

CADILA HEALTHCARE LIMITED
Consolidated Balance Sheet as at March 31 , 2004

	Sch. No.	Rupees in Millions	
		As at 31-03-2004	As at 31-03-2003
SOURCES OF FUNDS :			
[1] Shareholders' Funds :			
Capital	1	314	314
Reserves and Surplus	2	5050	4256
		5364	4570
[2] Loan Funds :			
Secured Loans	3	3725	3744
Unsecured Loans	4	651	1159
		4376	4903
[3] Deferred Tax Liability [Net]	21 [B-8]	972	857
Total		10712	10330
APPLICATION OF FUNDS :			
[1] Fixed Assets :	5		
Gross Block		10063	8868
Less : Depreciation		2735	1526
Net Block		7328	7342
Capital work-in-progress		407	299
Preoperative & Project Expenses pending allocation		8	6
		7743	7647
[2] Investments	6	479	217
[3] Current Assets, Loans and Advances :			
Inventories	7	1768	1943
Sundry Debtors	8	2012	1595
Cash and Bank Balances	9	442	103
Loans and Advances	10	647	783
Total		4869	4424
Less : Current Liabilities & Provisions :			
Liabilities	11	1959	1839
Provisions	12	573	344
Total		2532	2183
Net Current Assets		2337	2241
[4] Miscellaneous Expenditure : [to the extent not written off or adjusted]	13	153	225
Total		10712	10330
Significant Accounting Policies and Notes on Accounts	21		
<u>As per our report of even date</u>			
For R.R.Patel & Co., Chartered Accountants	For Mukesh M. Shah & Co., Chartered Accountants		Chairman & Managing Director
Proprietor	Partner	Chief Accounts Officer	Company Secretary
			Directors
Ahmedabad, Dated :			

CADILA HEALTHCARE LIMITED
Consolidated Profit and Loss Account for the Year ended March 31 , 2004

	Sch. No.	Rupees in Millions	
		Year ended 31-03-2004	Year ended 31-03-2003
INCOME :			
Sales		13336	11286
Less : Excise Duty		811	933
Net Sales		12525	10353
Other Income	14	158	35
Total		12683	10388
EXPENDITURE :			
Consumption of Materials and Finished Goods	15	5363	4624
General Expenses	16	4111	3395
Research Expenses	17	615	179
Interest and Financial Charges	18	276	444
Depreciation	19	712	462
Total		11077	9104
Profit before extra ordinary items and Tax		1606	1284
Extra-ordinary Income / [Expenses] :			
Amortisation of compensation under Voluntary Retirement Scheme		(125)	(89)
Profit on Sale of Assets (Net)		34	0
		(91)	(89)
Profit before Taxes		1515	1195
Less : Provision for Taxation	20	213	307
Profit after Tax		1302	888
[Less] / add : Adjustments on consolidation		(5)	128
Add : Pre-acquisition loss transferred to Capital Reserve arising on consolidation		34	0
Add / [Less] : Share of brought forward balance in P & L A account of Joint Ventures		0	(51)
Net Profit		1331	965
Add : Balance brought forward		449	72
Less : Goodwill on Amalgamation & Amalgamation Adjustment account written off		(92)	0
		357	72
PROFIT AVAILABLE FOR APPROPRIATIONS		1688	1037
Appropriations :			
Transfer to Debenture Redemption Reserve		150	199
Dividends :			
Proposed Dividend on - Equity Shares		377	220
Corporate Dividend Tax on Distributed Profit		112	41
Total		489	261
Transfer to General Reserve		329	128
		968	588
Balance carried to Balance Sheet		720	449
Basic and Diluted E P S [in Rupees]	21[B-7]	21.20	15.37
Significant Accounting Policies and Notes on Accounts	21		
<u>As per our report of even date</u>			
For R.R.Patel & Co., Chartered Accountants	For Mukesh M. Shah & Co., Chartered Accountants		Chairman & Managing Director
Proprietor	Partner	Chief Accounts Officer	Company Secretary
			Directors
Ahmedabad, Dated :			

