Private Limited	Western Ahmedabad Effluent Conveyance Company Private Limited
Zydu Hospitals and Healthcare Research Private Limited	Pripan Investment Private Limited
Zydu Hospitals (Vadodra) Private Limited	Zest Aviation Private Limited
Zydu Hospitals (Rajkot) Private Limited	Zandra Infrastructure LLP
MabS Biotech Private Limited	M/s. C. M. C. Machinery
Zydu Infrastructure Private Limited	M/s. Cadam Enterprises
Cadila Laboratories Private Limited	

#### 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 40- A [a , b, & d]

##### Value of the Transactions [INR - Millions]

Nature of Transactions	Subsidiary Companies		Joint Venture Companies		Enterprises significantly influenced by Directors and/or their relatives	
	2012	2011	2012	2011	2012	2011
	Reporting period ended March 31					
<b>Purchases :</b>						
<b>Goods :</b>						
Dialforhealth India Limited	56	48				
Zydu Healthcare (USA) LLC	61	91				
Zydu Pharma Japan Co. Ltd.	29	19				
Others	17	72	22	16	7	6
Total	163	230	22	16	7	6
<b>Fixed Assets :</b>						
Cadmach Machinery Company Private Limited					120	74
Cadam Enterprise					30	30
Others	1			1		346
Total	1	-	-	1	150	450
<b>Reimbursement of Expenses :</b>						
Zydu Pharmaceuticals (USA) Inc.	215	61				
Zydu Healthcare (USA) LLC	54	41				
Zydu Pharmaceuticals Mexico SA De CV	107	-				
Others	9	15	19			3
Total	385	117	19	-	-	3



## Notes to the Financial Statements

## Note: 40-Related Party Transactions-Continue:

Nature of Transactions	Value of the Transactions [INR - Millions]					
	Subsidiary Companies		Joint Venture Companies		Enterprises significantly influenced by Directors and/or their relatives	
	Reporting period ended March 31					
	2012	2011	2012	2011	2012	2011
<b>Services:</b>						
Dialforhealth India Limited	8	9				
Zydus BSV Pharma Private Limited			6			
Zydus Infrastructure Private Limited					9	6
Others		41				1
Total	8	50	6	-	9	7
<b>Sales:</b>						
<b>Goods:</b>						
Zydus Pharmaceuticals (USA) Inc.	9,208	7,376				
Others	1,308	932	949			
Total	10,516	8,308	949	-	-	-
<b>Fixed Assets:</b>						
Bayer Zydus Pharma Private Limited			2			
Others		134				3
Total	-	134	2	-	-	3
<b>Reimbursement of Expenses:</b>						
Zydus Technologies Limited	5					
Zydus Wellness Limited	3					
Bayer Zydus Pharma Private Limited			24			
Others	2	14		0.1		
Total	10	14	24	0.1	-	-
<b>Services:</b>						
M/s. Zydus Healthcare	265	5				
Zydus Technologies Limited	36	59				
Zydus Pharmaceuticals (USA) Inc.	36	2				
Others	23	28	12	24		
Total	360	94	12	24	-	-
<b>Investments:</b>						
<b>Purchases/ Subscription to Share Capital:</b>						
Zydus BSV Pharma Private Limited			93	45		
Zest Aviation Private Limited					20	
Others		5		250		
Total	-	5	93	295	20	-
<b>Sales/ Redemption of Share Capital:</b>						
Zydus Hospira Oncology Private Limited			200			
Others					20	
Total	-	-	200	-	20	-
<b>Change in Partner's Capital [Net]:</b>						
M/s. Zydus Healthcare	(5,872)	(5,124)				
<b>Share of Profit from a firm Received:</b>						
M/s. Zydus Healthcare	4,226	4,115				
<b>Interest on Partner's Capital Received:</b>						
M/s. Zydus Healthcare		15				
<b>Dividend Received:</b>						
Zydus Hospira Oncology Private Limited			1,642			
Others	378	272	90	250		
Total	378	272	1,732	250	-	-

## Notes to the Financial Statements

## Note: 40-Related Party Transactions-Continue:

Nature of Transactions	Value of the Transactions [INR - Millions]					
	Subsidiary Companies		Joint Venture Companies		Enterprises significantly influenced by Directors and/or their relatives	
	Reporting period ended March 31					
	2012	2011	2012	2011	2012	2011
<b>Finance:</b>						
<b>Inter Corporate Loans given:</b>						
Zydus International Private Limited	1,250	370				
Bayer Zydus Pharma Private Limited			150			
Others		1				
Total	1,250	371	150	-	-	-
<b>Loans Repaid:</b>						
Dialforhealth India Limited		1				
Total	-	1	-	-	-	-
<b>Interest Received:</b>						
Zydus Technologies Limited	7	7				
Bayer Zydus Pharma Private Limited			14			
Total	7	7	14	-	-	-
<b>Others:</b>						
<b>Partner's Remuneration Received:</b>						
M/s. Zydus Healthcare	1,420	1,700				
<b>Outstanding:</b>						
<b>Payable:</b>						
Zydus Pharmaceuticals Mexico SA De CV	107					
Zydus France, SAS	53	39			24	24
Cadila Laboratories Private Limited						
Others	33	36				
Total	193	75	-	-	24	24
<b>Receivables:</b>						
Zydus Pharmaceuticals (USA) Inc.	2,532	2,145				
Zydus International Private Limited	3,224	1,756				
Others	1,151	599	601	23		
Total	6,907	4,500	601	23	-	-
<b>Outstanding Guarantees:</b>						
Zydus Netherlands B.V.	1,304	1,205				
Zydus Pharmaceuticals (USA) Inc.	3,965	892				
Zydus Technologies Limited	1,425	880				
Others	2,058	1,666				
Total	8,752	4,643	-	-	-	-

b Details relating to persons referred to in item 40- A [c] above:

	INR-Millions	
	Current Reporting Period	Previous Reporting Period
	March 31 2012	2011
<b>Remuneration:</b>		
Shri Pankaj R. Patel [Chairman & Managing Director]	120	250
Dr. Sharvil P. Patel [Deputy Managing Director]	80	100
<b>Outstanding remuneration payable:</b>		
Shri Pankaj R. Patel [Chairman & Managing Director]	118	247
Dr. Sharvil P. Patel [Deputy Managing Director]	67	87

## Notes to the Financial Statements

**Note: 41** The Ministry of Corporate Affairs, Government of India, vide General Circular No.2 and 3 dated February 8, 2011 and February 21, 2011 respectively has granted a general exemption from compliance with Section 212 of the Companies Act, 1956, subject to fulfillment of conditions stipulated in the circular. The Company has satisfied the conditions stipulated in the circular and hence is entitled to exemption. Necessary information relating to subsidiaries has been included in the Consolidated Financial Statements.

**Note: 42** The Revised Schedule VI has become effective from April 1, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous reporting period's figures have been regrouped/ reclassified wherever necessary to correspond with the current reporting period's classifications/ disclosure.

### Signatures to Significant Accounting Policies and Notes 1 to 42 to the Financial Statements

As per our report of even date

For Mukesh M. Shah & Co.  
Chartered Accountants  
Firm Registration Number: 106625W

Mukesh M. Shah  
Partner  
Membership Number: 030190  
Ahmedabad, Dated: May 10, 2012

Jyotindra B. Gor  
Chief Accounts Officer

Upen H. Shah  
Company Secretary

For and on behalf of the Board

Pankaj R. Patel  
Chairman & Managing Director

Sharvil P. Patel  
Deputy Managing Director

## Auditors' Report

The Board of Directors,  
Cadila Healthcare Limited,  
Ahmedabad.

1. We have examined the attached consolidated Balance Sheet of Cadila Healthcare Limited ("the Company"), its subsidiaries and Joint Ventures (the Company, its subsidiaries and joint ventures constitute "the Group") as at March 31, 2012, the consolidated Statement of Profit and Loss and also the consolidated Cash Flow Statement for year then ended annexed thereto.
2. These financial statements are the responsibility of the Company'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. We did not audit the financial statements of certain subsidiaries and joint ventures, whose financial statements reflect the group share of assets of Rs. 29,197 Million as at March 31, 2012, total revenues of Rs. 23,791 Million and net cash inflows amounting to Rs. 720 Million for the year ended on that date as considered in the consolidated financial statements. These financial statements and other financial information have been audited or subjected to limited review by other auditors, whose reports have been furnished to us and our opinion in so far as it relates to the amounts included in respect of these subsidiaries and joint ventures is based solely on the reports of other auditors.
5. As stated in Note 34 - A, the consolidated financial statements include the unaudited financial statements of certain subsidiaries and joint ventures, whose financial statements reflect the group share of assets of Rs. 9,427 Million as at March 31, 2012, total revenues of Rs. 8,030 Million and net cash inflows amounting to Rs. 146 Million for the year ended on that date as considered in consolidated financial statements. We have relied upon the unaudited financial statements as furnished by the company's management for the purpose of our examination of consolidated financial statements.
6. We report that the consolidated financial statements have been prepared by the Company 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 as notified under the Companies (Accounting Standards) Rules, 2006.
7. 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 and read together with our remarks in paragraph 4 and 5 above, and to best of our information and according to the explanation given to us, in our opinion, 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 state of affairs of the Group as at March 31, 2012;
  - b) In the case of the consolidated Statement of Profit and Loss, of the consolidated results of operations of the Group for the year then ended; and
  - c) In the case of Consolidated Cash flow statements of the consolidated cash flows of the Group for the year ended on that date.

