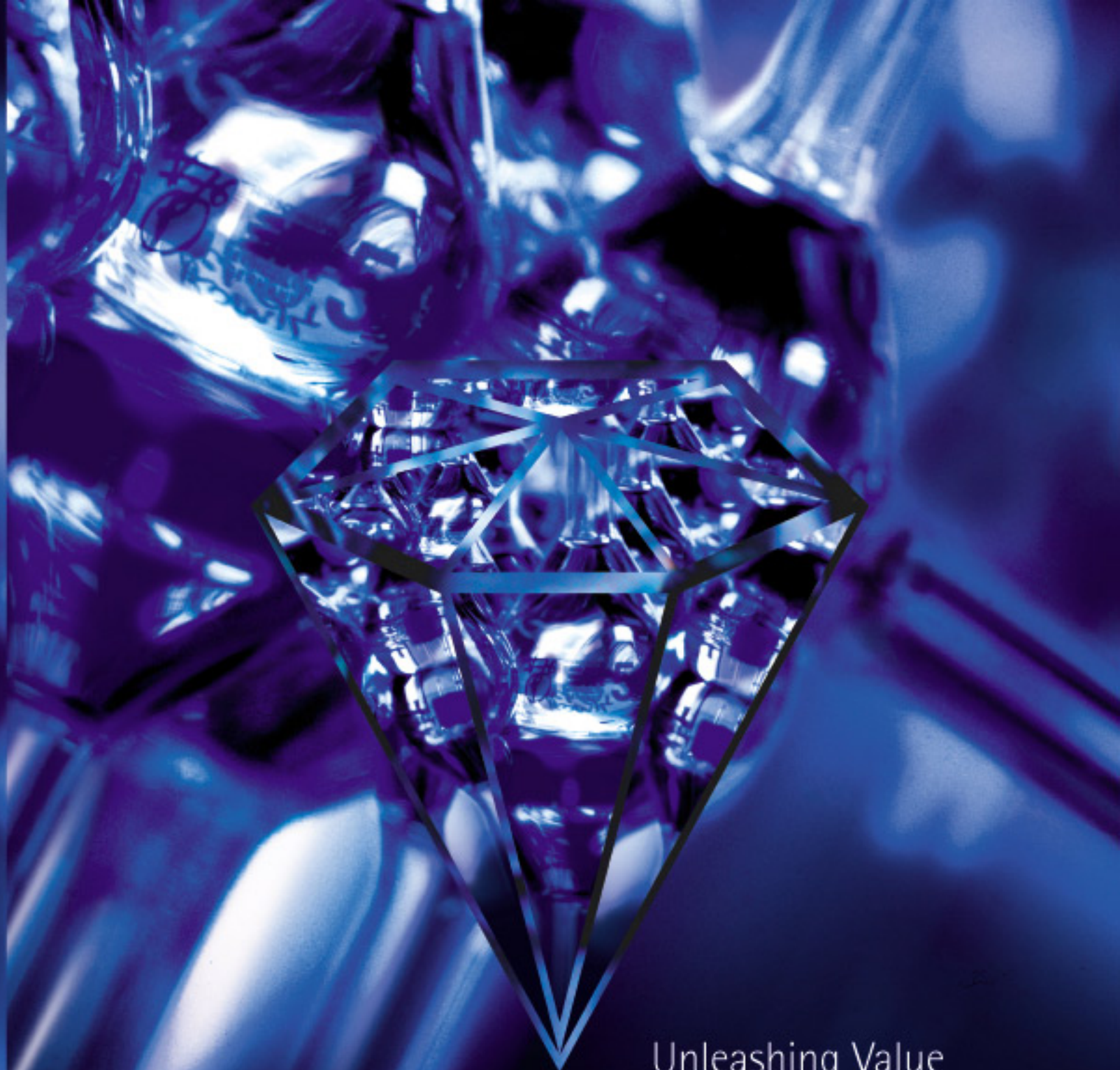




**Zydus
Cadila**
dedicated to life

www.zyduscadila.com



Unleashing Value

Cadila Healthcare Limited

Annual report 2002-3 | 02-3

FOUNDER

Late Mr. Ramanbhai B. Patel

BOARD OF DIRECTORS

Pankaj R. Patel
Chairman & Managing Director

DIRECTORS

Dr. Manubhai A. Patel
Mukesh M. Patel
Pranlal Bhogilal
Sharvil P. Patel
H. K. Bilpodiwala (w.e.f.16-08-03)
H. Dhanrajgir (w.e.f.16-08-03)
A. S. Diwanji (w.e.f.16-08-03)

COMPANY SECRETARY

Upen H. Shah

CHIEF ACCOUNTS OFFICER

Jyotindra B. Gor

BANKERS

Bank of Baroda
ICICI Bank Limited
Corporation Bank
State Bank of Saurashtra
State Bank of India
Citibank
IDBI Bank

AUDITORS

R.R. Patel & Co.
Mukesh M. Shah & Co.
Chartered Accountants

REGISTERED & CORPORATE OFFICE

"Zydus Tower", Satellite Cross Roads,
Ahmedabad 380 015
www.zyduscadila.com

REGISTRAR & SHARE TRANSFER

AGENTS
M/S Pinnacle Shares Registry Pvt. Ltd.
Near Asoka Mills, Naroda Road,
Ahmedabad 380 025.

WORKS

Formulation Unit
S. No. 417, 419 & 420, Village Moraiya
Taluka Sanand, District Ahmedabad.

Kundaim Industrial Estate
Ponda, Goa 403 401

API Unit
291, GIDC Estate, Ankleshwar.
Patalganga, Dist. Raigad
Maharashtra 410 220

Nutraceutical Products
Plot No. 5504, GIDC Estate, Vatva
Ahmedabad

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

Forward-looking statement

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

We cannot guarantee that these forward looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

We would also advise readers to consider that the company's unconsolidated financials for 2002-3 represent the operations of the merged company (with German Remedies, Recon Healthcare, Zoom Properties and Zydus Pathline) whereas the corresponding numbers for 2001-2 represent the unmerged operations. As a result, the two sets of numbers may not be strictly comparable.

Contents

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Five Year Financial Summary

(Rs. in millions)

Particulars	1998-99	1999-00	2000-01	2001-02	(Merged) 2002-03*	5 Year CAGR (%)**
Sales	3614	4778	5088	5888	10282	27.5
PBIDT	466	714	844	1003	1912	37.8
PBT	363	452	708	734	1054	38.8
Net Profit	304	377	656	672	766	30.2
EPS (Face Value Rs. 5 each)	6.75	6.28	10.97	11.27	12.20	12.1
DPS (Face Value Rs. 5 each)**	2.00	2.32	3.00	3.50	3.50	22.9
Total Assets	2854	8357	6921	9675	11931	44.4
Net Worth	849	4925	5433	5515	4390	46.6
Key Ratios						
Sales Growth (Y - Y) (%)	18.3	32.2	6.5	15.7	74.6	
PBIDT Growth (Y - Y) (%)	21.1	53.4	18.2	18.7	90.6	
PBIDT Margin (%)	12.9	14.9	16.6	17.0	18.6	
PBT Margin (%)	10.0	9.5	13.9	12.5	10.3	
Net Profit Margin (%)	8.4	7.9	12.9	11.4	7.5	
Total Assets Growth	50.4	192.8	(17.2)	39.8	23.3	
Debt Equity Ratio	1.65	0.47	0.10	0.49	1.01	

Notes

*2002-3 includes four subsidiaries merged w.e.f. 1.4.2002.

** DPS for the year 99-00 paid on pro-rata basis.

Regrouped figures taken wherever applicable.

Our vision

- Cadila Healthcare aims to emerge as one of the top three players in the Indian pharmaceutical industry by 2005, a leading Asian pharma company by 2010 and a global pharma player by 2020.

Zydus Cadila and Value



- Cadila Healthcare Limited (Zydus Cadila) is committed to enhance value for its shareholders. Appreciably and responsibly.
- The consolidated revenues for 2002-3 increased 29% to Rs 11.3 bn and Profit after Tax* increased 25% to Rs 888 mn.
- Having attained the number four position in the domestic formulations market (IMS, MAT May 03), Zydus Cadila has taken a number of initiatives to benefit from the generics opportunity in the large and lucrative markets of USA and Europe.
- At Zydus Cadila, these growth initiatives are likely to remain a sustainable feature of the company's working, with the potential of unleashing value for shareholders over the foreseeable future.

*Attributed to the group





Chairman and Managing Director's message

Dear Shareholders,

The year 2002-03 at Zydus Cadila was a defining year, marked by events that accelerate growth. This year's strong financial results are an indication of this. The consolidated sales grew by 29% to Rs. 11286 mn and consolidated net profit (attributed to the group) by 25% to Rs. 888 mn in 2002-3. We elevated our status on the domestic front and focussed on building our infrastructure globally. The wheels have now been set in motion and I am confident that they will lead to unprecedented progress.

The initiatives that we undertook this year demonstrate the management's ability to steer the company on the path of sustainable growth and profitability and deliver on its promises to create shareholder value.

Our achievements during the year can be categorised under three major areas.

Firstly, we delivered on our commitment with respect to merging the group companies to create a single listed entity.

LEVERAGING BENEFITS OF A MEGA MERGER

During the year we initiated the merger process of four of our Group companies – German Remedies Ltd., Recon Healthcare, Zoom Properties and Zydus Pathline with Cadila Healthcare Ltd. The merger was approved in June 2003 and has become effective since 1 April 2002. I have the pleasure to present the first Annual Report of the new entity – the merged entity, to the shareholders.

As a result of the merger:

- We are now the 4th largest pharmaceutical company in the domestic formulations market with a market share of 3.8% (IMS MAT May '03).
- Revenues for 2002-3 and total assets at the end of 2002-3 exceed Rs 10 bn.
- Share capital has increased by 5% to Rs. 314 mn.
- Market capitalisation, post merger (July 2003) is in excess of Rs. 13 bn.

Zydus Cadila signed an agreement to acquire Alpharma SAS, France (French affiliate of Alpharma, one of the world's leading generic companies) to leverage an existing revenue of Euro 5 mn, 109 product registrations and a deep distribution network.

Our second area of achievement is about delivering value-adding growth – from acquisitions, international operations and alliances.

ENTRY INTO REGULATED MARKETS

Europe

Your company has signed an agreement to acquire Alpharma SAS, France, the French affiliate of Alpharma, one of the world's leading generic companies. The acquisition, when formalised, will give your company a ready base in one of the fastest growing generics markets of Europe. Europe is the second largest pharma market in the world and within Europe, France is the second largest market.

Alpharma SAS, France, has current revenue of Euro 5 mn and a large number of product registrations -109, which is a very attractive feature of the company, on top of a ready distribution network. Our plan is to introduce large number of products, to grow revenues rapidly. The production is planned to be eventually shifted to our state-of-the-art manufacturing plant at Moraiya.

USA

Another achievement during the year was the decisive step taken to make a foray in the world's largest market - USA.

- In 2002-3 we launched Zydus Healthcare (USA) LLC, our subsidiary for bulk drug (API) operations in the US. We also set up an office in the U.S.A. and now have a team to cater to the world's largest generics market.
- Back home we have built a strong team along with the physical infrastructure to file the DMFs and ANDAs to enter the US market. As of now, our pipeline of DMF filings to the USFDA stands at nine of which three have been approved.
- The work on filing ANDAs is progressing satisfactorily. I am confident that we will be able to file ANDAs from 2003-4.

As a result of these efforts, Zydus Cadila expects to accelerate regulated market revenues from bulk actives in 2004-5 and from formulations in 2005-6.

Our Joint Venture Company Zydus Altana Healthcare (formerly Zydus Byk Healthcare) has turned in excellent results in its first full year of operations and has paid handsome dividends.

UNIQUE MODEL FOR GROWTH - ALLIANCES

Our strategic initiatives over the last few years has been in response to the question : "How do we strengthen and add value to our core business beyond 2005?" Our differentiated model for growth is to look at key partnerships with global pharma majors and capitalise on opportunities for growth. Our ongoing efforts in this direction over the last few years bore fruit during last year.

Our Joint Venture Company Zydus Altana Healthcare (formerly Zydus Byk Healthcare) has turned in excellent results in its first full year of operations. The company posted sales of Rs 1114mn and strong net earnings of Rs 771 mn, yielding a whopping 69% net margin. Your company also received a handsome dividend from the JV. The current year performance is encouraging and I remain optimistic on the future potential of this venture.

During the year, we have also strengthened our relationships with Schering AG and Boehringer Ingelheim, our alliances from the GRL acquisition, and have taken concrete steps towards creating win-win situations.

Our third horizon of achievement are initiatives on the front of making a quantum improvement to our profits through improving operating efficiency and saving costs.

OPERATIONAL EFFICIENCY

As mentioned in my last year's message, the seeds of cost rationalisation were sown in 2001-2 with the operational integration with GRL. During 2002-3, we took the major step of closing down the operations at the high-cost formulations factory of GRL at Andheri, pursuant to a successful VRS. Recently, we sold the surplus Andheri factory land for Rs 360 mn.

Further, in a step which will have substantial impact on the company's future profits, your company launched in January 2003 "PRISM" - a programme to save costs by addressing the entire non-labour spend base, facilitated by an internationally reputed consultant. We have currently completed two 'waves' of 3 months each and generated over a thousand cost saving



We have embarked on a value creation programme "DELTA" with a specific goal to "double the sales and triple the profits" at the end of three years.

ideas, which have the potential to boost future operating profits substantially.

VALUE CREATION INITIATIVES

I have always believed that what we are going to be tomorrow is determined by what we are doing today. That is why managing change is a crucial process at Zydus Cadila. The process of searching, growing and discovering new paths is ongoing and one that can lead to unthinkable opportunities. The paradigms of change always begin with challenging the status quo. We have begun to do this through a value creation programme "DELTA" with a specific goal to "double the sales and triple the profits" at the end of three years. The task is a challenging one and the result will ensure our distinctiveness in the years to come.

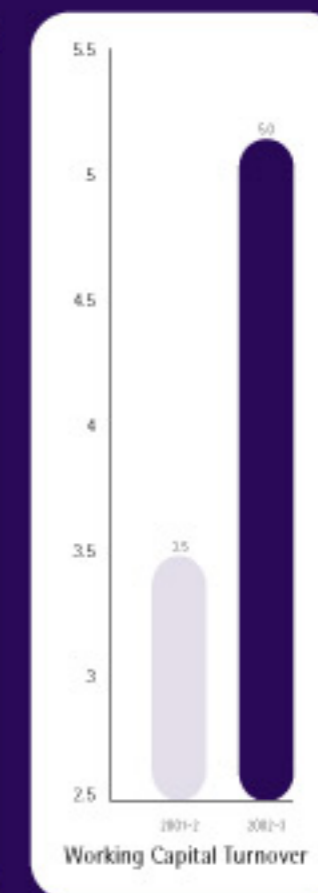
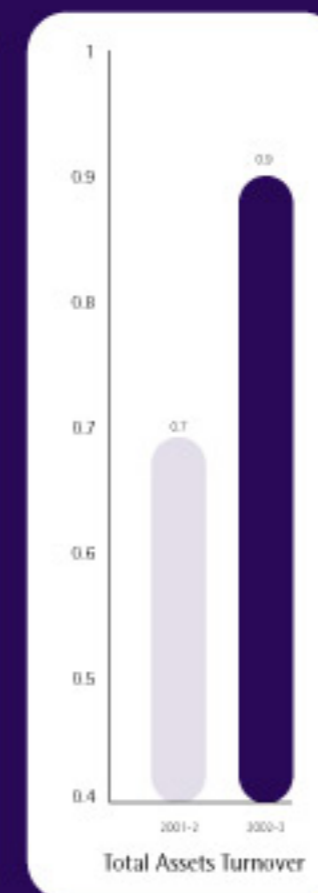
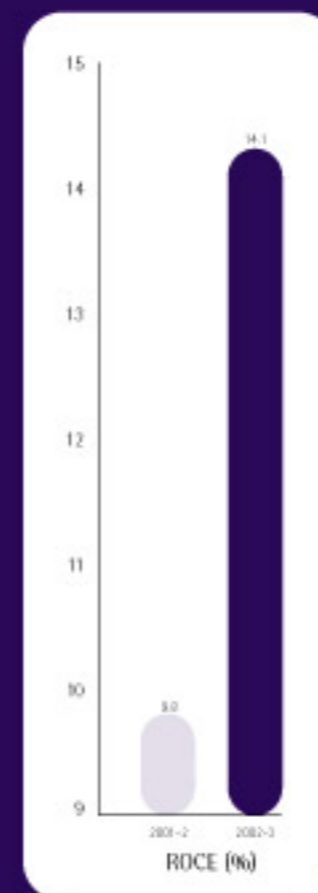
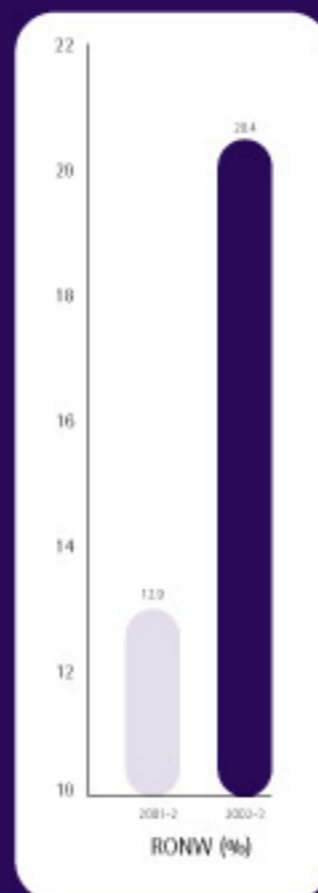
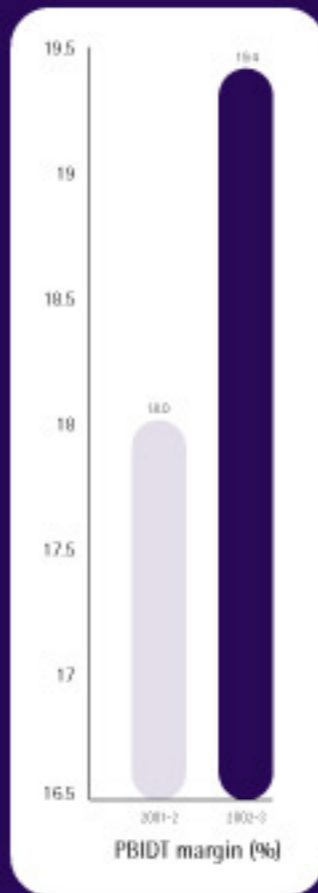
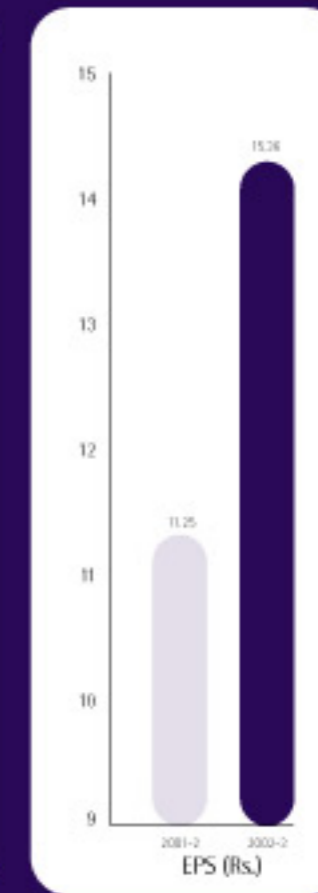
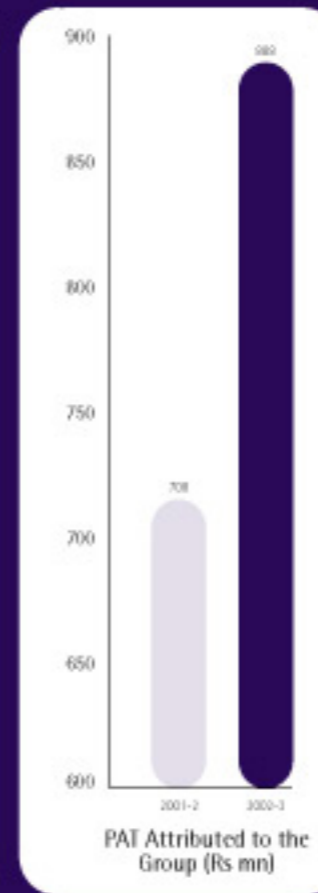
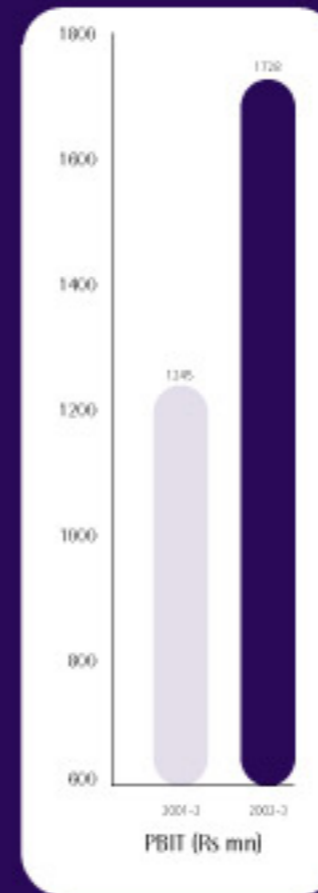
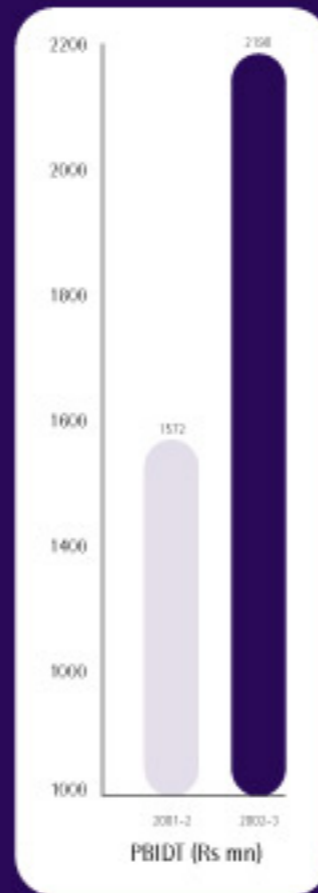
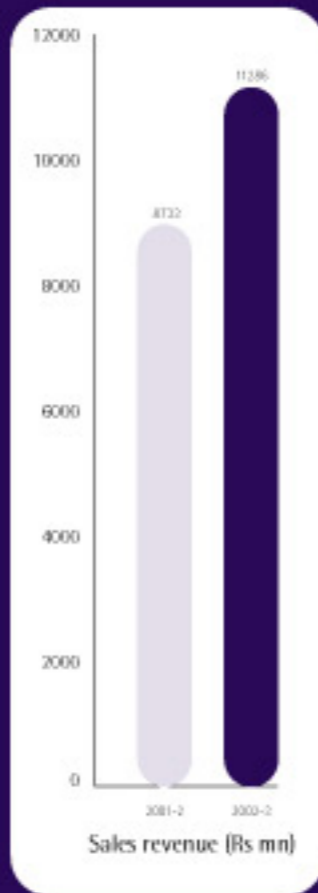
On the research front, the Zydus Research Centre, has been focussed in the areas of NCE, NDDS and Biotechnology. Our team is now strengthened to 160 research scientists and there is now some visibility in their efforts. We now have a pipeline of 41 patent filings in India, 14 PCT applications and 42 patent applications in foreign countries. Pre-clinical studies continue for the advanced molecules and I am optimistic of the results.

The underlying strength of our achievements is a reflection of the success we have had in implementing a clear vision and focus. Of course, we have much to do and a long way to go from here to realize our full potential. At each step of the way I am joined by 6000 inspired Zydans who are committed to creating a world class pharma company.

I would like to thank them, you and other stakeholders for your patience, support and good wishes and look forward to presenting this overview for 2003-4 with a stronger performance.

Pankaj R. Patel
(August 15, 2003)

Consolidated Financial Highlights 2002-3



Zydus Cadila's value-driver
size

At Zydus Cadila, we believe that size and scale are among the biggest value-drivers in the pharmaceutical industry.

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For a number of reasons.

Size encourages international companies to enter into win-win alliances, leading to profitable technology and marketing opportunities.

Size makes it possible to transact favourable vendor agreements, leading to efficient procurement.

Size facilitates manufacturing economies, leading to a low cost of production.

Size reinforces the consumer's confidence, leading to accelerated offtake.

Size enhances confidence among young and experienced professionals, leading to better recruitment.

Acquisitions

Year	Company
2000	Recon Healthcare.
2001	German Remedies Ltd. (GRL)
2001	Aten, a leading cardiovascular brand.
2002	Banyan Chemicals with a US FDA-approved plant.
2003	First international acquisition of Alpharma SAS, France, in July.

At Zydus Cadila, we also hold the opinion that when size needs to be achieved with speed, a conventional organic approach must be reinforced with a strategy of inorganic acquisition. Something that Zydus Cadila accomplished over the last few years.

Zydus Cadila's corporate acquisitions over the last three years have helped it reach a critical mass that will enable the company to emerge as a preferred partner for large pharmaceutical multinationals entering India in the challenging post-2005 era.



Zydus Cadila's value-driver

global generics

At Zydus Cadila, we are convinced that in view of the huge and growing generics opportunity in the global pharmaceuticals industry, there is a compelling reason to entrench one's presence in the large and lucrative markets.

Over the next decade, as a number of products with sales of over \$ 40 bn go off patent and a huge generics manufacturing opportunity is likely to emerge.

India is particularly well-placed to grab an attractive share of this opportunity.

Zydus Cadila, in particular, has embarked on a number of initiatives to capitalise with an increasing presence in the large and lucrative regulated markets.

Thrust on global generic business	
USA (US\$160 bn market)	<ul style="list-style-type: none">• Commissioned a US-based 100% owned subsidiary to market APIs.• Augmented DMF filings to a total of nine, of which three have been approved by the USFDA.• Commissioned infrastructure to file ANDAs.
Europe (US\$ 66 bn market)	<ul style="list-style-type: none">• Identified four major markets - France, Spain, Italy and Germany.• Established a base in France with the acquisition of Alpharma SAS, France, a company with Euro 5 mn in revenues and a registration basket of 109 products.
Latin America (US\$ 10 bn market)	<ul style="list-style-type: none">• Commissioned a subsidiary in Brazil. Currently product registration is underway.

The company's proactive initiative to embark on the registration of its products is expected to translate into API revenues from 2004-5 and for generic formulations from 2005-6.



Zydus Cadila's value-driver

operating efficiencies

At Zydus Cadila, we hold the view that continuously improving operating efficiencies translate into a business edge that keeps the company competitive across therapeutic segments, across geographies and across time.

To institutionalise cost awareness and extend the cost-advantage into a sustainable business strategy, the company commissioned a programme called 'Prism' in January 2003. This programme, conducted in consultation with an internationally reputed consultant, was directed to generate a quantum profitability improvement through the optimisation of the company's entire non-labour cost structure.

This exercise is being conducted in three waves of three months each and has already identified over 1000 cost-saving opportunities. When implemented, these initiatives are expected to substantially strengthen profits, the full impact of which is likely to be reflected from 2004-5 onwards.

Cost saving levers in 'Prism'

- Improving purchase efficiency
- Improving process efficiency
- Standardisation and optimisation
- Outsourcing
- Using cost effective technology



Zydus Cadila's value-driver alliances

At Zydus Cadila, we believe that a challenging patent-respecting environment from 2005 onwards also represents an attractive potential for growth and profitability.

As an opportunity-focused organisation, Zydus Cadila has entered into a number of win-win alliances. The company has entered into alliances and partnerships with specialised companies who enjoy a deep therapeutic presence:

Win - win alliances

- Altana Pharma (*worldwide patent holders of Pantoprazole*)
- Boehringer Ingelheim (*gastrointestinal*)
- Berna Biotech (*vaccines*)
- Biosidus of Argentina (*biotechnology*)
- Madaus (*Agiolax*)
- Schering AG (*women's healthcare*)
- Zentaris AG (*anti-infective*)

Zydus Cadila is proud to state that its differentiated strategy of investments in alliances and joint ventures has begun to unleash excellent value. Take the instance of the performance and payout of Zydus Altana Healthcare (earlier Zydus Byk Healthcare), the 50%- owned company set up jointly with Altana Pharma. In 2002, the first full year of operations, the joint venture performed beyond expectations: a turnover of Rs 1.11 bn and a profit after tax of Rs 771 mn. This translated into Rs 200 mn dividends in the very first full operational year, more than recovering the company's investment.

Zydus Cadila's value-driver research

At Zydus Cadila, we believe that the biggest investment that an organisation can make for tomorrow is an investment in research today.

At Zydus Cadila, we believe that the biggest investment that an organisation can make for tomorrow is an investment in research today.

For an important reason.

From 2005 onwards, the scenario will become more challenging, when most pharmaceutical companies will need to become research-driven and accelerate their growth through new innovative products. Zydus Cadila has embarked on the exercise to prepare itself for the demands of this challenging environment.

The company has a 300 strong technical team spearheading its research programme. This includes a 160-member team at the Zydus Research Centre at Moraiya on the outskirts of Ahmedabad. In view of the emerging environment, the company's research focus comprises a coverage of synthetic organic chemistry, process research and drug delivery (NCE, NDDS and Biotechnology) with a growing focus on the rapidly growing lifestyle-induced diseases.

The results of Zydus Cadila's emphasis are now becoming visible:

- Pipeline of 41 patents in India and 42 patents in foreign countries.
- Developed a complex typhoid vaccine, which will be commercially launched in 2003-4.
- Developed recombinant protein products which are presently undergoing toxicological studies.



Company at a glance



Domestic formulations marketing divisions

- Zydus Cadila (allied products and mega brands division addressing mainly the anti-infectives, pain management and cardiovascular segments)
- Zydus Alidac (gastro and gynaecology segments)
- Zydus Medica (cardiovascular, anti-diabetic and cholesterol management segments)
- Zydus Biogen (immunologicals and vaccines)
- Zydus Neurosciences (central nervous system)
- German Remedies (formulations, women's healthcare and respiratory)
- Respicare (asthma and COPD)
- Evona (premium women's healthcare)
- Recon Healthcare (pain management, anti-infectives and cardiovascular)
- Diagnostic Division (imaging products)
- Oncology Division (anti-cancer)
- Zydus Pathline (diagnostics)
- Micro marketing and Gerned (generics)
- Indon Healthcare (allied products division launched in August 2003)

International division

- Regulated markets - USA, Europe
- Semi-regulated markets - South Africa, Brazil
- Developing markets - Asia Pacific, Africa, Middle East and CIS

APIs and intermediates manufacturing

- Ankleshwar and Patalganga

Formulations manufacturing

- Moraiya (Ahmedabad) and Goa
- Vatva (nutritional supplement and diagnostics)

Research

- Zydus Research Centre (Ahmedabad)
- Bangalore and Mumbai

Consumer and OTC division

Subsidiaries (100%)

- Banyan Chemicals Limited
- Dialforhealth India Limited
- Zydus Pharmaceuticals Limited

International subsidiaries

- Zydus Healthcare (USA) LLC
- Zydus International Pvt Ltd
- Zydus Healthcare SA (Proprietary) Limited
- Zydus Healthcare Brasil Ltda

Joint ventures (50:50)

- Zydus Altana Healthcare Pvt Ltd
- Sarabhai Zydus Animal Health Limited



What Zydus Cadila achieved in 2002-03

Merger

- The company initiated a merger with four subsidiaries (German Remedies, Recon Healthcare, Zoom Properties and Zydus Pathline), which was approved in June 2003.
- The merger came into effect retrospectively from April 1, 2002.
- The merger created the fourth largest company in India's pharmaceuticals market with a market share of 3.8% (IMS, MAT May 2003).
- The merged entity possesses total assets exceeding Rs 10 bn (as at the end of 2002-3) with gross sales exceeding Rs 10 bn during the financial year under review.

Domestic formulations

- Post merger, the company's exposure to anti-infectives, a seasonal and price sensitive segment, shrunk from 14% to 8% of its formulations revenue.
- The exposure to the chronic* life style segments stands at 40%.
- The company successfully rolled out over 100 new products.
- It launched a portfolio of anti-diabetic products.
- The newly established Neurosciences division reported commendable growth of 46%.

* Chronic segments include CVS/CNS, respiratory and sub-segments in gastrointestinal, pain management and biologicals.

International

- The company commissioned subsidiaries in US and Brazil.
- It marked its foray into Europe with the acquisition of Alpharma SAS, France (post-balance sheet).
- It retained its position as the largest Indian player in Sri Lanka and one of the five leading Indian companies in Sri Lanka, Uganda, Mauritius, Myanmar, Singapore and Vietnam.
- It increased its global registrations from 681 to 785.

Regulatory approvals and filings

- It reinforced its DMF pipeline to nine filings (including post balance sheet).
- It commissioned a strong infrastructure to file ANDAs.
- Its Moraiya formulations plant received the UK MCA and ANVISA Brazil approvals.
- It received the WHO GMP certificate for 12 products manufactured at the Patalganga plant.
- Filed 25 patent applications in India, 7 under PCT and 40 in foreign countries.

Operational efficiency

- The company closed the high cost Andheri formulations unit following a successful VRS.

- It launched the Prism programme directed at a quantum jump in profits through cost optimisation.
- It integrated and rationalised CEF agents of the merging companies.

Merged financial highlights

- The company reported a 75% increase in its turnover to Rs 10282 mn.
- Its PBIDT increased 91% to Rs 1912 mn.
- Its PBIDT margin increased from 17% to 18.6%.
- Its profit after tax increased 14% to Rs 766 mn.
- Its earnings per share increased from Rs 11.27 in 2001-2 to Rs 12.20. (2002-3 is not strictly comparable to 2001-2 due to the merger)

Consolidated financials

- The company reported a 29% increase in its turnover to Rs 11.3 bn.
- Its PBIDT increased 39% to Rs 2190 mn.
- Its PBIDT margin increased from 18% in 2001-2 to 19.4%.
- Its Profit after Tax, attributable to the group, increased 25% to Rs 888 mn.
- Its Earnings per Share increased from Rs 11.25 in 2001-2 to Rs 15.36.



SBU operational review

Domestic formulations - manufacturing



Overview

Over the years, the manufacture of formulations in India has been marked by an increase in scale, a progressive reduction in cost and the benchmarking of production standards with those in the developed geographies.

In line, Zydus Cadila strengthened its ability to service a growing insourcing opportunity with the largest single location pharmaceutical plant in India across 40 acres at Moraiya on the outskirts of Ahmedabad.