Schedules forming part of the Consolidated Balance Sheet

	Rupees in Millions	
	As at 31-03-2004	As at 31-03-2003
Schedule : 1 - Capital		
Authorised :		
9,00,00,000 Equity Shares of Rs.5/- each	450	450
5,00,000 Preference Shares of Rs. 100/- each	50	50
	500	500
Issued, Subscribed & Paid-up :		
62,806,854 [5,95,41,368] Equity Shares of Rs. 5/- each fully paid-up	314	298
Notes: Of the above Shares :		
[A] 33,034,332 [29,768,846] shares were allotted as fully paid-up pursuant to the Scheme of Arrangement & Amalgamation without payment being received in cash.		
[B] 1,48,85,122 shares were allotted as fully paid-up by way of Bonus shares by capitalisation of General Reserve.		
Share Capital Suspense :		
Nil [3265486] Equity Shares of Rs. 5/- each fully paid up to be issued pursuant to the Scheme of Amalgamation	0	16
Total	314	314
Schedule : 2 - Reserves & Surplus		
Capital Reserve: [Including Subsidy received] :		
Balance as per last Balance Sheet	0	292
Add : Capital Reserve arising due to Consolidation	183	0
Less : Adjusted against Goodwill arising due to Amalgamation	0	(292)
	183	0
Capital Redemption Reserve Account :		
Balance as per last Balance Sheet	20	20
Add : Amount transferred on Amalgamation [Refer note no. B-1 of Sch. No. 21]	12	0
	32	20
Share Premium Account :		
Balance as per last Balance Sheet	2561	3545
Less : Adjusted against Goodwill arising due to Amalgamation	0	(984)
	2561	2561
Debenture Redemption Reserve :		
Balance as per last Balance Sheet	237	38
Add : Transfer from Profit and Loss Account	150	199
Less : Transfer to General Reserve	(63)	0
	324	237
General Reserve :		
Balance as per last Balance Sheet	949	1198
Less : Opening Balance adjusted against goodwill due to Amalgamation	(10)	(171)
Add : Transfer from Debenture Redemption Reserve	63	0
Add : Transfer from Profit and Loss Account	268	88
Less : Adjustment of amortisation of Intangible assets [Refer note no. B - 9 of Sch. no. 21]	(141)	0
Less : Deferred tax adjustment for prior years	0	(166)
	1129	949
Balance in Profit and Loss Account	720	449
	4949	4216
Group's proportionate share in reserves (other than balance in P & L Account) of Joint Ventures	101	40
Total	5050	4256

Schedules forming part of the Consolidated Balance Sheet

	Rupees in Millions	
	As at 31-03-2004	As at 31-03-2003
Schedule : 3 - Secured Loans		
1 Privately Placed Debentures :		
A 70 , 8.4 % Secured , Redeemable Non Convertible Debentures [NCDs] of Rs. 100,00,000/- each consisting of two separately tradable principle parts [STRPP] as under :	700	700
- STRPP 1 representing 30 % of the face value of NCDs redeemable at par on 20th August , 2004.		
- STRPP 2 representing 70 % of the face value of NCDs , redeemable at par on 20th August , 2005.		
B 0[20] 7 % Redeemable Non Convertible Debentures of Rs. 100,00,000/- each [Redeemed at par on 23rd September , 2003]	0	200
C 60[0] 7 % Redeemable Non Convertible Debentures of Rs. 100,00,000/- each [Redeemable in six equal half yearly installments commencing from Nov., 2004]	600	0
	1300	900
2 Loans and Advances from Banks		
A Term Loans	293	350
B Working Capital Loans	679	810
C External Commercial Borrowings	1049	0
	2021	1160
3 Other Loans and Advances :		
A Term Loan from a Financial Institution	226	848
B Term Loan from Others	0	586
	226	1434
	3547	3494
4 Group's proportionate share in secured loans of Joint Ventures	178	250
Total	3725	3744
Schedule : 4 - Unsecured Loans		
1 Fixed Deposits	0	233
2 Short - term Loans from Banks	201	200
3 Other Loans and Advances :		
A Commercial Paper issued to a Bank	0	100
B Interest free deemed loan against deferment of sales tax		
a From a Financial Institution	194	192
b Deferred amount	189	110
	383	302
C From a Financial Institution	4	0
C From Others	33	74
D Total	420	376
	621	809
4 Privately Placed Debentures :		
0 [5,00,000], Zero interest, non-convertible Debentures of Rs. 100/- each, redeemed on 16th May, 2003 held by some Directors.	0	50
0[20]. 6.45 % Interest bearing , non-convertible Debentures of Rs. 1,00,00,000 each . Redeemed on 23rd May , 2003 held by a Bank.	0	200
	0	250
5 Group's proportionate share in unsecured loans of Joint Ventures	30	0
Total	651	1159