For **MUKESH M. SHAH & CO.**  
**Chartered Accountants**  
**Firm Registration No. 106625W**

**Mukesh M. Shah**  
**Partner**  
**Membership Number: 030190**  
**Place :** Ahmedabad  
**Date :** May 10, 2012



# Consolidated Financial Statements

## Consolidated Balance Sheet as at March 31, 2012

Particulars	Note No.	INR - Millions	
		Figures as at end of	
		Current Reporting Period	Previous Reporting Period
		March 31	
		2012	2011
<b>EQUITY AND LIABILITIES:</b>			
<b>Shareholders' Funds:</b>			
Share Capital	1	1,024	1,024
Reserves and Surplus	2	24,712	20,691
		25,736	21,715
<b>Minority Interest</b>		904	669
<b>Non-Current Liabilities:</b>			
Long Term Borrowings	3	13,223	7,629
Deferred Tax Liabilities [Net]	4	1,185	1,127
Other Long Term Liabilities	5	426	188
Long Term Provisions	6	756	619
		15,590	9,563
<b>Current Liabilities:</b>			
Short Term Borrowings	7	6,871	2,598
Trade Payables	8	5,455	5,706
Other Current Liabilities	9	6,924	3,673
Short Term Provisions	10	2,281	2,182
		21,531	14,159
<b>Foreign Currency Monetary Items Translation Difference Account</b>	11	31	-
<b>Total</b>		63,792	46,106
<b>ASSETS:</b>			
<b>Non-Current Assets:</b>			
Fixed Assets:			
Tangible Assets	12	17,526	12,572
Intangible Assets	12	10,953	5,754
Capital work-in-progress		4,492	3,963
Intangible Asset under Development		347	347
		33,318	22,636
Non-Current Investments	13	212	207
Long Term Loans and Advances	14	2,631	2,010
		36,161	24,853
<b>Current Assets:</b>			
Current Investments	15	30	-
Inventories	16	10,905	8,119
Trade Receivables	17	8,863	7,652
Cash and Bank Balances	18	4,666	2,952
Short Term Loans and Advances	19	2,746	2,062
Other Current Assets	20	421	468
		27,631	21,253
<b>Total</b>		63,792	46,106
<b>Significant Accounting Policies</b>			
<b>Notes to the Financial Statements</b>	1 to 36		
As per our report of even date		For and on behalf of the Board	
For Mukesh M. Shah & Co. Chartered Accountants Firm Registration Number: 106625W		Pankaj R. Patel Chairman & Managing Director	
Mukesh M. Shah Partner Membership Number: 030190 Ahmedabad, Dated: May 10, 2012	Jyotindra B. Gor Chief Accounts Officer	Upen H. Shah Company Secretary	Sharvil P. Patel Deputy Managing Director

## Consolidated Statement of Profit and Loss for the year ended March 31, 2012

Particulars	Note No.	INR - Millions	
		Figures for the	
		Current Reporting Period	Previous Reporting Period
		March 31	
		2012	2011
<b>REVENUE:</b>			
Revenue from Operations:	23		
Sale of Products [Gross]		51,807	45,211
Less: Excise Duty		907	564
Sale of Products [Net]		50,900	44,647
Sale of Services		-	-
Other Operating Revenue		1,733	1,659
Net Revenue		52,633	46,306
Other Income	24	531	131
Total Revenue		53,164	46,437
<b>EXPENSES:</b>			
Cost of Materials Consumed	25	11,889	10,071
Purchases of Stock-in-Trade	26	6,785	4,623
Changes in Inventories of Finished goods, Work-in-progress and Stock-in-Trade	27	(1,881)	60
Employee Benefits Expense	28	7,512	6,355
Finance Costs	29	1,849	699
Depreciation and Amortisation expenses	30	1,579	1,269
Other Expenses	31	17,489	14,935
Total Expenses		45,222	38,012
<b>Profit before exceptional &amp; extraordinary items and Tax</b>		7,942	8,425
Less: Exceptional Items		-	-
<b>Profit before extraordinary items and Tax</b>		7,942	8,425
Less: Extraordinary Items		-	-
<b>Profit before Tax</b>		7,942	8,425
Less/ [Add]: Tax Expenses:			
Current Tax		1,072	1,168
Deferred Tax	4	58	(10)
Prior year's tax adjustments		-	(94)
		1,130	1,064
<b>Profit for the period from continuing operations</b>		6,812	7,361
Profit/ [Loss] from discontinuing operations		-	-
Tax Expense of discontinuing operations		-	-
Profit/ [Loss] from discontinuing operations [After Tax]		-	-
<b>Profit for the period</b>		6,812	7,361
Less: Profit transferred to Minority Interest		286	251
<b>Net Profit for the period</b>		6,526	7,110
<b>Basic &amp; Diluted Earning per Equity Share [EPS] [in Rupees]</b>	32		
Before Exceptional Items		31.87	34.73
After Exceptional Items		31.87	34.73
<b>Significant Accounting Policies</b>			
<b>Notes to the Financial Statements</b>	1 to 36		
As per our report of even date		For and on behalf of the Board	
For Mukesh M. Shah & Co. Chartered Accountants Firm Registration Number: 106625W		Pankaj R. Patel Chairman & Managing Director	
Mukesh M. Shah Partner Membership Number: 030190 Ahmedabad, Dated: May 10, 2012	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, 2012**

Particulars	INR - Millions	
	Figures for the	
	Current Reporting Period	Previous Reporting Period
	March 31	
	2012	2011
<b>A Cash flows from operating activities:</b>		
Net profit before taxation and extraordinary items	7,942	8,425
Adjustments for:		
Depreciation	1,579	1,269
[Profit]/ Loss on sale of assets [Net]	24	19
[Profit]/ Loss on sale of investments [Net]	(60)	-
Interest income	(332)	(118)
Dividend income	(2)	(2)
Interest expenses	1,702	586
Bad debts written off	22	109
Provision for doubtful debts written back	31	(92)
Doubtful advances written off	14	-
Provisions for doubtful advances written back	(3)	-
Provisions for employee benefits	247	318
Provisions for probable product expiry claims and return of goods	(13)	(5)
Total	3,209	2,084
Operating profit before working capital changes	11,151	10,509
Adjustments for:		
[Increase]/ Decrease in trade receivables	(1,392)	(2,823)
[Increase]/ Decrease in inventories	(2,786)	(615)
[Increase]/ Decrease in short term advances	(356)	638
[Increase]/ Decrease in long term advances	(604)	(748)
[Increase]/ Decrease in other current assets	36	-
Increase/ [Decrease] in trade payables	(579)	(361)
Increase/ [Decrease] in other current liabilities	996	1,793
Increase/ [Decrease] in other long term liabilities	233	86
Change in Minority Interest	235	277
Total	(4,217)	(1,753)
Cash generated from operations	6,934	8,756
Direct taxes paid [Net of refunds]	(1,435)	(1,525)
Cash flow before extraordinary items	5,499	7,231
Foreign Currency Monetary Items Translation Difference Account written off	31	-
Hedge Reserve [Net of Liability]	(62)	-
Exchange Rate Fluctuation and other adjustments arising on Consolidation	(449)	(405)
Net cash from operating activities	5,019	6,826



**Consolidated Cash Flow Statement for the year ended March 31, 2012**

Particulars	INR - Millions	
	Figures for the	
	Current Reporting Period	Previous Reporting Period
	March 31	
	2012	2011
<b>B Cash flows from investing activities:</b>		
Purchase of fixed assets	(12,444)	(5,021)
Proceeds from sale of fixed assets	171	229
Purchase of investments	(1,665)	(5)
Proceeds from sale of investments	1,690	-
Interest received	343	135
Dividend received	2	2
Net cash from investing activities	(11,903)	(4,660)
<b>C Cash flows from financing activities:</b>		
Proceeds from long term borrowings	10,607	1,342
Repayment of long term borrowings	(2,902)	(1,432)
Short term borrowings [Net]	4,273	158
Interest paid	(1,627)	(567)
Dividends paid	(1,266)	(1,012)
Tax on dividends paid	(487)	(210)
Net cash used in financing activities	8,598	(1,721)
<b>Net increase/ (-) decrease in cash and cash equivalents</b>	<b>1,714</b>	<b>445</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>2,952</b>	<b>2,507</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>4,666</b>	<b>2,952</b>

**Notes to the Cash Flow Statement**

1. All figures in brackets are outflows.
2. Previous reporting period's figures have been regrouped wherever necessary.

As per our report of even date

For and on behalf of the Board

For Mukesh M. Shah &amp; Co.

Chartered Accountants

Firm Registration Number: 106625W

Pankaj R. Patel  
Chairman & Managing Director

Mukesh M. Shah

Partner

Membership Number: 030190

Ahmedabad, Dated: May 10, 2012

Jyotindra B. Gor  
Chief Accounts OfficerUpen H. Shah  
Company SecretarySharvil P. Patel  
Deputy Managing Director

**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 and other pronouncements issued by Institute of Chartered Accountants of India 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 holding 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, incomes 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 concerns have been followed. The major differences in the accounting policies followed by group concerns are as under:

**a** In case of foreign subsidiaries, depreciation is provided as per the rates specified by the respective companies' GAAP/ estimated useful lives of the assets.

**b** In case of Zydus Nikkho Farmaceutica Ltda., Trademarks & Patents are not amortised but evaluated for impairment.

**c** Inventories are valued on FIFO basis by foreign subsidiaries, Dialforhealth India Limited and Biochem Pharmaceutical Industries Limited.

**d** Zydus Nycomed Healthcare Private Limited, a Joint Venture Company provides depreciation at the following rates on straight-line method which may be different 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 Equipment	20%
- Furniture and Fixtures	16.67%

**e** Bayer Zydus Pharma Private Limited, a Joint Venture Company provides depreciation at the following rates on straight-line method which may be different than the rates specified in Schedule- XIV of the Companies Act, 1956:

- Office Equipment	5 to 12 Years
- Computers	3 Years
- Furniture and Fixtures	10 Years
- Vehicles	5 Years

**f** In case of Zydus Hospira Oncology Private Limited, Intangible assets are amortised on Straight Line basis on useful life of 6 years.

**g** In case of Zydus Hospira Oncology Private Limited, Zydus Nycomed Healthcare Private Limited and Biochem Pharmaceutical Industries Limited, assets having actual cost of purchases below Rs. 5,000/- are depreciated entirely in the year of acquisition.

**h** In case of Biochem Pharmaceuticals Industries Limited, depreciation is provided on "Written Down Value Method" at the rates and manner prescribed in Schedule XIV to the Companies Act, 1956.

**C a** The excess/ deficit of the cost of the Company's investments in each of its subsidiaries and Joint Ventures over its share in equities of 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 the statement of Profit and Loss/ Foreign Currency Translation Reserves in accordance with para D below.

**b** Goodwill arising on consolidation 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:

- All Monetary Assets and Liabilities using closing exchange rates.
- All Non Monetary items using historical exchange rates.
- All Revenue and Expenses using average exchange rates prevailing during the period.
- Exchange differences arising on conversion are recognised in the statement of Profit and Loss.

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

- All Assets and Liabilities using closing exchange rates.
- All Revenue and Expenses using average exchange rates prevailing during the period.
- 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 "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.