This state-of-the-art facility is designed in line with current good manufacturing practices (cGMP) and supported by sophisticated equipment, process and practices. It possesses a capacity to produce a high volume of tablets and capsules, injectables (vials and ampoules), freeze dried injectables, transdermal patches (under commissioning) and metered dose inhalers. It received the UK MCA, MCC (South Africa), Anvisa (Brazil), BFAD (Philippines), NMA (Romania) and NDA (Uganda) approvals.

Manufacturing highlights, (Moraiya and Goa), 2002-03

- The plants reported a production of 4 bn tablets and capsules and 3 tonnes of dry powder injections
- The Moraiya plant received the UK MCA approval (April 2002) and the ANVISA approval (October 2002)
- The Moraiya plant commenced the production of the anti-rabies vaccines
- It commissioned the facility for transdermal patches and metered dose inhalers
- The Goa plant was approved for cGMP and quality systems
- The Andheri plant of erstwhile GRL was closed in view of high cost operations

Zydus Cadila strengthened its ability to service a growing insourcing opportunity with the largest single location pharmaceutical plant in India across 40 acres at Moraiya on the outskirts of Ahmedabad.

Quality

The quality commitment at Zydus Cadila begins with a well defined, holistic approach which is not just limited to manufacturing but encompasses all stages of the product from conceptualisation and design till the time it reaches the consumer. The company adheres to current Good Manufacturing Practices (cGMP) and its state-of-the-art laboratory comprises the most sophisticated equipment. The company's quality management programme also includes the close monitoring of the quality attributes of the product throughout its shelf life.

A team of over 100 highly qualified professionals is engaged in the company's efforts to achieve total quality. Highly specialised training programmes, seminars, workshops are conducted on an ongoing basis and form a part of the quality management programme.

Dedicated to Quality

- Zydus Cadila is committed to develop, manufacture and distribute products that meet the highest standards of quality in terms of purity, safety and efficacy.
- The company complies with current Good Manufacturing Practices (cGMP) in all its products and services.
- Zydus Cadila is dedicated to life and quality therefore becomes a way of life.



SBU operational review

Domestic formulations - marketing

Overview

The Indian pharmaceutical market grew 5.7% [Source: DRG, March 2003] in 2002-3, one of the slowest in recent years. The market remained challenging with prices declining in some segments and the continued threat from the generic-generics segment. There was perceptible growth in the life style segments and the trend towards consolidation through mergers and acquisition continued.

Therapeutic coverage

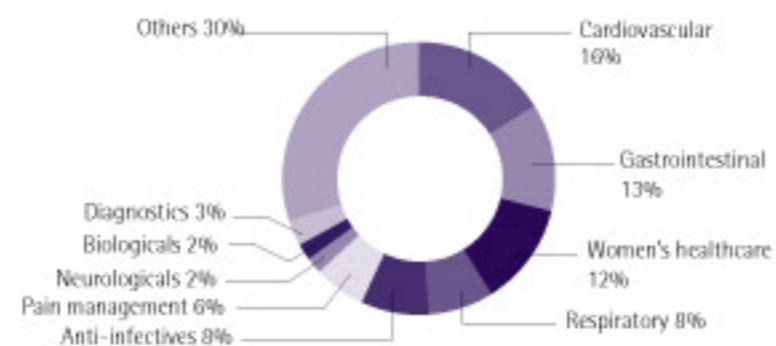
At Zydus Cadila, we recognise that growth can be accelerated through a prudent presence in the fastest growing therapeutic segments, particularly those addressing lifestyle-induced diseases and ailments.

Besides, the company widened and deepened its coverage across the cardiovascular, gastro-intestinal, women's healthcare, respiratory, anti-infective, pain management, neurologicals, oncology, biologicals and other select therapeutic areas.

Zydus Cadila retained its coveted leadership status across the following segments:

- A number one status in India's cardiovascular, gastro-intestinal and women's healthcare segments;
- A number two position in the respiratory area;
- A number three place in the vast anti-infectives space;
- A number four slot in the pain management segment.

Therapeutic segment-wise break up (2002-03)



Brands

At Zydus Cadila, we are clearly aware that well-positioned brands, sustained by a favourable patient recall of effective and lasting relief from suffering, represent one of the most sustainable strengths in a competitive pharmaceutical industry.

As a company whose existence has been driven by this positive customer response, Zydus Cadila has firmly created a distinctive brand equity for all its products in the minds of their users.

Over the years, the company has institutionalised the ability to transform new brand launches into sustainable revenue drivers through the following initiatives: creating

an early mover's advantage by being one of the first three to launch new molecules, the creation of brands that faithfully reflect the inherent properties of the molecules they represent, a premium positioning in terms of packaging and promotion, backed by simple and easy-to-remember brand names.

The effectiveness of this brand management is reflected in a growing presence of the company's products among India's leading 300 pharmaceutical brands: from four in 1995 to 16 (Aten, Deriphyllin, Ocid, Ciprobid, Dexona, Pantodac, Oxalgin-DP, GRD, Ofin, Primolut-N, Proluton Depot, Dulcolax, Sugar Free, Amlodac, Atorva and Globac) in 2002-3 (DRG, March 2003)

Following its acquisition, Aten jumped from rank 39 (ORG MAT, September 2001) to rank 28 (ORG, MAT, March 2003), a rare achievement in that therapeutic segment. The product now accounts for a 39% share of the Atenolol market, its growth of 18% has outperformed segmental growth and has retained its position as the number one prescribed cardiovascular brand in India.



Zydus Cadila's champion brands

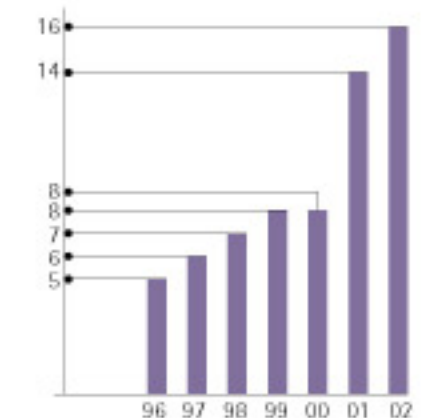
Product	Rank in top 300	Segment
Aten	28	Cardiovascular
Deriphyllin	39	Respiratory
Ocid	53	Gastro-intestinal
Primolut-N	75	Women healthcare
Ciprobid	89	Anti-infective
Pantodac	106	Gastro-intestinal
Sugar Free	123	Sweetening agent
Dexona	149	Corticosteroids

Source : ORG, MAT, March 2003

Zydus Cadila's champion brands contd.

Product	Rank in top 300	Segment
Dulcolax	180	Gastro-intestinal
Amlodac	215	Cardiovascular
Proluton	216	Women healthcare
Globac	223	Women healthcare
Atorva	244	Cardiovascular
Oflin	267	Anti-infective
GRD	272	Nutraceuticals
Oxalgin	298	Pain management

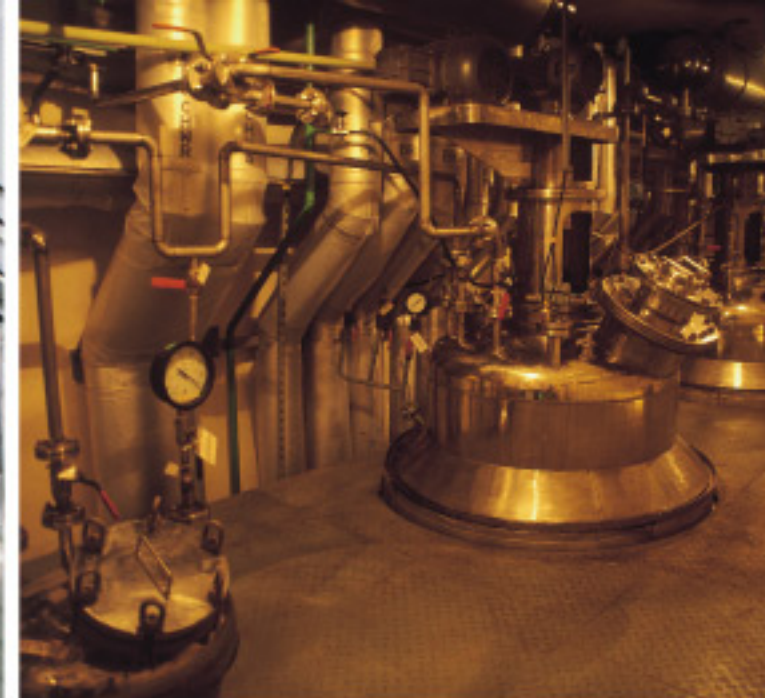
Annual progression of brands in India's top 300



Formulations marketing highlights (domestic), 2002-03

- The revenues from domestic formulations increased to Rs 7508 mn from Rs 3856 mn in 2001-2 (not strictly comparable due to merger)
- Zydus Cadila emerged as the fourth largest pharmaceutical company in India (post-merger) at the close of 2002-3
- The company retained its number one presence in the cardio-participative, gastro-participative, women's health care, anti-infective, pain management and respiratory segments
- It launched two new speciality divisions: Respicare for aerosol products and Evona for premium gynaecological products of Schering AG in the domestic market
- It actively promoted over 100 new products with an increasing focus on combination drugs in the diabetological and neuropsychiatry segments. Some of its successes comprised the following :
 - Mifegest (women's healthcare) was acclaimed as one of the top 10 launches of the year in India by IMS. Established as a popular concept in a sensitive market, Mifegest rose to the number one spot in the segment

- Vaxirab (anti-rabies) was the first vaccine to be manufactured by the company in collaboration with Berna Biotech
- Pantodac IV, an injectible PPI for critical care patients for bleeding and ulcers was marked by a clear product superiority
- Happi, a gastrointestinal therapy product was launched by German Remedies and achieved 14% market share. It also launched Naturogest (Women's healthcare segment)
- Revaldo (pain management) emerged as the number three brand in its segment with a market share of 10% (source: ORG March 2003)
- Levoday (anti infective) rose to number three within its therapeutic segment with a market share of 12%
- (Erstwhile) German Remedies ranking in the domestic market rose to 26th position, its best so far



SBU operational review

Active Pharmaceutical Ingredients

The API division of the company not only addresses the company's growing requirements of APIs - quality-critical raw materials used in the manufacture of formulations - but also services the robust demand for these products the world over.

API manufacturing

Zydus Cadila* manufactures APIs at two manufacturing units - Ankleshwar, which was commissioned in 1970s, while the one at Patalganga came to be integrated after the acquisition of German Remedies. These plants possess a combined installed capacity of 413 tpa.

Over the years, the company's API business transformed its position from being a captive unit into a competitive standalone manufacturer of niche quality APIs. For instance, in 2002-3, the sales growth was far in excess of the industry growth of 12%. Besides, the quality of the company's Atorvastatin, Clopidogrel, Paroxetine, Amlodipine and Famotidine continue to be rated among the best in India. It is now the largest manufacturer of Loratidine in India. In the global market, the unit has emerged as a competitive manufacturer of key APIs and intermediates like Lamivudine, Loratidine, Fluconazole, Atorvastatin and Famotidine among others.

*(not including subsidiaries)

Over the years, the company's API business transformed its position from being a captive unit into a competitive standalone manufacturer of niche quality APIs.

Highlights, API division, 2002-3

- Sales increased from Rs 1294 mn in 2001-02 to Rs 1879 mn, a growth of 45%*.
- Domestic sales, including captive consumption, increased 55%* to Rs 1167 mn.
- Exports increased 32%* to Rs 712 mn as the SBU expanded its reach to more than 40 countries.
- Infrastructure to file DMFs and EDMFs to tap the regulated markets was set up. The division made five non-US filings and one DMF with US FDA (post-balance sheet).
- Production increased from 230 tonnes in 2001-2 to 323 tonnes (including Patalganga, merged with effect from April 1, 2002).
- Six new products were introduced across the cardiovascular, pain management and CNS segments.
- The plant was audited by a quality-conscious Japanese buyer, leading to the manufacture of Fosfesterol and the first-time export from its facility to Japan.
- The Patalganga unit commenced the commercial production of Venlafaxine Hcl.

*2002-03 includes Patalganga unit as a result of merger and hence not strictly comparable with 2001-02

Ankleshwar

- Commissioned in 1972.
- Capacity spread across ten multi-purpose units.
- Approved as per the guidelines of ISO 9002 and the 14001 (Quality and Environment Management System).

Patalganga

- Commissioned in 1983 for the manufacture of hormones and bulk drugs.
- 12 products enjoy WHO GMP certification.
- Commissioned the Fosfesterol Sodium Plant in 2002-03.



SBU operational review International

Overview

Over the last few years, there has been a dramatic transformation in the reality of the global pharmaceutical industry. On one hand, there is an increasing respect for patents and the agreement on Trade Related Intellectual Property Rights. Their increasing application across countries is expected to lead to an access to better therapies and increased opportunities for vendors and customers across a larger number of international geographies.

On the other hand, rising healthcare costs will lead to developed world governments pushing for measures in favour of affordable healthcare and lower cost generics. In view of this, the large MNCs are increasingly focussing on lower cost outsourcing, marketing and branding leading to a perceptible migration of production capacities from the developed to non-developed markets. As an extension of this trend, an increasing number of MNCs are looking at outsourcing even the early phases of their research to knowledge-driven companies in the developing world.

Indian companies, reinforced by an expertise in synthetic chemistry, low cost of production and a large pool of knowledge workers, are particularly equipped to leverage the full potential of this paradigm change.

As a future-focussed organisation, Zydus Cadila has drawn out a comprehensive roadmap to benefit from these emerging opportunities. The company holds the view that in an increasingly cost-conscious global business environment, large, extended and profitable cross-border in-sourcing relationships will help leverage the value of relevant regulatory approvals and state-of-the-art manufacturing assets. As regards the developing markets the year 2002-3 was one of a competitive environment, marked by a price pressure in many of the countries where the company markets branded formulations.

Zydus Cadila's international footprint

In 2002-3, the company enjoyed an active presence across five international geographies and 43 countries:

- Asia-Pacific (51% of international formulations business)
- Africa-Middle East (27% of international formulations business)
- Europe and CIS countries and others (22% of international formulations business)

Highlights, international business, 2002-3

- Export revenues increased to Rs 449 mn in 2002-3 as compared to Rs 418 mn in 2001-2 (not strictly comparable due to the merger)
- The commissioning of a US subsidiary and office.
- The acquisition of Alpharma SAS, France, to initiate a European presence.
- The retention of a number one position among Indian companies present in Sri Lanka and among the top five Indian companies in Uganda, Mauritius, Myanmar, Singapore and Vietnam.
- An increase in product registrations from 681 in 2001-2 to 785 (as on March 31, 2003).
- The establishment of a presence in UK, Brazil, Venezuela, Bangladesh, Papua & New Guinea.
- A growth in the contribution of 20 brands (identified as global brands by the company) by 2% to 20% of the turnover in 2002-3 in line with projections.

Zydus Cadila's international presence

- North America : USA and Canada
- Europe: France, UK, Russia, Ukraine, Latvia and Lithuania
- South America : Brazil, Venezuela, Jamaica and the Dominican Republic
- Asia-Pacific : Sri Lanka, Myanmar, Vietnam, Cambodia, Philippines, Singapore, Papua & New Guinea and Bangladesh
- Africa : South Africa, Uganda, Kenya, Ethiopia, Ghana and Zambia



SBU operational review

Zydus Research Centre

Overview

Research is one of the most exciting areas in the pharmaceuticals business. Over the next few years, a number of sweeping changes are likely to transpire: an increasingly complex and stringent regulatory environment that covers plant and product approvals, an increasing focus on biotech, which holds out exciting breakthrough prospects to discover new targets for NCEs as well as a revolutionised concept of treatment arising out of the genome project where therapies may be customised for individual patient requirements.

Zydus Cadila has embarked on the challenging exercise to create the Zydus Research Centre, a foundation for research that is realistic and yet futuristic, that is medium-term in resource mobilisation and long-term in its scope to achieve meaningful breakthroughs. The company has prudently invested to explore NCE and biotech opportunities and concurrently embark on novel process research.

Therapeutic focus

Cardio-vascular: Obesity, hypertension and diabetes are lifestyle-related, arising from sedentary lives and increased stress

Pain management: The company intends to focus on arthritis (rheumatic and osteo-arthritis), a disease which is increasing in the adult population

Anti-bacterial: Hospital infections are on the increase and becoming increasingly medicine resistant

Research strengths and competencies

The company's research strengths comprise the following:

- **Team:** The company's 160-member team, over 80% of which comprises PhDs and post-graduates in science and pharmacy.
- **Investment:** The company has invested over Rs one bn in capital and revenue expenses, marked by sophisticated assets and equipment.
- **Research focus:** Synthetic organic chemistry, process research and drug delivery (NCE, NDDS and biotechnology) in the areas of CV, anti-bacterial and pain management.
- **Biotech:** The company expects to work in the cutting-edge areas of biotechnology, comprising applied diagnostics, vaccines and recombinant protein products.

Highlights, 2002-03

During 2002-3, Zydus Cadila filed the following patent applications:

	2002-2003	Cumulative upto March '03
Indian patent applications	25	41
PCT applications	7	12
Patent applications in foreign countries	40	42

- The company developed two proteins through indigenous research efforts and are now ready for toxicological studies.
- It's key molecules in the cardiovascular segment are under pre-clinical trials.



Subsidiary operational review Banyan Chemicals Ltd.

The financial year under review was the first following the acquisition of Banyan Chemicals Ltd by Zydus Cadila. Banyan Chemicals possesses a US FDA-approved unit at Padra near Vadodara for the export of APIs to USA. It is a 100% EOU.

In 2002-3, Zydus Cadila embarked on a number of initiatives to realise the full potential of the acquisition:

- Stronger DMF pipeline: It filed DMFs for two products in 2002-3 and one more post-balance sheet, taking the total number of filings to eight. Banyan has three DMF approvals.
- Capacity expansion: The installed capacity of Banyan Chemicals is being expanded with a new Rs 300 mn unit, a combination of dedicated and multi-purpose units. When the new unit goes on stream by early 2004-5, the aggregate installed capacity is expected to be around 200 tpa.

For the year 2002-3, revenues declined from Rs 93 mn in 2001-2 to Rs 75 mn in 2002-3 and so did profit after tax from Rs 66 mn in 2001-2 to Rs 44 mn in 2002-3.

During 2002-3, Zydus Cadila received a Rs 32 mn dividend from Banyan Chemicals (final dividend paid out for 2001-2). Banyan has declared Rs 3.5 mn dividend for 2002-03.

Banyan Chemicals, Vadodara

- Commissioned in 1997
- Enjoys US FDA approval
- Capacity being expanded substantially in 2003-4
- Has three DMF approvals and five more filings

JV operational review Joint ventures

Zydus Altana Healthcare Pvt Ltd (earlier Zydus Byk Healthcare Private Ltd)

At Zydus Cadila, the institution of the joint venture is being developed as one of the unique drivers of prospective growth. Over the last few years, the company entered into a joint venture with a large and reputable international pharmaceutical company.

The strength of this business model is derived from an attractive mutual benefit: it enabled the international pharmaceutical company to migrate the manufacture of a select product to a cost-efficient technology and geography like India; on the other hand, it enabled a growing company like Zydus Cadila to grow its business volumes and leverage its operational efficiencies into a competitive advantage.

Zydus Cadila entered into a 50:50 joint venture with Altana Pharma AG, a large and reputed international pharmaceutical company and originator of Pantoprazole, (an anti-ulcerant), resulting in Zydus Altana Healthcare Private Limited. The joint venture company entered into an agreement to supply key intermediates for the manufacture of Pantoprazole to its international parent.

The joint venture leveraged a continuous yield improvement to report a sales revenue of Rs 1114 mn in 2002 (Rs 12 mn in 2001, not a full year and hence not strictly comparable), an PBIDT of Rs 846 mn (margin 76%) and a profit after tax of Rs 771 mn (margin 69%).

The company's prudent investment translated into an attractive return: the joint venture declared interim dividends of Rs 200 mn, which more than covered the company's investment in it. The company received a further final dividend of Rs 100 mn, recorded as income in the first quarter of 2003-4.

The JV also continued research and development on two new molecules for Altana Pharma.

Sarabhai Zydus Animal Health Ltd. (SZAHL)

Zydus Cadila entered into a 50:50 joint venture with Ambalal Sarabhai Enterprise for marketing veterinary pharmaceutical products. SZAHL continues to be among the leading Indian companies in domestic veterinary pharmaceutical products with a livestock and poultry focus.

Livestock and poultry represent the joint venture's principal divisions. The former division comprises over 40 veterinary products - bolus, capsules, injections, liquids, dry powder injections, powder, granules, ointments, vaccines and serums - that account for two-thirds of the joint venture's revenue; the poultry division comprises over 30 products (vaccines, powder, liquid and injections).

The performance of the joint venture was adversely affected by the countrywide drought in 2002-3, especially in Gujarat, Orissa and Uttar Pradesh. The joint venture's poultry business suffered further from poor offtake and high feedstock prices, as a result of which joint venture revenues declined by 4% from Rs 779 mn in 2001-2 to Rs 744 mn in 2002-3. However, thanks to effective cost management, PBIDT increased 22% from Rs 96 mn in 2001-2 to Rs 117 mn in 2002-3, PBIDT margins strengthened by over 300 basis points to 15.8% and the net loss reduced substantially from Rs 56 mn in 2001-2 to Rs 22 mn in 2002-3.



Risk management

At Zydus Cadila, we recognise that no business is without risk. As a responsible organisation, the company is committed to an ongoing management of risk across various functions. The result is a comprehensive risk minimization culture, which ensures that only those business decisions are taken that balance risk and reward, ensuring that the company's revenue-generating initiatives are consistent with its risk and standards. As a result of these initiatives, the risks undertaken by the company are consistent with its desired risk appetite and are aligned to the company's strategic direction, consistent with the shareholders' desired total returns and the company's credit rating.

Business portfolio risk

The company may be overly dependent on some therapeutic areas

Risk mitigation

Zydus Cadila addresses diverse therapeutic areas – some small but growing rapidly and others large but in the mature phases of their respective growth cycles.

This prudent volume and value mix is spread across the cardiovascular, women's healthcare, respiratory, anti-diabetes, neuro-psychiatry, anti-infectives, pain management, gynaecological, gastro-intestinal and preventive (vaccines) therapeutic areas.

Following the merger, the company has rationalised its focus from the anti-infectives segment to the rapidly growing chronic and lifestyle-influenced therapeutic areas (cardiovascular, anti-diabetes and neuro-psychiatry). As a result, income from the lifestyle therapeutic areas now accounts for about 40% of the domestic formulation sales. This de-risks the organisation from the competitive pressures of the anti-infectives segment which accounts for only 8% of the domestic formulation sales.

Environment risk

Some of the manufacturing processes used in the company's API plant are hazardous, posing a risk to the people who work on them and, in the event of unchecked effluent release, a risk to the immediate community.

Risk mitigation

The three API plants – Ankleshwar, Patalganga and Vadodara (Banyan) – have either been appraised by some of the most stringent regulatory authorities the world over, testifying to the adequate use of safe environmental standards.

- Ankleshwar: Approved as per the guidelines of ISO 9002 and the 14001 (Quality and Environment Management System).
- Patalganga: Conforming to WHO GMP and PIC guidelines.
- Vadodara: Approved by the US FDA and conforming to WHO GMP guidelines.

The company's zero-pollution discharge record is a result of an ongoing in-pipe treatment backed by an investment commitment: a state-of-the-art incineration plant, a wastewater treatment facility for physical treatment, an effluent treatment plant and the use of the activated sludge process.

Regulatory risk

Being a sensitive business, the pharmaceutical industry is regulated by a number of national and international agencies. Over the years, the international regulatory environment, varying from country to country, has become increasingly demanding.

Risk mitigation

Zydus Cadila's products conform to International quality standards. The company's manufacturing plants are approved by some of the world's leading regulatory authorities.

As a simple de-risking initiative, Zydus Cadila's products are generally manufactured in line with the most stringent standards. The company has commissioned a special division, which tracks the evolving standards from country to country. Besides, this team works with the process and manufacturing teams so that the production can be evolved in line with the demands of the respective markets.

Liquidity risk

If the company's receivables and outflows are not competently managed, it could suffer from liquidity problems.

Risk mitigation

The company tightened the domestic debtors' cycle for formulations in 2002-3. But as exports and API sales conformed to a longer debtors' cycle of 120 to 180 days of turnover, the company's receivables increased from 41 days of turnover in 2001-2 to 49 days of turnover in 2002-3. However, thanks to a number of initiatives, working capital outlay declined 30% during the course of the year under review.

As a measure of prudence, the company kept Rs 90 mn in its cash and bank balance to meet short-term liquidity requirements. The company is confident of meeting its repayment obligation of Rs 520 mn during the normal course of its business in 2003-4.

Currency risk

The volatile movement of foreign currencies could adversely impact the company's earnings.

Risk mitigation

During 2002-3, the company made imports of Rs 1354 mn and exports of Rs 1037 mn. In an environment where the rupee strengthened against the US dollar but weakened against the Euro, the company took appropriate measures to de-risk its export earnings. The company enlisted the advice of experts to hedge its exposure at all times. The company also had forex debt of USD 8.8 mn on its books, which was completely hedged, an adequate de-risking initiative.



Management's discussion and analysis

Revenue analysis

Formulations continued to be the mainstay of the company's operations as is reflected below:

Revenue break-up by segments

Segment	Revenue (%)
Domestic formulations	73
Domestic APIs	11
Export – APIs	7
Export – formulations	4
Consumer and others	5

Domestic branded formulations account for two-thirds of the total revenue. Total exports contributed 11% of the revenue.

Domestic branded formulations revenue by therapeutic area

Segment	Revenue (%)
Cardiovascular	16
Gastro-intestinal	13
Female healthcare	12
Respiratory	8
Anti-infectives	8
Pain management	6
Neurologicals	2
Biologicals	2
Diagnostics	3
Others	30

The company is engaged in the pharmaceutical business in India and across the world.

Geography	(as % of total revenue)	
	2001-2	2002-3
Domestic market sales	84%	89%
Export sales	16%	11%

Pharma industry overview

The Indian industry grew at 6% in 2002-3 compared to 12% in 2001-2. Offtake did not grow sharply while realisations declined for some products. The Generic generics segment turned increasingly competitive towards the later part of the year, as a result of which the anti-infectives segment was particularly affected in terms of realisations and offtake.

Raw material prices also declined. The government brought a larger number of products under the control of the Drug Price Control Order with accompanying pricing restrictions. Exports to the regulated markets continued to be attractive. Regulatory requirements became more stringent. As a result, the industry continued to focus on new launches and differentiated products with higher realisations.

Bulk drugs

As the API industry became increasingly price-driven, the company positioned itself differently among its existing and prospective customers: the APIs and intermediates manufactured by the company were marketed to higher-end buyers including international ones with a distinctive quality focus.

The performance of all the major divisions of the company and the major subsidiaries and joint ventures, with the ensuing opportunities and threats have been mentioned in detail elsewhere in this report.

Financial overview, 2002-3 vs 2001-2

During 2002-3, the company reported revenue of Rs 10282 mn (Rs 5888 mn in 2001-2), PBIT of Rs 1912 mn (Rs 1001 mn in 2001-2) and a profit after tax of Rs 766 mn (Rs 671 mn in 2001-2). These were improvements of 75%, 91% and 14% respectively over the numbers of 2001-2. The results for the year ended on 31st March 2003 also incorporate the operations of erstwhile German Remedies Ltd, Recon Healthcare Ltd, Zydus Pathline Ltd and Zoom Properties Ltd, which were merged with the company with effect from

Even as the company's topline increased 75% percent during the year under review, its PBIDT margin increased to 18.6% from 17% in the previous year.

Each rupee of capital employed in the business generated Rs 0.9 of revenue, which is expected to strengthen over the foreseeable future as the investments start generating revenues and profits.

1st April, 2002. As a result, the company's results for 2002-3 are not strictly comparable with those of the previous year.

Margins

Even as the company's topline increased 75% during the year under review, its PBIDT margin increased to 18.6% from 17% in the previous year. The improvement was a result of reduced material costs and was boosted by dividend income from the Zydus Altana JV. The PBT margin declined from 12.4% to 10.2% due to higher depreciation, interest and extraordinary item (being the amortisation of compensation under VRS for Andheri plant). Due to a higher tax provision, the net margin declined from 11.4% to 7.5%.

Consumption of Materials

The company's material consumption increased from Rs 2524 mn in 2001-2 to Rs 4340 mn in 2002-3, driven by an increase in sales and the result of the merged operations. Input material as a proportion of sales declined marginally from 42.9% in 2001-2 to 42.2% in 2002-3 mainly due a decline in material costs being sharper than a corresponding decline in realisations and improved purchase efficiency. The company imported materials worth Rs 1228 mn in 2002-3 as against Rs 583 mn in 2001-2.

Capital employed

The capital employed by the company in the business increased 20% from Rs 9.7 bn in 2001-2 to Rs 11.7 bn in 2002-3, mainly due to the merger with four Group companies. Each rupee of capital employed in the business generated Rs 0.9 of revenue, which is expected to strengthen over the foreseeable future as the investments start generating revenues and profits.

Capital structure

The company's equity capital increased from Rs 298 mn to Rs 314 mn, following the impact of the amalgamation. As per the terms of the amalgamation, four shares of German Remedies were exchanged for seven shares of Cadila Healthcare. As a result, 32,65,486 new shares were issued to the shareholders of GRL. The company's increased capital represented its fully diluted form. As a result of the increase in the company's equity, the promoter's holding in the company declined from 75% (as on 31st March 2002) to 71.1% (as on 31st March 2003).

Reserves

All the company's reserves as on 31st March 2003 were either earned through the business or through an issue of equity shares. The company's reserves reduced from Rs 5222 mn

as on 31st March 2002 to Rs 4298 mn as on 31st March 2003. The reduction was mainly on account of an adjustment of Rs 1276 mn of goodwill arising due to the amalgamation against the share premium account (Rs 984 mn) and capital reserve account (Rs 292 mn).

Loan profile

Over the years, the company sourced external debt to fund acquisitions or capital expenditure while accruals funded its working capital requirements. As a result, the company's debt-equity ratio increased from 0.5:1 as on 31st March 2002 to 1:1 as on 31st March 2003. Of the total debt of Rs. 4429 mn as on 31st March 2003, the company has USD denominated debt of USD 8.6 mn and the balance debt was in Indian currency.

Capital expenditure

Over the years, the company strengthened its infrastructure through the following items of capital expenditure: manufacturing assets, research and development facilities and strategic investments. This progressive investment was made to strengthen the company's fundamentals in view of the anticipated industry changes following a patent-respecting environment in India from 2005 onwards.

Year	2000-1	2001-2	2002-3
Capital expenditure* (Rs. mn)	528	1194	1676

* Includes R&D capital expenditure

Gross block

The company's gross block increased from Rs 3901 mn in 2001-2 to Rs 7921 mn in 2002-3. The increase was mainly on account of the amalgamation and capex during 2002-3. Every rupee invested in the company's gross block yielded a revenue of Rs 1.5 in 2001-2 and Rs 1.3 in 2002-3.

Depreciation and amortisation

The provisions made on account of depreciation and amortisation increased from Rs 188 mn in 2001-2 to Rs 382 mn in 2002-3. The company's provisions were made in line with the straight line method, followed consistently over the years. Amortisation includes amortisation of intangible assets of Rs. 127 mn during the year. Brand acquisition was amortised over the estimated economic life of 17 years.

The inventories reduced from 66 days of turnover in 2001-2 to 62 days of turnover in 2002-3.

During the year the company received Rs 242 mn in dividend income from its subsidiaries and joint ventures.

Sundry debtors

The company's debtors increased from Rs 669 mn in 2001-2 to Rs 1368 mn in 2002-3. The increase was mainly on account of the effect of the merger. However, the receivables cycle became longer: debtor (days of turnover) increased from 41 days in 2001-2 to 49 days in 2002-3 mainly due to increase in exports and API sales.

The company continued to protect its receivables in the domestic formulations business through the following initiatives: goods were released by stockists following the receipt of cheques from their buyers. As a result, the collections cycle for formulations sold within the country was maintained around 25 days.

Inventories

The company's inventories increased from Rs 1057 mn in 2001-2 to Rs 1756 mn in 2002-3 in absolute terms. The inventories reduced from 66 days of turnover in 2001-2 to 62 days of turnover in 2002-3. The company leveraged the use of information technology to maintain reasonable raw material inventories across its various plants as well as a low quantum of finished products within its plants and distribution pipeline.

Loans and advances

Loans and advances reduced from Rs 2185 mn in 2001-2 to Rs 826 mn in 2002-3, due to the elimination of advances to subsidiary companies merged with the company in 2002-3 and completion of projects. The major part of remaining loans and advances were made to the company's joint ventures, other agencies and employees as a part of the ongoing nature of the company's business. In the opinion of the management, the quantum of these loans are reasonable in relation to the company's overall volumes and considered fully recoverable.

Working capital

The working capital employed by the company in its business declined from Rs 2865 mn in 2001-2 to Rs 2007 mn in 2002-3 due to reduction in loans and advances and increase in sundry creditors. The size of the working capital used by the company in its business was influenced by the long production cycle and its receivables cycle.

Interest

Interest outflow increased from Rs 80 mn in 2001-2 to Rs 388 mn in 2002-3. As a proportion of the turnover, interest outflow increased from 1.3% in 2001-2 to 3.8% in 2002-3. The company is seized of the need to rationalise its interest outflow through the mobilisation of lower priced debt.

Corporate tax

The company's corporate tax provision increased from Rs 62 mn in 2001-2 to Rs 287 mn in 2002-3. Its effective tax rate increased from 8.5% in 2001-2 to 27.2% in 2002-3. The increase is mainly due to a provision for deferred tax, which increased from Rs 28 mn in 2001-2 to Rs 193 mn in 2002-3.

The other taxes paid by the company comprise excise (16% flat) and sales tax (ranges from 0 to 12%). The company enjoys sales tax concessions for its Moraiya formulations facility, which was classified as a prestigious unit by the virtue of its location in a backward area. As a result, the unit enjoys a sales tax deferment of upto 75% of its investment upto the year 2005. The profits from the company's 100% export-oriented Vadodara facility (Banyan Chemicals) are tax- exempt while its Goa plant also enjoys a similar concession for sales made within India.

Forex earnings and management

The company's forex earnings increased from Rs 848 mn in 2001-2 to Rs 1032 mn in 2002-3 as a result of an increase in exports made by the company. Forex earnings as a proportion of the company's revenue reduced from 14% in 2001-2 to 10% in 2002-3 due to the merger.