Schedules forming part of the Consolidated Balance Sheet

Schedule : 5 - Fixed Assets

Nature of Fixed Assets	Rupees in Millions					
	Gross Block		Depreciation		Net Block	
	As at 31-03-2004	As at 31-03-2003	Upto 31-03-2004	Upto 31-03-2003	As at 31-03-2004	As at 31-03-2003
Goodwill	0	104	0	0	0	104
Freehold Land	193	66	0	0	193	66
Leasehold Land	82	19	6	5	76	14
Buildings	1796	2162	222	188	1574	1974
Plant & Machinery	3406	3042	994	829	2412	2213
Furniture , Fixtures & Office Equipments	421	367	128	99	293	268
Vehicles	141	132	46	43	95	89
Trade Marks, Technical Know-how, patents & Designs	3210	2170	1024	192	2186	1978
Commercial Rights	55	50	50	46	5	4
Total	9304	8112	2470	1402	6834	6710
Share in assets of Joint Ventures	759	756	265	124	494	632
Grand Total	10063	8868	2735	1526	7328	7342
2002-03	8868	8375	1526	1092	7342	7283

Rupees in Millions

As at
31-03-2004 As at
31-03-2003

Schedule : 6 - Investments [At cost]

Long Term Investments :		
In Government Securities [Unquoted] :		0
In Shares, Debentures and Bonds :		0
Trade Investments [Unquoted] :		
In fully paid-up Series B Convertible Preferred Stock		187
Total Trade Investments		187
Other Investments :		
Quoted :		
In fully paid-up Equity Shares		79
Unquoted :		
In Mutual funds		42
In Fully paid-up equity shares		14
In Partly paid-up equity shares		0
In Fully paid-up Bonds		215
Total		271
Total Other Investments		350
Contribution to the Corpus of Gujarat Venture Capital Fund		537
Share Application Money for equity shares		2
Total		0
Less : Provision for diminution in value of Investments		1
Aggregate Book Value of Investments		539
		60
		479
		217

Schedules forming part of the Consolidated Balance Sheet

	Rupees in Millions	
	As at 31-03-2004	As at 31-03-2003
Schedule : 7 - Inventories		
[As taken, valued and certified by the management]		
Stores , Spare Parts	57	83
Stock in Trade :		
Raw Materials	444	509
Packing Materials	63	68
Finished Goods	797	831
Total	1304	1408
Works-in-progress	339	386
	1700	1877
Group's proportionate share in inventories of Joint Ventures	68	66
Total	1768	1943

Schedule : 8 - Sundry Debtors : [Unsecured, unless otherwise stated] :

Debts outstanding for a period exceeding six months :		
Considered good	88	96
Considered doubtful	12	23
	100	119
Less: Provision for doubtful debts	12	23
	88	96
Other debts - Considered good	1684	1298
	1772	1394
Group's proportionate share in sundry debtors of Joint Ventures	240	201
Total	2012	1595

Schedule : 9 - Cash and Bank Balances

Cash on hand	4	4
Bank Balances :		
With Scheduled Banks :		
In Current Accounts	401	90
In Fixed Deposit Accounts	107	16
In Foreign Currency Current Accounts	17	16
	525	122
With Other Banks :		
In Current Account with Bank Austria Creditanstalt , Moscow, in foreign currency a/c	31	4
	560	130
Group's proportionate share in cash and balances of Joint Ventures [Negative due to consolidation adj .]	(118)	(27)
Total	442	103

Schedules forming part of the Consolidated Balance Sheet

Rupees in Millions

As at
31-03-2004

As at
31-03-2003

Schedule : 10 - Loans and Advances

[Considered Good , unsecured unless otherwise stated]

Advances recoverable in cash or in kind or for value to be received :

Secured

Inter corporate loan

Advances to a Joint Venture Company

Others

Total

Unsecured :

Inter corporate loan

Others

Advance payment of Income - tax [net of provision]

Balances with Custom / Central Excise Authorities

Interest receivable from others

Group's proportionate share in loans and advances of Joint Ventures

Total

0		179
40		44
2		4
	42	227
0		17
433		418
	433	435
	475	662
	26	22
	114	77
	2	2
	617	763
	30	20
	647	783

Schedule : 11 - Current Liabilities

Acceptances

Sundry Creditors :

Small Scale Industries

For Capital Goods

Others

Total

Advances from Debtors

Trade Deposits

Investor Education and Protection Fund [*] :

Unclaimed dividends

Matured but unclaimed Fixed Deposits

Interest payable on matured but unclaimed fixed deposits

Total [*][There are no amounts due and outstanding to be credited to Investor Education and Protection Fund]