## Notes to the Consolidated Financial Statements

	INR - Millions	
	Figures as at end of	
	Current Reporting Period	Previous Reporting Period
	March 31	
	2012	2011
<b>Note: 1-Share Capital:</b>		
<b>Authorised:</b>		
220,000,000 [as at March 31, 2011: 220,000,000] Equity Shares of Rs.5/- each	1,100	1,100
	1,100	1,100
<b>Issued, Subscribed and Paid-up:</b>		
204,748,520 [as at March 31, 2011: 204,748,520] Equity Shares of Rs.5/- each, fully paid-up	1,024	1,024
<b>Total</b>	1,024	1,024
A The reconciliation of the number of Shares outstanding is as under:		
Particulars		
Number of shares at the beginning	204,748,520	136,499,013
Add: Bonus shares issued during the reporting period	-	68,249,507
Number of shares at the end	204,748,520	204,748,520
B The Company has only one class of shares i.e. equity shares. All equity shares rank pari passu and carry equal rights with respect to voting and dividend. In the event of liquidation of the Company, the equity shareholders shall be entitled to proportionate share of their holding in the assets remaining after distribution of all preferential amounts.		
C Details of Share Holders holding more than 5% of Equity Shares of Rs. 5/- each, fully paid:		
Zydus Family Trust		
Number of Shares	153,107,446	153,107,446
% to total share holding	74.78%	74.78%
D 100,885,305 [as at March 31, 2011: 100,885,305] Equity Shares of Rs. 5/- each, fully paid-up were issued and allotted without payment being received in cash and 90,000,000 [as at March 31, 2011: 90,000,000] Equity Shares of Rs. 5/- each were extinguished during February, 2009 pursuant to Composite Scheme of Arrangement.		
E Equity Shares allotted as fully paid bonus shares during the last five years	68,249,507	68,249,507
<b>Note: 2-Reserve and Surplus:</b>		
<b>Capital Reserve:</b>		
Balance as per last Balance Sheet	289	288
Add: Capital Reserve arising due to consolidation	154	1
	443	289
<b>Securities Premium Reserve:</b>		
Balance as per last Balance Sheet	-	116
Less: Utilised for Issue of Bonus Shares	-	116
	-	-
<b>Debenture Redemption Reserve:</b>		
Balance as per last Balance Sheet	200	100
Add: Transfer from Surplus in statement of Profit and Loss	450	100
	650	200
<b>Other Reserves:</b>		
<b>International Business Development Reserve:</b>		
Balance as per last Balance Sheet	2,000	2,000
<b>Hedge Reserve:</b>		
Balance as per last Balance Sheet	-	-
Less: Debited during the reporting period	(275)	-
	(275)	-
<b>Foreign Currency Translation Reserve:</b>		
Balance as per last Balance Sheet	(299)	(146)
[Less]: Exchange differences on consolidation	(317)	(153)
	(616)	(299)
<b>General Reserve:</b>		
Balance as per last Balance Sheet	11,105	10,010
Add: Transfer from Surplus in statement of Profit and Loss	1,130	1,321
Less: Utilised for Bonus Issue	-	226
	12,235	11,105

## Notes to the Consolidated Financial Statements

	INR - Millions	
	Figures as at end of	
	Current Reporting Period	Previous Reporting Period
	March 31	
	2012	2011
<b>Note: 2-Reserves and Surplus-Continue:</b>		
<b>Surplus in statement of Profit and Loss:</b>		
Balance as per last Balance Sheet	6,956	2,796
Add: Profit for the period	6,526	7,110
	13,482	9,906
Less: Appropriations:		
Dividends:		
Proposed Dividend	1,536	1,280
Corporate Dividend Tax on Proposed Dividend [Net of CDT Credit]	530	249
Transfer to Debenture Redemption Reserve	450	100
Transfer to General Reserve	1,130	1,321
Group's proportionate share in Transfer to Reserves of Joint Ventures	565	-
	4,211	2,950
Balance as at the end of reporting period	9,271	6,956
Group's proportionate share in reserves [other than surplus in statement of Profit and Loss] of Joint Ventures	1,004	440
<b>Total</b>	<b>24,712</b>	<b>20,691</b>

**Note: 3-Long Term Borrowings:**

	INR - Millions			
	Non-current portion		Current Maturities	
	Figures as at end of			
	Current Reporting Period	Previous Reporting Period	Current Reporting Period	Previous Reporting Period
	March 31		March 31	
	2012	2011	2012	2011
A Debentures [Secured]:				
8.50% Redeemable, Non Convertible privately placed	500	500	-	-
9.70% Redeemable, Non Convertible privately placed	1,750	-	-	-
	2,250	500	-	-
B Term Loans from Banks:				
a Term Loan [Secured]	3,131	2,849	907	67
b Term Loan [Unsecured]	3,690	669	255	223
c External Commercial Borrowings in Foreign Currency [Secured]	3,580	3,243	1,391	327
d External Commercial Borrowings in Foreign Currency [Unsecured]	339	-	170	-
	10,740	6,761	2,723	617
C Deferred Payment Liabilities [Unsecured]:				
Interest free deemed loan against deferment of sales tax				
From a Financial Institution	28	42	14	14
Deferred amount	113	171	58	58
	141	213	72	72
D From Others [Unsecured]	34	38	4	-
E Group's proportionate share in Secured long term borrowings of Joint Venture	58	117	58	58
<b>Total</b>	<b>13,223</b>	<b>7,629</b>	<b>2,857</b>	<b>747</b>
The above amount includes:				
Secured borrowings	9,019	6,709	2,356	452
Unsecured borrowings	4,204	920	501	295
Amount disclosed under "Other Current Liabilities" [Note-9]	-	-	(2,799)	(689)
Group's proportionate share disclosed under "Other Current Liabilities" [Note-9]	-	-	(58)	(58)
Net amount	13,223	7,629	-	-



## Notes to the Consolidated Financial Statements

	INR - Millions	
	Figures as at end of	
	Current Reporting Period	Previous Reporting Period
	March 31	
	2012	2011
<b>Note: 4-Deferred Tax:</b>		
<b>A</b> Break up of Deferred Tax Liabilities and Assets into major components of the respective balances are as under:		
Deferred Tax Liabilities:		
Depreciation	1829	1546
Others	0	13
Total	1829	1559
Deferred Tax Assets:		
Employee benefits	114	71
Receivables	8	76
Others	529	294
Total	651	441
Net Deferred Tax Liabilities	1178	1118
Group's proportionate share in Deferred Tax of Joint Ventures	7	9
<b>Total</b>	<b>1185</b>	<b>1127</b>
<b>B</b> The Deferred Tax Liabilities/ [Assets] for the reporting period provided in the statement of Profit and Loss:		
Deferred Tax Liabilities/ [Assets]	60	(14)
Group's proportionate share in Deferred Tax [Assets]/ Liabilities of Joint Ventures	(2)	4
Total	58	(10)
<b>Note: 5-Other Long Term Liabilities:</b>		
Trade Deposits	53	44
Derivative Liability	5	-
Others	366	128
	424	172
Group's proportionate share in other long term liabilities of Joint Ventures	2	16
<b>Total</b>	<b>426</b>	<b>188</b>
<b>Note: 6-Long Term Provisions:</b>		
Provision for Employee Benefits	747	604
Group's proportionate share in long term provisions of Joint Ventures	9	15
<b>Total</b>	<b>756</b>	<b>619</b>
<b>Note: 7-Short Term Borrowings:</b>		
Loans repayable on Demand:		
Working Capital Loans from Banks [Secured]	2,280	1,289
Working Capital Loans from Banks [Unsecured]	4,591	1,309
	6,871	2,598
Group's proportionate share in short term borrowings of Joint Ventures	-	-
<b>Total</b>	<b>6,871</b>	<b>2,598</b>

## Notes to the Consolidated Financial Statements

	INR - Millions	
	Figures as at end of	
	Current Reporting Period	Previous Reporting Period
	March 31	
	2012	2011
<b>Note: 8-Trade Payables:</b>		
Micro, Small and Medium Enterprises	18	-
Others	5,108	5,521
	5,126	5,521
Group's proportionate share in trade payables of Joint Ventures	329	185
<b>Total</b>	<b>5,455</b>	<b>5,706</b>
<b>Note: 9-Other Current Liabilities:</b>		
Current Maturities of Long Term Debt [Refer Note- 3]	2,799	689
Interest accrued but not due on borrowings	110	64
Interest accrued and due on borrowings	28	-
Unpaid Dividends	15	12
Advances from Debtors	109	122
Other Payables:		
Bank Book overdraft	59	55
Provision for Expenses	2,282	2,334
Payable to Statutory Authorities	307	191
Derivative Liability	208	-
Others	876	-
	3,732	2,580
Group's proportionate share in other current liabilities of Joint Ventures	131	206
<b>Total</b>	<b>6,924</b>	<b>3,673</b>
<b>Note: 10-Short Term Provisions:</b>		
Provision for Employee Benefits	137	49
Others:		
Proposed Dividend	1,591	1,324
Corporate Dividend Tax on Proposed Dividend	258	215
Provision for Taxation [Net of advance payment of tax]	148	197
Provision for claims for product expiry and return of goods	66	79
	2,063	1,815
Group's proportionate share in short term provisions of Joint Ventures	81	318
<b>Total</b>	<b>2,281</b>	<b>2,182</b>
<b>Note: 11-Foreign Currency Monetary Items Translation Difference Account:</b>		
<p>The Company had 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, 2020.</p>		

## Notes to the Consolidated Financial Statements

## Note: 12-Fixed Assets:

	INR - Millions							Total
	Freehold Land	Leasehold Land	Buildings	Plant and Equipment	Furniture and Fixtures	Vehicles	Office Equipment	
<b>A Tangible Assets :</b>								
Gross Block:								
As at March 31, 2011	585	438	3,836	11,207	591	362	96	<b>17,115</b>
Acquired subsidiaries	6	-	232	354	7	4	10	<b>613</b>
Additions	91	37	1,511	3,387	59	122	115	<b>5,322</b>
Disposals	(15)	-	(28)	(148)	(16)	(37)	(2)	<b>(246)</b>
Other adjustments	9	1	97	211	10	-	7	<b>335</b>
As at March 31, 2012	676	476	5,648	15,011	651	451	226	<b>23,139</b>
Depreciation:								
As at March 31, 2011	-	18	822	3,739	316	133	20	<b>5,048</b>
Acquired subsidiaries	-	-	96	231	4	3	6	<b>340</b>
Charge for the period	-	5	155	923	44	38	17	<b>1,182</b>
Disposals	-	-	(10)	(71)	(6)	(17)	-	<b>(104)</b>
Other adjustments	-	-	19	28	6	-	1	<b>54</b>
As at March 31, 2012	-	23	1,082	4,850	364	157	44	<b>6,520</b>
Impairment Loss:								
As at March 31, 2011	-	-	1	118	-	-	-	<b>119</b>
Charge for the period	-	-	-	-	-	-	-	<b>-</b>
Disposals	-	-	-	-	-	-	-	<b>-</b>
Other adjustments	-	-	-	-	-	-	-	<b>-</b>
As at March 31, 2012	-	-	1	118	-	-	-	<b>119</b>
Net Block:								
As at March 31, 2011	585	420	3,013	7,350	275	229	76	<b>11,948</b>
As at March 31, 2012	676	453	4,565	10,043	287	294	182	<b>16,500</b>
<b>B Intangible Assets :</b>								
Gross Block:								
As at March 31, 2011			4,844	3,754	191	493	978	<b>10,260</b>
Acquired subsidiaries			-	16	5	-	-	<b>21</b>
Additions			5,320	64	54	3	48	<b>5,489</b>
Disposals			-	(233)	-	(6)	-	<b>(239)</b>
Other adjustments			(13)	96	5	17	3	<b>108</b>
As at March 31, 2012			10,151	3,697	255	507	1,029	<b>15,639</b>
Depreciation:								
As at March 31, 2011			42	2,826	90	404	889	<b>4,251</b>
Acquired subsidiaries			-	14	3	-	-	<b>17</b>
Charge for the period			-	198	47	7	29	<b>281</b>
Disposals			-	(164)	-	(4)	-	<b>(168)</b>
Other adjustments			-	46	2	11	-	<b>59</b>
As at March 31, 2012			42	2,920	142	418	918	<b>4,440</b>
Impairment Loss:								
As at March 31, 2011			-	221	-	-	52	<b>273</b>
Charge for the period			-	-	-	12	-	<b>12</b>
Disposals			-	(39)	-	-	-	<b>(39)</b>
Other adjustments			-	13	-	-	-	<b>13</b>
As at March 31, 2012			-	195	-	12	52	<b>259</b>
Net Block:								
As at March 31, 2011			4,802	707	101	89	37	<b>5,736</b>
As at March 31, 2012			10,109	582	113	77	59	<b>10,940</b>