In an environment where the Indian rupee is becoming stronger against the US dollar, it is the company's focus to source raw materials cheap from global sources, manufacture at the lowest conversion cost and export in relatively stable currencies where its earnings can be protected. The company accomplished the latter by seeking the expert advice of forex management specialists.

Dividend income

During the year the company received dividend income from subsidiaries and joint ventures as follows :

	Rs mn
Zydus Pharmaceuticals Ltd.	0.9
Banyan Chemicals Ltd.	31.6
German Remedies Specialities Ltd.	9.6
Zydus Altana Healthcare Pvt. Ltd.	200



Directors' Report

Community development

As a responsible corporate citizen, Zydus Cadila is investing in the development of the community in which it is located. Through the Ramanbhai Foundation, it is funding initiatives in the fields of pharmaceutical research, education and healthcare.

- **Research:** The Ramanbhai Foundation conducted an international symposium dedicated to 'Recent trends in pharmaceutical sciences' which aimed to bridge research initiatives across the world and in India by creating a platform for knowledge sharing. The symposium was well-attended by international speakers and Indian research scientists.
- **Education:** It commissioned the Zydus School for Excellence in Ahmedabad to provide a rich academic environment. This 80,000 sq feet school, from kindergarten to class seven (scalable to class 12 with every passing year), was founded by the Late Founder Chairman Shri Ramanbhai Patel who believed that a school is not just a place where young minds come to learn but an institution where character is built.

The Zydus School for Excellence seeks to create an environment for teaching and learning where students can express themselves in a creative way.

The school has created a non-stressful educational environment wherein students are not graded as per the conventional competition-based grading practice. In doing so, the school seeks to build a community within which each is free to grow in relationship to his or her own potential. The institution offers a complete gamut of courses which inspires students to achieve excellence in a refreshingly inspiring way. The school plans to be affiliated to the ICSE Board of education and expects to offer International Baccalaureate certifications over the foreseeable future.

- **Shri Ramanbhai Patel – AMA Centre for Excellence in Education** set up in association with the Ahmedabad Management Association aims to drive educational excellence through progressive learning programmes for academicians, knowledge-sharing forums and through the study of successful educational models. The institution was inaugurated by the Honourable President of India His Excellency, Dr. APJ Abdul Kalam in May 2002. The first memorial lecture conducted under the aegis of the Centre was delivered by Shri Abid Hussain, India's former ambassador to the US and an erstwhile member of India's Planning Commission.

The Centre also conducted two open house programmes on achieving excellence in education, bringing together experts from various fields such as the performing arts, academics, spiritual learning, management and education to highlight the critical educational issues of the day.

- **Healthcare:** Zydus Cadila conducts health camps each year in the Moraiya village adjoining the company's formulation manufacturing plant. Over the years, these camps have attracted the best of Ahmedabad's doctors to treat patients from Moraiya and the neighbouring villages for various ailments (eye/dental problems, hypertension and general healthcare) free of charge. These voluntary camps have been actively supported by the company's employees over the years.

Your Directors take pleasure in presenting their report on the business and operations of your Company for the year ended 31 March 2003.

Financial review

For the year ended	(Rs. in mn)		
	31st March 2003	31st March 2002	Growth (%)
Sales and Other Income	10558	5977	77
Profit before Interest, Depreciation, Extraordinary items and Tax (PBIDT)	1912	1001	91
Less : Depreciation	382	188	103
PBIT	1530	813	88
Less: Interest	388	80	385
Less : Extraordinary items	89	0	
Profit before Tax	1053	733	44
Less : Provision for Tax	287	62	363
Profit after Tax	766	671	14
Add : Profit brought forward from the previous year	327	262	25
Profit available for appropriation	1093	933	17
Earnings per share (EPS) in Rs	12.2	11.27	8

The results for the year ended on 31 March 2003 also incorporates the operations of the erstwhile German Remedies Limited (GRL), Recon Healthcare Limited (Recon), Zydus Pathline Limited (ZPL) and Zoom Properties Limited (Zoom), which were amalgamated with the Company with effect from 1 April 2002. As a result, the Company's results for 2002-3 are not strictly comparable with those of the previous year.

During the year under review, the Company achieved sales of Rs. 10282 mn, up 75% compared to the previous year. The PBIDT increased by 91% year-on-year to Rs 1912 mn, yielding a margin of 18.6%, compared to 17% last year. The Profit before tax was up 44% year-on-year in spite of a substantially higher interest burden of Rs 388 mn, compared to Rs 80 mn last year. The provision for tax was also higher at Rs 287 mn, compared to Rs 62 mn last year and the resulting Profit after tax was increased to Rs 766 mn, higher by 14% compared to Rs 671 mn in 2001-2. The EPS for 2002-3, after considering the capital increase due to the merger, is Rs 12.2 compared to Rs 11.27 in 2001-2.

A detailed analysis of the operations of the Company has been provided in the Management's Discussion and Analysis Report, which forms a part of this annual report

Your Directors are pleased to recommend a dividend of Rs. 3.50 (70 %) per equity share of Rs. 5/- each

Dividend

Your Directors are pleased to recommend a dividend of Rs. 3.50 (70 %) per equity share on 6,28,06,854 equity shares of Rs. 5/- each (which includes 32,65,486 equity shares to be issued to the shareholders of erstwhile GRL on amalgamation) for the financial year ended on 31st March 2003. The dividend, if approved by the shareholders at the forthcoming Annual General Meeting, will be paid to the eligible shareholders on or after 30th September, 2003. The shareholders of the erstwhile GRL who will be allotted equity shares of the Company pursuant to the Scheme of Amalgamation sanctioned by the respective High Courts, are also entitled to the dividend.

Scheme of Amalgamation

During the year, your Company made a voluntary open offer to acquire additional 36,77,409 equity shares of GRL and acquired another 86,507 equity shares through the creeping acquisition route. As a result, the Company's stake in GRL, in conjunction with the shares held by Recon Healthcare Limited (wholly-owned subsidiary), increased to 77.37 %.

Subsequently, your Directors decided to amalgamate GRL, Recon, ZPL and Zoom with the company.

- The Scheme of Amalgamation was approved by the Shareholders of the Company and GRL at the Court convened meetings in March 2003.
- The Hon'ble High Court of Gujarat sanctioned the Scheme of Amalgamation (Scheme) in April 2003,
- the Hon'ble High Court, Delhi sanctioned it in May 2003, and
- the Hon'ble High Court of Judicature at Mumbai sanctioned it in June 2003. Following this, the Scheme of Amalgamation became effective from 11 August 2003 with the appointed date being 1 April 2002.

Following the approval of the Scheme of Amalgamation, all the assets and liabilities of the transferor subsidiary companies stand transferred to and vested in the Company with effect from 1 April 2002. The financial accounts under this report include the operations of all these four companies during the year under report. The annual accounts have been drawn in accordance with the Scheme of Amalgamation as approved by the members and all the High Courts.

As has been mentioned in the Scheme of Amalgamation, the Company's investments in its four transferor subsidiaries and the investment of Recon in GRL were extinguished as soon as the merger became effective. The shareholders of GRL, other than the Company and Recon, will be allotted equity shares of the Company in the ratio of seven equity shares of Rs. 5/- each of the Company for every four equity shares of Rs. 10/- each held by them in GRL. As a result, the Company will allot 32,65,486 new equity shares of Rs. 5/- each fully paid up.

The Company has fixed 12 September 2003 as the Record Date for the purpose of ascertaining the names of the shareholders of GRL who shall be entitled to the shares of the Company pursuant to the Scheme of Amalgamation.

Performance of Subsidiary and Joint Venture Companies

The audited accounts of Zydus Pharmaceuticals Limited (Zydus Pharma), Dialforhealth India Limited (DIL), Banyan Chemicals Limited (BCL), Zydus International Private Limited (ZIPL), Zydus Healthcare SA (Proprietary) Limited (ZHSA), German Remedies Specialities Limited (GRSPL), Zydus Healthcare Brasil Limitada (ZHBL), Zydus Healthcare (USA) LLC (ZHUSA) and Zydus Healthcare (NZ) Limited (ZHNZL), the wholly owned subsidiaries of the Company, along with the statement required under Section 212 of the Companies Act, 1956 are annexed.

Performance of subsidiaries during 2002-3

Sr No.	Name of Subsidiary	% holding	Main business	Revenues 2002-3 (Rs mn)	Profit after tax 2002-3 (Rs mn)	Notes
1	Zydus Pharmaceuticals Limited	100%	Distribution of pharma goods	2388	1.7	
2	Banyan Chemicals Ltd.	100% (acquired on 1/4/2002)	100% EDU for export of APIs from its US FDA approved plant	75	44	Received dividend of Rs 316 mn from Banyan in 2002-3.
3	German Remedies Specialities Ltd. (renamed from GR Exports Ltd.)	100% (earlier 100% subsidiary of GRU)		46	1.7	
4	Dialforhealth India Ltd.	100%	Operates a chain of retail pharmacies and also engaged in e-commerce	69	Net loss of 22.8	The venture is still in a nascent stage. In view of its long term potential, the company inducted additional capital of Rs 47.5 mn during 2002-3.
5	Zydus Healthcare (USA) LLC*	100%	Operate bulk drug business in the USA	NIL	Net loss of US\$ 5960	The subsidiary is yet to start earning revenues. The regulatory approvals are being obtained.
6	Zydus Healthcare Brasil Limitada*	100%	Operate formulation business of the company in Brazil	NIL	US\$ 4097	The subsidiary is yet to start earning revenues but the product registration process is on.
7	Zydus International Pvt Ltd.*	100%	Based in Ireland to deal in pharmaceutical products	NIL	UK Pd 571,712 (Net Profit)	There was no trading during the year and there was an operating loss of UK Pd 410,977. However, the subsidiary had profit of UK Pd 643,704 on disposal of intangible asset, as well as interest income resulting in a net profit.
8	Zydus Healthcare SA** (Proprietary) Ltd	100%	Operate formulation business of the company in S.Africa	NIL	Net loss of R 2732	The subsidiary is yet to start earning revenues but the product registration process is on.
9	Zydus Healthcare (NZ) Ltd. (10 months up to 31/10/2002)	100%	Operate formulation business of the company in New Zealand	NIL	Net loss of NZ \$ 5848	The subsidiary has ceased operations and is being wound up.

*Year ended December 31, 2002

**Year ended February 28, 2003

Two new subsidiaries were launched in 2002-3, in USA and Brazil.

Performance of Z AHL in the first full year of operations was beyond expectations: it achieved sales of Rs 1114 mn and a profit after tax of Rs 771 mn. Z AHL paid out two interim dividends of 100% each in addition to a final dividend of 100%.

Joint Ventures

1. Zydus Altana Healthcare Limited (Z AHL) (formerly Zydus Byk Healthcare Ltd)

This company was formed as a 50:50 joint venture between the Company and Altana Pharma AG (earlier known as Byk Gulden), as a 100% EOU in Navi Mumbai. The performance of this joint venture in the first full year of operations (ended on 31 December 2002) was beyond expectations: it achieved sales of Rs 1114 mn (exports accounted 99 % of the turnover) and a profit after tax of Rs 771 mn. Z AHL paid out two interim dividends of 100% each in addition to a final dividend of 100%.

2. Sarabhai Zydus Animal Health Ltd. (SZAHL)

SZAHL is a 50:50 joint venture formed between the Company and Ambalal Sarabhai Enterprises Limited to market animal healthcare products. It achieved a turnover of Rs 744 mn and incurred a loss of Rs 22 mn for the year under review. Although the JV suffered from a low demand for its products due to a countrywide drought leading to a 4% drop in sales, the losses were reduced from Rs 56 mn last year due to a better control over expenses.

3. Onconova Therapeutics Inc., USA (ONCONOVA)

Onconova is a US-based oncology research Company. The Company has invested Rs.140 mn (US\$ 3 mn) in, amounting to a 15.59 % stake. Post Balance Sheet, there is additional investment of Rs. 47 mn (US\$ 1 mn) to subscribe to 280099 shares of Series C Preferred Stock. The broad-based arrangement with Onconova covers research, manufacturing and the marketing of anti-cancer drugs.

International market initiative

Your Directors are pleased to inform you that the Company has chalked out an ambitious plan to foray into the international market.

The strategy involves a focus on two important markets in the developing world: U.S.A. and Europe.

• U.S.A.

The company has established a wholly-owned subsidiary Zydus Healthcare (USA) LLC and also has opened an office there for marketing of API and registration of products in the US market. Along with this, the company established a dedicated team to aggressively file DMF and ANDAs. Revenue from the API business is expected to start from the financial year 2004-5 and from the formulation business from the financial year 2005-6.

• EUROPE

The company has identified four key markets in Europe for its entry. They are France, Spain, Italy and Germany. As a part of the strategy, the company has entered into a share purchase agreement to acquire 100% stake of Alpharma SAS, France, through Zydus International Pvt. Ltd. for a total consideration of Euro 5 mn (Rs. 286 mn).

The acquisition gives us an opportunity to jump-start our presence into the generic market in Europe. The company has currently a business of about Euro 6 mn from its branded products. The company has also over 109 product registrations with 20 in the pipe-line which are generic products. Thanks to this large basket, the company will launch generic products in the French market.

The French market is a fast growing market in Europe, currently at about Euro 550 mn is expected to grow Euro to 2.3 bn by 2005-6. The company aims to achieve a significant market share in the French generic market by leveraging the available registration of the products and supplying them from its state-of-the-art manufacturing premises at Moraiya, Gujarat.

Fixed deposits

The Company does not accept fresh public deposits from the public. As on 31 March 2003, the company had Rs. 233 mn of fixed deposits on its books. All deposits that matured during 2002-3 were paid.

Credit rating

During the course of the year under review, CRISIL reaffirmed the P1+ credit rating for the Rs 600 mn commercial paper programme of the Company (as well as the erstwhile GRI), signifying the Company's strong position in the domestic pharmaceutical formulation market. CRISIL has also assigned / reaffirmed the AA rating for Rs. 1300 mn for Company's long-term debentures and bonds. This cumulative credit-rating of financial instruments worth Rs. 1900 mn will facilitate low-cost loan restructuring during 2003-4.

Disclosure

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

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

As required under Section 217(2) of the Companies Act, 1956, the Board of Directors inform the members that during the financial year there has been no:

- * Change in the nature of the Company's business,
- * Change in the Company's subsidiaries, except those stated in this report or in the nature of the business carried out by them,
- * Change in the classes of business in which the company has an interest.

CRISIL reaffirmed the P1+ credit rating for the Rs 600 mn commercial paper programme of the Company. CRISIL has also assigned / reaffirmed the AA rating for Rs. 1300 mn long-term debentures and bonds.

Management's discussion and analysis

The Management's Discussion and Analysis, covering matters listed in Clause 49 of the Listing Agreement for the year under review, is given as a separate statement in the Annual Report.

Directors

Your Board has been further strengthened by the induction of eminent persons such as Mr. H. K. Bilpodiwala, Mr. H. Dhanrajgir and Mr. A. S. Diwanji as additional Directors with effect from 16 August 2003. The above Directors shall hold office upto the date of the ensuing Annual General Meeting. The Company has received notices from a member of the Company under Section 257 of the Companies Act, 1956 proposing their candidature for the office of the Directors liable to retire by rotation.

Mr. Pranlal Bhogilal, Director of the Company retires by rotation at the ensuing Annual General Meeting, and is eligible for reappointment. The Board recommends his reappointment.

In accordance with stipulation under Clause 49 of the Listing Agreement, brief resume of Shri Pranlal Bhogilal, Shri H. K. Bilpodiwala, Shri H. Dhanrajgir and Shri A. S. Diwanji together with nature of their expertise in specific functional areas and names of the Companies in which they hold office of the director and/or the Chairman/ Membership of Committees of the Board, is given in the Corporate Governance report in this Annual Report.

Auditors

The audit Committee of the Board of Directors of the Company has recommended the re-appointment of M/s. R. R. Patel & Company and M/s. Mukesh M. Shah & Company, both Chartered Accountants, as joint auditors of the Company, who retire at the conclusion of the ensuing Annual General Meeting. Both the auditors have offered themselves for reappointment.

Personnel

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

Directors' Responsibility Statement

Your Directors hereby state that :

- (a) in preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (b) We have selected such accounting policies and applied them consistently and made judgements and estimates

that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company for the financial year ended on 31st March, 2003 and of the profit of the Company for the year ended on that date;

- (c) We have taken a proper and sufficient care 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;
- (d) We have prepared the Annual Accounts for the year ended 31st March, 2003 on a going concern basis.

Corporate Governance

The Company has complied with the mandatory provisions of Corporate Governance as prescribed in the Clause 49 of the Listing Agreement with the Stock Exchanges. A separate report on Corporate Governance is included as a part of the Annual Report along with the Auditor's Report thereon.

Acknowledgement

Your Directors place on record their deep sense of appreciation for the contribution made by the employees at all levels, including that of the merged Companies and subsidiaries, for their dedicated service, enabling the Company to achieve a satisfactory performance during the year under review.

Your Directors also take this opportunity to place on record the valuable co-operation and continued support extended by the Financial Institutions, Company's Bankers, Medical Professionals, Business Associates and investors.

By Order of the Board of Directors

Place : Ahmedabad
Date : 16th August, 2003

Pankaj R. Patel
Chairman

Annexure to the Directors' Report

ANNEXURE - A

Information required under Section 217(1)(e) of the Companies Act, 1956.

Disclosures

1. Conservation of Energy :

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

Specific measures taken:

Formulation unit at Moraiya (Ahmedabad)

- Replacement of low efficiency pumps by high efficiency pumps.
- Use of highly efficient electronic ballast through out the plant.
- Use of well designed reflectors in tube fittings to increase the lux level and reduce the number of tube rods.
- Replacement of Aluminium fans of cooling tower by FRP hollow fans.
- Installed conserve air system.
- Installed steam condensate recovery system.
- Usage of fuel additive in furnace oil to improve the boiler efficiency.
- Installation of V.F.D. on pumps to reduce power consumption.

Bulk drugs unit at Ankleshwar

- Replaced oversize motor by changing motor connection in star to run motor in star mode.
- Introduced Reactor agitation stop during distillation in place of vacuum use barrel pump for material transfer.

Erstwhile German Remedies Limited (GRL)

- Compressors of the Central AC Plant were operated on a need basis.
- Maximum registered demand was reduced to 460 KW from 750 KW at the Andheri factory.
- Multiple canteens were replaced by single canteen for all employees to reduce air conditioning and lighting load.
- Energy saving lights were installed in the injection packing area.
- Glass wool insulation was replaced by thermocole for improved air conditioning.
- Vial washing machine in Anti-Cancer Plant was provided with UPS to restrict exclusive usage of 500 KVA DG during vial production.
- Steam condensate recovery system was installed to reduce the consumption of furnace oil and water.
- Non critical AHUs were put off on Sundays / holidays to save electricity.
- Power factor was improved from 0.94 to 0.98 by rearranging the existing capacitor bank.
- Reduced plant lighting load by using transparent FRP sheets on chemical plant 1, 2 - Utility area.
- Improved thermal efficiency by installing LTS 25 modified burner on boiler number 2

- The refrigeration plant was run on a need basis to ensure optimum utilisation.

Common measures taken:

- Regular preventive maintenance of steam line traps and joints to reduce the losses due to leakages.
- Judicious usage of water, power and air-conditioning system.
- Creation of general awareness amongst the employee to save power and water.
- Improvement in power factor by taking appropriate steps.

b. Additional investment and proposals, if any, being implemented for reduction of consumption of energy.

Formulation unit at Moraiya (Ahmedabad)

- Installation of exhaust gas boiler [EGB] to generate 10 Ton refrigerant for HVAC System.
- To increase the installed capacity of Capacitor bank to improve the Power factor.
- Installation of Refrigerated Air dryer in place of heat less dryer.
- Installation of energy efficient imported Dehumidifier to reduce cost of utilities.

Bulk drugs unit at Ankleshwar

- Installed a backpressure saturated steam turbine of 75 KW capacity (co-generation power plant) by replacing the existing pressure reducing valve.
- Introduced efficient planetary reduction gear-boxes in replacing the existing Radicon / Elecon Gear-Boxes.
- Introduction of cyclic load energy saver and variable frequency drives on centrifuges.
- Installation of a line voltage controller to reduce lighting voltage.
- Installation of fuel saving magnetic devices on the fuel line of the power plant and three ton boiler.

c. Impact of measure (a) and (b) above for reduction of energy consumption and consequent impact on cost of production of goods.

Bulk drugs unit at Ankleshwar

Implementing the measures at (a) and (b) referred above there would be savings of approximately Rs 55.00 lacs in a year.

Erstwhile German Remedies Limited

- By implementing the measures at (a) and (b) referred above, power consumption reduced considerably. Further, on account of the closure of the manufacturing unit at Andheri, power consumption reduced substantially.

General benefits

Improvement of power factor. Reduction in voltage drop ensures smooth operation and a reduction in electrical faults.

- Improved utilisation factor

Form-A

(A) Power and fuel consumption

	Current Year (From 1/4/2002 to 31/3/2003)					Previous Year (From 1/4/2001 to 31/3/2002)				
	Bulk- Drugs Plant (Aak.)	Formulation Plant (Moraiya A'bad)	QFD Plant (Vatwa A'bad)	R&D Centre (Moraiya A'bad)	German Remedies Ltd.	Bulk- Drugs Plant (Aak.)	Formulation Plant (Moraiya A'bad)	QFD Plant (Vatwa A'bad)	R&D Centre (Moraiya A'bad)	German Remedies Ltd.
1. Electricity										
(a) Purchased										
Units	2080256	8279520	242500	2180072	11174101	1760864	8120010	283315	2175600	11576893
Total Amount (Rs. in million)	70.82	37.44	1.27	11.18	43.81	9.68	38.19	1.48	11.47	48.51
Rate/Unit (Rs.)	5.33	4.52	5.25	5.13	4.16	5.50	4.71	5.27	5.26	4.19
(b) Own Generation										
(i) Through Diesel Generator										
Units	58572	1093572	6300	190000	5868898	73764	1884879	13000	140000	7238145
Units per ltr. Of Diesel	3.00	3.70	3.40	3.45	7.23	3.32	3.55	3.20	3.41	3.30
Oil Cost/Unit (Rs.)	7.10	5.62	6.11	6.51	3.75	5.75	5.44	6.03	5.62	5.30
(ii) Through steam Turbine/Generator										
Units	3356144	709964				3011616				
Units per ltr. Of Fuel	2.67	3.90				3.23				
Oil/Gas Cost (Rs.)	3.30	3.99				3.20				
2. Coal (Specify quality and where used)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
3. Furnace Oil	Nil		Nil			Nil		Nil		
Quality (K.Lit)		3099.70		47.54	1279.00		1885		64	1588
Total Amount (Rs. in million)		23.35		0.73	12.30		21.59		0.62	17.34
Average Rate per Lit.		11.45		15.4	9.61		11.45		9.70	10.92
4. Others/Internal Generation		Nil	Nil	Nil	Nil		Nil	Nil	Nil	Nil
Natural Gas										
Quantity	2421799 M ³					2236771M ³				
Total Cost (Rs. in million)	21.45					18.57				
Rate/Unit (Rs.)	8.85 /M ³					8.30M ³				

(B) Consumption per unit of production

- Products (with details) unit
- Electricity
- Furnace Oil
- Coal (Specify quality)
- Others (Specify)

The Company manufactures a wide range of bulk drugs, a large number of formulations and other products. In view of this, it is impractical to apportion the utilities. Further, the operation of pharma industry is not power-intensive.

Form-B

Research and development

(A) The company has R&D centres at the following locations:

Location	Main area of Focus
Zydus Research Centre, Moraiya	New drug discovery (NCE) in the areas of cardio vascular (Hypolipidemic), anti-inflammatory, anti-bacterial process development- non-infringing commercially viable processes biotechnology- bacterial vaccines and recombinant proteins through r-DNA technology. New Drug Delivery systems - oral controlled release, transdermal drug and spray technology.
Mumbai (erstwhile German Remedies)	Sustained release/modified release products in the areas of oncology, anti-asthmatic and women's healthcare.
Bangalore	Development of new formulations. Continuous improvement of existing formulations. Development work and regulatory approvals for local and international markets.
Zyfine Chemicals	Development work with respect to highly specialised including custom synthesis.

(B) Highlights of R&D activity and benefits derived as a result of R&D during 2002-3 :

- The company filed 25 patents in India and 9 under PCT in 2002-3 as a result of the New Drug Discovery research, new process research and new drug delivery systems.
- Research in the area of cardiovascular hypolipidemic has led to very good hypolipidemic molecules, which are undergoing pre-clinical evaluation.

- Therapeutic proteins through r-DNA technology are currently undergoing toxicology studies and bacterial vaccines for typhoid is awaiting regulatory approval
- Developed novel technologies for rapid, melt-in-mouth tablets and oral sustained release product forms for anti-inflammatory and anti-diabetic drugs for which Worldwide intellectual property rights have been sought.
- Six new APIs were introduced (Rosuvastatin, Tamsulosin, Mebeverine, Valdecoxib, Reboxetine, Fosphenyton Sodium) during 2002-3 with process developed in-house
- Several new formulation products were introduced in the local market during 2002-3 based on in-house development work

(C) Future plan of action:

- Work on synthesizing a series of compounds and lead optimization of NCEs effective on pain management for treatment of diseases like osteoporosis, osteoarthritis etc.
- Working on developing NCEs effective against resistant pathogens of existing medicine.
- Identifying new molecules that can be developed in India and commercially viable processes for them which can be implemented in the production division.
- To develop novel processes for blockbuster molecules, which can help in filing ANDA and DMF specifically in the therapeutic areas of cardiovasculars and anti-diabetics.
- Focussing on the development of immunodiagnostic products.
- New drug assays for off patented drugs, peptide and drug delivery systems and focussing research on biodegradable parental micro particulate drug delivery systems.
- Increasing the intellectual assets of the Company and their protection through obtaining patents.
- Continuing development work on new formulations.
- Filing for regulatory approvals in India and abroad, especially in the regulated markets

(D) Expenditure on R&D:	(Rs. in mn)
(i) Capital	170
(ii) Recurring	213
(iii) Total	383
(iv) Total R&D expenditure as a percentage of turnover	3.72%

(E) Technology Absorption, Adaptation And Innovation :

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

The Company has been adapting the technology, which is already known in the area of pharmaceutical science. The Company is exploring the transfer of technology in various area of pharmaceutical science such as active pharmaceutical ingredients. Possible collaboration efforts have been undertaken for the transfer of technology in this field.

Benefits derived

- The processes developed and absorbed have resulted in product development, cost reduction and import substitution.
- Innovative products and introduction of new drug molecules in the Indian market.
- Commercial production of Pantoprazol IV commenced.
- Trial batches of transdermal patches are taken under stability study.
- Products for pulmonary delivery like MDIs, DPIs and nasal sprays have been successfully developed and manufactured.

Imported technology

Technology for the manufacture of pelletised products and for the manufacture of some pharmaceutical formulations were imported during 1998-99 and have been fully absorbed by the Company. A manufacturing license for PRELONE syrup was obtained from the local FDA. (in respect of erstwhile GRL)

Technology for manufacture of Pantoprazol IV (lyophilised) has been fully absorbed. Technology for manufacture of Transdermal Patches was transferred.

3. Foreign exchange earnings and outgo

With respect to Cadila Healthcare Limited

Exports during the year were Rs. 1032 mn as against Rs. 848 mn in the previous year (excluding GRL). The Company is exporting its formulation products to 43 countries and API to 49 countries. Company has obtained 785 formulation products registration in various Countries. For export promotion, the Company has established branch offices in several countries. The Company is also promoting international business through agents where the Company do not have its branch offices.

In addition, the F.O.B. value of exports of the Company's wholly owned subsidiary, German Remedies Specialities Limited, during the year was Rs 1.8 mn as compared to Rs 54 mn during the previous year.

The Company and its wholly owned subsidiary, German Remedies Specialities Limited, are making continuous efforts to explore new markets.

Corporate Governance

	(Rs. in mn)	
	2002-03	2001-02
Earnings :		
1. F.O.B. Value of exports	1032	848
2. Others	5	1
Outgo :		
1. CIF value of imports	1354	705
2. Expenditure in foreign currency	786	116
Surplus (Deficit)	(1103)	28

Place : Ahmedabad
Date : 16th August, 2003

By Order of the Board of Directors
Pankaj R. Patel
Chairman

Your Company has complied with all the material aspects of the Corporate Governance Code as per Clause 49 of the Listing Agreement with the Stock Exchanges. A report on the compliance with the Corporate Governance Code of the Listing Agreement by the Company during the financial year 2002-3 is furnished below.

1. Company's philosophy on Code of Governance

Your Company has always believed in managing its affairs with diligence, transparency, responsibility and accountability. Your Company believes that its systems and actions must enhance performance and stakeholder value in the long run. To create a culture of good governance, your Company has adopted certain practices which comprises performance accountability effective management control by the Board of Directors, 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, the adequate timely disclosure of information and the prompt discharge of statutory duties. We take pleasure in reporting that your Company's existing policies and practices, speaking generally, are in conformity with the requirements stipulated under Clause 49 of the Listing Agreement.

2. Board of Directors

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 Code of Corporate Governance. The Board is headed by an executive Chairman, Mr. Pankaj R. Patel, who is a promoter Director. The Board of your Company comprises eight Directors; one is an Executive Director while seven are Non-Executive Directors. Except Mr. Pankaj R. Patel and Mr. Sharvil P. Patel, all other Directors are independent Directors. The Board represents an optimum mix of professionalism, knowledge and expertise.

b) Number of Board Meetings and attendance:

During 2002-3, nine meetings of the Board of Directors were held on 1 April 2002, 18 April 2002, 15 May 2002, 25 July 2002, 20 August 2002, 28 September 2002, 24 October, 2002, 15 January 2003 and 29 January 2003. There was no gap of four months between any two meetings. The details of the Board of Directors, their position, attendance record and other Directorships (excluding private limited and foreign companies and alternative Directorships) and the membership of Board Committees other than your Company as on date have given as follows:

Name of Director	Position	Number of Board meetings held	No. of Board meetings attended	Attendance at the last AGM	Member of other Board Committees	Number of other Directorships held
Mr. Pankaj R. Patel @	Chairman and Managing Director	9	9	Yes	2 #	8
Mr. H. K. Bilpodiwala \$	Non-executive and independent	9	N.A.	N.A.	8 ***	8
Mr. Mukesh M. Patel	Non-executive and independent	9	9	Yes	3*	2
Mr. Pranlal Bhogilal	Non-executive and independent	9	6	Yes	0	8
Mr. H. Dhanrajgir \$	Non-executive and independent	9	N.A.	N.A.	9 **	7
Mr. A. S. Diwanji \$	Non-executive and independent	9	N.A.	N.A.	0	0
Dr. Manubhai A. Patel	Non-executive and independent	9	2	No	0	1
Mr. Sharvil P. Patel †	Non-executive	9	4	No	1	7
Dr. Mukesh R. Patel [From 24.10.2002 to 12.11.2002]	Alternative Director to Dr. Manubhai A. Patel	9	1	Yes	N.A.	N.A.
Mrs. Pritiben P. Patel † [from 25.4.2002 to 22.12.2002]	Alternative Director to Mr. Sharvil P. Patel	9	5	No	N.A.	N.A.

@ Promoter Director
Chairman in all two committees.
* Of which chairman in one committee.
\$ Appointed as additional Directors with effect from 16.08.2003.
† Relative of Shri Pankaj R. Patel
N.A. Not applicable
** Of which Chairman of four committees
*** Of which Chairman of five committees

c) Information placed before the Board of Directors:

The Board of the Company is presented with the following information under the following heads, whenever applicable and materially significant. These are submitted either as a part of the agenda papers well in advance or are tabled in the course of the Board meetings. Among others, they include:

- Review of annual operating plans of business, capital budgets and updates, if any.
- Quarterly results of the Company and its operating divisions.
- Minutes of the meeting of the Audit Committee and other committees.
- Information on the recruitment and remuneration of senior officers just below the Board level including the appointment and removal of the Chief Financial Officer and the Company Secretary.
- Materially important show causes, demands, prosecutions and penalty notices.
- Fatal or serious accidents or dangerous occurrences.
- Any materially significant effluent or pollution issues.
- Any materially relevant default in financial obligations to and by the Company or any substantial non-payment for goods sold by the Company.
- Any issue which involve possible public or product liability claims of a substantial nature.
- Details of any joint venture or collaboration agreement.
- Transactions that involves substantial payments towards goodwill, brand equity and intellectual property, if any.
- Significant labour problems and development in human resources / industrial relations.
- Sale of material nature of investments, subsidiaries and assets not in the normal course of business.
- Quarterly details of foreign exchange exposure and the steps taken by the management to limit the adverse exchange rate movement.
- Non compliance of any regulatory or statutory provision or listing requirements as well as shareholder service such as the non-payment of dividend and delays in share transfer.
- Working of the subsidiary companies.

d) Role of Independent Directors:

The Independent Directors play an important role in the deliberation in Board Meetings and bring to the Company a wide guiding experience in pharmaceutical industry, accountancy, finance, taxation and legal fields, among others.

e) Board meetings:

The meetings of the Board of Directors are held at regular intervals of not more than four months at the Company's Registered Office at Ahmedabad or at other places in India as per the convenience of the Directors; these are generally scheduled well in advance. The provisions under the Companies Act, 1956 and those under Clause 49 of the Listing Agreement are strictly followed in this regard. The Board meets at least once a quarter to review performance and financial results.

The agenda for the meeting is prepared by the Company Secretary in consultation with the Chairman and Managing Director and the agenda papers are circulated to the Directors well in advance. The members of the Board have access to all information pertaining to the Company and are free to recommend the inclusion of any matter in the agenda. The statutory auditors and senior executives of the Company are invited to attend the Board Meeting for discussion and provide inputs whenever required.

3. Audit Committee

The Audit Committee was formed on 24 April 2000 presently comprising five independent Non-Executive Directors, namely Mr. Mukesh M. Patel (Chairman of the Committee), Mr. H. K. Bilpodiwala, Mr. Pranlal Bhogilal, Mr. H. Dhanrajgir and Dr. M. A. Patel. During the year under review, the Audit Committee was reconstituted

on two occasions: on 25 July 2002 (the appointment of Dr. Manubhai A. Patel as a member of the Audit Committee in place of Shri Pankaj R. Patel) and on 16 August 2003 (the appointment of two members of the Board namely Mr. H. K. Bilpodiwala and Mr. H. Dhanrajgir as members of the Audit Committee). The Company continued to derive an immense benefit from the deliberations at the Audit committee meetings since members possessed a deep insight into finance, accounts, taxation, company law and the pharmaceutical industry.