Interest accrued but not due on loans

Group's proportionate share in current liabilities of Joint Ventures

Total

	166	329
25		48
35		66
1489		1169
	1549	1283
	30	17
	36	41
8		6
0		0
0		0
	8	6
	75	42
	1864	1718
	95	121
	1959	1839

Schedule : 12 - Provisions

Proposed dividend

CDT on Proposed Dividend

Provision for retirement benefits

Group's proportionate share in provisions of Joint Ventures

Total

	377	220
	48	28
	119	79
	544	327
	29	17
	573	344

Schedule : 13 - Miscellaneous Expenditure [To the extent not written off or adjusted]

Debenture Issue Exp. / Discount on Debentures

Compensation under Voluntary Retirement Scheme

Preliminary Expenses

Group's proportionate share in miscellaneous expenditure of Joint Ventures

Total

0		1
152		220
0		1
	152	222
	1	3
	153	225

Schedules forming part of the Consolidated Profit and Loss Account

Rupees in Millions

Year ended
31-03-2004

Year ended
31-03-2003

Schedule : 14 - Other Income

A Dividends [Gross] :

From Long Term Non Trade Investments - Others

B Others :

Cash Discount

Rent Received

Surplus on account of fluctuations in foreign exchange rates

Miscellaneous Income

C Group's proportionate share in other income of Joint Ventures

Total

5		9
5		4
2		0
72		0
37		21
	116	25
	121	34
	37	1
	158	35

Schedule : 15 - Consumption of Materials and Finished Goods

Raw Materials

Packing Materials

Purchases of Finished Goods

[Increase] in Stock of Finished Goods & Work-in-process :

Group's proportionate share in material cost of Joint Ventures

Total

2659		2572
338		419
1882		1456
155		(127)
	329	304
	5363	4624

Schedules forming part of the Consolidated Profit and Loss Account

Rupees in Millions

Year ended 31-03-2004	Year ended 31-03-2003
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Schedule : 16 - General Expenses

Personnel expenses :		
Salaries, wages and bonus	974	838
Company's contribution to provident & other funds	183	101
Staff welfare expenses	79	68
	1236	1007
Stores and spare parts consumed	118	75
Power & fuel	182	198
Processing Charges	110	103
Insurance	39	38
Repairs :		
Buildings	13	16
Plant and Machinery	24	23
Others	20	19
	57	58
Rent	22	15
Rates and Taxes	12	15
Managing Director's Remuneration	81	56
Commission to Directors	1	
Travelling Expenses	204	173
Deficit on account of fluctuations in foreign exchange rates	15	45
Miscellaneous Expenses	674	363
Selling & Distribution Expenses :		
Commission on sales	163	152
Freight and forwarding on sales	133	120
Sales promotion expenses	265	177
Advertisements	141	115
Seminar, Conference and Exhibition	113	
Representative Allowance and Incentives	192	
Other marketing expenses	159	410
	1166	974
Bad debts written off	18	26
Preliminary Expenses written off	0	0
Directors' fees	0	0
Loss on assets sold / discarded [net]	0	12
Loss on sale of investments [net]	0	12
Provision for diminution in value of Investments	0	60
Donations	24	25
	3959	3255
Group's proportionate share in general expenses of Joint Ventures	152	140
Total	4111	3395

Schedules forming part of the Consolidated Profit and Loss Account

Rupees in Millions

Year ended 31-03-2004	Year ended 31-03-2003
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Schedule : 17 - Research Expenses

Personnel expenses :		
Salaries, wages and bonus	80	55
Company's contribution to provident & other funds	7	6
Staff welfare expenses	6	4
	93	65
Research Materials	179	44
Analytical Expenses	240	0
Administrative Expenses	79	43
Others	24	27
Total [Excluding depreciation of Rs. 43.7 { Previous Year - Rs. 33.6 } Millions]	615	179

Schedule : 18 - Interest and Financial Charges

Interest :		
On term loans	92	263
On debentures	102	44
On working capital loans from banks	37	47
Others	19	58
	250	412
Discount on debentures written off	1	5
Bank commission & charges	48	46
	299	463
Less : Interest earned on others [Gross]	50	56
	249	407
Group's proportionate share in net interest and financial charges of Joint Ventures	27	37
Total	276	444