## Notes to the Consolidated Financial Statements

**Note: 12-Fixed Assets - Continue:**

Group's proportionate share in net block of fixed assets of Joint Ventures:	INR - Millions							
	Tangible Assets				Intangible Assets			
	Gross Block	Depreciation	Impairment Loss	Net Block	Gross Block	Depreciation	Impairment Loss	Net Block
As at March 31, 2011	907	283	-	624	40	22	-	18
Additions	532	107	-	425	-	5	-	(5)
Disposals	(28)	(5)	-	(23)	-	-	-	-
Other adjustments	-	-	-	-	-	-	-	-
As at March 31, 2012	1,411	385	-	1,026	40	27	-	13

**Notes:**

1 Break up of additions, disposals and other adjustments for previous reporting period is as under:

	Tangible Assets				Intangible Assets			
	Gross Block	Depreciation	Impairment Loss	Net Block	Gross Block	Depreciation	Impairment Loss	Net Block
	As at March 31, 2010	14,765	4,228	119	10,418	10,021	3,869	265
Additions	2,495	857	-	1,638	298	354	-	(56)
Disposals	(187)	(62)	-	(125)	(128)	(7)	-	(121)
Other adjustments	42	25	-	17	68	35	8	25
As at March 31, 2011	17,115	5,048	119	11,948	10,259	4,251	273	5,735

2 Other adjustments include adjustments on account of borrowing costs and exchange rate difference.

	INR - Millions	
	Figures as at end of	
	Current Reporting Period	Previous Reporting Period
	March 31	
	2012	2011

**Note: 13-Non Current Investments:**

Long Term Investments:		
Trade Investments:		
In fully paid-up series B & C Convertible preferred stock	187	187
Other Investments:		
Investments in Equity Instruments:		
Quoted	12	12
Unquoted	8	8
Investments in Government Securities	5	-
<b>Total</b>	<b>212</b>	<b>207</b>

**Note: 14-Long Term Loans and Advances:**

[Unsecured, Considered Good unless otherwise stated]		
Capital Advances	246	285
Security Deposits	286	166
Other Loans and Advances:		
Balances with Custom/ Central Excise/ Sales Tax Authorities	950	706
Advance payment of Tax [Net of provision for taxation]	513	281
Other advances recoverable in cash or in kind or for value to be received:		
Considered good	343	164
Considered doubtful	10	13
	353	177
Less: Provision for doubtful advances	10	13
	343	164
Group's proportionate share in long term loans and advances of Joint Ventures	293	408
<b>Total</b>	<b>2,631</b>	<b>2,010</b>

## Notes to the Consolidated Financial Statements

	INR - Millions	
	Figures as at end of	
	Current Reporting Period	Previous Reporting Period
	March 31	
	2012	2011
<b>Note: 15-Current Investments:</b>		
Group's proportionate share in current investments of Joint Ventures	30	-
<b>Total</b>	<b>30</b>	<b>-</b>
<b>Note: 16-Inventories:</b>		
Classification of Inventories:		
Raw Materials	2,856	2,481
Work-in-progress	1,146	822
Finished Goods	2,920	1,887
Stock-in-Trade	2,426	2,012
Stores and Spares	24	22
Others:		
Packing Materials	548	440
	<b>9,920</b>	7,664
Group's proportionate share in inventories of Joint Ventures	<b>985</b>	455
<b>Total</b>	<b>10,905</b>	<b>8,119</b>
<b>Note: 17-Trade Receivables:</b>		
Outstanding for a period exceeding six months from the date they are due for payment:		
Considered good	104	95
Considered doubtful	108	77
	<b>212</b>	172
Less: Provision for doubtful debts	108	77
	<b>104</b>	95
Others- Considered good	7,825	6,257
	<b>7,929</b>	6,352
Group's proportionate share in trade receivables of Joint Ventures	<b>934</b>	1,300
<b>Total</b>	<b>8,863</b>	<b>7,652</b>
<b>Note: 18-Cash and Bank Balances:</b>		
Balances with Banks	4,256	2,519
Cash on Hand	7	12
	<b>4,263</b>	2,531
Group's proportionate share in cash and bank balances of Joint Ventures	<b>403</b>	421
<b>Total</b>	<b>4,666</b>	<b>2,952</b>
<b>Note: 19-Short Term Loans and Advances:</b>		
[Unsecured, Considered Good]		
Others:		
Balances with Custom/ Central Excise/ Sales Tax Authorities	1,327	1,023
Advances to Suppliers	948	621
Advances recoverable in cash or in kind or for value to be received	434	336
	<b>2,709</b>	1,980
Group's proportionate share in short term loans and advances of Joint Ventures	<b>37</b>	82
<b>Total</b>	<b>2,746</b>	<b>2,062</b>



## Notes to the Consolidated Financial Statements

	INR - Millions	
	Figures as at end of	
	Current Reporting Period	Previous Reporting Period
	March 31	
	2012	2011
<b>Note: 20-Other Current Assets:</b>		
Interest Receivables	8	22
Income Receivables	16	25
Insurance Claim Receivables	39	123
Export Incentive Receivables	94	231
Prepaid Expenses	132	64
	289	465
Group's proportionate share in other current assets of Joint Ventures	132	3
<b>Total</b>	<b>421</b>	<b>468</b>

### Note: 21-Contingent Liabilities and commitments [to the extent not provided for]:

	INR - Millions			
	Cadila Healthcare Limited and subsidiaries		Joint Ventures	
	Reporting period ended March 31,			
	2012	2011	2012	2011
<b>A</b> Contingent liabilities:				
<b>a</b> In respect of claims against the Companies not acknowledged as debts	98	91	12	
<b>b</b> In respect of guarantees given by Banks and/ or counter guarantees given by the Companies	199	193	2	
<b>c</b> Other money for which the company is contingently liable:				
i In respect of the demands raised by the Central Excise, State Excise and Customs Authorities	248	54	2	
ii In respect of the demands raised by the Ministry of Chemicals and Fertilizers, Govt. of India under Drug Price Control Order, 1979/ 1995 for difference in actual price and price of respective bulk drug allowed while fixing the price of certain life saving formulations	359	317		
iii In respect of Income Tax matters pending before appellate authorities	1119	80	1320	1132
iv In respect of Sales Tax matters pending before appellate authorities	73	114		
v In respect of demand raised by the Government of Gujarat on account of stamp duty payable on the trade-marks acquired	32	32		
vi In respect of custom duty liability under EPCG scheme	172	26	1	1
vii In respect of letters of credit for Imports	109	2		
viii In respect of arrears of Dividend on Cumulative Preference Shares			10	1
ix In respect of other matters [Employees Indemnity on retirement/ guaranteed severance package]	39	33		
<b>B</b> Commitments:				
Estimated amount of contracts remaining to be executed on capital account and not provided for [Net of Advances]	2113	775	72	38

### Note: 22-Dividends proposed to be distributed:

The Board of Directors, in its meeting held on May 10, 2012, recommended the final dividend of Rs. 7.50 per equity share of Rs. 5/- each.

## Notes to the Consolidated Financial Statements

	INR - Millions	
	Figures for the	
	Current Reporting Period	Previous Reporting Period
	March 31	
	2012	2011
<b>Note: 23-Revenue from Operations:</b>		
Group's proportionate share in the net sales of Joint Ventures	4,323	2,707
Other Operating Revenues:		
Dossier Fees	507	498
Royalty Income	356	299
Net Gain on foreign currency transactions and translation	-	99
Government Grants	21	24
Miscellaneous Income	813	727
Total	1,697	1,647
Group's proportionate share in revenue from operations of Joint Ventures	36	12
<b>Total</b>	<b>1,733</b>	<b>1,659</b>
<b>Note: 24-Other Income:</b>		
Interest Income [Gross]:		
From Others	302	111
Dividend Income [Gross]:		
From Long Term Investments	2	2
Net Gain on Sale of Investments	54	-
Other Non-operating Income	35	10
	393	123
Group's proportionate share in other income of Joint Ventures	138	8
<b>Total</b>	<b>531</b>	<b>131</b>
<b>Note: 25-Cost of Materials Consumed:</b>		
Raw Materials:		
Stock at commencement	2,481	1,811
Add: Opening stock of newly acquired subsidiaries during the period	195	-
Add: Purchases	9,263	7,921
	11,939	9,732
Less: Stock at close	2,856	2,481
	9,083	7,251
Packing Materials consumed	2,361	1,892
	11,444	9,143
Group's proportionate share in cost of materials consumed of Joint Ventures	445	928
<b>Total</b>	<b>11,889</b>	<b>10,071</b>
<b>Note: 26-Purchase of Stock-in-Trade:</b>		
Purchase of Stock-in-Trade	6,311	4,623
Group's proportionate share in purchase of stock-in-trade of Joint Ventures	474	-
<b>Total</b>	<b>6,785</b>	<b>4,623</b>