Shri Pranlal Bhogilal, the member of the Committee is retiring from the Board of your Company and the Audit Committee at the forthcoming Annual General Meeting. However, his name is proposed for reappointment as a Director of the Company. His continuation as a Member of the Committee shall be subject to his reappointment as a Director liable to retire by rotation at the Annual General Meeting. Shri Pranlal Bhogilal was present at the seventh Annual General Meeting of the Company.

Shri H. K. Bilpodiwala and Shri H. Dhanrajgir were appointed as additional Directors on the Board with effect from 16 August 2003. They shall hold the office till the conclusion of the forthcoming Annual General Meeting when their appointment will also cease as members of the Audit Committee. The Company has received a notice under Section 257 of the Companies Act, 1956 from a member of the Company regarding the appointment of Shri H. K. Bilpodiwala and Shri H. Dhanrajgir as Directors liable to retire by rotation. The continuation of Shri H. K. Bilpodiwala and Shri H. Dhanrajgir as members of the Audit Committee will be subject to their appointment as Directors.

The committee carries the functions in accordance with the terms of reference set out under Clause 49 (II) of the Listing Agreement read together with Section 292A of the Companies Act, 1956, and additional responsibilities assigned to the committee by the Board of Directors. The Committee also reviews reports of the internal auditors and statutory auditors along with the comments and action taken. Senior executives are invited to attend the meetings of the Audit Committee as and when considered appropriate. The head of the Management Audit and the head of the Finance function regularly attend the meetings of the Audit Committee; the Company Secretary acts as the Secretary of the Committee.

The functions of the Audit Committee, among others, includes the following:

- Overseeing the Company's financial reporting process and ensuring the correct, adequate and credible disclosure of financial statements,
- Reviewing with management the annual financial statements before their onward submission to the Board with a special emphasis on accounting policies and practices, internal control requirements, compliance with the accounting standards and other legal requirements concerning financial statements,
- Reviewing the adequacy of the audit and compliance function, including their policies, procedures, techniques and other regulatory requirements,
- Recommending the appointment of external auditors.

Attendance of Audit Committee members

The Audit Committee met on three occasions during the year: on 15 May 2002, 24 October 2002 and 10 March 2003. The attendance of the members (excluding Shri H. K. Bilpodiwala and Shri H. Dhanrajgir since they were appointed with effect from 16 August 2003) are given hereunder:

Name of the Director	No. of Meetings	Meetings Attended
Mr. Mukesh M. Patel	3	3
Mr. Pranlal Bhogilal	3	3
Dr. Manubhai A. Patel	3	1
Shri Pankaj R. Patel (upto 25.7.2002)	1	1

4. Remuneration

The Directors' Remuneration Policy of your Company conforms with the provisions under the Companies Act, 1956. The Board of Directors determine the remuneration of the Non-Executive Directors.

The Company does not pay any remuneration to Non-Executive Directors, except the sitting fees for attending the meeting of the Board/Committee of the Board and reimbursement of the traveling and out-of-pocket expenses for attending such meetings. Details of the payment of sitting fees/professional fees to the Non-Executive Directors (excluding Shri H. K. Bilpodiwala, Shri H. Dhanrajgir and Shri A. S. Diwanji since they were appointed with effect from 16 August 2003) during the year 2002-03 are given below:

Non-Executive Directors	Sitting fees (Rs.)		
	Board meetings	Audit Committee meetings	Total
1. Dr. Manubhai A. Patel	10,000	5,000	15,000
2. Mr. Pranlal Bhogilal	30,000	15,000	45,000
3. Mr. Mukesh M. Patel \$	45,000	15,000	60,000
4. Mr. Sharvil P. Patel	20,000	N. A.	20,000
5. Dr. M. R. Patel * [From 24.10.2002 to 12.11.2002]	5,000	N. A.	5,000
6. Mrs. Pritiben P. Patel # [Appointed from 25.4.2002 to 22.12.2002]	25,000	N. A.	25,000

* Appointed as an alternate director to Dr. M. A. Patel.

Appointed as an alternative director to Mr. Sharvil P. Patel.

\$ Professional fees paid for rendering the professional services to the Company.

Mr. Pankaj R. Patel, the Managing Director of the Company, was appointed for a period of five years from 1 September 2001, on a remuneration permissible under Section 198, 349 and 350, read with Schedule - XIII to the Companies Act, 1956. An agreement is entered into with the Managing Director and the said agreement can be terminated by three months' notice by the Managing Director.

The Company has not introduced any stock option scheme for any of its Directors.

Remuneration paid/payable to the Managing Director towards salary and contribution to the Provident fund and other funds amount to Rs. 56 mn for the year 2002-03.

For computation of the remuneration of the Managing Director, please see Note 17 of Notes on Accounts, under Schedule 19 to the accounts which form a part of the accounts.

5. Management

a) Management's Discussion and Analysis Report:

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

b) Disclosures on materially significant related party transactions:

Transactions with related parties are disclosed in Note No. 19 of Schedule 19 to the Accounts under the heading 'Significant Accounting Policies and Notes on Accounts' in the Annual Report.

These transactions have no potential conflict with the interest of the Company at large.

6. Note on appointment or reappointment of Directors

Shri Pranlal Bhogilal retires by rotation at the forthcoming Annual General Meeting. Being eligible, he has offered himself for re-appointment as a Director. His brief resume given below:

- Mr. Pranlal Bhogilal, 65 is the Chairman of the Das Group. After graduating from the Sydenham College of Commerce & Economics in 1958, he joined the Das Group of Companies, his family business. The Das Group is a 100 year group with interest in starches, textiles, engineering, real estate, agriculture and dairying. He is closely associated with a number of industrial, social and charitable organisations.

He is at present the President of Vintage and Classic Car Club of India and Mahabaleshwar Hindu Gymkhana. He has also held the position of President of ASSOCHAM (the Apex Organisation of Trade & Industry), Indian Merchants' Chamber, All India Starch Manufacturers Association, All India Laminate Manufacturers Association, Association of Merchants and Manufacturers of Textile Stores and Machinery (India) and Western India Automobile Association.

Mr. Pranlal Bhogilal has also served on several state and central government bodies. He is a well-known authority on arts and cars possessing internationally famous collections of both. He was on the Advisory Board of Sotheby's and figures in the Guinness Book of Records.

He is on the Boards of the following Public Limited Companies:

- | | |
|-------------------------------------|--|
| 1. Midas Touch Investments Limited. | 5. Aashka Holdings Limited. |
| 2. Consolidated Holdings Limited. | 6. Aashka Investments Limited. |
| 3. Ellisbridge Investments Limited. | 7. Dastan Leasing and Finance Limited. |
| 4. Kathwada Holdings Limited. | 8. Lok Prakashan Limited. |

He is also a Member of the Audit Committee of your Company.

Shri H. K. Bilpodiwala, Shri H. Dhanrajgir and Shri A. S. Diwanji were appointed as additional Directors on the Board with effect from 16 August 2003 shall hold office until the conclusion of forthcoming Annual General Meeting. The Company has received notices under Section 257 of the Companies Act, 1956 in connection with their appointment (liable to retire) by rotation.

The brief resumes of Shri H. K. Bilpodiwala, Shri H. Dhanrajgir and Shri A. S. Diwanji are given as follows:

- Shri H. K. Bilpodiwala is a fellow member of the Institute of Chartered Accountants of India, having qualified in 1949. Mr. Bilpodiwala is the Senior Partner of M/s. Sharp & Tannan, a leading firm of chartered accountants operating in India for the past 69 years. Mr. Bilpodiwala specialises in finance, company law, income-tax and foreign exchange regulations as well as in management and business advisory services. He was a special invitee for the past 19 years on the Managing Committee of the Bombay Chamber of Commerce & Industry. He is / was also a member of the following Committees:
 - Banking and FERA Sub-Committee of the Bombay Chamber of Commerce & Industry.
 - Direct taxes and Company Law Committees of the Associated Chambers of Commerce & Industry.
 - Western India Regional Committee of the Indo-German Chamber of Commerce.
 - Arbitration Panel of the Indo-German Chamber of Commerce.

Mr. H. K. Bilpodiwala is presently on the Boards of the following public limited companies:

- Kodak India Limited (Chairman).
- German Remedies Specialities Limited (Chairman).
- Ciba Speciality Chemicals India Limited (Chairman).
- Colour-Chem Limited.
- Indfos Industries Limited.
- Albright & Wilson Chemicals India Limited.
- Indian Oxides & Chemicals Limited.
- Hi-tech Plast Containers (India) Limited.

He was on the Board of the erstwhile German Remedies Limited (GRL) since 1983 and was the Chairman of GRL from 1987 to 2001. He was also the Vice-Chairman of the Board of Directors of GRL.

Mr. H. K. Bilpodiwala is also a member of the following committees of the Board of Directors :

- Audit Committee:
 - Kodak India Limited (Chairman).
 - Ciba Speciality Chemicals India Limited (Chairman).
 - Colour-Chem Limited (Chairman).
 - Albright & Wilson Chemicals (I) Limited (Chairman).
 - Hitech Plast Containers (India) Limited.
- Shareholders' Grievance Committee:
 - Kodak India Limited.
 - Ciba Speciality Chemicals India Limited (Chairman).
- Remuneration Committee:
 - Albright & Wilson Chemicals (I) Limited.
- Shri Humayun Dhanrajgir is a B.Tech (Chem Eng) from Loughborough University, U. K., M.I.Chem.E (Lond.) and C.Eng(Lond.), AMP (Harvard). Mr. Dhanrajgir worked in London for British Oxygen Co. Ltd. for three years. On his return to India, he worked for Burmah Shell, India as a covenanted officer for five years. He joined Glaxo India Ltd., Mumbai, in July 1969 and held various senior positions in the Company for 25 years; he was elevated to the Board of Glaxo India in 1978 and became its Managing Director in January 1990. He retired as Executive Vice Chairman in August, 1994. Thereafter, he spent a year with Lupin Laboratories as its Managing Director, helping the Company in its globalisation. He retired in October 2000 after spending five years as Chief Executive Officer and Managing Director of Kodak India Ltd. He was the President from 1992 to 1994 of Organisation of Pharmaceutical Producers of India (OPPI) from 1992 to 1994 and served on the General Committee of the Bombay Chamber of Commerce and Industry (BCCI) for two years. He was a past Vice Chairman of the Indo-British Business Committee.

Mr. Dhanrajgir is on the Board of Directors of several public limited Companies. He is a Member – Global Advisory Board, Asian Centre for Corporate Governance, Trustee of the Dr. P. V. Cherian Artificial Kidney Trust, Trustee of Lintas Employees Welfare Trusts, Associate of A. M. Pappas Association and Research Triangle Park, North Carolina, U.S.A.

Shri Dhanrajgir is presently on the Boards of the following public limited companies:

- Ciba Speciality Chemicals (India) Limited.
- Emcure Pharmaceuticals Limited.
- HDFC Asset Management Co. Limited.
- Kodak India Limited.
- Neuland Laboratories Limited.
- Sami Labs Limited.
- Pharmacia Healthcare Limited.

Shri Dhanrajgir is also a Member of the following Committees of the Board of Directors:

- Audit Committee:
 - Ciba Speciality Chemicals (India) Limited.
 - Neuland Laboratories Limited (Chairman).
 - HDFC Asset Management Co. Limited.
 - Kodak India Limited.
 - Emcure Pharmaceuticals Limited (Chairman).
- Shareholders' Grievance Committee:
 - Ciba Speciality Chemicals (India) Limited (Chairman).
 - Kodak India Limited (Chairman).

Remuneration Committee:

1. HDFC Asset Management Company Ltd.
 2. Pharmacia Healthcare Limited.
- Shri Apurva S. Diwanji is an MA from Cambridge University. He is an Advocate and Solicitor, Law Society, London, U.K. He is not a Director in any other Public Company.

7. Means of communication

The quarterly, half yearly and annual financial results of the Company are sent to the Stock Exchanges immediately after they have been taken on record by the Board. The same are published in well circulated Gujarati and English daily newspapers.

The results are simultaneously posted on www.zyduscadila.com, the company's website.

The Company also provides periodic event-based information to investors and the public at large by way of press releases / intimation to the Stock Exchanges where the shares of the Company are listed.

8. General shareholder information

(i) Annual General Meeting:

Day : Tuesday
Date : 30th September, 2003
Time : 10.00 a.m.
Venue : Town Hall, Ellisbridge, Ahmedabad-380 006.

(ii) Tentative financial calendar (subject to change) for the financial year 2003-4:

- i) Results for the first quarter by 30 July 2003 (Meeting held on 15 July 2003).
- ii) Half-yearly results by 31 October 2003.
- iii) Results for the third quarter by 31 January 2004.
- iv) Audited results for the year ending on 31 March 2004 by 30 September 2004.

(iii) Dates of book closure:

26 September 2003 to 30 September 2003 (both days inclusive).

(iv) Date of payment of dividend:

On or after 30 September 2003.

(v) Listing of securities and Stock Code:

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

Name of the Stock Exchange	Address	Stock Code
1. The Ahmedabad Stock Exchange	Kamdhenu Complex Opp. Sahjanand College, Panjara Pole, Ahmedabad 380 015.	10927
2. The Stock Exchange, Mumbai	• Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai. • 1st Floor, New Trading Ring, Rotunda Bldg., P. J. Towers, Dalal Street, Fort, Mumbai 400 001.	532321
3. The National Stock Exchange of India Limited	Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra (E), Mumbai 400 051.	CADILAHC EQ

(vi) Listing fees

The Company has paid listing fees for the financial year 2003-4 to all the Stock Exchanges where its securities are listed.

(vii) Demat ISIN Number for NSDL & CDSL

ISIN Number issued for equity shares by NSDL & CDSL: INE010B01019. Trading in the Company's equity shares has been made compulsorily in a dematerialised form with effect from 24 July 2000.

(viii) Stock price data:

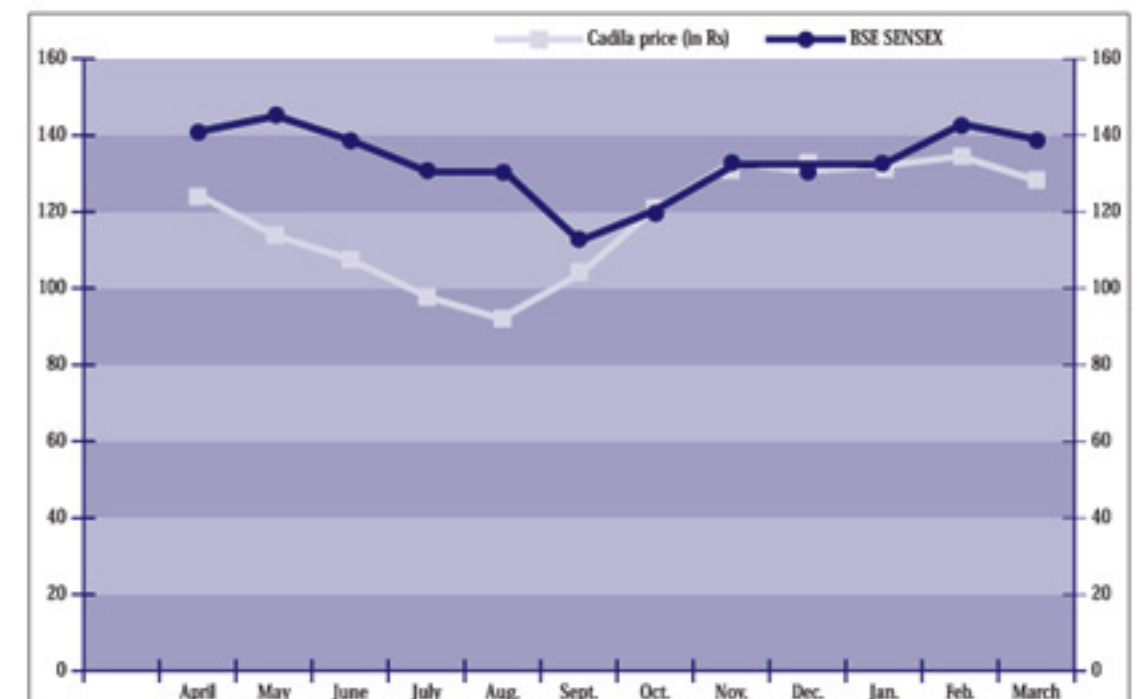
Table 1 below, gives the monthly high and low of Company's share on the Mumbai Stock Exchange, National Stock Exchange of India Limited and Ahmedabad Stock Exchange.

Table - 1

Month	Mumbai Stock Exchange		National Stock Exchange		Ahmedabad Stock Exchange	
	High	Low	High	Low	High	Low
April, 2002	143.55	130.05	147.50	128.70	N.T.	N.T.
May	140.00	128.50	142.60	124.25	139.25	139.25
June	135.00	130.50	137.75	127.00	N.T.	N.T.
July	138.00	130.65	140.50	123.35	N.T.	N.T.
August	135.30	128.60	136.70	127.65	N.T.	N.T.
September	130.15	115.45	131.20	114.00	N.T.	N.T.
October	115.70	112.55	118.00	110.05	N.T.	N.T.
November	115.50	110.90	116.50	106.00	N.T.	N.T.
December	121.30	114.00	124.75	111.95	N.T.	N.T.
January, 2003	129.95	120.45	132.50	114.55	N.T.	N.T.
February	122.05	119.15	138.15	119.00	N.T.	N.T.
March	123.50	119.80	124.00	117.10	N.T.	N.T.

N.T. = No Trading Recorded

Chart 'A' given below shows the stock performance in comparison to the broad-based BSE Sensex.



ix) Registrars and transfer agents:

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

M/s. Pinnacle Shares Registry Pvt. Ltd.,
Near Ashoka Mills,
Naroda Road,
Ahmedabad – 380 025.

Telephone: 079 – 2204226, 2200591, 2200582.

Fax number: 079 – 2202963.

Email: gautam.shah@psrpl.com

(x) Share transfer system:

Shares sent for transfer in physical form are processed and transferred by Registrar and Share Transfer Agents within 30 days of receipt of proper documents including approval by the Share Transfer Committee. Shares under objection are returned within 21 days. The Share Transfer Committee meets on a need basis for a minimum two times a month to approve share transfers/transmissions.

(xi) Pattern/distribution of shareholding:

Table 2 and Table 3 below gives the details about the shareholding pattern and the distribution of Company's shares as at 31 March 2003.

Table 2, shareholding pattern as at 31 March 2003

	Category	No. of Shares held	% of shareholding
A.	Promoter's holding		
1.	- Indian promoters	44655368	75.00
	- Foreign promoters	Nil	Nil
2.	Persons acting in Concert	Nil	Nil
	Sub-total	44655368	75.00
B.	Non-promoters Holding		
3.	Institutional investors		
a.	Mutual funds and UTI	105286	0.17
b.	Banks, financial institutions, Insurance Company/ies (Central / State government institutions / Non-government institutions)	5416860	9.10
c.	FIs	1155000	1.94
	Sub-total	6677146	11.21
4.	Others		
a.	Private corporate bodies	1082375	1.82
b.	Indian public	6882191	11.56
c.	NRIs / OCBs	244288	0.41
d.	Any other (please specify)	Nil	Nil
	Sub-total	8208854	13.79
	GRAND TOTAL	59541368	100.00%

Table 3, Distribution of shareholding as at 31 March 2003

No. of equity shares held	No. of folios	%	No. of shares	%
Upto 25	2187	3.52	36995	0.06
26 to 50	38066	61.31	1897266	3.19
51 to 100	12746	20.53	1260050	2.12
101 to 500	7943	12.79	1731424	2.91
501 to 1000	597	0.96	465093	0.78
1001 to 10000	481	0.77	1248048	2.10
10001 and above	70	0.11	52902492	88.85
Grand total	62090	100.00	59541368	100.00
No. of shareholders in physical mode	20203	32.54	45912639	77.11
No. of shareholders in electronic mode	41887	67.46	13628729	22.89
	62090	100.00	59541368	100.00

(xii) Dematerialisation of shares and liquidity:

The Company's shares are in compulsory dematerialised (demat) list and are settled through the depository system. The Company signed agreements with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to offer depository services to shareholders. As on March 31, 2003, 22.89% equity share capital of the Company has been dematerialised. However, 75% of the paid up capital held by the promoter group has not been dematerialised.

(xiii) Location of the company's manufacturing plants:

Company's plants are located at:

- **Formulation Complex**
Survey Nos. 417, 419, 420
Village: Moraiya
Taluka: Sanand
District: Ahmedabad (Gujarat).
- **Active Pharmaceutical Ingredient Complex**
Plot No. 291
GIDC Industrial Estate
Ankleshwar
District: Bharuch (Gujarat).
- **OTC products**
Plot No. 5504
GIDC Estate, Vatwa
Ahmedabad (Gujarat).
- **R & D Centre**
Survey Nos. 396 & 403
Village: Moraiya, Taluka: Sanand
District: Ahmedabad (Gujarat).
- **Diagnostic and re-agents manufacturing plant**
Shed No. A/1-3707
GIDC Estate, Vatwa,
Ahmedabad 382 445.

(xiv) Registered Office/address for correspondence:

Shareholders can send their correspondence to the Registered Office of the Company at Zydus Tower, Satellite Cross Road, Ahmedabad 380 015 or at the address of the Registrar and Transfer Agent M/s Pinnacle Share Registry Private Limited in the matter of transfers, transmission, change in address and bank particulars etc. with respect to physical shares.

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

(xv) Outstanding GDRs/ADRs/Warrants:

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

9. Shareholders'/Investors' Grievance Committee

a) Terms of reference:

The Company has formed a Shareholders'/Investors' Grievance Committee under the Chairmanship of Mr. Mukesh M. Patel, a non-executive Independent Director. The Committee monitors investors' grievances.

b) Composition:

The Committee comprises the following members:

Mr. Mukesh M. Patel – Chairman,

Mr. Pankaj R. Patel,

Dr. Manubhai A. Patel.

Mr. Upen Shah, Company Secretary, acts as the Compliance Officer of the Committee.

The status of the complaints received by the Company are submitted periodically to the Committee. As on 31.3.2003, all complaints except two had been resolved.

The Committee met at regular intervals and the members present reviewed the complaints and then solution to the satisfaction of investors.

The Committee is responsible for the redressal of shareholders and investors grievances relating to transfer of shares, non-receipt of dividend, etc.

There were five transfer deeds for the transfer of 250 Equity Shares pending for transfer as on 31 March 2003. As at 31 March 2003, 6503 equity shares were lying in the in-transit account with National Securities Depository Limited.

10. Share Transfer Committee:

a) Terms of reference:

The Committee approves and monitors transfers, transmission, dematerialisation, rematerialisation, splitting and consolidation of shares issued by the Company.

b) Composition:

The Share Transfer Committee comprises the following members:

Mr. Pankaj R. Patel,

Mr. Mukesh M. Patel and

Dr. M. A. Patel.

c) Meetings during the year:

The Company met at regular intervals to approve the share transfers. There were 34 meetings of the Committee held during the year ended on 31 March 2003.

The Committee meets on a need basis at least twice a month to ensure the regular process of transfers/transmissions of shares and to ensure that the transfers of shares are effected within one month of lodgment.

11. General body meetings

The particulars of the last three Annual General Meetings of the Company are provided hereunder. All the resolutions set out in the respective notices were duly carried on by the shareholders.

Nature of Meeting	Date and Time	Venue
Fifth Annual General Meeting	May 25, 2000 10 a.m.	Bhaikaka Bhavan, Law College Road, Ahmedabad 380006
Sixth Annual General Meeting	July 16, 2001 10 a.m.	Bhaikaka Bhavan, Law College Road, Ahmedabad 380006
Seventh Annual General Meeting	September 28, 2002 10 a.m.	Bhaikaka Bhavan, Law College Road, Ahmedabad 380006

All resolutions including the special resolution set out in the respective notices were passed by the shareholders.

No resolution, which required to be passed through a postal ballot, as recommended under Clause 49 of the Listing Agreement and the Companies (Passing of Resolutions through Postal Ballots) Rules, 2001, were placed for shareholders' approval at the meeting.

12. 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 obtained a Certificate from the Statutory Auditors of the Company with respect to compliance with the conditions of Corporate Governance and annexed the certificate with the Directors' Report and sent the same to all the shareholders of the Company. The same certificate shall also be sent to all the concerned Stock Exchanges along with the annual returns filed by the Company.

13. Report on Corporate Governance

This section of the Report, together with the information given under the Management Discussion and Analysis Report and the Additional Shareholders' Information constitutes a detailed report on the Corporate Governance efforts of the Company during the year ended 31 March 2003.

Extent of compliance with the non-mandatory requirements:

1. Chairman of the Board:

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

2. Remuneration Committee:

The Company has not established Remuneration Committee. The Board of Directors and shareholders approve the remuneration of Managing Director.

3. Shareholders' rights:

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

4. Postal ballot:

Provisions relating to postal ballots have been introduced by the Companies (Amendment) Act, 2000. However, the same are applicable to particular businesses as specified therein. The same shall be complied with as and when applicable.

Auditors' Certificate on Corporate Governance

We have examined the compliance of the conditions of Corporate Governance by Cadila Healthcare Limited, for the year ended on 31st March, 2003 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 agreements.

We state that in respect of the investor grievances received during the year ended 31st March, 2003, 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 R.R. Patel & Co.,
Chartered Accountants

R. R. Patel
Proprietor

Place: Ahmedabad
Date : 16th August, 2003

For Mukesh M. Shah & Co.,
Chartered Accountants

Mukesh M. Shah
Partner

Place: Ahmedabad
Date : 16th August, 2003

Balance Sheet

As at 31 March, 2003

Rupees in millions

	Schedule No	As at 31.3.2003	As at 31.3.2002
SOURCES OF FUNDS :			
[1] Shareholders' Funds :			
Share Capital	1	314	298
Reserves and Surplus	2	4298	5222
		4612	5520
[2] Deferred Tax Liability (Net)	19(B-21)	857	393
[3] Loan Funds :			
Secured Loans	3	3293	1226
Unsecured Loans	4	1136	1438
		4429	2664
Total		9898	8577
APPLICATION OF FUNDS :			
[1] Fixed Assets :			
Gross Block	5	7921	3901
Less : Depreciation		1382	527
Net Block		6539	3374
Capital Work-in-progress		284	451
Pre-operative & Project expenses pending allocation		6	1
		6829	3826
[2] Investments	6	840	1880
[3] Net Current Assets :			
Current Assets, Loans and Advances :			
Inventories	7	1756	1057
Sundry Debtors	8	1368	669
Cash and Bank Balances	9	90	57
Loans and Advances	10	826	2185
		4040	3968
Less : Current Liabilities and Provisions :			
Current Liabilities	11	1723	850
Provisions	12	310	253
		2033	1103
		2007	2865
[4] Miscellaneous Expenditure (to the extent not written off or adjusted)	13	222	6
Total		9898	8577
Significant Accounting Policies and Notes on Accounts	19		

As per our report of even date

For R.R.Patel & Co.,
Chartered AccountantsFor Mukesh M. Shah & Co.,
Chartered AccountantsPankaj R. Patel
Chairman & Managing DirectorPranlal Bhogilal
DirectorR. R. Patel
ProprietorMukesh M. Shah
PartnerJyotindra B. Gor
Chief Accounts OfficerUpen H. Shah
Company SecretaryMukesh M. Patel
DirectorAhmedabad, Dated : 16th August, 2003.**Profit and Loss Account**

For the year ended 31 March, 2003

Rupees in millions

	Schedule No	Year ended 31.3.2003	Year ended 31.3.2002
INCOME			
Sales		10282	5888
Less : Excise Duty		931	606
Net Sales		9351	5282
Other Income	14	276	89
Total		9627	5371
EXPENDITURE			
Consumption of Materials and Finished Goods	15	4340	2524
General Expenses	16	3375	1846
Interest and Financial Charges	17	388	80
Depreciation		382	188
Total		8485	4638
Profit before extra ordinary items and Tax		1142	733
Extraordinary item - Amortisation of compensation under Voluntary Retirement Scheme		89	0
Profit before Taxes		1053	733
Less : Provision for Taxation	18	287	62
Profit after Tax		766	671
Add : Balance brought forward		327	262
PROFIT AVAILABLE FOR APPROPRIATIONS		1093	933
Appropriations			
Transfer to Debenture Redemption Reserve		199	11
Transfer to Capital Redemption Reserve		0	20
Dividends :			
Proposed Dividend on - Equity Shares		220	208
- Preference Shares		0	1
Corporate Dividend Tax on Distributed Profit		28	0
Total		248	209
Transfer to General Reserve		79	366
		526	606
Balance carried to Balance Sheet		567	327
Basic and Diluted EPS (in Rupees)	19(B-20)	12.20	11.27
Significant Accounting Policies and Notes on Accounts	19		

As per our report of even date

For R.R.Patel & Co.,
Chartered AccountantsFor Mukesh M. Shah & Co.,
Chartered AccountantsPankaj R. Patel
Chairman & Managing DirectorPranlal Bhogilal
DirectorR. R. Patel
ProprietorMukesh M. Shah
PartnerJyotindra B. Gor
Chief Accounts OfficerUpen H. Shah
Company SecretaryMukesh M. Patel
DirectorAhmedabad, Dated : 16th August, 2003.

Schedules to the Accounts

Rupees in millions

	As at 31.3.2003	As at 31.3.2002
1] SHARE CAPITAL		
Authorised		
9,00,00,000 Equity Shares of Rs.5/- each	450	450
5,00,000 Preference Shares of Rs. 100/- each	<u>50</u>	<u>50</u>
	500	500
Issued, Subscribed & Paid-up		
5,95,41,368, Equity Shares of Rs.5/- each fully paid-up	298	298
Notes: Of the above Equity Shares		
[A] 2,97,68,846 shares were allotted as fully paid-up pursuant to the Scheme of Arrangement & Amalgamation for consideration other than 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		
32,65,486 [Nil] Equity Shares of Rs. 5/- each fully paid-up to be issued pursuant to the Scheme of Amalgamation [Refer note no. B - 1 of Sch. no. 19]	<u>16</u>	<u>0</u>
Total	314	298

2] RESERVES & SURPLUS

Capital Reserve : [Including Subsidy received]

Balance as per last Balance Sheet 292 292
Less : Adjusted against Goodwill arising due to Amalgamation [Refer note no. B - 1 of Sch. no. 19] 292 0

Capital Redemption Reserve Account

Balance as per last Balance Sheet 20 0
Add : Addition during the year 0 20

Share Premium Account

Balance as per last Balance Sheet 3545 3545
Less : Adjusted against Goodwill arising due to Amalgamation [Refer note no. B - 1 of Sch. no. 19] 984 0

Debenture Redemption Reserve

Balance as per last Balance Sheet 38 27
Add : Transfer from Profit and Loss Account 199 11

General Reserve

Balance as per last Balance Sheet 1000 1000
Add : Transfer from Profit and Loss Account 79 366
1079 1366
Less : Deferred tax adjustment for prior years [Refer note no. B - 21 of Sch. no. 19] 166 366

Balance in Profit and Loss Account

567 327

Total **4298** **5222**

Schedules to the Accounts

Rupees in millions

	As at 31.3.2003	As at 31.3.2002
3] SECURED LOANS		
1 Privately Placed Debentures		
A 70 [0] 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	0
- 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 20 [0] 7 % Redeemable Non Convertible Debentures of Rs. 100,00,000/- each [Redeemable at par on 23rd September, 2003]	<u>200</u>	<u>0</u>
	900	0
2 Loans and Advances from Banks		
A Term Loan for Office Complex	0	28
B Other Term Loans	350	200
C Working Capital Loans	609	51
D Short Term Demand Loan	0	200
E Interest accrued and due on above [Rs. 0.06 millions]	<u>0</u>	<u>1</u>
	959	480
3 Other Loans and Advances		
A Term Loan from a Financial Institution for Formulation Unit	73	146
B Term Loan from a Financial Institution for Others	775	600
C Term Loan from Others	<u>586</u>	<u>0</u>
	1434	746
Total	3293	1226

Securities for Loans by way of :

- [A] First charge by way of mortgage of immovable properties and hypothecation of movable properties of the Bulk Drug unit of the Company at Ankleshwar and Corporate Office Complex of the Company at Ahmedabad and pledge of shares of erstwhile German Remedies Limited [GRL] held by the Company. The Company to provide a mortgage on select trademarks to replenish the asset cover and margin provided in form of the shares of post amalgamated GRL with the Company.
- [B] First pari passu charge by way of hypothecation of movable fixed assets and mortgage of immovable properties pertaining to the Formulation Unit of the Company situated at Moraiya.
- [A] First Charge by way of equitable mortgage of properties of the Corporate Office Complex of the Company at Ahmedabad alongwith amenities and infrastructure attached thereto, to rank pari passu among the Bankers [since satisfied].
- [B] Rs. 200 millions [Previous year Rs.200 millions] are secured by first pari passu charge by way of equitable mortgage of immovable properties and hypothecation of movable properties, both present and future, of the Formulation Unit of the Company at Moraiya, save and except current assets charged to Banks for working capital finance.
Rs. 150 millions [Previous year Rs. nil] secured by pledge of shares of erstwhile GRL held by the Company which will get released upon completion of all formalities of amalgamation of GRL with the Company.
Rs. 0.15 millions [Previous year Rs. nil] is secured by hypothecation of the vehicles financed under the loan.
- [C] a Rs.420 millions [Previous year Rs.51 millions] are secured by first charge by way of hypothecation of inventories and book debts, both present and future, and pledge of titles to the goods despatched, besides second charge on all the fixed assets of the Formulation Unit of the Company at Moraiya and Plant and Machineries of the Bulk Drug Unit of the Company at Ankleshwar. All these securities to rank pari passu among the Banks. [Security in favour of one of the Bank yet to be created].
b Rs.150 millions [Previous year nil] are secured by first charge by way of hypothecation of inventories and book debts, both present and future of the erstwhile German Remedies Limited [GRL].
c Rs.39 millions [Previous year nil] are secured by first charge by way of hypothecation of inventories and book debts, both present and future of the erstwhile Recon Healthcare Limited [Recon].
- [D] First charge by way of hypothecation of inventories and book debts, both present and future, and pledge of titles to the goods despatched to rank pari passu with loan referred at 2[C]a. [since satisfied].

Schedules to the Accounts

3 [A] First pari passu charge by way of equitable mortgage of immovable properties and hypothecation of movable properties, both present and future, of the Formulation Unit of the Company at Moraiya, save and except current assets, charged to banks for working capital finance loan, besides hypothecation of eight Trade Marks of the Company.