Schedule : 19 - Depreciation and Miscellaneous Expenditure written off

Depreciation	570	406
Prior period depreciation adjustment	0	1
	570	407
Group's proportionate share in depreciation and deferred revenue expenditure of Joint Ventures	142	55
Total	712	462

Schedule : 20 - Provision for Taxation

Current Tax	111	90
Deferred Tax	115	192
Total	226	282
Add [Less] : Prior year's tax adjustments	(17)	10
	209	292
Group's proportionate share in tax provisions made by Joint Ventures	4	15
Total	213	307

Schedule : 21 - Significant Accounting Policies and Notes on Accounts

A Significant Accounting Policies :

1 Basis of Accounting :

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

2 Basis of consolidation:

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

A The financial statements of the parent company and its subsidiaries have been consolidated on a line by line basis by adding together the book values of the items like assets, liabilities, income and expenses.

B CFS have been consolidated using uniform accounting policies for like transactions and other events in similar circumstances , except :

[i] Zydus Altana Healthcare Private Limited , a Joint Venture Company is providing the depreciation at the following rates which are higher than the rates specified in Schedule - XIV of the Companies Act , 1956 :

- Buildings - factory	5 %
- Buildings - Non Factory	2.5 %
- Plant & Machinery [including containers , which are being depreciated at 50 %]	15 %
- Office and Other Equipments	20 %
- Computers and Peripherals	20 %
- Vehicles	20 %
- Furniture and Fixtures	16.66 %

[ii] Zydus France SAS , a wholly owned subsidiary Company ,

[a] is providing the depreciation at the following rates :

- Fixtures & Fittings	10 % & 20 %
- Tools	20 %
- Office Equipments	20 %
- Motor Vehicles	33.33 %

- Intangible fixed assets relating to commercialised products are depreciated in relation to their economic value [notably by reference to their contribution to net margins] or depreciated by 100 % if they are no longer commercialised.

- Intangible fixed assets relating to Generic products not yet commercialised are concerned , provisions have also been made in relation to their economic value, [notably by reference to their contribution to net margins] or depreciated by 100 % if they are not to be commercialised.

[b] is evaluating the amount of retirement indemnity using the formulae retained by the Collective Agreement of the Pharmaceutical industry. This amount is not booked in the accounts at December 31, 2003 and amounts to Euro K 140 compared to Euro K 125 at the end of the previous year.

C The excess / deficit of the cost of the Company's investments in each of its subsidiaries and Joint Ventures over its share in equities of such respective companies on the date of acquisition is recognised in the financial statements as Goodwill/capital reserve. However, such excess or deficit arising after the date of acquisition on account of current fluctuations in respect of the foreign subsidiaries is transferred to Profit and Loss Account under the head "Deficit on account of fluctuations in foreign exchange rates"

D In case of the foreign subsidiaries, the revenue items are consolidated using "Average exchange rate" prevailing during the year. All the assets and liabilities as at the Balance Sheet date are converted at the rate of exchange prevailing at the end of the year.

E Investments in the Joint ventures have been accounted for by using the "Proportionate Consolidation method" in accordance with the Accounting Standard - 27 (AS-27) on "Financial reporting of Interests in Joint Ventures" issued by the Institute of Chartered Accountants of India.

F CFS are prepared after fully eliminating intra group balances, intra group transactions and unrealised profits from the intra group transactions.

G CFS as at 31st March, 2004 comprise the financial statements of Cadila Healthcare Limited and its subsidiaries as well as its interest in Joint Ventures as at 31st March, 2004, which are as under:

a Subsidiaries:

Sr. No.	Name of the Company	Country of incorporation	% Shareholding and voting power	Status	Financial statements as on
A Indian Subsidiaries:					
1	Zydus Pharmaceuticals Limited	India	WOS	Audited	31st March, 2004
2	Dialforhealth India Limited	India	WOS	Audited	31st March, 2004
3	German Remedies Limited [Erstwhile German Remedies Specialities Ltd.]	India	WOS	Audited	31st March, 2004