## Notes to the Consolidated Financial Statements

	INR - Millions	
	Figures for the	
	Current Reporting Period	Previous Reporting Period
	March 31	
	2012	2011
<b>Note: 27-Changes in Inventories:</b>		
Stock at close:		
Work-in-progress	1,146	822
Finished Goods	2,920	1,887
Stock-in-Trade	2,426	2,012
	6,492	4,721
Less: Stock at commencement:		
Work-in-progress	822	706
Work-in-progress of newly acquired subsidiaries during the period	56	-
Finished Goods	1,887	1,994
Finished Goods of newly acquired subsidiaries during the period	252	-
Stock-in-Trade	2,012	2,159
Stock-in-Trade of newly acquired subsidiaries during the period	31	-
	5,060	4,859
	(1,432)	138
Differential Excise Duty on Opening and Closing stock of Finished Goods	(31)	(8)
	(1,463)	130
Group's proportionate share in changes in inventories of Joint Ventures	(418)	(70)
<b>Total</b>	<b>(1,881)</b>	<b>60</b>
<b>Note: 28-Employee Benefits Expense:</b>		
Salaries and wages	6,299	5,398
Contribution to provident and other funds	661	651
Staff welfare expenses	264	225
	7,224	6,274
Group's proportionate share in employee benefits expense of Joint Ventures	288	81
<b>Total</b>	<b>7,512</b>	<b>6,355</b>
Above expenses includes Research related expenses as follows:		
Salaries and wages	637	453
Contribution to provident and other funds	46	35
Staff welfare expenses	30	27
<b>Total</b>	<b>713</b>	<b>515</b>
<b>Note: 29-Finance Cost:</b>		
Interest Expense [*]	1,023	664
Other Borrowing Costs	21	-
Net Loss/ [Gain] on foreign currency transactions and translation	638	(81)
Bank commission & charges	146	112
	1,828	695
Group's proportionate share in finance cost of Joint Ventures	21	4
<b>Total</b>	<b>1,849</b>	<b>699</b>
[*] The break up of interest cost in to major heads is given below:		
On term loans	593	433
On debentures	164	43
On working capital loans	243	149
Others	23	39
	1,023	664
<b>Note: 30-Depreciation and Amortisation Expenses:</b>		
Depreciation and Amortisation Expenses	1,468	1,209
Group's proportionate share in depreciation and amortisation expenses of Joint Ventures	111	60
<b>Total</b>	<b>1,579</b>	<b>1,269</b>

## Notes to the Consolidated Financial Statements

	INR - Millions	
	Figures as at end of	
	Current Reporting Period	Previous Reporting Period
	March 31	
	2012	2011
<b>Note: 31-Other Expenses:</b>		
Research Materials	571	667
Analytical Expenses	1,152	664
Consumption of Stores and spare parts	742	578
Power & fuel	1,035	864
Rent	211	104
Repairs to Buildings	91	79
Repairs to Plant and Machinery	239	228
Repairs to Others	105	111
Insurance	192	110
Rates and Taxes	276	186
Processing Charges	381	289
Managing Directors' Remuneration	303	388
Commission to Directors	6	5
Traveling Expenses	898	917
Legal and Professional Fees	1,083	747
Net Loss on foreign currency transactions and translation	148	-
Advertisement Expenses	626	634
Commission on sales	1,311	1,049
Freight and forwarding on sales	1,590	1,248
Sales promotion expenses	1,675	1,719
Seminar, Conference and Exhibition expenses	457	480
Representative Allowances	595	502
Other marketing expenses	1,621	1,475
Bad Debts:		
Bad debts written off	21	109
Provision for Doubtful Debts	46	5
	67	114
Less: Transferred from Provision for Doubtful Debts	(15)	(97)
	52	17
Doubtful Advances:		
Doubtful advances written off	14	-
Provision for Doubtful Advances	-	-
	14	-
Less: Transferred from Provision for Doubtful Advances	(3)	-
	11	-
Directors' fees	2	2
Net Loss on Fixed Assets	23	19
Donations	44	213
Miscellaneous Expenses	1,542	1,488
	16,982	14,783
Group's proportionate share in other expenses of Joint Ventures	507	152
<b>Total</b>	<b>17,489</b>	<b>14,935</b>
Above expenses include Research related expenses as follows:		
Research Materials	571	667
Analytical expenses	1,152	664
Stores and spare parts consumed	347	136
Power & Fuel	101	75
Repairs to Buildings	4	1
Repairs to Plant and Machinery	8	7
Repairs to Others	8	5
Insurance	8	2
Traveling Expenses	31	36
Legal and Professional fees	213	79
Net Loss on foreign currency transactions and translation	9	-
Net Loss on Fixed Assets	1	10
Miscellaneous Expenses	471	309
<b>Total</b>	<b>2,924</b>	<b>1,991</b>

## Notes to the Consolidated Financial Statements

		INR - Millions			
		Figures for the			
		Current Reporting Period	Previous Reporting Period		
		March 31			
		2012	2011		
<b>Note: 32-Calculation of Earnings per Equity Share [EPS]:</b>					
The numerators and denominators used to calculate the Basic and Diluted EPS are as follows:					
A	Profit attributable to Shareholders:				
a	Before Exceptional items	INR-Millions <b>6,526</b>	7,110		
b	After Exceptional items	INR-Millions <b>6,526</b>	7,110		
B	Basic & weighted average number of Equity shares outstanding during the period	Numbers <b>204,748,520</b>	204,748,520		
C	Nominal value of equity share	INR <b>5</b>	5		
D	Basic & Diluted EPS:				
a	Before Exceptional Items	INR <b>31.87</b>	34.73		
b	After Exceptional Items	INR <b>31.87</b>	34.73		
<b>Note: 33-Segment Information:</b>					
A Primary Business Segment: There is only one Segment namely Pharmaceutical Products.					
B Secondary Business Segment-By Geographical market:					
		INR - Millions			
		Within India	Outside India	Total	
		Reporting period ended March 31			
		2012	2011	2012	2011
a	Sales revenue by geographical market	<b>25,379</b>	22,324	<b>26,428</b>	22,887
b	Carrying amount of segment assets	<b>32,833</b>	24,308	<b>30,959</b>	21,798
c	Additions to fixed assets	<b>2,522</b>	2,549	<b>3,500</b>	404
				<b>51,807</b>	45,211
				<b>63,792</b>	46,106
				<b>6,023</b>	2,953
C Notes :					
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.					



## Notes to the Consolidated Financial Statements

**Note: 34-Notes on Consolidated Accounts:**

**A** CFS as at March 31, 2012 comprise the financial statements of Cadila Healthcare Limited [CHL] and its subsidiaries as well as its interest in Joint Ventures, 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
<b>[ a ] Subsidiaries</b>					
<b>A Indian Subsidiaries:</b>					
1	Zydus Pharmaceuticals Limited	India	WOS *	Audited	March 31, 2012
2	Dialforhealth India Limited [DFH]	India	WOS	Audited	March 31, 2012
3	Dialforhealth Unity Limited	India	55% holding of DFH	Audited	March 31, 2012
4	Dialforhealth Greencross Limited	India	WOS of DFH	Audited	March 31, 2012
5	German Remedies Limited [GRL]	India	WOS	Audited	March 31, 2012
6	Zydus Wellness Limited [ZWL]	India	70.24% holding of CHL 1.84 % holding of ZAHL	Audited	March 31, 2012
7	Liva Healthcare Limited	India	WOS	Audited	March 31, 2012
8	Zydus Animal Health Limited [ZAHL]	India	WOS	Audited	March 31, 2012
9	Zydus Technologies Limited	India	85% holding of CHL	Audited	March 31, 2012
10	Biochem Pharmaceutical Industries Limited [Note-1]	India	WOS	Audited	March 31, 2012
11	Finest Procuring Solutions Limited [FPSL] [Note-2]	India	WOS of ZAHL	Audited	March 31, 2012
<b>B Foreign Subsidiaries:</b>					
1	Zydus Lanka (Private) Limited [Note-3]	Sri Lanka	WOS of CHL	N.A.	N.A.
2	Zydus International Private Limited [ZIPL]	Ireland	WOS of CHL	**	March 31, 2012
3	Zydus Healthcare SA (Pty) Ltd. [Zydus SA]	South Africa	WOS of ZIPL	Unaudited	March 31, 2012
4	Zydus Healthcare (USA) LLC	U. S. A.	WOS of ZIPL	**	March 31, 2012
5	Zydus Pharmaceuticals (USA) Inc. [ZPUI]	U. S. A.	WOS of ZIPL	**	March 31, 2012
6	Nesher Pharmaceuticals (USA) LLC [Formerly known as Zyneshier Pharmaceuticals (USA) LLC] [Note-4]	U. S. A.	WOS of ZPUI	**	March 31, 2012
7	Zydus France, SAS	France	WOS of ZIPL	Unaudited	March 31, 2012
8	Zydus Netherlands B.V. [ZNBV]	the Netherlands	WOS of ZIPL	Unaudited	March 31, 2012
9	Zydus Pharma Japan Co. Ltd.	Japan	WOS of ZIPL	Unaudited	March 31, 2012
10	Etna Biotech S.R.L.	Italy	WOS of ZIPL	Unaudited	March 31, 2012
11	Zydus Pharmaceuticals Mexico SA De CV	Mexico	WOS of ZIPL	Unaudited	March 31, 2012
12	Zydus Pharmaceuticals Mexico Service Company SA De CV.	Mexico	WOS of ZIPL	Unaudited	March 31, 2012
13	Zydus Noveltch Inc., USA	U. S. A.	85% holding of ZIPL	Unaudited	March 31, 2012
14	Laboratorios Combix S.L.	Spain	WOS of ZNBV	Unaudited	March 31, 2012
15	Zydus Nikkho Farmaceutica Ltda. [Note-5]	Brazil	WOS of ZNBV	**	March 31, 2012
16	Simayla Pharmaceuticals (Pty) Ltd	South Africa	WOS of Zydus SA	Unaudited	March 31, 2012
17	Script Management Services (Pty) Ltd.	South Africa	WOS of Zydus SA	Unaudited	March 31, 2012
18	ZAHL B. V. [Formerly known as RFCL B.V.] [Note-2]	the Netherlands	WOS of FPSL	Unaudited	March 31, 2012
19	ZAHL Europe B. V. [Formerly known as RFCL Europe B.V.] [Note-2]	the Netherlands	WOS of ZAHL B.V.	Unaudited	March 31, 2012
20	Bremer Pharma GmbH [Note-2]	Germany	WOS of ZAHL Europe B.V.	Audited	March 31, 2012
<b>[ b ] Joint Ventures</b>					
1	Zydus Nycomed Healthcare Private Limited	India	50% holding of CHL	Audited	March 31, 2012
2	Zydus Hospira Oncology Private Limited	India	50% holding of CHL	Unaudited	March 31, 2012
3	Zydus BSV Pharma Private Limited	India	50% holding of CHL	Audited	March 31, 2012
4	Bayer Zydus Pharma Private Limited	India	50% holding of CHL	Audited	March 31, 2012
<b>[ c ] Associate Concerns</b>					
1	M/s. Zydus Healthcare- Sikkim	India	96% holding of CHL & 2% holding of GRL	Audited	March 31, 2012
2	M/s. Zydus Wellness- Sikkim	India	98% holding of ZWL	Audited	March 31, 2012
<b>Explanatory Notes</b>					
Note- 1 Became WOS of CHL w.e.f. December 21, 2011.					
Note- 2 Became WOS of ZAHL w.e.f. July 27, 2011.					
Note- 3 New subsidiary incorporated on April 11, 2011 during the period.					
Note- 4 Became WOS of ZPUI w.e.f. May 17, 2011.					
Note- 5 Quimica e Farmaceutica Nikkho Do Brasil Ltda. was merged with Zydus Healthcare Brasil Ltda., Brazil and subsequently the name of Zydus Healthcare Brasil Ltda was changed to Zydus Nikkho Farmaceutica Ltda, w.e.f. April 1, 2011.					
* 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 up to March 31, 2012.					