[B&C] a Rs.400 millions [Previous year - Rs.600 millions] out of 3 [B] are secured by way of first pari passu charge by way of equitable mortgage of immovable properties and hypothecation of movable properties, both present and future, of the Formulation Unit of the Company at Moraiya, save and except current assets, charged to banks for working capital finance loan, besides hypothecation of one Trade Mark of the Company.

b - Rs.375 millions [Previous year Rs. nil] out of 3[B] and Rs.586 millions [Previous year Rs. nil] of 3[C] are secured by way of first pari passu charge by way of [i] mortgage of immovable properties and hypothecation of movable properties, including trademarks and other intangible properties of the erstwhile Recon, both present and future, save and except current assets, charged to a bank for working capital finance.

- Pledge of 3934837 shares of the erstwhile GRL held by the erstwhile Recon [since released].

- Pledge of 29999800 shares of the erstwhile Recon held by Cadila [since released] [Entire loan of Rs.375 millions and Rs.586 millions has since been satisfied by availing fresh loans for which charges on the properties of the company are yet to be created]

	Rupees in millions	
	As at 31.3.2003	As at 31.3.2002
4 UNSECURED LOANS		
1 Fixed Deposits	233	122
2 Privately Placed Debentures :		
5,00,000 Zero interest, non-convertible Debentures of Rs. 100/- each, redeemable on 16th May, 2003 held by some Directors.	50	50
20 [0] 6.45 % Interest bearing , non-convertible Debentures of Rs. 1,00,00,000 each . Redeemable on 23rd May, 2003 held by a Bank.	200	0
	250	50
3 Short - term Loans and Advances from Banks	200	700
4 Other Loans and Advances :		
A Interest free deemed loan against deferment of sales tax		
a From a Financial Institution	192	85
b Deferred amount	110	107
	302	192
B Commercial Paper issued to a Bank [Maximum amount due during the year Rs. 350 millions [Previous year Rs. 350 millions]]	100	350
C From Others	51	24
D Total	453	566
Total	1136	1438

Note :

Loan at [4 - A] is subject to first and / or second charge to be created on the fixed assets of the formulation unit of the Company at Moraiya, to rank pari passu with other lenders. Pending creation of this security amount upto Rs. 85 millions [As at 31-03-02 - Rs. 85 millions] is secured by personal guarantee of a Director of the Company.

Schedules to the Accounts

5| FIXED ASSETS

Nature of Fixed Assets	Rupees in millions												
	Gross Block					Depreciation					Net Block		
	As at 31.3.02		Additions During the year	Sales and/or adj. during the year	As at 31.3.03	Opening balance	Upto 31.3.02		For the year	On Sales and/or adj. during the year	Upto 31.3.03	As at 31.3.03	As at 31.3.02
	Opening balance	Acquired under the scheme					Acquired under the scheme	Total					
Freehold Land	52	412	5	464	0	0	0	0	0	0	469	52	
Leasehold Land	8	38	0	46	1	3	4	1	0	5	41	7	
Buildings	763	689	263	1452	51	102	153	43	12	184	1521	712	
Plant & Machinery	1839	631	521	2470	367	299	666	180	37	809	2154	1472	
Furniture, Fixtures & Office Equipments	214	97	30	311	37	46	83	19	8	94	247	177	
Vehicles	93	28	19	121	25	13	38	12	8	42	88	68	
Trade Marks, Patents & Designs	774	175	648	949	32	19	51	73	0	124	1474	742	
Technical know-how	158	262	200	420	14	27	41	37	0	78	542	144	
Commercial Rights	0	50	0	50	0	29	29	17	0	46	4	0	
Total	3601	2382	1676	6283	527	538	1065	382	65	1382	6539	3374	
2001-2002	2735	0	1194	2735	349	0	349	188	10	527	3374		

Notes :

- Buildings include Rs. 0.02 lacs [As at 31-03-02 Rs. 0.02 lacs] being the value of Shares held in Co-operative housing Societies.
- Additions of Rs. 170 millions [Previous Year - Rs. 211 millions] in Research Assets during the year are included in additions column, under the respective heads, of gross block as above.
- Legal title of some of the immovable properties acquired pursuant to the scheme of Amalgamation are in the process of being transferred in the name of the Company.
- Additions include Rs. Nil [Previous Year - Rs. 0.40 lacs] being increase in liability as a consequence of change in exchange rate for loans obtained in foreign currency for acquiring Assets.

Schedules to the Accounts

Rupees in millions

	Nos. [†]	Face Value [**]	As at 31.3.2003	As at 31.3.2002
6] INVESTMENTS [At Cost]				
LONG TERM INVESTMENTS				
In Government Securities [Unquoted]				
National Savings Certificates [Lodged with Govt. Auth. as security] [Rs. 19,350/-]*			0	0
Kisan Vikas Patra [Lodged with Sales Tax Auth. as security] [Rs. 9,000]*			0	0
			0	0
In Shares, Debentures and Bonds				
Trade Investments				
Quoted :				
In fully paid-up equity shares of a subsidiary Company :				
[#] German Remedies Limited	0[592292]	10	0	203
Unquoted :				
In fully paid-up equity shares of :				
Companies under the same Management :				
Zydus Altana Healthcare Pvt. Ltd.	10000000	10	100	100
Sarabhai Zydus Animal Health Ltd.	25000000 (23000000)	10	250	230
			350	330
Subsidiary companies :				
Banyan Chemicals Ltd.	3511815(0)	10	206	0
Dialforhealth India Ltd.	5000000(2500000)	10	50	3
[#] Recon Healthcare Ltd.	0[30000000]	10	0	303
[#] Zoom Properties Ltd.	0[2522]	10	0	1
[#] Zydus Pathline Ltd.	0[841529]	10	0	14
German Remedies Specialities Ltd.	24000[0]	100	2	0
Zydus International Pvt. Ltd.	100000	£1	7	7
Zydus Pharmaceuticals Ltd.	950000	10	10	9
			275	337
Sub-total			625	667
In fully paid-up Series B Convertible Preferred Stock of :				
Onconova Therapeutic Inc. USA	521739	\$0.01	140	140
			765	807
Total Trade Investments			765	1010
Other Investments :				
Quoted :				
In fully paid-up Equity Shares of :				
Corporation Bank Limited	0[12200]	10	0	1
Glenmark Pharma Ltd.	0[50]	10	0	0
Gujarat Alkalis & Chemicals Ltd.	0[203]	10	0	0
HCL Technologies Ltd.	0[1500]	2	0	0
The Zandu Pharmaceuticals Works Ltd.	13523[0]	10	78	0
HDFC Bank Ltd. [Rs. 10,850/-]	800[300]	10	0	0
Housing Development Finance Corporation Ltd.	43900[20400]	10	1	1
IDBI Bank Ltd.	0[93900]	10	0	2
Saket Projects Ltd.	5000	10	0	0
Shri Rama Multitech Ltd.	0[2900]	5	0	0
			79	4
In Units of Mutual Funds :				
Unit Trust of India - M I P - 1999	3580000	10	38	38
Unit Trust of India - Units - 64	358792[0]	10	4	0
Unit Trust of India - M I P - 1997 [III]	0[10184105]	10	0	114
			42	152
			121	156

Schedules to the Accounts

Rupees in millions

	Nos. [†]	Face Value [**]	As at 31.3.2003	As at 31.3.2002
6] INVESTMENTS [At Cost]				
Unquoted :				
In fully paid-up equity shares of :				
Pharmaceutical Business Group [I] Ltd.	999800	10	10	10
Co. Op. Bank of Ahmedabad Ltd. [Rs. 50/-]*	2	25	0	0
Bharuch Enviro Infrastructure Ltd. [Rs. 12,140/-]*	1214	10	0	0
Total			10	10
In partly paid-up equity shares of :				
Bharuch Eco - Acqua Infrastructure Ltd. [Rs. 4/- paid-up]	256505	10	1	1
			11	11
Total Other Investments			132	167
Total Investments in Shares, Debentures & bonds			897	1177
Contribution to the Corpus of Gujarat Venture Capital Fund:				
1990	-	-	0	0
1995	-	-	2	2
			2	2
Share Application Money for equity shares [including Rs. nil (As at 31-03-2002 - Rs. 700 millions) with a subsidiary Company]				
Total			1	701
Total			900	1880
Less : Provision for diminution in value of Investments				
Aggregate Book Value of Investments :			60	0
Unquoted			779	1521
Quoted [Market Value Rs 72 millions (As at 31-03-2002 Rs. 310 millions)]			61	359
Total			840	1880
Note : In "Nos. [†]" figures of Previous year are same unless stated in []				
In "Face Value [**]", figures in Indian Rupees unless stated otherwise.				
[#] Amalgamated with the Company w.e.f. 1st April, 2002 [Refer note no. B-1 of Sch. no. 19]				
[*] Figures in bracket denote absolute Rupees.				
7] INVENTORIES [As taken, valued and certified by the management]				
Stores, Spare Parts			82	48
Raw Materials			503	223
Packing Materials			68	38
Finished Goods			719	474
Work-in-process			384	274
Total			1756	1057
8] SUNDRY DEBTORS				
[Unsecured]				
Debts outstanding for a period exceeding six months :				
Considered good :				
Due from a Firm in which a Director is a partner			0	1
Others			92	59
			92	60
Considered doubtful			23	24
			115	84
Less: Provision for doubtful debts			23	24
			92	60
Other debts - considered good				
Due from subsidiary companies [Refer note no. B-10 of sch.no.19]			124	123
Others			1152	486
Total			1276	609
			1368	669

Schedules to the Accounts

Rupees in millions

	As at 31.3.2003	As at 31.3.2002
9 CASH AND BANK BALANCES		
Cash on hand	4	4
Bank Balances :		
With Scheduled Banks :		
In Current Accounts	66	13
In Fixed Deposit Accounts	8	9
[Out of this, fixed deposits of Rs 4 millions (as at 31-03-2002 Rs.7 millions) have been pledged with Banks as Margin Money for Guarantees issued and fixed deposits of Rs. 0.3 millions (as at 31-03-2002 Rs. 0.1 million) have been pledged with Sales tax authorities]		
In Foreign Currency Account	12	30
	86	52
With Other Banks :		
In Fixed Deposit Account with Bhadrans Co-operative Bank Ltd. [Maximum amount outstanding during the year Rs 0.1 million (Previous year Rs.0.1 million)]	0	0
In Current Account with Bank Austria Creditanstalt, Moscow, in Foreign Currency A/c [Rs. 0.8 million][Maximum amount outstanding during the year Rs 1 million (Previous year Rs. 3 millions)]	0	1
	0	1
Total	90	57

10 | LOANS AND ADVANCES**(Considered good, unsecured unless otherwise stated)**

Advances to subsidiary companies [Refer note no. B-11 of Sch.no. 19]	40	1378
Advances to a Joint Venture Company	0	20
Advances recoverable in cash or in kind or for value to be received :		
Secured		
Inter corporate loan	179	155
[Include interest accrued and due of Rs. nil (As at 31-03-02 Rs. 5 millions)]		
Advances to a Joint Venture Company [Refer note no. B-12 of Sch.no. 19]	89	0
Others	3	4
Total	271	159
Unsecured :		
Inter corporate loan	17	9
Others	398	524
	415	533
	726	2090
Advance payment of Income tax [net of provision]	22	16
Balances with Custom / Central Excise Authorities	76	79
Dividend receivable [Rs. nil (As at 31-03-2002 - Rs. 4,000/-)]	0	0
Interest receivable from others	2	0
Total	826	2185

Schedules to the Accounts

Rupees in millions

	As at 31.3.2003	As at 31.3.2002
11 CURRENT LIABILITIES		
Acceptances	329	0
Sundry Creditors :		
For Capital Goods	59	43
Others	1229	759
[Includes Rs. 48 millions (As at 31-03-02 Rs. 9 millions) due to Small Scale Industrial Undertakings and Rs. 47 millions due to a wholly owned Subsidiary Company (As at 31-03-02 Rs. 5 millions)]	1288	802
Advances from Debtors	17	6
Trade Deposits	41	26
Investor Education and Protection Fund [*] :		
Unclaimed dividends	6	2
Matured but unclaimed Fixed Deposits [Rs. 0.33 millions]	0	0
Interest payable on matured but unclaimed fixed deposits [Rs.0.14 millions]	0	0
Total [*] [There are no amounts due and outstanding to be credited to Investor Education and Protection Fund]	6	2
Interest accrued but not due on loans	42	14
Total	1723	850

12 | PROVISIONS

Proposed Dividend	220	209
CDT on Proposed Dividend	28	0
Provision for retirement benefits	62	44
Total	310	253

13 | MISCELLANEOUS EXPENDITURE [To the extent not written off or adjusted]

Debtore Issue Exp./Discount on Debentures	1	6
Compensation under Voluntary Retirement Scheme	220	0
Preliminary Expenses	1	0
Total	222	6

Schedules to the Accounts

Rupees in millions

	Year ended 31.3.2003	Year ended 31.3.2002
14 OTHER INCOME		
A Dividends (Gross)		
From Long Term Trade Investments in Subsidiaries	42	2
Joint Ventures	200	0
Total	242	2
From Long Term Non Trade Investments in Others	9	65
Total Dividend received [Tax Deducted at source Rs. 9 millions (Previous Year Rs. nil)]	251	67
B Others :		
Cash Discount	4	4
Rent Received [T.D.S. Rs 2 millions (Previous year Rs. 0.5 million)]	2	3
Bad debts recovered	0	0
Miscellaneous Income [T.D.S. Rs 0.4 millions (Previous year Rs.nil)]	19	15
	25	22
Total	276	89

15 | CONSUMPTION OF MATERIALS AND FINISHED GOODS

Raw Materials		
Stock at commencement	223	205
Stock at commencement acquired under the Scheme	49	0
Add : Purchases	2790	1791
	3062	1996
Less : Stock at close	503	223
	2559	1773
Packing Materials		
Purchases of Finished Goods	419	306
[Increase] in Stock of Finished Goods & Work-in-process :	1453	635
Stock at close :		
Finished Goods	719	474
Work-in-process	384	274
	1103	748
Less : Stock at commencement		
Finished Goods	473	399
Work-in-process	274	159
	747	558
Less:-Stock at commencement acquired under the Scheme:		
Finished Goods	213	0
Work-in-process	52	0
Total	265	0
	(91)	(190)
Total	4340	2524

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Rupees in millions

	Year ended 31.3.2003	Year ended 31.3.2002
16 GENERAL EXPENSES		
Personnel expenses :		
Salaries, wages and bonus	841	426
Company's contribution to provident & other funds	101	41
Staff welfare expenses	71	28
	1013	495
Stores and spare parts consumed	75	51
Power & fuel	196	111
Processing Charges	102	42
Insurance	37	16
Repairs :		
Buildings	16	10
Plant and Machinery	23	13
Others	19	13
	58	36
Rent	14	12
Rates and Taxes	15	2
Managing Director's Remuneration	56	58
Travelling Expenses	173	110
Deficit / (Surplus) on account of fluctuations in foreign exchange rates [net]	36	(23)
Legal and Professional fees	106	29
Miscellaneous Expenses	384	247
Selling & Distribution Expenses :		
Commission on sales	119	50
Freight and forwarding on sales	120	83
Sales promotion expenses	177	93
Advertisements	115	73
Other marketing expenses	447	330
	978	629
Bad debts written off	26	3
Preliminary Expenses written off	0	0
Directors' fees	0	0
Loss on assets sold / discarded [net]	10	6
Loss on sale of investments [net]	11	1
Provision for diminution in value of Investments	60	0
Donations	25	21
Total	3375	1846
17 INTEREST AND FINANCIAL CHARGES		
Interest		
On term loans	263	104
On debentures	44	0
On working capital loans from banks	40	28
On loan from Managing Director	0	0
Others	52	11
	399	143
Discount on debentures written off	5	5
Bank commission & charges	38	22
	442	170
Less : Interest earned [Gross] :	54	90
[T.D.S. on Interest - Rs 10 millions (Previous year Rs. 13 millions)]		
Total	388	80
18 PROVISION FOR TAXATION		
Current Tax	85	52
Deferred Tax	193	28
Total	278	80
Add [Less] : Prior year's tax adjustments	9	(18)
Total	287	62

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19 SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

A SIGNIFICANT ACCOUNTING POLICIES :

1 Basis of Accounting :

The financial statements are prepared under the historical cost convention on the basis of "Accrual Concept".

2 Fixed Assets and Depreciation :

A Fixed Assets are stated at historical cost of acquisition / construction less accumulated depreciation. Cost [Net of cenvat credit received / receivable] includes related expenditure and pre-operative & project expenses for the period upto completion of construction / assets are put to use.

B Depreciation is provided on "straight line method" as per Section 205 (2) (b) of the Companies Act, 1956 at the rates prescribed in Schedule XIV thereto .

C Leasehold land is amortized over the period of the lease.

D The cost of acquisition of Trade Marks and Technical Know-how is amortised over its estimated economic life of seventeen years.

E 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.

3 Borrowing Costs :

Net costs of borrowed funds for project are capitalised and included in the cost of concerned fixed assets till its completion and other borrowing costs are recognised as an expense in the period in which they are incurred.

4 Expenditure during the Construction Period :

The expenditure incidental to the expansion / new projects are accounted for in accordance with the Guidance Note on "Treatment of expenditure during construction period" issued by the Institute of Chartered Accountants of India. These expenditures are allocated to Fixed Assets in the year of commencement of the commercial production.

5 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.

6 Inventories :

A Raw Materials, Stores & Spare Parts, Packing Materials, Finished Goods and Work-in-Process are valued at lower of cost and net realisable value.

B Cost [Net of cenvat credit availed] of Raw Materials and Packing Materials is determined on FIFO basis.

C Cost of Finished Goods and Work-in-Process is determined by taking material cost (net of Cenvat Credit availed), labour and relevant appropriate overheads.

7 Revenue Recognition :

A Sale of products is recognised when they are invoiced to customers and includes Processing Charges, excise duty & inter unit transfer of Bulk Drugs for captive consumption, but excludes sales tax and trade discounts.

B Export benefits / incentives are accounted on accrual basis and grouped with sales.

C Revenue in respect of other income is recognised when no significant uncertainty as to its determination or realisation exists.

8 Foreign Currency Transactions :

A The transactions in foreign currencies on revenue accounts are stated at the rates of exchange prevailing on the date of transaction.

B The net gain or loss on account of exchange differences either on settlement or on translation are recognised in the Profit & Loss Account, except in cases where they relate to acquisition of fixed assets, the same are adjusted to the carrying cost of respective Fixed Assets.

C The foreign currency assets and liabilities covered by forward contracts are stated at forward contract rates, while those not covered by forward contracts are restated at the prevailing exchange rates at the year end. The premium in respect of forward contracts is accounted over the period of the contract.

D 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.

9 Research and Development Cost :

A Revenue expenditure on research and development is charged to the profit and loss account of the year in which it is incurred.

B Capital expenditure on research and development is given the same treatment as Fixed Assets.

10 Excise Duty :

Excise Duty is accounted gross of Cenvat benefit availed on inputs and Fixed Assets.

11 Retirement Benefits :

A Contribution to Provident Fund and Superannuation Scheme accruing during each year as per the schemes are charged to Profit and Loss Account.

Schedules to the Accounts

B Gratuity and Leave encashment liabilities are charged to Profit and Loss Account on the basis of actuarial valuation.

12 Miscellaneous Expenditure Not Written Off :

A Discount on issue of debentures and debenture issue expenses are amortised proportionately over the tenure of debentures.

B Preliminary expenses are written off over a period of five years.

C The compensation paid to the employees under Voluntary Retirement Scheme is amortised over a period of 42 months.

13 Provision for Bad and Doubtful Debts / Advances :

Provision is made in accounts for Bad & Doubtful Debts / Advances which in the opinion of the Management are considered irrecoverable.

14 Taxes on Income :

A Current tax is determined on the basis of the amount of tax payable on taxable income for the year.

B In accordance with Accounting Standard 22 - "Accounting for Taxes on Income", issued by the Institute of Chartered Accountants of India, amount of the deferred tax for timing differences between the book and tax profits for the year is accounted for using the tax rates and laws that have been enacted or substantively enacted as of the balance sheet date.

Deferred tax assets arising from temporary timing differences are recognised to the extent there is reasonable certainty that the assets can be realised in future.

B NOTES ON ACCOUNTS :

1 A In terms of the Scheme of Amalgamation (the Scheme) of

a Recon Healthcare Ltd. [Recon], whose business includes manufacturing and marketing of pharmaceutical products,

b Zoom Properties Ltd. [Zoom], whose business includes developing and letting out properties,

c Zydus Pathline Ltd. [ZPL] whose business includes manufacturing and marketing of diagnostic and pharmaceutical products, [all three wholly owned subsidiaries of the Company] and

d German Remedies Ltd. [GRL] [a subsidiary] whose business includes manufacturing and marketing of pharmaceutical products, [collectively referred to as Transferor Companies] which was sanctioned by the Orders of the Gujarat High Court [dated 10th April, 2003], Delhi High Court [dated 9th May, 2003] and Mumbai High Court [dated 27th June, 2003]. Effective Date under the Scheme being 11th August, 2003 have been amalgamated with the Company w.e.f. the appointed date under the Scheme, being 1st April, 2002.

B In accordance with the Scheme,

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

i land and buildings, which are recorded at their estimated market value, net of taxes, duties, etc., as at the Appointed Date.

ii 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 Recon, Zoom and ZPL have been get extinguished.

d All the shares of GRL held by the Company and Recon shall get extinguished.

e 32,65,486 Equity Shares of Rs.5/- each fully paid up are to be allotted to the minority shareholders of GRL, in the proportion of 7 equity shares of the Company for every 4 equity shares held by them in GRL, without payment being received in cash which will be entitled for the dividend for the year 2002-03 and pending allotment, these have been shown under the head "Share Capital Suspense", of Rs. 16 millions in Schedule 1.

f The shortfall in the aggregate value of the assets over the aggregate value of the liabilities of the Transferor Companies taken over by the Company, after adjusting for

i The face value of the Equity Shares to be issued and allotted by the company as stated in (e) above

ii Carrying amount of investments in the Transferor Companies held by the Company as on the Effective Date has been debited to the extent of Rs. 292 millions to the Capital Reserve Account and balance amount of Rs. 984 millions to the Share Premium Account of the Company as per the scheme approved by the Courts otherwise the said amount would have been shown as Goodwill.

g 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 respective Transferor Companies.

h In view of the aforesaid Scheme of Amalgamation w.e.f. 1st April, 2002, the figures of the current year are not comparable with those of previous year.

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- 2 A The Company closed manufacturing operations at its Andheri plant during the year. Fixed assets having original cost of Rs. 5 millions with a written down value of Rs. 1 million and stocks valued at Rs. 2 millions have been written off and charged to Profit and Loss Account.
- B As a part of the restructuring, the Company has offered a Voluntary Retirement Scheme to its employees of aforesaid plant. The compensation paid under the said scheme is accounted as deferred revenue expenditure and amortised as stated in para A-12-C above.
- 3 During the year under review, Zydus Healthcare (New Zealand) Limited, a wholly owned subsidiary of Zydus International Limited, a wholly owned subsidiary of the company has closed down its operations and has been voluntarily wound up w.e.f. 24th December, 2002.
- 4 A The names of Small Scale Industrial Undertakings to whom amounts outstanding as on 31st March, 2003 are as under :
- M/s Aditya Polycontainers Pvt. Ltd., M/s Adit Pharma Pvt. Ltd., M/s Amishi Drugs & Chemicals, M/s Archana Glass Works, M/s Astral Pharma Ind., M/s Auto Control Ind., M/s Autofits, M/s Autotex, M/s Azide & Allied Chemicals, M/s Beam offset Pvt.Ltd., M/s Canton Laboratories, M/s Caps India, M/s Carewell Pharma., M/s Colourflex Laminators Ltd., M/s Creative Printers Pvt. Ltd., M/s Dotgraphics Pvt. Ltd., M/s Erosee Cosmetics, M/s Fibre Foils Ltd., M/s Flame Pharma.Pvt. Ltd., M/s Gujarat Microwax Ltd., M/s Heikoo Chemicals, M/s Hydroflex Hose Ind., M/s Jai Rubber Ent., M/s Jalvi Ent., M/s Jewel Paper Pvt.Ltd., M/s Jewel Packaging Pvt. Ltd., M/s Kaisha Mfg. Pvt. Ltd., M/s Kamavali Plastomech, M/s Klassic Gold, M/s Komal Pharma., M/s Kunal Ent., M/s Makour Labo. Ltd., M/s Mark Bond Coatings Ind., M/s Maruti Containers, M/s Maxima Systems Ltd., M/s Mehk Chemicals Pvt.Ltd., The National Battery Charge & Co., M/s Parikh Packaging Pvt.Ltd., M/s Patel Printing Press Pvt. Ltd., M/s Penguin Pharma.Lab., M/s Perfect Acid & Chemicals, M/s Perfect Plastics, M/s Precision Ind., M/s Precision Machine Tools, M/s Priti Packaging Pvt. Ltd., M/s Pure Chem Pvt. Ltd., M/s Raka Tin Works, M/s Rot Polymers India, M/s S.J. Corporation, M/s Samrat Pharmachem Ltd., M/s Shreeji Paper Containers, M/s Shreyas Chemicals, M/s Shrinath Corporation, M/s Srinath Products, M/s Trends Pharma Pvt. Ltd., M/s Trichem Laboratories, M/s Tube Glass Containers Ltd., M/s Unique Printers, M/s Universal Medicap Ltd., M/s Urmi Chemicals, M/s Vasu Container, M/s Vial Seal Ind., M/s Virat Packaging, M/s Wee Pack Ind., M/s XL Coders Pvt. Ltd., M/s Zeal Packaging, M/s Megha Organics Pvt. Ltd., M/s Minaxi Pharma Pvt. Ltd., M/s Pioneer Packaging, The Ideal Printers, M/s Bhansali Packwell, M/s Cornello Packaging, M/s Delux Print Arts, M/s Indo German Laboratories, M/s Roha Dyechem Pvt. Ltd., M/s Shako plastics, M/s shree products, M/s Solid Packaging, M/s Shailja pack Pvt. Ltd., M/s Wimson Printers, M/s A-one Pouches, M/s Bhavani Industries, M/s Hiral Textronis, M/s Liberty Art Printers, M/s Pal Pharma Lab.Fill. Pvt. Ltd., M/s Sharp Engineering, M/s Chromeline Equipments (I) Pvt.Ltd., M/s Essae Teraoka Pvt. Ltd., M/s F.M. Instrumentation, M/s Mayur Printers, M/s Progress Workshops, M/s Polyfill Ind., M/s Roots Multicleans Ltd., M/s Sainath Boilers & Pneumatics, M/s Swambhavi Offset, M/s Toshro Ltd., M/s Unithem Eng. Services, M/s Everbright Corpo., M/s Kishor Industries, M/s New Mayur Plastics, M/s Pack Arts, M/s Aakar India, M/s Microlit Instruments, M/s Bharat Rubber Works, M/s Fairdeal Diagnostics, M/s Mega Trend Corpo.
- B The above information has been compiled in respect of parties to the extent to which they could be identified as small scale and ancillary undertakings on the basis of information available with the Company.
- 5 The Company has imported certain capital equipments at concessional rate of custom duty under "Export promotion of Capital Goods Scheme" of the Central Government. The Company has undertaken an incremental export obligation to the extent of US \$ 17 millions (equivalent to Rs.802 millions approx.) [Previous year US \$ 16 millions (equivalent to Rs. 757 millions approx.)] to be fulfilled during a specified period as applicable from the date of imports. The liability towards custom duty payable thereon in respect of unfulfilled export obligations as on 31st March, 2003 is Rs. 116 millions [as at 31-03-02 Rs. 33 millions] is not provided for.
- 6 The Company has given the guarantee in favour of a bank for securing term loans granted by it to Sarabhai Zydus Animal Health Ltd. [SZAHL], a joint venture company. The Company has also pledged with the bank its investments of 11960100 equity shares of SZAHL held by the Company. During the year under review, the Company has paid Rs. 89 millions to the bank on behalf of SZAHL honouring its obligation under the aforesaid guarantee.
- In terms of guarantee document entered into between the bank, SZAHL and the Company, all rights and security of the lender shall automatically get transferred in favour of the Company on repayment of the said loan. In view of this, the amount recoverable from SZAHL is disclosed as secured advance under Loans and Advances under Schedule - 10.
- 7 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. 8 millions [Previous year Rs. nil].
- 8 The Company has an investment of Rs. 50 millions in Dialforhealth India Ltd., a wholly owned subsidiary of the Company. The accumulated losses as at 31st March, 2003 has been Rs. 40 millions. However having regard to the long term strategy of the Company, no provision is considered necessary on this account.

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- 9 Company's interest in the jointly controlled entities is shown as under in compliance with the requirements of the Accounting Standard - 27 "Financial Reporting of Interest in Joint Ventures", [AS - 27] issued by the Institute of Chartered Accountants of India :

Name of the Company	% of holdings	Accounting year ending on	Status	Rs. in millions			
				Amount of interest based on last audited accounts Assets	Liabilities	Income	Expenditure
Zydus Altana Healthcare Pvt. Ltd.	50	31-12-02	Audited	447	278	551	165
Sarabhai Zydus Animal Health Ltd.	50	31-03-03	Audited	550	359	370	381

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

	Rupees in Millions
A In respect of guarantees given by a Bank and counter guarantees given by the jointly controlled entities	0.2
B In respect of demand raised by the Government of Gujarat on account of stamp duty payable on the trade-marks acquired by one of the jointly controlled entity against which appeal has been preferred before the Hon'ble Delhi High Court	16
C Claims lodged against the jointly controlled entities but not acknowledged as debts	0.6
D Estimated amount of contracts remaining to be executed on capital account and not provided for [Net of Advances]	0.6

	Rs. in millions	
	Year ended 31-03-03	31-03-02
10 Sundry Debtors include amount due from Zydus Pharmaceuticals Ltd. a wholly owned Subsidiary Company	124	123
11 Loans & Advances include amount due from wholly owned subsidiary Companies :		
A Zydus International Pvt. Ltd. [Maximum amount due during the year Rs. 5752 lacs (Previous year Rs. 5752 lacs)]	0	575
B Dialforhealth India Ltd. [Maximum amount due during the year Rs. 85 millions (Previous year Rs. 80 millions)]	35	80
C Zydus Cadila Healthcare [USA] Inc. [Maximum amount due during the year Rs. 5 millions (Previous year Rs. nil)]	5	0
Note : All without interest. The terms of repayment not specified in A & B. In case of C repayable within two years .		
12 Loans & Advances include amount due from a Joint Venture Company :		
A Sarabhai Zydus Animal Health Ltd. [Maximum amount due during the year Rs. 90 millions (Previous Year Rs. 20 millions)]	89	20
Note : Interest bearing. The terms of repayment not specified .		
13 Miscellaneous Expenses include :		
A Auditors' Remuneration :		
a Audit Fees	1.3	1.3
b Tax Audit Fees	0.5	0.4
c Certification & Other Charges	0.2	0.1
d Total	2.0	1.8
Note : The above excludes remuneration to the auditors of erstwhile transferor companies, amounting to Rs. 1 million .		
B Cost Auditors' remuneration including fees for other services	0.5	0.4
Note : The above excludes remuneration to the Cost Auditors of a erstwhile transferor company, amounting to Rs. 0.1 million.		
C Sitting fees paid to the Directors of erstwhile German Remedies Limited.	0.02	0.0
14 Research & Development Expenses are as under :		
A Capital Expenditure [Including Capital Work-in-Progress Rs. 63 millions (Previous year - Rs. 65 millions)]	170	211
B Revenue Expenditure	213	205
C Total	383	416
15 Break up of Pre-operative & Project expenses :		
A General Expenses :		
a Travelling, Conveyance & Vehicle Expenses	0.6	0.9
b Professional Fees & Consultation Charges	0.1	0.0
c Others	1.7	0.3
d Total	2.4	1.2
B Personnel Expenses :	1.7	0.0
C Depreciation [Rs. 22,000/- (Previous year Rs. nil)]	0.0	0.0
D Net Pre-operative & Project Expenses	4.1	1.2
E Add : Expenses incurred till previous year	1.4	0.6
F Total	5.5	1.8
G Less : Capitalised during the year on commencement of respective projects / units	0.0	0.4
H Pre-operative & Project Expenses carried to Balance Sheet	5.5	1.4

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16 Contingent liabilities not provided for :

	Rupees in millions			
	In respect of [*] Amalgamated Companies		In respect of Cadila Healthcare Ltd.	
	As at 31-03-03	As at 31-03-02	As at 31-03-03	As at 31-03-02
A In respect of guarantees given by a Bank and counter guarantees given by the Company.	0	0	14	26
B In respect of outstanding dues against guarantees given by the Company to Banks and a financial institution for the loans availed by a Joint Venture Company	0	0	400	533
C In respect of outstanding dues against guarantees given by the Company to Banks for the loans availed by Zydus Pharmaceuticals Limited, wholly owned subsidiary company	0	0	201	1618
D Estimated amount of contracts remaining to be executed on capital account and not provided for [Net of Advances]	0	0	53	44
E Claims against the Company not acknowledged as debts	1.8	1.8	12	9
F 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.	10	30	167	35
G 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 crystallisation of the liability.	27	27	0	0
H In respect of Income Tax matters pending before appellate authorities which the Company expects to succeed, based on decisions of Tribunals / Courts.	0	0.1	7	0
I In respect of Sales Tax matters pending before appellate authorities which the Company expects to succeed, based on decisions of Tribunals / Courts.	0	0	6	0
J Uncalled liability on partly paid shares	0	0	2	2

Note :

[*] represents contingent liabilities taken over by the Company under the Scheme of Arrangement and Amalgamation of erstwhile Cadila Laboratories Ltd., Cadila Chemicals Ltd., Cadila Antibiotics Ltd., Cadila Exports Ltd. and Cadila Veterinary Pvt. Ltd. with the Company w.e.f. 1st June, 1995.