Schedule : 21 - Significant Accounting Policies and Notes on Accounts

B Foreign Subsidiaries:					
Sr. No.	Name of the Company	Country of incorporation	% Shareholding and voting power	Status	Financial statements as on
1	Zydus International Private Limited, Ireland [ZIPL]	Ireland (UK)	WOS	Audited	31st December, 2003
2	Zydus Healthcare SA (Pty.) Limited	South Africa	WOS of ZIPL	Audited	28th February, 2004
3	Zydus Healthcare (USA) LLC	U. S.A.	WOS of ZIPL	Audited	31st December, 2003
4	Zydus Healthcare Brazil Ltda.	Brazil	WOS of ZIPL	Audited	31st December, 2003
5	Zydus Pharmaceuticals USA Inc. [Subsidiary with effect from 18th November, 2003]	U. S.A.	82.63% holding of ZIPL	Audited	31st December, 2003
6	Zydus France , SAS , France. [Subsidiary with effect from 1st October, 2003]	France	WOS of ZIPL	Audited	31st December, 2003
7	SCI Immopharm [Subsidiary with effect from 1st October, 2003]	France	WOS of Zydus France SAS	Unaudited	31st December, 2003

b Joint Ventures:

Sr. No.	Name of the Company	Country of incorporation	% Shareholding and voting power	Status	Financial statements as on
1	Zydus Altana Healthcare Pvt. Ltd.	India	50%	Audited	31st December, 2003
2	Sarabhai Zydus Animal Health Limited	India	50%	Audited	31st March, 2004

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

B Notes on Accounts :

1 A In terms of the Scheme of Amalgamation (the Scheme) of Banyan Chemicals Limited [Banyan] a wholly owned subsidiary of the Company [referred to as Transferor Company], whose business include manufacturing and marketing of active pharmaceutical products, was sanctioned by the Order of the Hon. Gujarat High Court [dated 25th March , 2004] . Effective Date under the Scheme being 13th April , 2004, the accounts of Banyan have been amalgamated with the Company w.e.f. the appointed date under the Scheme , being 1st April , 2003.

B In accordance with the Scheme,

a All the assets and liabilities of the Transferor Company stand transferred to and vested in the Company with effect from the Appointed Date at their carrying amount appearing in the books except :

- land and buildings, which are recorded at their estimated market value, net of taxes, duties, etc., as at the Appointed Date.
- adjustments are made wherever necessary to conform to the accounting policies and methods adopted by the Company.

b The amalgamation has been accounted under the "Purchase Method" in terms of Accounting Standard [AS] - 14 on "Accounting for Amalgamations".

c All the shares of Banyan have been extinguished.

d The surplus in the aggregate value of the assets over the aggregate value of the liabilities of the Transferor Company taken over by the Company , after adjusting for Carrying amount of investments in the Transferor Company held by the Company as on the Effective Date has been debited to the extent of Rs. 80 Millions to the Goodwill Account as per the Scheme approved by the Hon. Gujarat High Court and Capital Redemption Reserve of Rs. 12 Millions is transferred by debiting to Amalgamation Adjustment Account as per the Accounting Standard - 14 issued by the Institute of Chartered Accountants of India.

e Pending completion of the formalities of transfer of titles of some of the assets taken over under the Scheme, such assets remain included in the books of the Company under the name of the transferor Company.

f Following prudent policy , the company has written off the Goodwill amounting to Rs. 80 Millions and Amalgamation adjustment account amounting to Rs. 12 Millions to Profit & Loss Account

g In view of the aforesaid Scheme of Amalgamation w.e.f. 1st April , 2003 , the figures of the current year are not comparable with those of Previous year.

2 The amount of exchange difference in respect of forward contracts to be recognised in the Profit and Loss Account in subsequent accounting period is Rs. 4 Millions [Previous Year Rs. 8 Millions].

3 The Sales include Rs. 1155 Millions [Previous year Rs. 926 millions] Group's proportionate share in net sales of Joint Ventures

CADILA HEALTHCARE LIMITED

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

Schedule : 21 - Significant Accounting Policies and Notes on Accounts

4 Contingent liabilities not provided for :

Rupees in Millions
Cadila Healthcare Ltd. and Joint Ventures
Subsidiaries

	As at <u>31-03-04</u>	As at <u>31-03-03</u>	As at <u>31-03-04</u>
A In respect of guarantees given by a Bank and counter guarantees given by the Company.	117.2	16.7	3.7
B In respect of outstanding dues against guarantees given by the Company to Banks & a financial institution for the loans availed by a Joint Venture Company	134	200	0
C Estimated amount of contracts remaining to be executed on capital account and not provided for [Net of Advances]	136	53	1.1
D Claims against the Company not acknowledged as debts	17.1	15.8	0.6
E In respect of the demand raised by the Central and State Excise dept. against which the Company has preferred an appeal. The Company has been legally advised that the demand is not tenable.	219	183	0
F In respect of the demand raised by the Ministry of Chemicals & Fertilizers, Govt. of India under Drug Price Control Order , 1979 for difference in actual price and price of respective bulk drug allowed while fixing the price of certain life saving formulations and disputed by the Company. Based on the legal advice the Company does not foresee the crystallization of the liability.	27	27	0
G In respect of Income Tax matters pending before appellate authorities which the Company expects to succeed, based on decisions of Tribunals / Courts.	241	7	14
H In respect of Sales Tax matters pending before appellate authorities which the Company expects to succeed, based on decisions of Tribunals / Courts.	91	20	0
I Uncalled liability on partly paid shares	0	2	0
J In respect of demand raised by the Government of Gujarat on account of stamp duty payable on the trade-marks acquired by one of the jointly controlled entity against which appeal has been preferred before the Hon'able Delhi High Court	0	0	16