**B** 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 represent the needed disclosure to serve as a guide for better understanding of the Group's position.

**C** During the period, a new WOS of CHL, Biochem Pharmaceutical Industries Limited has been acquired. Besides, a new WOS of ZPUI, Nesher Pharmaceuticals (USA) LLC and a new WOS of ZAHL, Finest Procuring Solutions Limited [FPSL] has been acquired. The figures for the Current reporting period are, therefore, not comparable with those of the previous reporting period.

## Notes to the Consolidated Financial Statements

## Note: 35-Related Party Transactions:

**A Name of the Related Party and Nature of the Related Party Relationship:****a Joint Venture Companies:**

Zydus Nycomed Healthcare Private Limited  
Zydus Hospira Oncology Private Limited

Zydus BSV Pharma Private Limited  
Bayer Zydus Pharma Private Limited

**b Enterprises significantly influenced by Directors and/ or their relatives:**

Cadmach Machinery Company Private Limited  
Zydus Hospitals and Healthcare Research Private Limited  
Zydus Hospitals (Vadodra) Private Limited  
Zydus Hospitals (Rajkot) Private Limited  
MabS Biotech Private Limited  
Zydus Infrastructure Private Limited  
Cadila Laboratories Private Limited

Western Ahmedabad Effluent Conveyance Company Private Limited  
Pripan Investment Private Limited  
Zest Aviation Private Limited  
Zandra Infrastructure LLP  
M/s. C. M. C. Machinery  
M/s. Cadam Enterprises

**B Transactions with Related Parties:**

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

Nature of Transactions	Value of the Transactions [INR - Millions]			
	Joint Venture Companies		Enterprises significantly influenced by Directors and / or their relatives	
	Reporting period ended March,31			
	2012	2011	2012	2011
<b>Purchases:</b>				
<b>Goods:</b>				
Zydus BSV Pharma Private Limited	7	5		
Zydus Nycomed Healthcare Private Limited	3			
Cadmach Machinery Company Private Limited			4	12
M/s. C. M. C. Machinery			4	3
Others	1	2		4
Total	11	7	8	19
<b>Fixed Assets:</b>				
Cadmach Machinery Company Private Limited			120	74
M/s. Cadam Enterprises			30	
Others				376
Total	-	-	150	450
<b>Reimbursement of Expenses:</b>				
Bayer Zydus Pharma Private Limited	9			
Cadmach Machinery Company Private Limited			5	
Others				3
Total	9	-	5	3
<b>Services:</b>				
Zydus BSV Pharma Private Limited	3			
Zydus Infrastructure Private Limited			12	11
Others				1
Total	3	-	12	12
<b>Sales:</b>				
<b>Goods:</b>				
Bayer Zydus Pharma Private Limited	575			
Others	16			
Total	591	-	-	-
<b>Fixed Assets:</b>				
Bayer Zydus Pharma Private Limited	1			
Others				3
Total	1	-	-	3

## Notes to the Consolidated Financial Statements

**Note: 35-Related Party Transactions - Continue:**

Nature of Transactions	Value of the Transactions [INR - Millions]			
	Joint Venture Companies		Enterprises significantly influenced by Directors and / or their relatives	
	Reporting period ended March,31			
	2012	2011	2012	2011
<b>Reimbursement of Expenses:</b>				
Bayer Zydus Pharma Private Limited	12			
<b>Services:</b>				
Zydus Nycomed Healthcare Private Limited	2	11		
Bayer Zydus Pharma Private Limited	3			
Zydus BSV Pharma Private Limited	1	1		
Total	6	12	-	-
<b>Investments:</b>				
<b>Purchases/Subscription to Share Capital:</b>				
Zydus BSV Pharma Private Limited	93	45		
Zest Aviation Private Limited			20	
Others		250		
Total	93	295	20	-
<b>Sales/ Redemption of Share Capital:</b>				
Zydus Hospira Oncology Private Limited	200			
Others			20	
Total	200	-	20	-
<b>Dividend Received:</b>				
Zydus Hospira Oncology Private Limited	1,642			
Others	90	250		
Total	1,732	250	-	-
<b>Finance:</b>				
<b>Inter Corporate Loans given:</b>				
Bayer Zydus Pharma Private Limited	150			
<b>Interest Received:</b>				
Bayer Zydus Pharma Private Limited	14			
<b>Outstanding:</b>				
<b>Payable:</b>				
Cadila Laboratories Private Limited			24	24
Others				14
Total	-	-	24	38
<b>Receivable:</b>				
Bayer Zydus Pharma Private Limited	376			
Others		11		
Total	376	11	-	-

**Note: 36** The Revised Schedule VI has become effective from April 1, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous reporting period's figures have been regrouped/ reclassified wherever necessary to correspond with the current reporting period's classifications/ disclosure.

**Signatures to Significant Accounting Policies and Notes 1 to 36 to the Financial Statements**

As per our report of even date

For and on behalf of the Board

For Mukesh M. Shah & Co.  
Chartered Accountants  
Firm Registration Number: 106625W

Pankaj R. Patel  
Chairman & Managing Director

Mukesh M. Shah  
Partner  
Membership Number: 030190  
Ahmedabad, Dated: May 10, 2012

Jyotindra B. Gor  
Chief Accounts Officer

Upen H. Shah  
Company Secretary

Sharvil P. Patel  
Deputy Managing Director

**The details of subsidiary companies in terms of general circular no. 2 and 3 dated February 21, 2011 issued by the Ministry of Corporate Affairs under section 212(8) of the Companies Act, 1956 is as under:**

Sr. No.	Name of the Subsidiary Company	Country	Reporting Currency	Exchange Rate	INR - Millions									
					Capital	Reserves	Total Assets	Total Liabilities	Investment other than Investment in subsidiaries	Turnover and Income from operations	Profit / [Loss] before Taxation	Provision for Taxation	Profit / [Loss] after Taxation	Proposed Dividend
1	Zydus Pharmaceuticals Limited	India	INR	1.00	9.50	7.85	19.91	2.56	0.93	-	1.67	0.46	1.21	0.48
2	Dialforhealth India Limited	India	INR	1.00	50.00	(103.62)	80.71	134.32	-	169.23	2.27	-	2.27	-
3	Dialforhealth Unity Limited	India	INR	1.00	0.50	(2.42)	0.07	1.99	-	-	(0.04)	-	(0.04)	-
4	Dialforhealth Greencross Limited	India	INR	1.00	2.50	(1.86)	0.68	0.04	-	-	(0.03)	-	(0.03)	-
5	German Remedies Limited	India	INR	1.00	2.40	95.80	173.54	75.34	9.59	99.67	99.87	3.86	96.01	64.80
6	Zydus Wellness Limited	India	INR	1.00	390.70	1477.90	2406.20	537.60	-	2535.90	786.10	109.30	676.80	195.40
7	Liva Healthcare Limited	India	INR	1.00	9.08	97.56	412.22	305.58	5.94	949.95	285.08	89.82	195.26	136.13
8	Zydus Animal Health Limited	India	INR	1.00	240.00	134.60	785.20	410.60	-	1588.00	315.00	105.70	209.30	144.00
9	Zydus Technologies Limited	India	INR	1.00	590.00	(7.15)	2251.06	1668.21	-	-	(1.73)	0.06	(1.79)	-
10	Biochem Pharmaceutical Industries Limited	India	INR	1.00	75.00	184.22	1188.81	929.59	-	2270.47	117.82	38.72	79.10	3.75
11	Finest Procuring Solutions Limited	India	INR	1.00	40.09	237.87	278.04	0.08	-	0.18	(0.73)	0.01	(0.74)	-
12	Zydus International Private Limited @	Ireland	Euro	67.92	2579.47	177.75	6016.29	3259.07	-	60.38	39.26	3.06	36.20	-
13	Zydus Netherlands B.V. @	the Netherlands	Euro	67.92	304.42	(494.80)	2228.93	2419.31	-	0.61	(119.40)	-	(119.40)	-
14	Zydus France, SAS @	France	Euro	67.92	1056.36	(716.76)	1821.61	1482.01	-	2607.79	(191.05)	-	(191.05)	-
15	Etna Biotech S.R.L. @	Italy	Euro	67.92	6.11	0.68	24.11	17.32	-	22.55	(14.44)	-	(14.44)	-
16	Laboratorios Combix S.L. @	Spain	Euro	67.92	505.46	(765.25)	628.06	887.92	-	503.08	(278.12)	-	(278.12)	-
17	Zydus Pharma Japan Co. Ltd. @	Japan	Yen	0.61	1352.87	(1385.25)	757.25	789.63	-	577.06	(644.82)	-	(644.82)	-
18	Zydus Pharmaceuticals (USA) Inc. @	USA	US Dollar	50.90	152.70	993.77	8639.87	7493.40	-	12746.33	878.52	309.27	569.25	-
19	Nesher Pharmaceuticals (USA) LLC @	USA	US Dollar	50.90	0.51	(65.46)	3182.01	3246.96	-	723.95	(65.46)	-	(65.46)	-
20	Zydus Healthcare (USA) LLC @	USA	US Dollar	50.90	10.18	8.04	155.91	137.68	-	55.99	3.21	0.90	2.31	-
21	Zydus Noveltech Inc., USA @	USA	US Dollar	50.90	254.50	(115.49)	144.40	5.40	-	116.10	(13.85)	-	(13.85)	-
22	Zydus Healthcare SA (Pty) Ltd. @	South Africa	SA Rand	6.67	332.86	(92.87)	775.78	535.79	-	600.65	(82.68)	-	(82.68)	-
23	Simayla Pharmaceuticals (Pty) Ltd. @	South Africa	SA Rand	6.67	-	(415.57)	263.59	679.16	-	797.34	(179.40)	0.62	(180.02)	-
24	Script Management Services (Pty) Ltd. @	South Africa	SA Rand	6.67	-	(0.45)	5.88	6.33	-	31.67	(2.75)	-	(2.75)	-
25	Zydus Nikkho Farmaceutica Ltda. @	Brazil	Brazilian Real	27.89	1609.45	(510.86)	3006.74	1908.15	-	2062.02	(22.42)	7.50	(29.92)	-
26	Zydus Pharmaceuticals Mexico SA De CV @	Mexico	Mexican Peso	3.99	181.36	(118.67)	129.97	67.28	-	1.38	(112.11)	-	(112.11)	-
27	Zydus Pharmaceuticals Mexico Service Company SA De CV @	Mexico	Mexican Peso	3.99	5.26	(6.09)	12.52	13.35	-	43.76	0.77	0.52	0.25	-
28	ZAHL B.V.	the Netherlands	Euro	67.92	1.22	382.27	388.41	4.92	-	-	(2.31)	-	(2.31)	-
29	ZAHL Europe B.V.	the Netherlands	Euro	67.92	1.22	337.45	341.47	2.80	-	-	(5.27)	-	(5.27)	-
30	Bremer Pharma GmbH	Germany	Euro	67.92	32.60	173.60	299.53	93.32	-	461.04	6.72	4.41	2.31	-

The figures given in Indian Rupee are equivalent of the figures given in foreign currencies appearing in the accounts of subsidiary companies at the exchange rate as at March 31, 2012.