	Rupees in millions	
	Year ended 31-03-03	Year ended 31-03-02
17 A Details of remuneration paid/payable to Managing Director :		
a Remuneration	53	50
b Contribution to Provident and other Funds	3	8
c Total	56	58
Note :		
The above excludes remuneration to the Managing Director of erstwhile GRL and Whole Time Director of erstwhile ZPL, amounting to Rs. 7 millions .		
B Computation of net profit as per section 198 read with section 309, 349 & 350 of the Companies Act, 1956 :		
a Profit as per Profit & Loss Account	766	672
b Add :		
Depreciation provided in Accounts	382	188
Provision for Taxation - Current , Deferred & Prior year tax adjustments	288	62
Managing Directors Remuneration	56	58
Directors' Fees	0	0.1
Loss on sale of Investments [Net]	11	1
Loss on sale / disposal of Assets [Net]	10	5
	746	314
c Total (a + b)	1512	986
d Less:		
Depreciation as per section 350	382	188
Total	382	188
e Net Profit as per section 198 (c - d)	1131	798
Profit attributable from 01-04-01 to 19-09-01 [170 days]	0	382
Profit attributable from 20-09-01 to 31-03-02 [195 days]	0	427

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	Rupees in millions	
	Year ended 31-03-03	Year ended 31-03-02
C Maximum remuneration payable at the rate of 10% of the net profit as per section 309 of the Companies Act, 1956 .		
MD remuneration @ 10 %	0	37
MD remuneration @ 5 %	57	21
Total MD remuneration	57	58

18 Segment Information :

A Primary Business Segment : Pharmaceutical Products

	Pharmaceuticals Year Ended		Other Businesses Year Ended		Elimination Year Ended		Total Year Ended	
	31.3.03	31.3.02	31.3.03	31.3.02	31.3.03	31.3.02	31.3.03	31.3.02
a Revenue :								
External sales	10201	5836	81	52	0	0	10282	5888
Inter-segment sales	0	0	0	0	0	0	0	0
Total Revenue	10201	5836	81	52	0	0	10282	5888
b Result :								
Segment Result Unallocated	1411	838	(4)	(9)	0	0	1407	828
expenditure netof unallocated income							(152)	(80)
Operating profit							1255	748
Interest expense							(442)	(171)
Interest & dividend income							330	156
Income taxes [Current Deferred & prior year tax adjustments]							(287)	(62)
Profit from ordinary activities							856	672
Exceptional items :							89	0
Net Profit							767	672
c Other information :								
Assets	10069	5848	55	80	1812	3753	11936	9681
Liabilities	7297	3541	22	9	0	610	7319	4160
Capital expenditure							1677	1195
Depreciation							381	188
Non Cash expenses other than depreciation							5	5

B Secondary Business Segment - By geographical market :

	Within India Year Ended		Outside India Year Ended		Total Year Ended	
	31.3.03	31.3.02	31.3.03	31.3.02	31.3.03	31.3.02
a Sales revenue by geographical market	9250	4930	1032	958	10282	5888
b Carrying amount of segment assets	11614	9427	322	254	11936	9681
c Additions to fixed assets	1677	1195	0	0	1677	1195

C Notes :

- a The Company is organised into two main business segments, namely :
- Pharmaceuticals - comprising of bulk drugs and formulations
 - Others - comprising of diagnostics and lab equipments which has been acquired under the Scheme of Amalgamation during the year.
- Segments have been identified and reported taking into account, the nature of products and services, the differing risks and returns, the organisation structure, and the internal financial reporting systems.
- b Segment revenue in each of the above segments primarily includes sales and export incentives in the respective segments.
- c 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.
- d Segment revenue, results, assets and liabilities include the respective amounts identifiable to each of the segments and amounts allocated on a reasonable basis.

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19 Related Party Transactions :

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

a Subsidiary Companies

Banyan Chemicals Limited	Zydus Healthcare S.A. Proprietary Ltd. [South Africa] [*]
Dialforhealth India Limited	Zydus Healthcare [USA] LLC. [*]
German Remedies Specialities Limited	Zydus Healthcare Brazil Limited [*]
Zydus Pharmaceuticals Limited	Zydus Healthcare [New Zealand] Limited [*]
Zydus International Pvt. Ltd. [Ireland]	

b Joint Venture Companies

Sarabhai Zydus Animal health Limited	Zydus Altana Healthcare Pvt. Ltd.
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c Associate Companies

Cadmach Machinery Company Private Limited	
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d Directors and their relatives

Shri P.R. Patel	Miss Shivani P. Patel
Shri Pranlal Bhogilal	Aarti Trust
Dr. M. A. Patel	Gira Trust
Shri Mukesh M. Patel	Rita Trust
Smt. Taraben R. Patel	Zydus Family Trust
Shri Sharvil P. Patel	B. M. Patel Family Trust
Mrs. Gira R. Patel	

e Enterprises significantly influenced by Directors and /or their relatives

M/s. Alidac Distributors [*]	Cadila Laboratories Limited [*]
M/s. Alidac Genetics & Pharmaceuticals [*]	M/s. Cadila Veterinary [*]
M/s. Cadila Distributors [*]	M/s. Zelta Pharmaceuticals [*]
M/s. Cadmach Exports	

[*] Indicates no transactions with the party during the year

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 19 - A [a, b, c and e]

Nature of Transactions	Volume of the Transactions (Rupees in millions)							
	Subsidiary Companies		Joint Venture Companies		Associate Companies		Associate Enterprises	
	Year Ended 31-03-03	Year Ended 31-03-02	Year Ended 31-03-03	Year Ended 31-03-02	Year Ended 31-03-03	Year Ended 31-03-02	Year Ended 31-03-03	Year Ended 31-03-02
1 Purchases :								
Goods	2	3			1	3		
Fixed Assets	547	3			3	17		
Services	2	14				0.1		
Deputation of personnel	44							
2 Sales :								
Goods	2452	2448	3	4				
Fixed Assets		11		0.9				
Services	4	6	0.2	0				
3 Investments :								
Purchase	253	915	20					
Dividend received	42	2	200					
4 Finance :								
Inter Corporate Deposits given	7	986	89	20				
Deposits Repaid					5		5	
Guarantees given	201	1618	400	533				
Interest received		50	2	0.1				
Int. Receivable W/loff	31							
5 Outstanding :								
Payable	47					5	20	25
Receivable	164	1501	89	20			19	20

Schedules to the Accounts

b Details relating to persons referred to in item 19-A [d] above :

	Rupees in Millions	
	Year Ended 31-03-03	Year Ended 31-03-02
1 Remuneration	56	58
2 Sitting Fees	0.3	0.1
3 Reimbursement of expenses	1	2
4 Professional Fees	1	1
5 Interest expense on deposits taken	18	6
6 Rent paid on residential flats	0.2	0.2
7 Outstanding fixed deposits payable	232	114
8 Outstanding remuneration payable	52	55

20 Calculation of Earnings per Share [EPS] :

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

		Year Ended	
		31-03-03	31-03-02
A Profit attributable to Shareholders			
a Profit for the year after tax	Rs. in millions	766	672
b Less : Dividend on Preference Shares	Rs. in millions	0	1
C Profit attributable to equity shareholders	Rs. in millions	766	671
B Basic and weighted average number of Equity Shares outstanding during the year	Nos.	62806854	59541368
C Nominal value of Equity Share	Rupees	5	5
D Basic and Diluted EPS	Rupees	12.20	11.27

21 Deferred Tax :

A As per the Accounting Standards Interpretation [ASII] - 2 issued by The Institute of Chartered Accountants of India the deferred tax liability should be calculated at the maximum marginal rate instead of MAT rate. The company had calculated the deferred tax liability for the previous accounting year at the MAT plus applicable surcharge rate. Consequently, the Company recalculated the cumulative net deferred tax liability as at 31st March, 2002 amounting to Rs. 166 millions and the same has been reduced from General Reserve .

B The Deferred tax liability of Rs. 193 millions for the year has been recognised in the Profit and Loss Account.

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

	Rupees in millions				
	As on 31-03-02	Acquired under Scheme	Charge for the year to General Reserve	to Profit & Loss A/c.	As on 31-03-03
Deferred Tax Liabilities :					
Depreciation	396	107	204	192	899
Others	0	0	0	6	6
Total	396	107	204	198	905
Deferred Tax Assets :					
Retirement benefits	2	0	4	4	10
Receivables	1	0	9	0	10
Others	(1)	3	25	1	28
Total	2	3	38	5	48
Net Deferred Tax Liability	394	104	166	193	857

Schedules to the Accounts

22 Quantitative and Value analysis of Sales Turnover :

Class of Goods	Units of Measure	Year ended 31-03-03		Year ended 31-03-02	
		Qty.	Rs. in millions	Qty.	Rs. in millions
Tablets	ML.Nos.	5527	4644	2771	2540
Capsules	ML.Nos.	528	864	431	784
Injections	K.Ltrs.	1118	1242	788	453
Dry Powder Injections	Kgs.	6749	348	3233	272
Liquids	K. Ltrs.	1486	303	1091	173
Dry Syrups, Powders & Granules	Tonnes	592	394	419	158
Ointments	Tonnes	175	145	8	3
Cosmeceuticals	Tonnes	269	124	213	115
Suppositories	Tonnes	18	44	0	0
Bulk Drugs [#]	Tonnes	556	1831	387	1266
Contract Manufacturings			144		0
Others			113		53
Export Incentives & Benefits			86		71
Total			10282		5888

[#] Includes Inter unit Transfer 86 Tonnes [2001-02 - 57 Tonnes] Rs. 4243 millions [2001-02 - Rs.346 millions].

23 Quantitative and Value analysis of Opening / Closing Stock :

Class of Goods	Units of Measure	As at 31-03-03		As at 31-03-02[*]		As at 31-03-01	
		Qty.	Rs. in millions	Qty.	Rs. in millions	Qty.	Rs. in millions
Tablets	ML.Nos.	283	141	366	178	187	110
Capsules	ML.Nos.	35	38	44	44	33	34
Injections	K. Ltrs.	113	81	63	53	72	32
Dry Powder Injections	Kgs.	181	36	396	14	709	16
Liquids	K. Ltrs.	67	19	55	12	72	13
Dry Syrups, Powders & Granules	Tonnes	37	15	29	7	39	9
Ointments	Tonnes	9	4	12	5	5	2
Suppositories	Tonnes	2	2	2	0	0	0
Bulk Drugs	Tonnes	28	79	27	130	10	57
Others			16		8		4
Total			431		453		277

Note : - [*] includes acquired under the scheme of Amalgamation.

24 Quantitative and Value Analysis of goods traded in :

Class of Goods	Units of Measure	Qty. Rs. in millions		Qty. Rs. in millions	
		As at 01-04-02 (*)		As at 01-04-01	
A Stock at Commencement :					
Tablets	ML.Nos.	103	37	60	16
Capsules	ML.Nos.	11	17	6	2
Injections	K. Ltrs.	15	127	4	65
Dry Powder Injections	Kgs.	27	9	33	7
Liquids	K. Ltrs.	41	8	4	1
Dry Syrups, Powders & Granules	Tonnes	16	3	3	2
Ointments	Tonnes	1	0	1	1
Bulk Drugs	Tonnes	0	2	1	4
Cosmeceuticals	Tonnes	18	4	64	12
Others			23		12
Total			230		122

Note : - [*] includes acquired under the scheme of Amalgamation.

Schedules to the Accounts

B Purchases :

Class of Goods	Units of Measure	Year Ended 31-03-03		Year Ended 31-03-02	
		Qty.	Rs. in millions	Qty.	Rs. in millions
Tablets	ML.Nos.	2013	472	898	206
Capsules	ML.Nos.	176	150	47	38
Injections	K. Ltrs.	195	279	33	211
Dry Powder Injections	Kgs.	3947	110	332	36
Liquids	K. Ltrs.	739	115	194	19
Dry Syrups, Powders & Granules	Tonnes	224	135	47	13
Ointments	Tonnes	63	15	1	0
Bulk Drugs	Tonnes	234	50	167	44
Cosmeceuticals	Tonnes	300	58	166	29
Others			69		39
Total			1453		635

Class of Goods	Units of Measure	Qty. Rs. in millions		Qty. Rs. in millions	
		As at 31.03.03		As at 31.03.02	
C Stock at close :					
Tablets	ML.Nos.	239	105	86	17
Capsules	ML.Nos.	25	21	2	2
Injections	K. Ltrs.	26	88	4	113
Dry Powder Injections	Kgs.	270	10	27	5
Liquids	K. Ltrs.	38	16	22	3
Dry Syrups, Powders & Granules	Tonnes	18	7	15	2
Ointments	Tonnes	2	0	0	0
Bulk Drugs	Tonnes	0	1	0	2
Cosmeceuticals	Tonnes	49	8	18	4
Others			32		
Total			288		148

25 Consumption of raw materials with value and quantity break-up :

Class of Goods	Qty. Rs. in millions		Qty. Rs. in millions	
	As at 31.03.03		As at 31.03.02	
Others (none of which individually accounts for more than 10 % of the total consumption)		2559		1773
Total		2559		1773

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

Class of Goods	Units of Measure	Installed Capacity	Actual Production Year Ended	
			31-03-03	31-03-02
Tablets	ML.Nos.	5140	3673	1927
Capsules	ML.Nos.	658	364	387
Injections	K. Ltrs.	553	1047	789
Dry Powder Injections	Kgs.	2	2957	2570
Liquids	K. Ltrs.	3350	796	913
Dry Syrups, Powders & Granules	Tonnes	6660	402	383
Ointments	Tonnes	56	115	3
Suppositories	Tonnes	16	19	0
Bulk Drugs [#]	Tonnes	413	323	230

[#] Includes Inter unit Transfer 86 Tonnes [2001-02 - 57 Tonnes] .

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

Schedules to the Accounts

	Year Ended 31.03.03		Year Ended 31.03.02	
	Rs.in millions	% to Total	Rs.in millions	% to Total
27 A Value of Raw Materials consumed :				
Imported	1061	41	544	31
Indigenous	1498	59	1229	69
Total	2559	100	1773	100
B Value of Stores & Spares consumed :				
Imported	12	16	3	6
Indigenous	63	84	48	94
Total	75	100	51	100

	Rupees in millions	
	Year Ended 31-03-03	Year Ended 31-03-02
28 Value of Imports calculated on CIF basis :		
Raw materials	917	330
Packing Materials	25	8
Finished goods	286	245
Spare Parts	13	2
Capital goods	113	120
29 Expenditure in Foreign currency :		
Travelling	20	14
Commission	25	18
Purchases of Trade-marks	633	0
Others (Salaries, Product Registration fees, etc.,)	108	84
30 Earnings in Foreign exchange :		
FOB value of Exports	1032	848
Others	5	1
31 Remittances made on account of dividend in Foreign currency :	Nil	Nil

Schedules to the Accounts

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

1 Registration details :

Registration number	25878 of 1995 - 96
Balance sheet date	31 - 03 - 2003
State code	4

Rs. in thousands

NIL

2 Capital raised during the year :

3 Position of Mobilisation & Deployment of Funds :

Total Liabilities	9898400
Total Assets	9898400

Sources of Funds :

Paid up Capital	314000
Reserves & Surplus	4298400
Deferred Tax Liabilities	857000
Secured Loans	3293000
Unsecured Loans	1136000

Application of Funds :

Net Fixed Assets	6829400
Investments	840000
Net Current assets	2007000
Miscellaneous Expenditure	222000

4 Performance of Company :

Turnover [including other income]	9627000
Total Expenditure	8573500
Profit before Tax	1053000
Profit after Tax	766000
Basic and Diluted Earning per Share [Rs.]	12.20
Dividend rate [%]	70

5 Generic names of three principal products/services of Company (As per monetary terms) :

Item Code Number (ITC Code)	300420.11
Product Description	Ciprofloxacin in capsules etc.
Item Code Number (ITC Code)	300490.38
Product Description	Other antacids
Item Code Number (ITC Code)	300439.03
Product Description	Dexamethasone tablets, injections, eye/ear drops etc.

Signatures to Schedules 1 to 19.

As per our report of even date

For R.R.Patel & Co.,
Chartered AccountantsFor Mukesh M. Shah & Co.,
Chartered AccountantsPankaj R. Patel
Chairman & Managing DirectorPranlal Bhogilal
DirectorR. R. Patel
ProprietorMukesh M. Shah
PartnerJyotindra B. Gor
Chief Accounts OfficerUpen H. Shah
Company SecretaryMukesh M. Patel
DirectorAhmedabad, Dated : 16th August, 2003.

Cash Flow Statement for the year ended 31.03.2003

Rupees in millions

	Year ended 31.03.03	Year ended 31.03.02
A Cash Flows from Operating Activities :-		
Net profit before taxation and extraordinary items	1143	734
Adjustments for :-		
Depreciation	381	188
Loss on sale of assets (net)	10	6
Loss on sale of investments (net)	11	1
Provision for diminution in value of investments	60	0
Interest income	(54)	(90)
Dividend income	(251)	(67)
Interest expenses	399	144
Bad debts written off	26	3
Discount on debentures written off	5	5
Preliminary expenses written off	0	0
Provisions for retirement benefits	18	7
Total	606	197
Operating profit before working capital changes	1749	930
Adjustments for :-		
[Increase] / Decrease in trade receivables	(324)	(155)
[Increase] / Decrease in other receivables	763	(1431)
[Increase] / Decrease in inventories	(342)	(220)
[Increase] / [Decrease] in trade payables & other liabilities	269	95
Total	365	(1710)
Cash generated from operations	2114	(780)
Interest received	52	94
Interest paid	(371)	(141)
Direct taxes paid (Net of refunds)	(100)	(44)
Total	(419)	(92)
Cash flow before extraordinary items	1695	(872)
Extraordinary items	(309)	0
Net cash from operating activities	1386	(872)
B Cash flows from Investing Activities :		
Purchase of fixed assets	(1470)	(1407)
Pre-operative & Project expenses	(4)	(1)
Purchase of investments	(823)	(942)
Proceeds from sale of investments	206	828
Proceeds from sale of fixed assets	6	13
Interest received on long term investments	0	0
Dividend received	302	67
Net cash from investing activities	(1783)	(1443)
C Cash flows from Financing Activities :		
Redemption of Preference share capital	0	(20)
Borrowings (net)	188	2169
Dividends paid	(204)	(179)
Tax on dividends paid	0	(18)
Net cash used in financing activities	(16)	1951
Net increase / (-) decrease in cash and cash equivalents	(413)	(363)
Cash and cash equivalents at the beginning of the year	56	419
Cash and cash equivalents acquired due to Amalgamation	448	0
Cash and cash equivalents at the close of the year	91	56

Notes to the Cash Flow Statement

- All figures in brackets are outflow.
- Previous year's figures have been regrouped wherever necessary.
- The amalgamation of the Company with GRL, RHL, ZPL and Zoom is considered as non-cash adjustment except receipt of dividend from GRL during the year.

Pankaj R. Patel
Chairman & Managing Director

Jyotindra B. Gor
Chief Accounts Officer

Upen H. Shah
Company Secretary

Pranlal Bhogilal
Director

Mukesh M. Patel
Director

Ahmedabad, Dated : 16th August, 2003.

Auditor's Certificate

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

We have examined the attached Cash Flow Statement of Cadila Healthcare Limited for the year ended March 31, 2003. 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, 2003 covered by our Report dated 16th August, 2003 to the members of the Company.

For R.R.Patel & Co.,
Chartered Accountants
R. R. Patel
Proprietor
Ahmedabad, Dated : 16th August, 2003

For Mukesh M. Shah & Co.,
Chartered Accountants
Mukesh M. Shah
Partner

Statement Pursuant to Section 212 of the Companies Act, 1956 Relating to Subsidiary Companies

Name of the subsidiary Companies	Financial year ending of the subsidiary	Number of equity shares held with its face value	Extent of holding	For the financial year of the subsidiary		For the previous financial years since it became a subsidiary	
				Profits/(losses) so far as it concerns the members of the holding company and not dealt with in the holding company's accounts	Profits/(losses) so far as it concerns the members of the holding company and not 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 not dealt with in the holding company's accounts
Zydus Pharmaceuticals Limited	31st March, 2003	950000 Eq. shares of Rs. 10/- each	100%	Profit of Rs. 1.12 millions	Nil	Profit of Rs. 8.96 millions	Rs. 2.00 millions
Banyan Chemicals Ltd #	31st March, 2003	3511815 Equity shares of Rs. 10/- each	100%	Profit of Rs. 43.68 millions	Nil	NA	NA\$
German Remedies Specialities Ltd.	31st March, 2003	24000 Equity shares of Rs. 100/- each	100%	Profit of Rs. 1.58 millions	Nil	Profit of Rs.35.82 millions	Rs. 9.60 millions
Dialforhealth India Limited	31st March, 2003	5000000 Equity shares of Rs. 10/- each	100%	Loss of Rs. 22.76 millions	Nil	Nil	Nil
Zydus International Pvt. Ltd. (Ireland)	31st December, 2002	100000 Equity Share of UK pound 1 each	100%	Profit of UK Pound 571712	Nil	Los of U.K pound 615689	Nil
Zydus Healthcare S.A Proprietary Ltd. (South Africa)@	28 February, 2003	50000 Ordinary Shares of South Africa Rand 1 each	100%	Loss of Rand 2732	Nil	Loss of Rand 87717	Nil
Zydus Healthcare (USA), LLC # @	31 December 2002	Nil	Nil	Loss of US Dollar 5960	Nil	Nil	Nil
Zydus Healthcare Brazil Ltda. #@	31 December 2002	Nil	Nil	Loss of US Dollar 4096.96	Nil	Nil	Nil

Became/established as subsidiary of the Company during the year.

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

\$ Final dividend for the year 2001-2002 of Rs. 31.61 millions received during 2002-03 pertains to the period prior to the date it became subsidiary.

A. There has been no change in the Holding Company's interest in the Subsidiary between the end of the financial year of the subsidiary Companies and the end of the financial year of the Holding Company.

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

Jyotindra B. Gor
Chief Accounts Officer

Upen H. Shah
Company Secretary

Pranlal Bhogilal
Director

Pankaj R. Patel
Chairman & Managing Director

Mukesh M. Patel
Director

Ahmedabad, Dated : 16th August, 2003.

Corporate Information

Board of Directors	Auditors	Registered Office
M. Parik R. Patel, Chairman M. Shant P. Patel, Director Mrs. Priti P. Patel, Director	R. R. Patel & Co., Chartered Accountants 14-15, 4th Floor, K.B. Commercial Centre Near Citrus Tower Ahmedabad - 380 001	Mukesh M. Shah & Co., Chartered Accountants 2nd Floor, R. K. House Ashram Road Ahmedabad - 380 008

Directors' Report to the members

Your Directors have pleasure in presenting the Ninth Annual Report of the Company together with the Audited Statement of Accounts for the year ended on 31st March, 2003.

Financial Results

The brief financial results are as under:	(Rupees in Millions)	
	31-03-2003	31-03-2002
Sales and other income	2292.28	2298.18
Profit before taxation	4.08	3.98
Provision for taxation	2.39	1.20
Profit after taxes	1.67	2.36
Less: Prior year's expenses	0.43	0.08
Net Profit brought forward from last year	6.96	6.13
Profit available for appropriation	8.20	8.41
Proposed dividend	0.95	0.95
Corporate dividend for as proposed dividend	0.12	0
General Reserve	0.80	0.49
Balance carried to Balance Sheet	6.63	6.97

Year under review
During the year under report, the Company has earned total income of Rs. 2292.28 millions. The Company has earned profit before taxation of Rs. 4.08 million which is 14% higher to the previous year profit before taxation of Rs. 3.98 million. However, the profit after tax provision has decreased from Rs. 2.36 million of the previous year to Rs. 1.67 million for the current year.

Dividend
In view of the profits during the year, the Directors recommend for payment of dividend @ Rs. 1/- per Equity Share on Rs.50,000 Equity Shares of Rs. 10/- each for the financial year ended on 31st March, 2003. To those shareholders whose names appear on the Register of Members on 31st March, 2003, which is approved by the members at Annual General Meeting will be paid out of profits for the year ended on 31st March, 2003.

Deposits
The Company has not accepted fixed deposits during the year under report and therefore the Company is not required to comply with the provisions of Section 58A of the Companies Act, 1956 together with the requirements prescribed under the Companies (Acceptance of Deposits) Rules, 1975.

Securities Compliance Certificate
Pursuant to amendment in section 255A of the Companies Act, 1956, every company which is not required to employ whole time Company Secretary and having paid up capital in excess of Rs. 10,00,000 and/or has had less than Rs. 2 crores, has to submit a Securities Compliance Certificate from a Practising Company Secretary and the said Certificate shall be attached to the Director's Report. The Company in its Board Meeting has appointed Mrs. Sanghvi & Sanghvi, Company Secretaries, to verify the aforesaid records and to provide a Compliance Certificate, which is attached to the Director's Report.

appointment of the Secretarial Auditor and to fix their remuneration.
Directors
Shri Parik R. Patel, Director of the Company relieves by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment. The Board recommends his reappointment.

Auditors
Mrs. R. R. Patel & Co., Chartered Accountants and M/s. Mukesh M. Shah & Co., Chartered Accountants were appointed as Joint Statutory Auditors by members at the Eighth Annual General Meeting and they continue to hold office until conclusion of the Annual General Meeting. The Board recommends the appointment of the joint auditors for the current financial year and to fix their remuneration.

Conservation of energy, technology absorption and foreign exchange earnings and outgo
The Company is not carrying on any manufacturing activities and hence the information pertaining to conservation of energy and technology absorption is not provided. However, there is no foreign exchange earnings or outgo during the year under report.

Particulars of Employees
The Company does not have any employees in the category as specified under Section 217(1)(a) of the Companies Act, 1956.

Insurance
All the properties of the Company are adequately insured.

Director's Responsibility Statement

Your Directors confirm:
(a) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

(b) that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended on 31st March, 2003 and of the profit of the Company for that period;

(c) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records for the year ended 31st March, 2003 in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(d) that the Directors have prepared the annual accounts in a diligent manner.

Appointment
Your Directors take an opportunity to express their sincere thanks to the members of the Company and to place on record the devoted services rendered by employees of the Company.

On behalf of the Board of Directors
Place: Ahmedabad Date: 13th August, 2003 P. R. Patel
Chairman

Compliance Certificate

To
The Members of
Zydus Pharmaceuticals Limited, Ahmedabad

I have examined the registers, books, ledgers and papers of ZYDUS PHARMACEUTICALS LIMITED (the Company) as required to be maintained under the Companies Act, 1956 (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2003.

In my opinion and to the best of my information and according to the memoranda carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that the Company has complied with the provisions of the Act.

1. The Company has kept and maintained all registers as stated in Annexure 'A' to the certificate, as per the provisions and the rules made thereunder and all entries therein have been duly recorded.

2. The Company has duly filed the forms and returns as stated in Annexure 'B' to the certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities with the time prescribed under the Act and the rules made thereunder.

3. The Company, being a public limited company, comments are not required.

4. The Board of Directors of the Company did not have an AGM in 2002, 10/03/2002, 01/07/2002, 05/07/2002, 05/08/2002, 01/10/2002, 01/11/2002, 05/11/2002, 05/01/2003 and 07/10/2003 in respect of which notices were given and the proceedings were properly recorded and signed including the minute resolutions passed in the Minute Book maintained for the purpose.

5. The Company was not required to close its Register of Members, during the financial year.

6. The Annual General Meeting for the financial year ended on 31st March 2003 was held on 26.03.2003 after giving due notice to the members of the company and the resolutions passed thereat were duly recorded in Minute Book maintained for the purpose.

7. No extra ordinary general meeting was held during the financial year.

8. The Company has not advertised any loan to its directors and/or promoters or firms or companies referred to in section 205 of the Act.

9. The Company has duly complied with the provisions of section 207 of the Act in respect of contracts specified in that section.

10. The Company has made necessary entries in the register maintained under section 207 of the Act.

11. As there were no liabilities falling within the purview of section 214 of the Act, the Company has not obtained any approval from the Board of Directors, members or the Central Government.

12. The Company has not issued any duplicate share certificates during the year.

13. The Company has:
(a) advised the shareholders on allotment of securities and on adjustment thereof for transferee/assignee or any other purpose in accordance with the provisions of the Act.
(b) paid the amount of dividend declared within five days from the date of declaration of such dividend.
(c) paid/provided for dividends to all the members within a period of 30 (thirty) days from the date of declaration and had been duly ascertained/verified and paid.
(d) No unpaid dividend account, application money due for refund, retained deposits, mutual debentures and the interest accrued thereon which have remained unclaimed or unpaid for a period of seven years required to be transferred to Investor Education and Protection Fund.

14. The Company has not accepted any deposit during the financial year.

15. The Company has not appointed any Managing Director / Whole time director/Manager during the financial year.

16. The Company has not appointed any sole selling agent during the financial year.

17. The Company was not required to obtain any approval of the Central Government, Company Law Board, Regional Director or sub office authorities as prescribed under the various provisions of the Act, during the financial year.

18. There were no transactions resembling the Company to keep in abeyance the rights to dividend, right shares and bonus shares pending registration of transfer of shares.

19. The Company has not issued or accepted any deposits including unsecured loans falling within the purview of section 58A during the financial year.

20. The amount borrowed by the Company from banks and others during the financial year ending 31st March 2003 is within the borrowing limits of the Company as prescribed under Section 203(1)(a) of the Act.

21. The Company has not made any loans or advances or given guarantee or provided securities to other bodies corporate and consequently no entries have been made in the register kept for the purpose.

22. The Company has not altered provisions of memorandum with respect to situation of Company's Registered Office from one state to another during the year under scrutiny.

23. The Company has not altered the provisions of the memorandum with respect to the objects of the Company during the year under scrutiny.

24. The Company has not altered the provisions of memorandum with respect to the name of the Company during the year under scrutiny.

25. The Company has not altered the provisions of the memorandum with respect to share capital of the Company during the year under scrutiny.

26. The Company has not altered any provisions of its Articles of Association during the year under scrutiny.

27. There was no prosecution initiated against or other claims made incurred by the Company for alleged offences under the Act during the year under scrutiny.

28. The Company has not received any money as security from its employees during the year under scrutiny.

29. The Company has disclosed both employer's and employee's contribution to Provident Fund with prescribed authorities pursuant to section 418 of the Act.

Ahmedabad, Dated: 13th August, 2003. D. D. SANGHVI
Practising Company Secretary
CP No. 1130

Annexure 'A'

- Registers as maintained by the Company
1. Register of Charges viz 140
2. Register of Members viz 193
3. Books of Accounts viz 239
4. Register of Contracts viz 301
5. Register of Directors viz 303
6. Register of Directors' Shareholdings viz 307
7. Register of Investments viz 372A
8. Minutes of all meetings of Board of Directors and General Meetings
9. Register of Fixed Assets
10. Register of Transfer of Shares

Annexure 'B'

- Forms and Returns as filed by the Company with the Registrar of Companies, Regional Director, Central Government or other authorities during the financial year ending on 31st March 2003.
1. Annual Return (Schedule V filed viz, 158 on 25/11/2002. For the Annual General Meeting held on 26/03/2003.
2. Annual Accounts for the year ended 31st March 2002 viz 220 filed on 26/10/2002.
3. Form No. 32 under section 303(i) filed on 10/10/2002 for issuance of Company Secretary.

Auditors Report

To
The Members of
Zydus Pharmaceuticals Limited, Ahmedabad

We have audited the attached Balance Sheet of Zydus Pharmaceuticals Limited as at 31st March, 2003 and also the Profit and Loss Account 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.

We conducted our audit in accordance with auditing standards generally accepted in India. These 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.

As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1984 issued by the Central Government of India in terms of sub-section (4) of section 227 of Companies Act, 1956, we declare in the annexure a statement on the matters specified in the paragraph 4 and 5 of the said order.

Further to our comments in the annexure referred to above, we report that:
1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.

2. 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 these books.

3. The Balance Sheet and Profit and Loss Account dealt with by the report are in agreement with the books of account.

4. In our opinion, the Balance Sheet and Profit and Loss Account dealt with by the report comply with the accounting standards referred to in sub-section (2C) of Section 211 of the Companies Act, 1956.

5. On the basis of written representation received from the directors, as on 31st March, 2003, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2003 from being appointed as a director in terms of clause (g) of sub-section (7) of Section 249 of the Companies Act, 1956.

6. In our opinion, and to the best of our information and according to the explanations given to us, the said accounts 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.

7. In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2003, and
8. In the case of the Profit and Loss Account, of the Profit for the year ended on that date.

For R. R. Patel & Co.,
Chartered Accountants
R. R. Patel
Proprietor
Ahmedabad,
Dated: 13th August, 2003.

For Mukesh M. Shah & Co.,
Chartered Accountants
Mukesh M. Shah
Partner

Annexure to the Auditors Report

To
The Members of
Zydus Pharmaceuticals Limited, Ahmedabad

Annexure referred to in paragraph 1 of the Auditors' Report of even date of Zydus Pharmaceuticals Limited on the accounts for the year ended on 31st March 2003

1. The Company has maintained the proper records showing full particulars, including quantitative details and situation of its fixed assets. The management has physically verified the fixed assets of the Company during the year, and we are informed that no material discrepancies are noticed on such verification as compared to the abstract records of fixed assets.

2. None of the fixed assets of the Company have been realized during the year.

3. Physical verification of stocks has been conducted by the management at reasonable intervals in respect of stock of finished goods. In our opinion the frequency of verification is reasonable.

4. In our opinion and according to the information and explanations given to us, the procedure for physical verification of the stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

5. The discrepancies noticed on verification between the physical stocks and the book records were not material.

6. In our opinion and on the basis of our examination of the stock records, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and to or the same basis as in the preceding year.

7. The Company has not altered provisions of memorandum with respect to situation of Company's Registered Office from one state to another during the year under scrutiny.

8. The Company has not altered the provisions of the memorandum with respect to the objects of the Company during the year under scrutiny.

9. The Company has not altered the provisions of memorandum with respect to share capital of the Company during the year under scrutiny.

10. The Company has not altered any provisions of its Articles of Association during the year under scrutiny.

11. There was no prosecution initiated against or other claims made incurred by the Company for alleged offences under the Act during the year under scrutiny.

12. The Company has not received any money as security from its employees during the year under scrutiny.

13. The Company has disclosed both employer's and employee's contribution to Provident Fund with prescribed authorities pursuant to section 418 of the Act.

arrangements entered in the register maintained under section 301 of the Companies Act, 1956, and aggregating during the year to Rs. 50,000/- or more in respect of each party, have been made at prices which are reasonable having regard to the prevailing market prices for such goods, materials and services in the price at which such transactions for similar goods, materials and services have been made with other parties.

12. As explained to us, the Company has a regular procedure for the determination of unworkable or damaged stores, raw materials and finished goods. Adequate provision has been made in the accounts for the loss arising on the same as determined.

13. The Company has not accepted any deposits from the public within the meaning of section 58A of the Companies Act, 1956.

14. According to the information and explanations given to us, there are no by-products or scrap arising out of production of the Company.

15. In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business.

16. As informed to us, the Central Government has not prescribed for maintenance of cost records by the company under provisions of section 209 (7) (c) of the Companies Act, 1956.

17. Standing in the records of the Company, Provident Fund and Employees State Insurance dues have been regularly deposited with the appropriate authorities.