5 Segment Information :

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

B Secondary Business Segment - By Geographical market :

	Within India		Outside India		Total	
	Year Ended		Year Ended		Year Ended	
	<u>31-03-04</u>	<u>31-03-03</u>	<u>31-03-04</u>	<u>31-03-03</u>	<u>31-03-04</u>	<u>31-03-03</u>
a Sales revenue by geographical market	10450	9622	2886	1664	13336	11286
b Carrying amount of segment assets	13013	12190	231	322	13244	12512
c Additions to fixed assets [Net]	835	1884	360	0	1195	1884

C Notes :

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

CADILA HEALTHCARE LIMITED

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

Schedule : 21 - Significant Accounting Policies and Notes on Accounts

6 Related Party Transactions :

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

- a Joint Venture Companies**
- | | |
|--------------------------------------|-----------------------------------|
| Sarabhai Zydus Animal Health Limited | Zydus Altana Healthcare Pvt. Ltd. |
|--------------------------------------|-----------------------------------|
- b Directors and their relatives**
- | | |
|----------------------|--|
| Shri P.R.Patel | Chairman & Managing Director [C.M.D.] |
| Shri Sharvil P.Patel | Director |
| Aarti Trust | Sister of C.M.D. is beneficiary of the Trust |
| Gira Trust | Sister of C.M.D. is beneficiary of the Trust |
| Rita Trust | Sister of C.M.D. is beneficiary of the Trust |
| Zydus Family Trust | C.M.D. is beneficiary |
- c Enterprises significantly influenced by Directors and /or their relatives**
- | |
|---|
| Cadmach Machinery Company Private Limited |
| M/s. Cadmach Exports |

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 6 - A [a and c]

	Nature of <u>Transactions</u>	Volume of the Transactions [Rupees in Millions]			
		Joint Venture Companies		Associate Enterprises	
		Year Ended		Year Ended	
		<u>31-03-04</u>	<u>31-03-03</u>	<u>31-03-04</u>	<u>31-03-03</u>
1 Purchases :					
Goods		0	0	1	1
Fixed Assets		0	0	5	3
2 Sales :					
Goods		4	3	0	0
Services		0.01	1	0	0
3 Investments :					
Purchase		20	20	0	0
Dividend Received		600	200	0	0
4 Finance					
Inter Corporate Deposits given (net)		182	89	0	0
Inter Corporate Deposits repaid		190	0	0	0
Deposits Repaid		0	0	0	10
Guarantees given		267	400	0	0
Interest Received		11	2	0	0
5 Outstanding					
Payable		0	0	0	20
Receivable		81	89	0	19

CADILA HEALTHCARE LIMITED

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

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

b Details relating to persons referred to in item 6 -A [b] above :

	<u>Year Ended</u>	
	<u>31-03-04</u>	<u>31-03-03</u>
1 Remuneration	81	56
2 Interest expense on deposits taken	0	18
3 Rent paid on residential flats	2.0	0.2
4 Deposits repaid	232	0
5 Outstanding fixed deposits payable	0	232
6 Outstanding remuneration payable	78	52

7 Calculation of Earnings per Share [EPS] :

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

		<u>Year ended</u>	
		<u>31-03-04</u>	<u>31-03-03</u>
A Profit attributable to Shareholders	Rs. in Millions	1331	965
B Basic and weighted average number of Equity shares outstanding during the year	Nos.	62806854	62806854
C Nominal value of equity share	Rupees	5	5
D Basic and Diluted EPS	Rupees	21.20	15.37

8 Deferred Tax :

A The Deferred tax liability of Rs. 115 Millions for the year has been recognised in the Profit And Loss Account .