@ The Financial year of these companies ended on December 31, 2011.

Statement pursuant to section 212 of the Companies Act, 1956 relating to subsidiary companies.

Name of the subsidiary company	Financial year ending of the subsidiary company	Number of equity Shares held with its face value	Extent of holding in %	INR-Millions			
				For the financial year of the subsidiary company		For the previous financial years since it become a subsidiary company	
				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	March 31, 2012	950000 Equity Shares of Rs.10/- each	100	1.21	0.48	7.19	8.75
Dialforhealth India Limited	March 31, 2012	5000000 Equity Shares of Rs.10/- each	100	2.27	-	(105.88)	-
Dialforhealth Unity Limited+	March 31, 2012	27500 Equity Shares of Rs. 10/- each	55	(0.02)	-	(1.31)	-
Dialforhealth Greencross Limited++	March 31, 2012	250000 Equity Shares of Rs. 10/- each	100	(0.03)	-	(1.26)	-
German Remedies Limited	March 31, 2012	24000 Equity Shares of Rs.100/- each	100	96.01	60.00	75.10	75.00
Zydus Wellness Limited	March 31, 2012	28163755 Equity Shares of Rs. 10/- each	72.08^	487.84	112.66	707.11	133.46
Liva Healthcare Limited	March 31, 2012	90750 Equity Shares of Rs 100/- each	100	195.26	63.53	110.42	17.24
Zydus Animal Health Limited	March 31, 2012	24000000 Equity Shares of Rs. 10/- each	100	209.30	144.00	219.80	120.00
Zydus Technologies Limited^^	March 31, 2012	42500000 Equity Shares of Rs. 10/- each	85	(1.52)	-	(4.56)	-
Biochem Pharmaceutical Industries Limited^^^	March 31, 2012	7500000 Equity Shares of Rs. 10/- each	100	105.58	-	-	-
Finest Procuring Solutions Limited*	March 31, 2012	4008500 Equity Shares of Rs. 10/- each	100	(0.08)	-	-	-
Zydus International Private Limited	December 31, 2011	25961500 Equity Shares of Euro 1.462843 each	100	36.21	-	148.53	-
Zydus Netherlands B.V.**	December 31, 2011	44820 Equity Shares of Euro 100/- each	100	(119.40)	-	(375.40)	-
Zydus France, SAS**	December 31, 2011	1944134 Equity Shares of Euro 8/- each	100	(191.05)	-	(395.05)	-
Etna Biotech S.R.L.**	December 31, 2011	900 Equity Shares of Euro 100/- each	100	(14.44)	-	9.71	-
Laboratorios Comibx S.L. @	December 31, 2011	7441806 Equity Shares of Euro 1/- each	100	(278.12)	-	(521.57)	-
Zydus Pharma Japan Co. Ltd.**	December 31, 2011	37200 Ordinary Shares of Yen 50000/- each 19295 Ordinary Shares of Yen 26976/- each	100	644.82	-	(878.73)	-
Zydus Pharmaceuticals (USA) Inc. **	December 31, 2011	2300000 Common Stock of US Dollar 1/- each	100	569.26	-	320.62	-
Nesher Pharmaceuticals (USA) LLC [Formerly known as Zyneshier Pharmaceuticals (USA) LLC] ***	December 31, 2011	1 Common Stock of US Dollar 10000/-	100	(65.46)	-	-	-
Zydus Healthcare (USA) LLC **	December 31, 2011	200000 Common Stock of US Dollar 1/- each	100	2.31	-	5.72	-
Zydus Noveltch Inc. #	December 31, 2011	850 Common Stock, No par value	85	(13.85)	-	(86.40)	-
Zydus Healthcare S.A. (Pty) Ltd. **	December 31, 2011	49904149 Ordinary Shares of South African Rand 1/- each	100	(82.68)	-	(10.19)	-
Simayla Pharmaceuticals (Pty) Ltd.@@	December 31, 2011	200 Ordinary Shares of South African Rand 1/- each	100	(180.02)	-	(302.23)	-
Script Management Services (Pty) Ltd. @@	December 31, 2011	1 Ordinary Share of South African Rand 1/- each	100	(2.75)	-	0.30	-
Zydus Nikkho Farmaceutica Ltda. @@@	December 31, 2011	57706879 Nominative Shares of Brazilian Real 1/- each	100	(29.92)	-	(480.94)	-
Zydus Pharmaceuticals Mexico SA De CV **	December 31, 2011	45454152 Equity Shares of Mexican Peso 1/- each	100	(112.11)	-	(6.56)	-
Zydus Pharmaceuticals Mexico Service Company SA De CV **	December 31, 2011	1319390 Equity Shares of Mexican Peso 1/- each	100	0.25	-	(6.34)	-
ZAHL B. V. * [Formerly known as RFCL B. V.]	March 31, 2012	180 Equity Shares of Euro 100/- each	100	(1.38)	-	-	-
ZAHL Europe B. V. * [Formerly known as RFCL Europe B. V.]	March 31, 2012	180 Equity Shares of Euro 100/- each	100	(1.19)	-	-	-
Bremer Pharma GmbH *	March 31, 2012	48000 Equity Shares of Euro 100 each	100	21.38	-	-	-
+ 55% held by Dialforhealth India Limited and 45% held by Unity Chemist & Druggists Private Limited. ++ Wholly Owned Subsidiary Company of Dialforhealth India Limited. ^ Together with the holding of a subsidiary company. ^^ 85% held by Cadila Healthcare Limited, 14% held by Essgee Enterprises LLC and 1% held by Dr. Sharad Govil. ^^ ^ Became Wholly Owned Subsidiary Company w.e.f. December 21, 2011. * Became Wholly Owned Subsidiary Company of Zydus Animal Health Limited w.e.f. July 27, 2011. ** Wholly Owned Subsidiary Company of Zydus International Private Limited. *** Became Wholly Owned Subsidiary Company of Zydus Pharmaceuticals (USA) Inc. w.e.f. May 17, 2011. # 85% held by Zydus International Private Limited and 15% held by Dr. Sharad Govil. @ Wholly Owned Subsidiary Company of Zydus Netherlands B.V. @@ Wholly Owned Subsidiary Company of Zydus Healthcare SA (Pty) Ltd. @@@ Quimica e Farmaceutica Nikkho Do Brasil Ltda. was merged with Zydus Healthcare Brasil Ltda., Brazil and subsequently the name of Zydus Healthcare Brasil Ltda was changed to Zydus Nikkho Farmaceutica Ltda, w.e.f. April 1, 2011 which is Wholly Owned subsidiary company of Zydus Netherlands B. V.							
A. There has been no change in the Holding Company's interest in the Subsidiary Companies 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's figures are restated/ regrouped wherever necessary.							
						Pankaj R. Patel Chairman & Managing Director	
Jyotindra B. Gor Chief Accounts Officer Ahmedabad, Dated : May 10, 2012			Upen H. Shah Company Secretary			Sharvil P. Patel Deputy Managing Director	



# CADILA HEALTHCARE LIMITED

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

## Notice

Notice is hereby given that the Seventeenth Annual General Meeting of the members of the Company will be held on Monday the 6th day of August, 2012 at 10.00 a.m. at J. B. Auditorium, 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 Statement of Profit and Loss of the Company for the year ended on March 31, 2012 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 reappointment.
4. To appoint Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

### SPECIAL BUSINESS:

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **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 reappoint Dr. Sharvil P. Patel as Deputy Managing Director for a period of five years with effect from April 1, 2012 on the terms and conditions as set out in the draft agreement proposed to be executed between the Company and Deputy Managing Director and on a remuneration 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") in each financial year during his tenure of appointment or such other limits as may be prescribed by the Central Government from time to time.

**RESOLVED FURTHER THAT** notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of Deputy Managing Director, 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,
- (c) Privilege leave on full salary for a period of 30 days for the financial year and encashment of such unutilized leaves at the end of the tenure and
- (d) Company's car with driver and telephone at residence for official purpose.

**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."

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

**"RESOLVED THAT** pursuant to provisions of section 228 and other applicable provisions, if any, of the Companies Act, 1956 ["Act"], as amended or re-enacted from time to time, the Board be and is hereby authorised to appoint Branch Auditor[s] of any branch office of the Company, whether existing or which may be opened hereafter, in India or abroad, in consultation with the Company's Auditors, any person[s] qualified to act as Branch Auditor and to fix their remuneration."

**By order of the Board of Directors**

**Place :** Ahmedabad  
**Date :** May 10, 2012

**Upen H. Shah**  
**Company Secretary**

**NOTES :**

- The Explanatory Statement, pursuant to section 173(2) of the Companies Act, 1956, in respect of the business under Item No.5 and 6 of the Notice is annexed hereto.
- A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF, ON A POLL ONLY AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.** However Proxy Form(s) duly stamped, completed and signed, should be deposited at the Registered Office of the Company not less than 48 hours before the Meeting.
- The Register of Members and Share Transfer Books of the Company will remain closed from July 30, 2012 to August 6, 2012 [both days inclusive].

The dividend, if declared, will be paid on August 11, 2012 to those members entitled thereto whose names appear in the Register of Members of the Company as on August 6, 2012. In respect of shares held in dematerialised form in the Depository System, dividend thereon will be paid to the beneficial owners as per the list to be provided by the Depositories.

- Payment of Dividend through NECS:
  - Members holding shares in physical form are advised to submit particulars of their bank account, viz., name and address of the branch of the bank, 9 digit MICR code of the branch, type of account and account number latest by July 30, 2012 directly to the Company's Registrar and Share Transfer Agents, M/s. Sharepro Services India Private Limited [Unit : Cadila Healthcare Limited] 416-420, 4th Floor, Devnandan Mall, opp. Sanyash Ashram, Nr. M. J. Library, Ellisbridge, Ahmedabad - 380 006.
  - Members holding shares in demat form are advised to inform and update the particulars of their bank account to their respective depository participant.
- The bank account particulars of the members will be printed on the dividend warrants for such members, whose dividend are paid through a warrant.
- Those members who have not encashed their dividend warrants pertaining to the following financial years are requested to approach the Company for the payment thereof as the same will be transferred to the Investor Education and Protection Fund, pursuant to section 205A(5) of the Companies Act, 1956 on the respective dates mentioned there against. Please note that after such date, the members will lose their rights to claim such dividend.