18. On the basis of examination of the records and according to the information and explanations given to us, there are no undivided amounts payable in respect of income tax, wealth tax, customs duty, sales tax and excise duty which were remained outstanding as at 31st March, 2003, for a period of more than six months from the date they became payable.

19. According to the information and explanations given to us, no personal expenses have been charged to revenue account other than that payable under contractual obligations or in accordance with generally accepted business practice.

20. The Company is not a Sick Industrial Company within the meaning of Section 7 (1) (c) of the Sick Industrial Companies (Special Provisions) Act, 1985.

21. As informed to us, the Company does not have any damaged goods in respect of its trading activity.

For R. R. Patel & Co.,
Chartered Accountants
R. R. Patel
Proprietor
Ahmedabad,
Dated: 13th August, 2003.

For Mukesh M. Shah & Co.,
Chartered Accountants
Mukesh M. Shah
Partner

Balance Sheet as at 31st March, 2003

		Rupees in Thousands	
		As at 31-3-2003	As at 31-3-2002
Particulars	Schedule No.		
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	9000	9000
Reserves & Surplus	2	9129	8964
		18129	17964
Loan Funds			
Secured Loans	3	20548	89671
Unsecured Loans	4	22620	80272
		22868	169943
Total		41097	187507
APPLICATION OF FUNDS			
Fixed Assets	5		
Grass Root		681	714
Less: Depreciation		702	1170
Net Book		3549	6024
Investments	6	300	1000
Net Current Assets			
Current Assets, Loans and Advances:			
Inventories	7	22813	14881
Sundry Debtors	8	13830	17039
Cash and Bank Balances	9	20410	5287
Loans and Advances	10	2604	2421
		38738	34648
Less: Current Liabilities & Provisions:			
Current Liabilities	11	14700	12670
Provisions	12	4754	4727
		19454	14498
		22868	169428
Deferred Tax Assets (Net)	13(3/7)	200	49
Miscellaneous Expenditure (To the extent not written off or adjusted)	13	7	13
Total		41097	187507
Significant Accounting Policies & Notes on Accounts	14		

As per our attached report of even date
For R. R. Patel & Co.,
Chartered Accountants
R. R. Patel
Proprietor
Ahmedabad, Dated: 13th August, 2003.

For Mukesh M. Shah & Co.,
Chartered Accountants
Mukesh M. Shah
Partner
Ahmedabad, Dated: 13th August, 2003.

Profit and Loss Account for the year ended on 31st March, 2003

		Rupees in Thousands	
		Year ended 31-3-2003	Year ended 31-3-2002
Particulars	Schedule No.		
INCOME:			
Sales	14	2292.28	2276.94
Other Income		4.08	3.19
Total		2296.36	2280.13
EXPENDITURE:			
Cost of Finished Goods Sold	15	2270.71	2204.16
General Expenses	16	4.88	3.63
Interest & Financial Charges	17	2.82	2.124
Depreciation		1.13	1.62
Total		2279.54	2211.53
Profit before Taxes		4.00	3.84
Provision for Taxation	18	2.39	1.20
Profit after Taxes		1.67	2.39
Less: Prior year's Expense		4.00	0.4
Net Profit		1.27	2.75
Balance Brought Forward		694	613
Profit Available for Appropriation:		621	643
APPROPRIATIONS			
Proposed Dividend		95	95
Corporate Dividend Tax on Dividend Profit		12	0
Total		107	95
Transfer to General Reserve		500	491
		107	141
Balance Carried to Balance Sheet		620	644

As per our attached report of even date
For R. R. Patel & Co.,
Chartered Accountants
R. R. Patel
Proprietor
Ahmedabad, Dated: 13th August, 2003.

For Mukesh M. Shah & Co.,
Chartered Accountants
Mukesh M. Shah
Partner
Ahmedabad, Dated: 13th August, 2003.

Schedules to the Accounts

		Rupees in Thousands	
		As at 31-3-2003	As at 31-3-2002
1. SHARE CAPITAL			
Authorised:			

Schedules to the Accounts

	Rupees in Thousands	
	Year ended 31-3-2003	Year ended 31-3-2002
16. COST OF FINISHED GOODS SOLD		
Purchases of Finished Goods (Increase)/Decrease in Stock of Finished Goods	236770	208581
Less: Stock at Commencement	235913	148881
	(7922)	5425
Total	236771	239431

16. GENERAL EXPENSES

	Year ended 31-3-2003	Year ended 31-3-2002
Personal Expenses	80	2387
Salaries, Wages and Bonus	38	805
Company's contribution to provident & other funds	82	315
Staff welfare expenses	94	2287
Insurance	74	28
Payment to Auditors		84
Audit Fees	105	84
Tax Audit Fees	26	21
Others	5	0
	136	188

Selling & Distribution Expenses :

	Year ended 31-3-2003	Year ended 31-3-2002
Distribution Expenses	6139	1358
Other Marketing Expenses	254	258
Service Charges	2688	1254
Sales Promoter Expenses	0	35
	3628	2394
Bad Debts written off	87	137
Loss on sale of investments (net)	328	0
Loss on sale of assets (net)	118	0
Exchange Rate Fluctuations	7019	0
Miscellaneous Expenses	607	717
Provisionary Expenses written off	6	7
Total	4892	2393

17. INTEREST & FINANCIAL CHARGES

	Year ended 31-3-2003	Year ended 31-3-2002
Interest	3475	4281
On Working Capital Loan	6477	5428
Others		
	10952	12717
Bank Commission & other financial charges	7881	7917
Total	20831	21634

18. PROVISION FOR TAXATION

	Year ended 31-3-2003	Year ended 31-3-2002
Current Tax	1800	1250
Deferred Tax	(207)	(83)
	1593	1167
Add (Less) : Prior year tax adjustments	891	(5)
Total	2484	1162

19. SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

- 1. Basis of Accounting:**
The financial statements are prepared under the historical cost convention on the basis of "Accrual Concept".
- 2. Fixed Assets and Depreciation:**
a. Fixed Assets are stated at historical cost of acquisition / construction less accumulated depreciation.
b. Depreciation is provided on "Straight line method" as per Section 35(2)(b) of the Companies Act, 1986 at the rates prescribed in Schedule XIV thereto.
c. 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.
- 3. Borrowing Costs:**
Cost of borrowings is recognised as an expense in the period in which it is incurred.
- 4. Inventories:**
Finished Goods are valued at lower of the cost or net realisable value, as FIFO basis.
- 5. Investments:**
Long Term Investments are stated at cost, less any diminution in the value other than temporary.
- 6. Revenue Recognition:**
a. The Company recognises sale of products when they are invoiced to customers excluding sales tax and trade discounts.
b. Revenue in respect of other income is recognised when no significant uncertainty as to its determination or realisation exists.
- 7. Foreign Currency Transactions:**
a. The transactions in foreign currencies on revenue accounts are stated at the amounts realised/during the year.
b. The balances in current assets and current liabilities in foreign currencies at the date of Balance Sheet are stated at the prevailing exchange rates at the year end.
c. The net gain or loss on account of exchange differences on transaction pertaining to revenue nature is taken to Profit & Loss Account.
- 8. Retirement Benefits:**
a. Contribution to provident fund during each year as per the scheme is charged to Profit and Loss Account.
b. Gratuity and Leave Encashment liabilities are charged to Profit & Loss Account on the basis of actuarial valuation.
- 9. Miscellaneous Expenditure not written off:**
Provisionary Expenses are written off equally over a period of ten years.
- 10. Taxes on Income:**
a. Current tax is determined on the basis of the amount of tax payable on taxable income for the year.
b. In accordance with the Accounting standard 22 - "Accounting for Taxes on Income", issued by the Institute of Chartered Accountants of India, the deferred tax for timing differences between the book profit and tax profit for the year is accounted for using the tax rates and laws that have been enacted or substantively enacted as of the balance sheet date. Deferred tax assets arising from temporary timing differences are recognised to the extent there is reasonable certainty that the assets can be realised in future.
- 11. Notes on Accounts:**
1. Figures for the previous year have been regrouped wherever necessary so as to make it comparable with those of the current year.
2. In the pending income-tax return for assessment of the company, the company does not anticipate any liability in respect of the same.
3. On the basis of the information available with the company regarding the status of the suppliers, there are no amounts due as on 31st March, 2003 to any supplier who is a small scale industrial undertaking.

	Rupees in Thousands	
	As at 31-3-2003	As at 31-3-2002
4. Contingent Liabilities not provided for:		
In respect of guarantees given by banks and courier guarantees given by the Company	250	250
In respect of Sales Tax matters pending in Appeal	14138	0
Claims against the Company not acknowledged as debts	1821	782

20. Segment Information:

	Rupees in Thousands			
	Year ended 31st March, 2003		Year ended 31st March, 2002	
	Pharmaceuticals	Eliminated/Unallocated	Pharmaceuticals	Eliminated/Unallocated
A. Revenue:				
External	236770	0	236770	239431
Inter-segment	0	0	0	0
Total Revenue	236770	0	236770	239431
B. Result:				
Segment Result	24619	0	24619	24619
Unallocated expenditure (net of unallocated income)			83	78
Operating profit			24702	24747
Rest Income			572	583
Dividend Income			78	84
Interest Income			26	0
Interest Expenses			(2887)	(2164)
Income taxes (Current, Deferred & prior year tax adjustments)			(2294)	(1228)
Profit from ordinary activities			1867	2268
Prior Year's Expenses			(303)	(84)
Net Profit			1564	2179

- C. Other Information:**
Assets: 20831, Liabilities: 37257, Depreciation: 178, Net Cash expenses other than depreciation: 8
- Secondary Business Segment - By Geographical market:**
The Sales revenue by geographical market is within India only.
- Notes:**
A. The Company is organized into only one business segment, namely dealing in Pharmaceuticals products comprising formulations. Segment has been identified and reported taking into account, the nature of products and services, the differing risks and returns, the organization structure and the internal financial reporting systems.
B. Segment revenue includes sales and service charges.
C. Segment revenue, results, assets and liabilities include the respective amounts identifiable to each of the segments and amounts allocated on a reasonable basis.

21. Related Party Transactions:

- A. Name of the Related Party and Nature of the Related Party Relationship:**
Citic HealthCare Limited
- B. Nature of Transactions:**
Zylix International Pvt. Ltd. [India]
Zylix Healthcare S.A. Proprietary Ltd. [South Africa]
Zylix Healthcare (U.S.A.) LLC
Zylix Healthcare (New Zealand) Limited
Zylix HealthCare Private Limited
- C. Details relating to parties referred to in items A & B (i) & (ii):**

	Year ended 31st March, 2003			Year ended 31st March, 2002		
	Particulars	Subsidiary Company	Joint Ven. Companies	Particulars	Subsidiary Company	Joint Ven. Companies
1. Purchases - Goods	236770	0	0	236770	0	0
2. Sales - Services (including Service Tax)	0	0	472	875	2880	0
3. Rent received	0	0	0	0	0	363
4. Dividends paid	0	0	0	0	0	0
5. Outstanding payables	12838	0	0	12838	0	0

- There are no transactions with the persons referred to in item B (i) above.
- Deferred Tax:**
Break up of Deferred Tax Assets and Liabilities into major components of the respective balances are as under:

	Rupees in Thousands		
	As at 31-3-2003	Change for the year	As at 31-3-2002
Deferred Tax Assets	333	27	377
Retirement benefits	44	(44)	0
Others	34	(17)	27
Deferred Tax Liabilities	343	(248)	377
Depreciation	48	201	250
Net Deferred Tax Assets			

Class of Goods	Units of Measure	Year ended 31-3-2003		Year ended 31-3-2002	
		Qty.	Rs. in '000	Qty.	Rs. in '000
Tablets	ML Nos.	889.85	157913	1067.82	1991426
Capsules	ML Nos.	151.33	448794	158.41	448828
Injections	K.Litres	80.59	189423	88.27	177527
Dry Powder Injections	Gms	311.86	72987	280.37	48238
Liquid	K.Litres	386.88	72883	385.41	81880
Dry Syrup & Powder	Tonnes	25.74	32678	26.40	26796
Oralment	Tonnes	1.20	407	0.58	267
I.U.C.D	Th.Nos.	0.00	63	0.01	86
Cosmetics	Tonnes	28.21	16088	11.54	11881
Total		228942		2278846	

Class of Goods	Units of Measure	Year ended 31-3-2003		Year ended 31-3-2002	
		Qty.	Rs. in '000	Qty.	Rs. in '000
Tablets	ML Nos.	75.10	152298	31.30	103288
Capsules	ML Nos.	11.41	30226	6.81	29140
Injections	K.Litres	6.86	18920	3.39	12263
Dry Powder Injections	Gms	27.87	64138	299.31	48578
Liquid	K.Litres	411.30	72883	375.45	72883
Dry Syrup & Powder	Tonnes	26.80	31885	25.12	26880
Oralment	Tonnes	1.28	408	0.34	8
I.U.C.D	Th.Nos.	0.00	67	0.01	107
Cosmetics	Tonnes	31.32	16126	11.86	26501
Total		228942		2278846	

Class of Goods	Units of Measure	Year ended 31-3-2003		Year ended 31-3-2002	
		Qty.	Rs. in '000	Qty.	Rs. in '000
Tablets	ML Nos.	75.10	152298	31.30	103288
Capsules	ML Nos.	11.41	30226	6.81	29140
Injections	K.Litres	6.86	18920	3.39	12263
Dry Powder Injections	Gms	27.87	64138	299.31	48578
Liquid	K.Litres	411.30	72883	375.45	72883
Dry Syrup & Powder	Tonnes	26.80	31885	25.12	26880
Oralment	Tonnes	0.17	102	0.08	34
I.U.C.D	Th.Nos.	0.00	4	0.00	0
Cosmetics	Tonnes	2.82	1323	0.41	151
Total		228942		2278846	

Schedules to the Accounts

	Rupees in Thousands	
	Year ended 31-3-2003	Year ended 31-3-2002
18. Value of Imports calculated on C.I.F. Basis	Nil	Nil
19. Expenditure in Foreign Currency	Nil	Nil
20. Reserves in Foreign Currency	Nil	Nil
21. Earnings in Foreign Currency	Nil	Nil

	Rupees in Thousands	
	Year ended 31-3-2003	Year ended 31-3-2002
C. Balance Sheet Abstract and Companies General Business Profile		
1. Registration Details	2338	
Registration Number	31-03-03	
Balance Sheet Date	04	
State Code	NA	
2. Capital Raised During the Year	NA	
3. Position of Mobilisation and Deployment of Funds:	Rs. in '000	
Total Liabilities	247818	
Total Assets	247818	
Source of Funds:		
Paid-up Capital	9000	
Reserves and Surplus	9128	
Secured Loans	22548	
Unsecured Loans	22828	
Application of Funds:		
Net Fixed Assets	5645	
Investments	332	
Net Current Assets	228910	
Deferred Tax Assets	333	
Miscellaneous Expenditure	7	
4. Performance of Company:		
Total Income (including other income)	236278	
Total Expenditure	238947	
Profit before Tax	3631	
Profit after Tax	1237	
Corporation Tax (Pa.)	130	
Dividend Rate (%)	10%	
5. Generic Name of Three Products / Service of Company (As per mandatory terms)		
Item Code No. (ITC code)	200435.11	
Product Description	Ciprofloxacin in aqueous sol.	
Item Code No. (ITC code)	200495.38	
Product Description	Other aqueous sol.	
Item Code No. (ITC code)	200498.38	
Product Description	Desamethasone tablets injection, ophthalmic drops, etc.	

- As per our attached report of even date
- For R. K. Patel & Co., Chartered Accountants
R. K. Patel, Partner
Attested, Dated: 12th August, 2003
- For Mukesh M. Shah & Co., Chartered Accountants
Mukesh M. Shah, Partner
Attested, Dated: 12th August, 2003
- For R. Patel, Chairman
R. Patel, Director
Attested, Dated: 12th August, 2003

Cash Flow Statement for the year ended 31st March, 2003.

Particulars	Rupees in Thousands	
	Year ended 31-3-2003	Year ended 31-3-2002
A. Cash Flows from Operating Activities		
Net profit before taxation and extraordinary items	4061	3884
Adjustments for:		
Depreciation	113	162
Loss on sale of assets (net)	118	0
Loss on sale of investments (net)	328	0
Interest Income	(1077)	(1648)
Dividend Income	(78)	(84)
Interest Expenses	2887	2164
Bad debts written off	87	137
Provisionary expenses written off	0	7
Provision for retirement benefits	(303)	(84)
Total	(242)	(88)
Total	3819	2996
Operating profit before working capital changes	23413	22881
Adjustments for:		
Decrease / (Increase) in trade receivables	31910	(28857)
(Increase) / Decrease in other receivables	(7023)	1071
(Increase) / Decrease in inventories	(79022)	8428
(Increase) / Decrease in trade payables & other liabilities	763	(2288)
Total	(6618)	14887
Cash generated from operations	(2787)	17348
Interest received	108	1077
Interest paid	(1224)	(2168)
Direct taxes paid (net of refunds)	(2278)	(2743)
Total	(2781)	(2126)
Cash flow before extraordinary items	(2849)	15796
Net cash from operating activities	(2849)	15796
B. Cash Flows from Investing Activities		
Proceeds from sale of investments	387	0
Proceeds from sale of fixed assets	148	0
Dividend received	82	80
Net cash from investing activities	617	80
C. Cash Flows from Financing Activities		
Borrowings (net)	5404	(156423)
Dividends paid	(882)	(813)
Tax on dividends paid	0	(87)
Net cash used in financing activities	4522	(157323)
Net increase / (Decrease) in cash and cash equivalents	10123	(66144)
Cash and cash equivalents at the beginning of the year	5287	49801
Cash and cash equivalents at the close of the year	20410	5367

- All figures in brackets are in Indian Rupees
- Previous year's figures have been regrouped wherever necessary

- As per our attached report of even date
- For R. K. Patel & Co., Chartered Accountants
R. K. Patel, Partner
Attested, Dated: 12th August, 2003
- For Mukesh M. Shah & Co., Chartered Accountants
Mukesh M. Shah, Partner
Attested, Dated: 12th August, 2003
- For R. Patel, Chairman
R. Patel, Director
Attested, Dated: 12th August, 2003

Corporate Information

Board of Directors	Auditors	Registered Office	Location of Plant
Mr. Parag R. Patel, Chairman Mr. Shantil P. Patel, Director Mrs. Poo P. Patel, Director	R. K. Patel & Co., Chartered Accountants 14-15, 4th Floor K.B. Commercial Centre New Ordeal Tower Ahmedabad - 380 001.		

10. In our opinion, the Balance sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
11. On the basis of written representations received from the Directors, as on 31st March, 2003 and taken on record by the Board of Directors we report that none of the Directors is disqualified as on 31st March, 2003 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
12. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the notes thereon, give the information required by the Companies Act, 1956 in

the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

13. In the case of the Balance Sheet of the state of affairs of the company as at 31st March, 2003

AND

14. In the case of Profit & Loss Account of the profit for the year ended on that date.

For R. R. Patel & Co.
Chartered Accountants
R. R. Patel
Proprietor
Date : 14th July, 2003

Annexure to the Auditor's Report

To
The Member of
Banyan Chemicals Limited, Ahmedabad

Annexure referred to in paragraph (7) of Auditor's Report of BANYAN CHEMICALS LIMITED on the accounts for the year ended 31st March, 2003.

- The company has maintained proper records showing full particulars including quantitative details and valuation of finished goods, which require to be updated. Finished Goods of the company have been physically verified by the management during the year and no material discrepancy was noticed on such physical verification.
- None of the Fixed Assets have been realized during the year.
- In respect of finished goods, raw materials including stores & consumable stores, physical verification has been conducted by the management at reasonable intervals during the year. In our opinion, the frequency of such verification is reasonable having regard to the size of the company and the nature of the business.
- The procedure of physical verification of stock followed by the management is reasonable and adequate in relation to the size of the Company and nature of its business.
- The discrepancies noticed on such physical verification of stocks as compared to book records were not significant and the same have been properly dealt with in the books of account.
- On the basis of our examination the valuation of above mentioned stock is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
- The company has not taken any loans, secured or unsecured from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. In terms of sub-section (5) of section 370 of the Companies Act, 1956 provisions of this section are not applicable to the company with effect from 31st October, 1999.
- No loans secured or unsecured have been granted to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. In terms of sub-section (5) of section 370 of the Companies Act, 1956 provisions of this section are not applicable to the company with effect from 31st October, 1999.
- In respect of loans & advances in the nature of loans given by the company including interest free loans and advances given to the staff of the company, the parties are repaying the principal and interest, where applicable as stipulated.
- In our opinion and according to the information and explanations given to us, there is an adequate internal control procedure commensurate with the size of the company and the nature of its business for the purchase of stores and consumable stores, raw materials, including components, plant & machinery, equipments and other assets and for the sale of goods.
- In our opinion and according to the information and explanations given to us, the transaction of purchase of goods and materials, sale of goods,

- materials and services made in pursuance of contracts or arrangements entered in the register maintained under section 301 and aggregating during the year to Rs. 50,000/- or more in respect of each party, have been made at prices which are reasonable having regard to the prevailing market prices for such goods, materials or services.
 - As explained to us, unrecisable or damaged stores, raw materials and finished goods are determined by the company and adequate provision for the loss arising on items so determined has been made in the accounts.
 - The company has not accepted any deposits from the public during the year.
 - The company has maintained reasonable records for sale and disposal of realisable stock.
 - Although the company has no formal internal audit system as such its internal control procedures ensure reasonable internal checking of financial and other records. This is considered to be adequate under the circumstances by the management.
 - We have broadly reviewed the books of account maintained by the company pursuant to the rules made by the Central Government for maintenance of cost records under 200A(3)(c) of the Companies Act, 1956, and in the opinion, that prima facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records.
 - The company has generally been regular in depositing during the year provident fund dues with appropriate authorities. According to the information and explanations given to us the Employees State Insurance Scheme is not applicable to the company.
 - There were no undeposited amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Custom Duty and Excise Duty as on 31-03-2003 which were outstanding for a period of more than six months from the date of becoming payable.
 - No personal expenses of employees or directors have been charged to revenue account other than those payable under contractual obligations and/or in accordance with generally accepted business practice.
 - The company is not a sub-industrial company within the meaning of clause (2) of sub-section (7) of section 3 of the Sub-Industrial Companies (Special Provisions) Act, 1985.
- For R. R. Patel & Co.
Chartered Accountants
R. R. Patel
Proprietor
Date : 14th July, 2003

Balance Sheet as at March 31, 2003

Slt No.	Particulars	Rupees in Thousands	
		As at 31.3.2002	As at 31.3.2003
SOURCES OF FUNDS:			
1	Shareholders' Funds		
	Share Capital	30719	30719
	Reserves and Surplus	75417	30244
	Total	106236	70963
APPLICATION OF FUNDS:			
3	Fixed Assets		
	Gross Block	86026	72603
	Less: Depreciation	13188	14276
	Net Block	68837	61275
	Capital work in progress	14772	3294
	Preoperative & Project Expenses pending allocation	122	-
	Total	81722	64869
4	Investments	500	500
	Net Current Assets		
	Current Assets, Loans and Advances		
	Inventories	17486	4701
	Sundry Debtors	11316	7226
	Cash and Bank Balances	3062	20112
	Loans and Advances	4771	1071
	Total	40897	30222
	Less: Current Liabilities & Provisions		
	Current Liabilities	10146	806
	Provisions	4679	32123
	Total	14824	32929
	Total	30273	6203
	Significant Accounting Policies and Notes on Accounts	17	17

As per report of even date
For R.R. Patel & Co.
Chartered Accountants
R.R. Patel
Proprietor
Ahmedabad, Dated : 14th July, 2003

For R.R. Patel & Co.
Chartered Accountants
R.R. Patel
Proprietor
Ahmedabad, Dated : 14th July, 2003

Profit and Loss Account For the year ended on March 31, 2003

Slt No.	Particulars	Rupees in Thousands	
		Year ended 31.03.2002	Year ended 31.03.2003
INCOME:			
	Sales	7492	10774
	Other Income	743	1929
	Total	7835	12703
EXPENDITURE:			
	Consumption of Materials and Finished Goods	4802	7244
	General Expenses	19029	17332
	Interest and Financial Charges	206	364
	Depreciation and Miscellaneous Expenditure written off	4562	3202
	Total	29099	28242
	Profit before Tax	4835	6622
	Less: Provision for Taxation	2332	292
	Profit after Tax	4432	6330
	Add: Balance brought forward	7238	16375
	PROFIT AVAILABLE FOR APPROPRIATIONS	11670	22705
Appropriations:			
	Transfer to Capital Redemption Reserve	-	11706
	Dividends:		
	Proposed Final Dividend	3012	21606
	Interim Dividend	-	17268
	Corporate Dividend Tax or Distributed Profit	462	1791
	Premium on Buy Back of Shares	-	982
	Transfer to General Reserve	8708	9000
	Balance carried to Balance Sheet	1260	77516
	Bank and Other EPS (in Rupees) [Refer notes, (B-4) of Sch. 15]	12.67	16.97
	Significant Accounting Policies and Notes on Accounts	17	17

As per report of even date
For R.R. Patel & Co.
Chartered Accountants
R.R. Patel
Proprietor
Ahmedabad, Dated : 14th July, 2003

Schedules to the Accounts

SCHEDULE CAPITAL	Rupees in Thousands	
	As at 31.03.2002	As at 31.03.2003
Authorised:		
50,00,000 Equity Shares of Rs. 10 each	50000	50000
Issued, Subscribed & Paid-up		
30,71,915 Equity Shares of Rs. 10/- each fully paid-up	30719	30719
Total	30719	30719

Note: All the above equity shares are held by the holding company Cyclic Healthcare Ltd. including through its nominees.

RESERVE & SURPLUS	Rupees in Thousands	
	As at 31.03.2002	As at 31.03.2003
Capital Redemption Reserve Account	11706	0
Balance as per last Balance Sheet	0	11706
Add: Addition during the year		
General Reserve	16833	7300
Balance as per last Balance Sheet	8708	9000
Add: Transfer from Profit and Loss Account		
Balance in Profit and Loss Account	20033	16300
Total	38547	35306

Name of Assets	Gross Block		Depreciation		Net Block	
	As at 31.3.02	As at 31.3.03	As at 31.3.02	As at 31.3.03	As at 31.3.02	As at 31.3.03
Freehold Land	2072	1176	0	0	2072	1176
Factory Building	9687	0	1967	2546	694	3690
Plant & Machinery	6176	758	0	1070	301	406
Furniture & Fixtures	224	462	0	274	68	176
Computers	38	100	0	158	31	12
Vehicles	130	46	0	146	15	47
Total	7987	1942	0	1474	308	6997

INVESTMENT (IN Cash)	Rupees in Thousands	
	As at 31.03.2002	As at 31.03.2003
Long Term Investments in Shares, Debentures and Bonds:		
Other Investments:		
Unquoted		
In fully paid-up equity shares of Envo Infrastructure Co. Ltd.	5000	10
Total	5000	10

GENERAL EXPENSES	Rupees in Thousands	
	As at 31.03.2002	As at 31.03.2003
Personal expenses	304	522
Salaries wages and bonus	622	597
Company's contribution to provident & other funds	421	323
Staff welfare expenses	627	525
Stores and spare parts consumed	300	227
Power & fuel	1026	1096
Laboratory Expenses	2195	826
Research Expenses	698	0
Insurance	403	296
Labour Charges	600	660
Repairs:		
Buildings	323	73
Plant and Machinery	458	679
Others	42	7
Rent	10	0
Rates and Taxes	31	7
Directors' Remuneration	211	481
Travelling Expenses	401	423
Miscellaneous Expenses	3388	4038
Freight and forwarding on sales	102	286
Bad debts written off	0	303
Provision for doubtful debts	0	707
Loss on assets sold/scrapped (net)	0	46
Donations	0	107
Total	9628	17132

Schedules to the Accounts

SCHEDULES TO THE ACCOUNTS	Rupees in Thousands	
	As at 31.03.2002	As at 31.03.2003
1. SUNDY DEBITORS (Unsecured/Contingent Debt)		
Debit outstanding for a period exceeding six months	71	0
Other Debt	1147	7238
Total	1218	7238
2. CASH AND BANK BALANCES		
Cash on hand	38	16
Bank Balances:		
With Scheduled Banks:		
In Current Accounts	1072	155
In Fixed Deposit Accounts	6261	4750
(Out of this, fixed deposits of Rs. 1026 thousands (Rs. at 31.03.2002 Rs. 1026 thousands) have been pledged with Banks as Margin Money for Overseas/Foreign letter of credit)		
and fixed deposits of Rs. 101 thousands (Rs. at 31.03.2002 Rs. 90 thousands) have been pledged with Provident & Canteen Authorities		
In Foreign Currency Account	0	32391
Total	8374	32196

LIABILITIES AND ADVANCES	Rupees in Thousands	
	As at 31.03.2002	As at 31.03.2003
Contingent Debt, unsecured or otherwise stated/ Advances receivable in cash or in kind or for value to be received:		
Contingent Debt	4540	803
Contingent liability	0	768
Total	4540	1571
Loans / Provision for bad and doubtful Loans & Advances		
Advance payment of Income - tax (net of provision)	0	4
Balances with Custom/Central Excise Authorities	38	127
Interest receivable from others	44	47
Total	4791	1679

CURRENT LIABILITIES	Rupees in Thousands	
	As at 31.03.2002	As at 31.03.2003
Sundry Creditors	6673	0
For Capital Goods	3272	806
Others	0	0
Outstanding to small scale industrial undertaking	0	0
Total	9945	806

PROVISIONS	Rupees in Thousands	
	As at 31.03.2002	As at 31.03.2003
Provision for Taxation (Net of Advances)	175	0
Proposed dividend	3012	21606
Provision for CDT on proposed dividend	400	0
Provision for retirement benefits	542	517
Total	4629	22223

OTHER INCOME	Rupees in Thousands	
	Year ended 31.03.2002	Year ended 31.03.2003
A. Interest (Gross) (702 Rs. 100 thousand) (Previous year Rs. 80 thousand)	480	219
B. Others:		
Surplus on account of fluctuations in foreign exchange rate/forward contract (net)	203	1089
Miscellaneous Income	0	1
Total	743	1309

CONSUMPTION OF MATERIALS AND FINISHED GOODS	Rupees in Thousands	
	Year ended 31.03.2002	Year ended 31.03.2003
Raw Materials	1829	2336
Stock at commencement	1780	2354
Add: Purchases	16662	4443
Less: Stock at close	5737	1630
Total	13255	20112
Packing Materials		
Decrease in Stock of Finished Goods & Work-in-process	0	36
Stock at close:		
Finished Goods	804	1360
Work-in-process	1149	1027
Total	1953	2423
Less: Stock at commencement	1302	6448
Finished Goods	1027	289
Work-in-process	2423	4257
Total	4652	7244

GENERAL EXPENSES	Rupees in Thousands	
	As at 31.03.2002	As at 31.03.2003
Personal expenses	304	522
Salaries wages and bonus	622	597
Company's contribution to provident & other funds	421	323
Staff welfare expenses	627	525
Stores and spare parts consumed	300	227
Power & fuel	1026	1096
Laboratory Expenses	2195	826
Research Expenses	698	0
Insurance	403	296
Labour Charges	600	660
Repairs:		
Buildings	323	73
Plant and Machinery	458	679
Others	42	7
Rent	10	0
Rates and Taxes	31	7
Directors' Remuneration	211	481
Travelling Expenses	401	423
Miscellaneous Expenses	3388	4038
Freight and forwarding on sales	102	286
Bad debts written off	0	303
Provision for doubtful debts	0	707
Loss on assets sold/scrapped (net)	0	46
Donations	0	107
Total	9628	17132

EXPENSES	Rupees in Thousands	
	As at 31.03.2002	As at 31.03.2003
Depreciation	4562	3202
Provision for doubtful debts	0	707
Loss on assets sold/scrapped (net)	0	46
Donations	0	107
Total	4562	5162

EXPENSES	Rupees in Thousands	
	Year ended 31.03.2002	Year ended 31.03.2003
10. DEPRECIATION AND FINANCIAL CHARGES		
Interest Payments	0	117
Bank commission & charges	296	347
Total	296	344

DEPRECIATION AND MISCELLANEOUS EXPENDITURE WRITTEN OFF	Rupees in Thousands	
	Year ended 31.03.2002	Year ended 31.03.2003
Depreciation	3022	3000
Prior period depreciation adjustment	968	0
Total	4990	3000

PROVISION FOR TAXATION	Rupees in Thousands	
	Year ended 31.03.2002	Year ended 31.03.2003
Current Tax	2000	250
Total	2000	250

11. SIGNIFICANT ACCOUNTING POLICIES AND MOVES ON ACCOUNTS

- A. Significant Accounting Policies:
-

Schedules to the Accounts

6. Segment Information

A. Primary Business Segment - Active Pharmaceutical Ingredients (Bulk Drugs)

	Sub-Group	Elimination	Total
	Unaudited	Unaudited	
a. Revenue :			
External sales	74592	0	74592
Inter-segment	0	0	0
Total Revenue	74592	0	74592
b. Result :			
Segment Result (operating profit)	49650	0	49650
Interest Income	485		485
Income Tax	2000		2000
Profit from Ordinary activities	44135		44135
Exceptional items	0		0
Net Profit	44135		44135
c. Other Information			
Assets	124859	500	125359
Liabilities	14824	0	14824
Capital expenditure	21763		21763
Depreciation	4590		4590
Non-Cash expenses other than depreciation	0		0

6B. Secondary Business Segment - By Geographical Market

	Within India	Outside India	Total
a. Sales Revenue	3361	71201	74562
b. Carrying amount of segment assets	123399	0	123399
c. Addition to fixed assets	21763	0	21763

7. Related Party Transactions

A. Name of the Related Party and Nature of the Related Party Relationship >

a. Holding Company
Cedix Healthcare Limited

b. Fellow Subsidiaries
Dorfin Health India Limited
German Remedies Specialities Limited
Zylen Pharmaceuticals Limited

c. Directors
Mr. Parag R. Patel
Mr. Dhishik N. Shah
Mr. Shant P. Patel
Mrs. P. P. Patel

d. Transactions with Related Parties >
The following transactions were carried out with the related parties in the ordinary course of business.

a. Details relating to party referred to in item A.(a)

Nature of Transaction	Value of the Transaction (Rupees in Thousands)	
	31.03.2023	31.03.2022
1. Purchases		
Goods	1369	0
2. Sales :		
Goods	159	0
3. Investments		
Dividend Paid	2199	0
b. There are no transactions with the parties referred to in item A.(b) during the year		
c. Details relating to party referred to in item A.(c)		
Remuneration	211	481

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 party referred to in item A.(a)

Nature of Transaction	Value of the Transaction (Rupees in Thousands)	
	31.03.2023	31.03.2022
1. Purchases		
Goods	1369	0
2. Sales :		
Goods	159	0
3. Investments		
Dividend Paid	2199	0
b. There are no transactions with the parties referred to in item A.(b) during the year		
c. Details relating to party referred to in item A.(c)		
Remuneration	211	481

8. Quantitative and Value analysis of Sales Turnover

Class of Goods	Units Measure	Year ended 31.03.2023		Year ended 31.03.2022	
		No. in '000	Rs. in '000	No. in '000	Rs. in '000
Active Pharmaceutical Ingredients (Bulk Drugs)	Kgs	942	74592	492	82754

9. Quantitative and Value analysis of Opening/Closing Stock:

Class of Goods	Units Measure	As at 31-03-2023		As at 31-03-2022		As at 31-03-2021	
		No. in '000	Qty	No. in '000	Qty	No. in '000	Qty
Active Pharmaceutical Ingredients (Bulk Drugs)	Kgs	891	8254	829	1260	941	8449

10. Consumption of Raw materials with Value and Quantity break up

Class of Goods	Units Measure	Year ended 31.03.2023		Year ended 31.03.2022	
		No. in '000	Qty	No. in '000	Qty
Acetone	Kgs	0	0	1622	198
Isopropyl Alcohol	Kgs	0	0	15827	820
(I)-Alcohol	Kgs	164	8797	0	0
Others (none of which individually accounts for more than 10% of the total consumption)		449		1819	
Total		1226		2021	

11. Quantitative information in respect of each class of goods manufactured

Class of Goods	Units Measure	Year ended 31.03.2023		Year ended 31.03.2022	
		No. in '000	Qty	No. in '000	Qty
Active Pharmaceutical Ingredients (Bulk drugs)	Kgs	950	875	493	

12. Quantitative information in respect of each class of goods manufactured

Class of Goods	Units Measure	Year ended 31.03.2023		Year ended 31.03.2022	
		No. in '000	Qty	No. in '000	Qty
Active Pharmaceutical Ingredients (Bulk drugs)	Kgs	950	875	493	

13. A. Value of Raw Materials Consumed :

Class of Goods	Units Measure	Year ended 31.03.2023		Year ended 31.03.2022	
		No. in '000	Qty	No. in '000	Qty
Imported		368	2	626	19
Indigenous		1397	86	2355	81
Total		1765	88	2981	100

B. Value of Stores & Spares Consumed :

Class of Goods	Units Measure	Year ended 31.03.2023		Year ended 31.03.2022	
		No. in '000	Qty	No. in '000	Qty
Imported		0	0	0	0
Indigenous		390	500	337	100
Total		390	500	337	100

14. Value of Imports calculated on CIF basis :

	Rs. in Thousands	
	Year ended 31.03.2023	Year ended 31.03.2022
Raw Materials	3214	271
Spare Parts	387	817
Capital goods	421	376
15. Expenditure in Foreign currency :		
Consulting fees	308	429
16. Earnings in foreign exchange :		
FCI value of Dividends	71201	82578
17. Reserves made on account of dividend in Foreign currency (includes buy back of shares)	0	4342

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

1. Registration details

Registration number: 18702 of 1991-02
Balance Sheet date: 31.03.2023
State code: 4

2. Capital raised during the year : Nil

3. Position of Mobilisation & Deployment of Funds :

	Total
Total Liabilities	110508
Total Assets	110508
Source of Funds :	
Paid-up Capital	30118
Reserves & Surplus	79417
Deferred Tax Liabilities	0
Secured Loan	0
Unsecured Loans	0
Application of Funds :	
Net Fixed Assets	81762
Investments	505
Net Current Assets	28273
Miscellaneous Expenditure	0

4. Performance of Company:

Turnover (including other income): 75228
Total Expenditure: 28500
Profit before Tax: 46136
Profit after Tax: 44135
Basic and Diluted Earnings per Share (Rs.): 13.57
Dividend rate (%): 10.00

5. Generic names of three principal products/services of Company (As per statutory forms) :-

Item Code Number (IC Code)	Product Description
2943029	Active Pharmaceutical Ingredients

As per report of even date
For R. R. Patel & Co. Chartered Accountants
R. R. Patel Director
Annexed, Dated: 14th July 2023

Corporate Information

Directors	Bankers	Registered and Head Office	Auditors
Mr. H. K. Bhopchek, Chairman Mr. J. C. Jain Mr. S. S. Shrivastava Mr. D. K. Anand (upto 27th September, 2022)	Deutsche Bank State Bank of India	Shri Sagar Estate "K" Block Dr. Amra Beach Road Ward, Mumbai - 400 016, Telephone - 322 - 2495028 / 29 Fax - 322 - 2495 037	Mr. K. S. Ajeer & Co. Chartered Accountants Mumbai.