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

	<u>Rupees in Millions</u>	
	<u>As on</u> <u>31-03-04</u>	<u>As on</u> <u>31-03-03</u>
Deferred Tax Liabilities :		
Depreciation	1135	977
Others	16	7
Total	1151	984
Deferred Tax Assets :		
Retirement benefits	23	10
Receivables	6	10
Others	150	107
Total	179	127
Net Deferred Tax Liability	972	857

As per our report of even date

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

For Mukesh M. Shah & Co.,
Chartered Accountants

Chairman & Managing Director

Proprietor

Partner

Chief Accounts Officer

Company Secretary

Directors

Ahmedabad, Dated :

Cadila Healthcare Limited			
Consolidated Cash Flow Statement for the year ended March 31 , 2004.			
Particulars	Rupees in Millions		
	Year ended 31-03-2004		Year ended 31-03-2003
A Cash Flows from Operating Activities :-			
Net profit before taxation and extraordinary items		1606	1284
Adjustments for :-			
Depreciation	712		462
Loss on sale of assets [net]	0		12
Loss on sale of investments [net]	0		12
Provision for diminution in value of Investments	0		60
Interest income	(50)		(56)
Dividend income	(5)		(9)
Interest expenses	277		447
Bad debts written off	18		26
Provision for doubtful debts and advances	0		1
Current year's profit adjusted against Goodwill	0		0
Minority Interest	0		0
Discount on debentures written off	1		5
Preliminary Expenses written off	0		0
Provisions for retirement benefits	41		9
Total		994	969
Operating profit before working capital changes		2601	2253
Adjustments for :-			
[Increase] / Decrease in trade receivables	(397)		(410)
[Increase] / Decrease in other receivables	170		167
[Increase] / Decrease in inventories	245		(392)
Increase / [Decrease] in trade payables & other liabilities			
Acquisition of deferred tax liability			
Increase / [Decrease] in trade payables & other liabilities	64		411
Total		82	(224)
Cash generated from operations		2683	2029
Interest received	50		56
Interest paid	(244)		(624)
Direct taxes paid (Net of refunds)	(94)		(304)
Total		(288)	(873)
Cash flow before extraordinary items		2395	1156
Extraordinary items		(55)	(307)
Net cash from operating activities		2340	849
B Cash flows from investing activities :-			
Purchase of fixed assets	(1042)		(1070)
Pre-operative & Project expenses	0		0
Acquisition of reserves (net) on amalgamation adjusted against capital reserve	34		0
Purchase of investments	(556)		(757)
Proceeds from sale of Investments	0		206
Proceeds from sale of fixed assets	381		3
Interest Received on long term investments	0		0
Dividend received	7		302
Net cash from investing activities		(1174)	(1316)
C Cash flows from financing activities :-			
Redemption of Preference share capital			0
Borrowings (net)	(526)		127
Dividends paid	(218)		(163)
Tax on dividends paid	(92)		0
Net cash used in financing activities		(837)	(36)
Net increase / (-) decrease in cash and cash equivalents		329	(503)
Cash and cash equivalents at the beginning of the year		103	552
Cash and cash equivalents of new subsidiary at the beginning of year		10	25
Cash and cash equivalents of Joint Ventures at the beginning of year		0	29
Cash and cash equivalents at the close of the year		442	103

Cadila Healthcare Limited			
Consolidated Cash Flow Statement for the year ended March 31 , 2004.			
Notes to the cash flow statement			
1 All figures in brackets are outflow.			
2 Previous year's figures have been regrouped wherever necessary.			
3 The amalgamation of the Company with Banyan Chemicals Limited is considered as non cash adjustment			
			Chairman & Managing Director
Chief Accounts Officer	Company Secretary	Directors	
Ahmedabad, Dated :			
Auditor's Report			
The Board of Directors, Cadila Healthcare Limited, Zydus Tower , Sarkhej-Gandhinagar Highway, Ahmedabad - 380 015.			
We have examined the attached Consolidated Cash Flow Statement of Cadila Healthcare Limited for the year ended March 31 , 2004. The statement has been prepared by the Company in accordance with the requirements of Clause No. 32 of the listing agreement with various Stock Exchanges and is based on and is derived from the audited Profit and Loss Account and Balance Sheet of the Company for the year ended March 31 , 2004 covered by our Report dated 26th April , 2004 to the members of the Company.			
For R.R.Patel & Co., Chartered Accountants		For Mukesh M. Shah & Co., Chartered Accountants	
Proprietor		Partner	
Ahmedabad, Dated :		Ahmedabad, Dated :	