Accounting Year ended on	Date of declaration of dividend	Dividend payment %	Expected date of transfer of unpaid dividend to IEPF Account
March 31, 2005	July 26, 2005	120%	August 1, 2012
March 31, 2006	July 28, 2006	120%	August 1, 2013
March 31, 2007	July 31, 2007	80%	August 1, 2014
March 31, 2008	July 29, 2008	90%	August 4, 2015
March 31, 2009	July 29, 2009	90%	August 4, 2016
March 31, 2010	July 27, 2010	100%	August 2, 2017
March 31, 2011	July 19, 2011	125%	July 25, 2018

7. Members holding shares in physical form are requested to intimate Registrar and Transfer Agents of the Company viz., M/s. Sharepro Services India Private Limited (Unit: Cadila Healthcare Limited) 416-420, 4th Floor, Devnandan Mall, opp. Sanyash Ashram, Nr. M.J. Library, Ellisbridge, Ahmedabad - 380 006, changes, if any, in their registered address along with Pin Code. Members holding shares in electronic form may update such details with their respective Depository Participant.
8. The information required to be provided under the Listing Agreement entered into with the Stock Exchanges, where the equity shares of the Company are listed regarding the Directors who are proposed to be reappointed are annexed hereto.

**REQUEST TO THE MEMBERS:**

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

# CADILA HEALTHCARE LIMITED

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

## **Explanatory Statement pursuant to section 173 (2) of the Companies Act, 1956.**

### **In respect of item no. 5:**

The present term of Dr. Sharvil P. Patel as the Deputy Managing Director of the Company has expired on March 31, 2012. Dr. Patel has been in the office as the Deputy Managing Director since April 1, 2007. During his tenure, the Company has made remarkable progress in all the spheres of business, both in domestic and international markets. The image of the Company in the global market as well as to all stakeholders has multiplied many folds over his five years leadership. The "Zydus Cadila" group has crossed total revenues of a billion dollar mark in the FY 2010-11. Dr. Patel was heading the "Healthy Billion Project". The Company has reported all round progress year after year under the joint leadership of Mr. Pankaj R. Patel, Managing Director and Dr. Sharvil P. Patel.

The Company has as a part of its strategic business planning recently acquired Biochem Pharmaceutical Industries Limited; a Mumbai based medium size Pharmaceutical Company as a step towards the journey beyond the billion. The Company has now set up a new goal to achieve turnover of three billion dollars by 2015 and Dr. Patel will be playing a very active role for its accomplishment.

To continue to avail the benefits of the expertise and experience of the dynamic young Deputy Managing Director to achieve the new milestone, the Company has decided to re-appoint Dr. Patel as the Deputy Managing Director of the Company for a further period of five years from April 1, 2012 on the existing terms and conditions, including payment of remuneration as set out in the resolution and draft agreement.

An abstract pursuant to provisions of section 302 of the Act was circulated to the members of the Company.

The draft Agreement proposed to be executed between the Company and Deputy Managing Director 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. It will also be available at the venue of the meeting for inspection by any member. Dr. Sharvil Patel satisfies all the conditions set out in Part - I of Schedule XIII to the Companies Act, 1956.

None of the directors except Dr. Sharvil P. Patel and his father Mr. Pankaj R. Patel is concerned or interested in the passing of the said resolution.

The Board recommends the resolution for the approval by the members.

### **In respect of item no. 6:**

The Company has a branch in abroad and may also open new branches in India and abroad in future. It may be necessary to appoint branch auditors for carrying out the audit of the accounts of such branch[es]. The members are requested to authorise the Board of Directors of the Company to appoint Branch Auditor[s] in consultation with the Company's Auditors and fix their remuneration.

The Board recommends the resolution for the approval by the members.

None of the Director is concerned or interested in the passing of the resolution.

**By order of the Board of Directors**

**Place :** Ahmedabad  
**Date :** May 10, 2012

**Upen H. Shah**  
**Company Secretary**

## (Annexure to the Notice dated May 10, 2012)

Details of Directors seeking reappointment at the forthcoming Annual General Meeting  
(Pursuant to clause 49 of the Listing Agreement)

Name of the Director	Mr. Apurva S. Diwanji	Dr. Sharvil P. Patel
Age	43 years	33 years
Date of Appointment on the Board	August 16, 2003	August 1, 1997
Brief resume and nature of expertise in functional areas.	Mr. Apurva S. 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.	Dr. Sharvil P. Patel having specialization in Chemical and Pharmaceutical Sciences from University of Sunderland, U.K. and doctorate for his research work in Breast Cancer at John Hopkins, Bayview Medical Centre, USA. Dr. Patel combines both Pharma and research expertise. Dr. Patel is associated with the Company since 1997 and has contributed a lot in aligning the business and research goals of Zydus group and under his leadership jointly with the Managing Director the group has achieved sales over \$1 bn in 2010-11. It is his dream to make the Company a research - based pharmaceutical company by 2020. Dr. Patel is closely associated with the Yi (Young Indians) a leadership forum initiated by the Confederation of Indian Industry which integrates young professionals from various walks of life for the developmental initiatives in the areas of economy, education, healthcare and environment. Dr. Sharvil Patel has also brought in a new dimension to the Consumer business, giving it much larger positioning in the wellness domain. Zydus Wellness Limited is creating several novel experiences for the consumers and several new products have been launched by the Company under the leadership of Dr. Sharvil Patel.
Directorships held in other public Companies [excluding foreign and private Companies]	Go Airlines (India) Limited	<b>Other Directorships</b> 1. Dialforhealth India Limited 2. Zydus Pharmaceuticals Limited 3. Zydus Animal Health Limited 4. Zydus Technologies Limited 5. Zydus Wellness Limited 6. ADI Finechem Limited
Memberships / Chairmanships of Committees across public Companies	<b>Committee Memberships</b> <b>Audit Committee</b> Cadila Healthcare Limited- Member <b>Shareholders'/Investors' Grievance Committee</b> Cadila Healthcare Limited - Chairman	<b>Committee Memberships</b> <b>Audit Committee</b> 1. Dialforhealth India Limited 2. Zydus Technologies Limited
Shareholding	Nil	3000







## Our Core Values

*We*, the members of the Zydus Group hold the following values to be the foundation of our identity as Zydans.

We shall endeavour to think and act, at all times, in accordance with these values.

*We are...*

### **Adaptable to change**

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

### **People- driven**

*We* build the capabilities of our people.  
This is fundamental to our growth in business.

### **Committed to deliver**

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

### **Innovative in what we do**

*We* innovate through our ideas, approaches and efforts - at every opportunity.

### **Humble**

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

### **Value-driven**

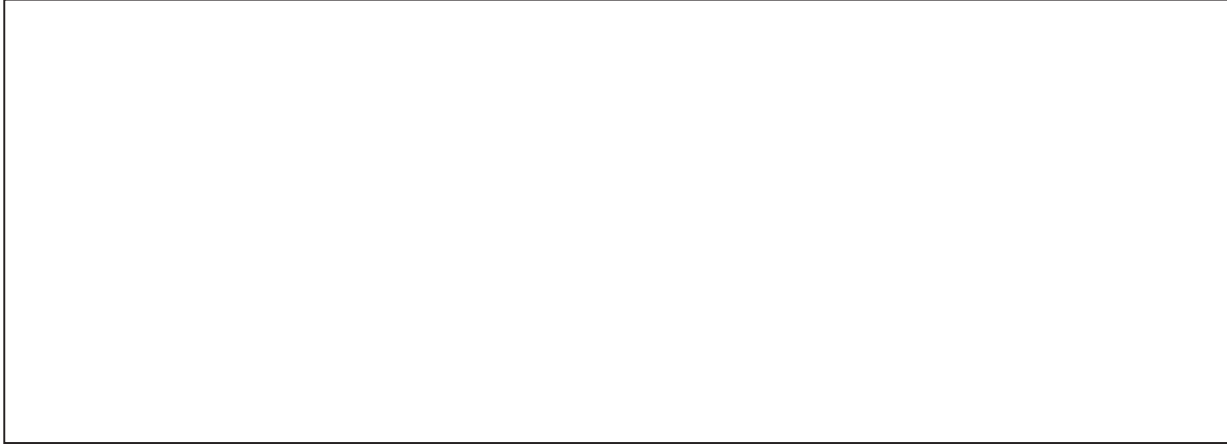
*We* seek value and maximise our gains by using our resources judiciously.



**ATTENDANCE SLIP**

**CADILA HEALTHCARE LIMITED**

Regd. Office : "Zydus Tower", Satellite Cross Roads, Sarkhej-Gandhinagar Highway , Ahmedabad - 380 015.



I/We certify that I am/We are the registered Shareholder(s) / Proxy for the registered Shareholder(s) of the Company. I/We hereby record my/our presence at the **17th Annual General Meeting** of the Company held on Monday, the 6th day of August 2012 at 10.00 A.M. at J.B. Auditorium, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad-380015.

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT ENTRANCE OF THE AUDITORIUM.

Signature of the Shareholder(s) 1. \_\_\_\_\_ 2. \_\_\_\_\_  
3. \_\_\_\_\_ 4. \_\_\_\_\_

Signature of the Proxyholder 1. \_\_\_\_\_



**CADILA HEALTHCARE LIMITED**

**PROXY FORM**

Regd. Office : "Zydus Tower", Satellite Cross Roads, Sarkhej-Gandhinagar Highway , Ahmedabad - 380 015.

DP Id*		Client Id*		Master Folio No.	
No. of the Shares held				No. of the Shares held	

I/We .....  
being a Member/Members of Cadila Healthcare Limited hereby appoint

..... of .....

(or failing him) ..... of .....

(or failing him) ..... of .....

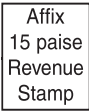
as my/our Proxy to attend and vote for me/us and my/our behalf at the **17th Annual General Meeting** of the Company to be held on Monday, the 6th day of August 2012 at 10.00 a.m. at J.B. Auditorium, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad-380015.

This form is to be used <sup>\*\* in favour of</sup> the resolution. Unless otherwise instructed, the Proxy will act as he thinks fit. <sub>\*\* against</sub>

\*\* Strike out whichever is not desired.

AS WITNESS my hand/our hands this ..... day of ..... 2012

Signed this .....



\*Applicable for investors holding shares in electronic form.

NOTE : (1) This Proxy must be lodged with the Company at its Registered Office at "Zydus Tower", Satellite Cross Roads, Sarkhej-Gandhinagar Highway, Ahmedabad - 380 015, not less than FORTY-EIGHT HOURS before the time for holding the aforesaid meeting.  
(2) Those Members who have multiple folios with different joint-holders may use copies of this Attendance Slip/Proxy.