Directors' Report

To the Members
Your Directors have pleasure in presenting the Fourteenth Annual Report and the Audited Accounts for the year ended 31st March 2023.

Financial Results

	IN Crores to 31.03.2023	
	Year ended 31.03.2023	Year ended 31.03.2022
Gross Profit before Interest & Depreciation	2,727	17,350
Less : Depreciation on Fixed Assets	29	36
Add : Prior period adjustment for Depreciation	38	-
Less : Interest	-	388
Profit before taxation	2,722	17,116
Less : Provision for taxation	1,324	3,394
Profit after taxation	1,398	14,742
Add : Balance of Profit of earlier years	10,871	8,899
Amount available for appropriations	12,269	21,740

Proposed Dividend: 1,080
Corporate Dividend Tax thereon: 138
Transfer to General Reserve: 1,072

Balance Carried to Balance Sheet (Surplus in Profit and Loss Account): 10,889

Dividend
The Directors are pleased to recommend a dividend of Rs. 40 per Equity Share of Rs.100 each. The Dividend is declared by the Members at the Annual General Meeting held on 12.10.2023, including Corporate Dividend Tax of Rs.1.28 (Previous year Rs.80 lakh).

Operations
The Company's Sales / Income from Operations and other income for the year ended 31st March 2023 were Rs. 472.88 lakhs as compared to Rs. 588.28 lakhs for the previous year.

Particulars of Employees
During the year under review, relations between the Employees and the Management were cordial.

Production Plants, Safety and Environment
Since the Company does not have any production plants, safety and environment related issues do not arise and hence are not commented upon.

Disclosures as per the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1956
The required particulars, as applicable, are set out in the Annexure, forming part of the Report.

On behalf of the Board of Directors
H. K. BHOPOCHEK
Chairman

STATEMENT UNDER SECTION 217(1)(g) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1956 AND FORMING PART OF THE DIRECTORY REPORT FOR THE YEAR ENDED 31ST MARCH, 2023

- Conservation of Energy:** Not applicable. The Company's FCGS Value of exports was Rs.18.23 lakhs as compared to Rs. 543.89 lakhs for the previous year.
- Technology Absorption:** Not applicable. During the year under review, the foreign exchange expenditure has been to the extent of Rs.0.24 lakhs, while the foreign exchange earned was Rs.18.23 lakhs.
- Foreign Exchange Earnings and Expenditure:** Activities relating to exports initiatives taken to increase exports, development of new export markets for products and services, and export plans. The Company has achieved exports of Rs.18.23 lakhs as compared with Rs. 543.89 lakhs achieved during the previous year.

Compliance Certificate

- To the Members German Remedies Specialities Limited (Formerly known as GE Exports Limited) as required to be maintained under the Companies Act, 1956, (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March 2023.
- In my own opinion and to the best of my / our information and according to the explanations furnished to me / us by the Company, its officers and agents, I / we certify that in respect of the aforesaid financial year:
 - The Company has legal and maintained all Registers as stated in Annexure 'B' to this Certificate, as per the provisions of the Act and the rules made thereunder and all entries therein have been duly recorded.
 - The Company has duly filed the forms and returns as stated in Annexure 'B' to this Certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made thereunder.
 - The Company being a public limited company, has the minimum prescribed paid-up capital.
 - The Board of Directors duly met four times respectively on 22nd April 2022, 22nd July 2022, 28th October 2022 and 28th January 2023 in respect of which meetings, proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
 - The Company has not allowed / was not required to allow its Registrar of Members or Debenture holders during the financial year.
 - The Annual General Meeting for the financial year ended on 31st March 2023 was held on 22nd July 2023 after giving due notice to the Members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
 - No Extra Ordinary General Meeting(s) were / were held during the financial year.
- The Company has not advanced any loans to its Directors or persons or firms or companies referred to under Section 205 of the Act.
- The Company has not entered into any contracts falling within the purview of Section 207 of the Act.
- The Company has made necessary entries in the Register maintained under Section 201 of the Act.
- As there were no instances falling within the purview of Section 214 of the Act, the Company has not obtained any approvals from the Board of Directors, Members or Central Government, as the case may be.
- The Company has not issued any duplicate share certificates during the financial year.
- (i) There was one transfer of securities during the financial year. (ii) The Company declared dividend for the year under review and disbursed the same within the stipulated time.
- The Board of Directors of the Company is duly constituted and the appointment of Directors, Additional Directors and Directors to fill casual vacancies have been duly made.
- The Company has not appointed any Whole-time Director during the financial year.
- The Company has not appointed any side selling agents during the financial year.
- The Company has obtained necessary approvals of the Central Government, Company Law Board, Regional Director, Registrar of Companies and / or such authorities prescribed under the various provisions of the Act whenever required.
- The Directors have disclosed their interest in other Firms / Companies to the Board of Directors pursuant to the provisions of the Act and the Rules made thereunder.
- The Company has not issued any Shares, Debentures or other securities during the financial year.
- The Company has not bought back any shares during the financial year.
- There was no redemption of preference shares or debentures during the financial year.

- There were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
- The Company has not initiated / accepted any deposits including any unsecured loans falling within the purview of Section 26A during the financial year.
- The Company has not made any borrowings during the financial year ended 31st March 2023.
- The Company has not made any loans or advances or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the register kept for the purpose.
- The Company has not altered the provisions of the Memorandum with respect to election of the Company's registered office from one state to another during the year under review.
- The Company has not altered the provisions of the Memorandum with respect to the objects of the Company during the year under review.
- The Company has not altered the provisions of the Memorandum with respect to the objects of the Company during the year under review.

Annexure 'A'
Annexure to the Compliance Certificate
(Referred to in Part 1 of the Compliance Certificate of even date in respect of GERMAN REMEDIES SPECIALITIES LIMITED (Formerly known as GE EXPORTS LIMITED) for the year ended 31st March 2023)

Registers as maintained by the Company

- Register of Members under Section 109
- Register of Contracts under Section 201
- Register of Transfer under Section 211

Signature :
Name of the Company Secretary :
T.R. Madhwarath & Co.
Mumbai, Dated : 12th August, 2023. C.P.No. : 2718

Annexure 'B'
Annexure to the Compliance Certificate
(Referred to in Part 2 of the Compliance Certificate of even date in respect of GERMAN REMEDIES SPECIALITIES LIMITED (Formerly known as GE EXPORTS LIMITED) for the year ended 31st March 2023)

Forms and Returns as filed by the Company with Registrar of Companies, Regional Director, Central Government or other authorities during the financial year ended 31st March 2023.

- Form No. 29 filed under Section 26A(2) for consent to act as Director
- Form No. 32 filed under Section 202(2) for appointment / resignation of Director
- Annual Report filed under Section 230 for filing of Balance Sheet and Profit & Loss Account
- Annual Return filed under Section 135 for filing of Annual Return
- Form 18 filed under Section 187(a) of the Companies Act, 1956 (Shareholder Holding)
- Form No. 23 filed under Section 31 of the Companies Act, 1956.

Signature :
Name of the Company Secretary :
T.R. Madhwarath & Co.
Mumbai, Dated : 12th August, 2023. C.P.No. : 2718

Auditor's Report

In agreement with the books of account,
In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (2C) of section 211 of the Companies Act, 1956.
We have audited the attached Balance Sheet of GERMAN REMEDIES SPECIALITIES LIMITED, as at 31st March, 2023 and also the Profit and Loss Account 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.
We conducted our audit in accordance with auditing standards generally accepted in India. These 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.
As required by the Manufacturing and Other Companies (Auditors Report) Order, 1988 issued by the Central Government of India in terms of sub-section (1) of section 227 of the Companies Act, 1956, we advise that the Annexure A statement on the matters specified in paragraphs 4 and 5 of the said Order.
Further to our comments in the Annexure referred to above, we report that:
1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. 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 these books.
3. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
4. In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (2C) of section 211 of the Companies Act, 1956.
5. On the basis of written representations received from the directors, as on 31st March, 2023, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2023 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 214 of the Companies Act, 1956.
6. In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the significant accounting policies and other matters therein, 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.
7. In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2023 and
8. In the case of the Profit and Loss Account, of the profit after taxation of the Company for the year under audit. For K. S. Ajeer & Co. Chartered Accountants
Mumbai, Dated : 12th August, 2023. Raghav H. Ajeer Partner

Annexure to the Auditor's Report

(Referred to in Paragraph 3 of our Report of even date on the accounts of GERMAN REMEDIES SPECIALITIES LIMITED for the year ended March 31, 2023).

In our opinion, and on the basis of such checks of the books and records as we considered appropriate, and according to the information and explanations given to us during the normal course of audit, which were necessary to the best of our knowledge and belief, we report that:-

- The Company has maintained proper records showing full particulars including quantitative details and valuation of fixed assets. These assets have been physically verified by the Management at reasonable intervals and no material discrepancies were noticed or such as disclosed.
- None of the fixed assets has been mortgaged during the year.
- The details of bonded goods have been physically verified during the year by the Management. The frequency of verification is reasonable.
- The procedures of physical verification of stocks followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- No discrepancies were noticed on verification between the physical stocks and the book records.
- On the basis of our examination of stock records, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles, and in the same basis as in the preceding year.
- The Company has not taken any loans, secured or unsecured from Companies, firms, or other parties liable to the register maintained pursuant to provisions of Section 201 of the Companies Act, 1956. The provisions of Section 217 of the Companies Act were obtained with effect from 31st October, 1988.
- The Company has not given any loans, secured or unsecured to Companies, firms, or other parties liable to the register maintained pursuant to provisions of Section 201 of the Companies Act, 1956. The provisions of Section 217 of the Companies Act were obtained with effect from 31st October, 1988.
- The Company has not given any loans and advances in the nature of loans to any party.
- There are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of equipments and other assets and with regard to the sale of goods.

For K. S. Ajeer & Co. Chartered Accountants
Mumbai, Dated : 12th August, 2023. Raghav H. Ajeer Partner

Balance Sheet
As at 31 March, 2003

Sub No.	Rupees in 000's	
	31.3.2003	31.3.2002
SOURCES OF FUNDS		
Shareholders' Funds		
Capital	2400	2400
Reserves and Surplus	3817	3817
Deferred Tax Liability	18	14
Less Funds		
Unsecured Loans	-	5560
Export Bill Receivable	-	48791
APPLICATION OF FUNDS		
Fixed Assets		
Gross Block	416	416
Less Depreciation	309	362
Net Block	107	74
Current Assets, Loans and Advances		
Inventories	-	1388
Sundry Debtors	41822	13294
Cash and Bank Balances	4384	34760
Loans and Advances	13388	9473
	58572	52573
Less -		
Current Liabilities & Provisions		
Current Liabilities	7058	1883
Provisions	13888	9883
	20946	11766
Net Current Assets	38526	40717
	38735	48791
Notes Annexed to the Accounts		

As per our Report attached
For K. S. Aiyar & Co.
Chartered Accountants

Raghavi M. Aiyar Partner Mumbai
K. K. Bijlwadhe Chairman
S. Khare Director
J. C. Jeeb Director Mumbai

Profit and Loss Account
for the period ended 31 March, 2003

Sub No.	Rupees in 000's	
	31.3.2003	31.3.2002
INCOME		
Sales / Income from Operations	48110	58889
Other Income	1388	3210
	47358	58959
EXPENDITURE		
Cost of goods sold	1272	32101
Personnel expenses	42178	1988
Other expenses	1980	7887
Interest	38	388
Depreciation	20	38
	46394	41778
Profit before Prior Period Adjustment	2864	17131
Add: Prior Period Adjustment for Depreciation	58	-
Profit before Tax	2722	17131
Less - Provision for Taxation	1054	2384
Profit after Tax	1718	14747
Add: Balance of Profit of earlier years	18871	8888
Amount available for appropriations	13388	21746
APPROPRIATIONS		
Proposed Dividend	1080	9800
Corporate Dividend Tax thereon	138	-
Transfer to General Reserve	172	1475
	1390	11375
Balance carried to Balance Sheet	9888	19371
Notes Annexed to the Accounts		

As per our Report attached
For K. S. Aiyar & Co.
Chartered Accountants

Raghavi M. Aiyar Partner Mumbai
K. K. Bijlwadhe Chairman
S. Khare Director
J. C. Jeeb Director Mumbai

Schedules to the Accounts

Sub No.	Rupees in 000's	
	31.3.2003	31.3.2002
RESERVE CAPITAL		
Authorised		
50,000 Equity Shares of Rs. 100 each	5000	5000
Issued and Subscribed		
24,000 Equity Shares of Rs. 100 each fully paid-up	2400	2400
(All shares are held by the Holding Company, German Remedies Limited and its nominees)	2400	2400

RESERVES & SURPLUS

Sub No.	Rupees in 000's	
	31.3.2003	31.3.2002
General Reserve		
As per last Balance Sheet	28148	23888
Less - Transfer to Deferred Tax Liability	-	14
Add - Transfer from Profit and Loss Account	172	1475
Profit and Loss Account		
Surplus as per Account Annexed	13888	19371

FIXED ASSETS

Name of Assets	Gross Block at Cost		Depreciation		Net Block	
	As At 31-3-2002	Adjustments for the year	As At 31-3-2002	As At 31-3-2002	As At 31-3-2002	As At 31-3-2002
Plant and Equipment	416	-	416	30	386	187
Total	416	-	416	30	386	187
	416	-	416	30	386	187

Prior year's figures are in brackets

Schedules to the Accounts

Sub No.	Rupees in 000's	
	31.3.2003	31.3.2002
DEFERRED TAXES		
Created by the Director's		
Provision for Depreciation	-	1388
(Lower of Cost or Net Realisable Value)	-	1388

EMPLOYEES

Sub No.	Rupees in 000's	
	31.3.2003	31.3.2002
EMPLOYEES		
Unsecured, Contingent and		
Over six months	-	-
Others [Includes Rs. 41822 (Previous year Rs. Nil) due from Holding company, German Remedies Limited]	41822	13294
	41822	13294

ELIGIBLE BANK BALANCES

Sub No.	Rupees in 000's	
	31.3.2003	31.3.2002
ELIGIBLE BANK BALANCES		
Cash on Hand	41	12
With Scheduled Banks - In Current Account	127	87
In ESFC Account	2798	2842
In Fixed Deposit Account	4884	3418

DEBTORS AND ADVANCES

Sub No.	Rupees in 000's	
	31.3.2003	31.3.2002
DEBTORS AND ADVANCES		
Unsecured, Contingent and		
Advances receivable in cash or in kind or for value to be received:		
Customs Duty Drawback	880	31
DEPS Receivable	42	178
DEPS Receivable	1278	1181
Security deposit with the Holding Company		
German Remedies Limited against furnished premises taken on lease and finance lease (Maximum Rs. 5000 during the year (Previous year Rs. 5000))	5000	5000
Advance to the Holding Company, German Remedies Limited against orders placed (Maximum Rs. Nil during the year (Previous year Rs. 2888))	-	2888
Income Tax Paid, net of Provisions	448	157
Others	801	131
	13868	9473

LIABILITIES

Sub No.	Rupees in 000's	
	31.3.2003	31.3.2002
LIABILITIES		
Other Liabilities	7058	1883
	7058	1883

PROVISIONS

Sub No.	Rupees in 000's	
	31.3.2003	31.3.2002
PROVISIONS		
Lease Encashment	12870	83
Proposed Dividend	1080	9800
Corporate Dividend Tax	138	-
	13888	9883

OTHER INCOME

Sub No.	Rupees in 000's	
	31.3.2003	31.3.2002
OTHER INCOME		
Interest on Short Term Deposits	875	1885
Duty Entitlement under the DEPS Scheme	218	151
Export promotion incentives	-	75
Miscellaneous Income	-	128
	1093	3219

STOCK OF GOODS SOLD

Sub No.	Rupees in 000's	
	31.3.2003	31.3.2002
STOCK OF GOODS SOLD		
Purchases of finished goods		
Opening Stock	1088	775
Purchases	238	32382
	1272	33157
Less: Closing Stock	-	1988
	1272	32169

PERSONNEL EXPENSES

Sub No.	Rupees in 000's	
	31.3.2003	31.3.2002
PERSONNEL EXPENSES		
Salaries, wages, allowances and bonus	37388	1387
Provident Fund and other Funds	3884	328
Staff Welfare expenses	88	88
Contribution to Gratuity Fund	1171	88
	42178	1988

OTHER EXPENSES

Sub No.	Rupees in 000's	
	31.3.2003	31.3.2002
OTHER EXPENSES		
Rent	822	822
Repairs and Maintenance - others	-	1
Insurance	18	318
Rates and Taxes	-	42
Travel and Stay	-	388
Commission on sales	-	21
Freight	88	1184
Sales promotion expenses	-	2872
Miscellaneous Expenses	180	1180
Director's Fees	1	1
Unrealised Duty Drawback offered	-	88
	1088	7887

PROVISION FOR TAXATION

Sub No.	Rupees in 000's	
	31.3.2003	31.3.2002
PROVISION FOR TAXATION		
Provision for Current Tax	1000	2384
Provision for Deferred Tax	4	2384
	1004	4768

ANNEXURE TO THE ACCOUNTS

- Significant Accounting Policies**
 - Fixed assets: Fixed Assets are stated at cost of acquisition.
 - Depreciation on Fixed Assets: Depreciation on Fixed Assets is provided on the basis of straight line method at the rates prescribed in Schedule XIV to the Companies Act, 1986, on a pro-rata basis (Also refer Note No. 8).
 - Inventories: Raw Materials are valued at lower of cost or net realisable value.
 - Foreign Currency Transactions: Transactions in foreign currency are accounted at the rate prevailing on the date of the transactions. All Receivables / Payables / Bank balances in foreign currency outstanding at the year end and in respect of exports made are accounted for at the appropriate respective period-end exchange rates. Gains/Losses arising out of fluctuations in the exchange rates are disclosed under these notes, wherever applicable.
 - Provisions: Provisions for Employees' Liabilities in respect of Provident Fund (together with employer's contribution), Gratuity payable and Pension payable are funded. Contributions to the Provident Fund and Pension Fund are computed as per the rates of the respective Schemes. Contributions for gratuity to the Life Insurance Corporation of India under the Group Gratuity Scheme are made on the basis of actuarial valuations by an independent actuary. Such actuarial valuations, are undertaken once in three years and annual contributions during the inter-valuation periods are made on the basis of percentage derived from the last actuarial valuation performed. These contributions are charged to the Profit & Loss Account for the year. Provision for leave encashment liability is made in the accounts on the basis of actuarial valuation.
 - Import Duty Entitlement under DEPS Scheme are accounted for on the basis of shipping bills certified by the Custom Authorities.
 - Corporate Dividend Tax is treated as an appropriation and disclosed accordingly in the Profit and Loss Account.
 - Taxation: Income tax expense comprises of current tax & deferred tax charge / credit. The deferred tax charge / credit is recognised using current tax rates. Deferred tax assets/liabilities are reviewed as at each balance sheet date, based on developments during the period and available case law to reassess realisation / liability.
- The company has changed its name to "German Remedies Specialities Limited" with effect from 1st April, 2002 as per the Fresh Certificate of Incorporation received from Registrar of Companies.
- Auditor's Remuneration:

	2002-2003	2001-2002
	Rupees	Rupees
Audit Fees	18	18
Other services	31	18
	47	36
- Sales during the year, were influenced by Ru.48 (Previous year Ru.838) due to foreign exchange fluctuations between the sales of export invoices and sales of realisation of export proceeds. Other Income includes Ru.128 (Previous year Ru. 128) being additional realisation (Net) on account of foreign currency bank balances. Other Expenses includes Ru. 13 (Previous year Ru. Nil) being additional expense (Net) on account of foreign currency bank balances.
- Commission on sales includes Ru.88 (Previous year Ru. 218) Sales Promotion Expenses include Ru.88 (Previous year Ru. 88) being additional cost (Net) on account of foreign exchange fluctuations.
- The Deferred tax liability of Ru.4 (Previous year Ru. Nil) for the year has been recognised in the Profit and Loss account. The accumulated balance of Ru. 18 (Previous year Ru. 14) is deferred tax liability in an account of Depreciation.
- Additional information required under Schedule VI to the Companies Act 1986, is as under:
 - Quantitative and Turnover Information 2002-2003

Class	Unit	Installed Capacity	Actual Production	Opening Stock		Closing Stock		Turnover	
				Quantity	Value (Rupees)	Quantity	Value (Rupees)	Quantity	Value (Rupees)
I. Pharmaceutical Preparations/ Chemicals	Numbers	-	-	4,388	1,082	-	3,888	3,888	1,378
		(-)	(-)	(2,848)	(888)	(4,888)	(1,888)	(4,714)	(28,288)
		Kilograms	-	-	-	-	-	-	-
Litre	(-)	(-)	(-)	(78)	(-)	(-)	(88)	(22,118)	
	-	-	-	4	-	-	2	88	
II. Income from Operations									
				Total	1,888	(1,888)		(1)	

Note: Previous year's figures are in brackets

II. Purchases of finished goods

Class	Unit	Quantity	Value Rupees	
			2002-2003	2001-2002
Pharmaceutical Preparations/Chemicals	Numbers	1,388	-	122
		(43,214)	(14,714)	
		Kilograms	-	88
Litre	(88)	(13,842)		
	(88)	228		
			(28)	258
			(32,382)	

III. Expenditure in Foreign Currency - Other matters

Sub No.	Rupees in 000's	
	31.3.2003	31.3.2002
III. Expenditure in Foreign Currency - Other matters		
Earnings in Foreign Currency - Export of goods on FOB basis		
	24	1,811
	1,823	1,823
	(4,388)	

Note: Previous year's figures are in brackets.
During the year, Company changed the method of calculation of depreciation from the Written Down Value Method to the Straight Line Method. As a result of this change, the opening net book of fixed assets has increased by Ru.58 and the amount has been credited to the Profit and Loss Account and depreciation for the year has increased by Ru.3 and the profit is lower by Ru.3

IV. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

Sub No.	Rupees in 000's	
	31.3.2003	31.3.2002
IV. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE		
A. REGISTRATION DETAILS		
STATE CODE		11
REGISTRATION NO.		52882
BALANCE SHEET DATE		31st March 2003
B. CAPITAL RAISED DURING THE YEAR (Rs.)		
		Nil
C. POSITION OF MOBILIZATION AND DEPLOYMENT OF FUNDS		
		Nil Rupees in 000's
TOTAL LIABILITIES		38,738
TOTAL ASSETS		38,738
SOURCES OF FUNDS		
FIN UP CAPITAL		2,400
RESERVES AND SURPLUS		36,317
DEFERRED TAX LIABILITY		18
SECURED LOANS		Nil
UNSECURED LOANS		Nil
APPLICATION OF FUNDS		
NET FIXED ASSETS		107
INVESTMENTS		Nil
NET CURRENT ASSETS		38,638
MISCELLANEOUS EXPENDITURE		Nil
D. PERFORMANCE OF THE COMPANY		
TURNOVER AND OTHER INCOME		47,258
TOTAL EXPENDITURE NET OFF PRIOR YEARS ADJUSTMENTS		44,528
PROFIT BEFORE TAX		2,730
PROFIT AFTER TAX		1,718
EARNINGS PER SHARE (OF RS. 100 EACH) IN RS.		71.58
DIVIDEND RATE		4.8%
E. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS OF THE COMPANY :		
		N.A.

As per our Report attached
For K. S. Aiyar & Co.
Chartered Accountants

Raghavi M. Aiyar Partner Mumbai
K. K. Bijlwadhe Chairman
S. Khare Director
J. C. Jeeb Director

Corporate Information

Board of Directors	Auditors	Registered Office
Mr. Parag R. Patel, Chairman Mr. Shantil P. Patel, Director Mrs. Priya R. Patel, Director	Mukesh M. Shah & Co., Chartered Accountants 2nd Floor, K. K. House Adnan	

and other assets and also for sale of goods and services.

11. According to the information and explanations given to us, the transactions for purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the register maintained under Section 307 of the Companies Act, 1956, and aggregating during the year to Rs.30,950/- or more in respect of each party, have been made at prices which are reasonable having regard to the prevailing market prices for such goods, materials and services at the prices at which such transactions for similar goods, materials and services have been made with other parties.

12. As explained to us, the Company has a regular procedure for the determination of unremitted or damaged stocks, raw materials and finished goods. Adequate provision has been made in the accounts for the loss arising on the basis as determined.

13. The Company has not accepted any deposits from the public.

14. According to the information and explanations given to us, there are no by-products or scrap arising out of production of the Company.

15. In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business.

16. As informed to us, the Central Government has not prescribed for maintenance of cost records by the company under provisions of section 209(1)(d) of the Companies Act, 1956.

17. According to the records of the Company, Provident Fund and Employees State Insurance dues have been regularly deposited with the appropriate authorities.

18. According to the information and explanations given to us, no undeposited amounts payable in respect of income tax, wealth tax, customs duty, sales tax and excise duty were outstanding as at 31st March, 2003, for a period of more than six months from the date they became payable.

19. According to the information and explanations given to us, no personal expenses have been charged to revenue account other than that payable under contractual obligations or in accordance with generally accepted business practice.

20. The Company is not a Sick Industrial Company within the meaning of Section 3 (1) (ii) of the Sick Industrial Companies (Special Provisions) Act, 1985.

21. As informed to us, the Company does not have any damaged goods in respect of its trading activity.

For Mukesh M. Shah & Co.,
Chartered Accountants
Mukesh M. Shah
Partner
Attested, dated 12th August, 2003

Balance Sheet
As at March 31, 2003

Sub No.	Rupees in Thousands	
	As at 31.3.2003	As at 31.3.2002
SOURCES OF FUNDS		
1) Shareholders' Funds		
Share Capital	8000	2000
2) Loan Funds		
Unsecured Loans	3848	79697
Total	8048	82197
APPLICATION OF FUNDS :		
1) Fixed Assets :		
Green Stock	3838	37891
Loan - Depreciation	842	5030
Net Stock	2836	32861
Capital work in progress	291	0
2) Net Current Assets :		
Current Assets, Loans and Advances		
Inventories	882	14737
Sundry Debtors	82	7498
Cash and Bank Balances	3278	3097
Loans and Advances	3486	7940
	18173	33170
Less : Current Liabilities & Provisions		
Current Liabilities	738	1113
Provisions	338	358
	1076	1471
2) Miscellaneous Expenditure :		
(In the extent not written off or adjusted)	148	187
4) Balance in Profit and Loss Account	4828	17450
Total	8048	82197

As per our report of even date

For Mukesh M. Shah & Co.,
Chartered Accountants
Mukesh M. Shah
Partner
Attested, dated 12th August, 2003

For Mukesh M. Shah & Co.,
Chartered Accountants
Mukesh M. Shah
Partner
Attested, dated 12th August, 2003

Profit and Loss Account
For the year ended on March 31, 2003

	Rupees in Thousands	
	Year ended 31.3.2003	Year ended 31.3.2002
INCOME		
Sales and Income from Operation	8828	75748
Other Income	278	5
	8828	75753
EXPENDITURE		
Cost of Goods Sold	8488	71088
General Expenses	20428	18714
Depreciation	4921	4585
Total	31937	94397
Loss for the Year	23758	17450
Add : Debt Balance Brought Forward	17450	0
Balance Carried to Balance Sheet	4828	17450

As per our report of even date

For Mukesh M. Shah & Co.,
Chartered Accountants
Mukesh M. Shah
Partner
Attested, dated 12th August, 2003

For Mukesh M. Shah & Co.,
Chartered Accountants
Mukesh M. Shah
Partner
Attested, dated 12th August, 2003

Schedules to the Accounts

	Rupees in Thousands	
	As at 31.3.2003	As at 31.3.2002
I) SHARE CAPITAL		
Authorized		
50,00,000 Equity Shares of Rs.10/- each	8000	2000
Issued, Subscribed & Paid-up :		
50,00,000 (2,00,000) Equity Shares of Rs.10/- each fully paid-up	8000	2000
Note : All the above shares are held by Cadila Healthcare Limited, the Holding Company and its Members.		
Total	8000	2000

	Rupees in Thousands	
	As at 31.3.2003	As at 31.3.2002
II) UNSECURED LOANS		
Other loans and advances from Holding Company	3848	79697
Total	3848	79697

Name of Assets	Gross Block		Depreciation		Net Book	
	As at 31-3-2003	Additions	As at 31-3-2003	As at 31-3-2002	As at 31-3-2003	As at 31-3-2002
Office Furniture & Equip	1242	136	41	948	82	16
Computer and Office Equipments	1842	38	0	1879	324	311
Vehicle	12	0	0	14	4	0
Software Development	497	0	0	497	80	114
Capital work in progress	0	188	188	281	0	0
Total	2593	278	149	2878	468	481
2001-02	2725	1274	0	2261	55	438

	Rupees in Thousands	
	As at 31.3.2003	As at 31.3.2002
III) INVENTORIES		
Finished Goods - Trading	882	14737
Total	882	14737

	Rupees in Thousands	
	As at 31.3.2003	As at 31.3.2002
IV) SUNDRY DEBTORS		
Unsecured, Considered good	0	0
Debt outstanding for a period exceeding six months	88	7498
Other Debt	88	7498
Total	176	14996

	Rupees in Thousands	
	As at 31.3.2003	As at 31.3.2002
V) CASH AND BANK BALANCES		
Cash on hand	188	187
Cheques in hand	0	1887
Bank Balances:		
With Scheduled Banks		
In Current Accounts	2891	1383
Total	3079	3057

	Rupees in Thousands	
	As at 31.3.2003	As at 31.3.2002
VI) LOANS AND ADVANCES		
Unsecured, Considered good	3486	7940
Advances receivable in cash or in kind or for value to be received	3486	7940
Total	6972	15880

	Rupees in Thousands	
	As at 31.3.2003	As at 31.3.2002
VII) CURRENT LIABILITIES		
Sundry Creditors:		
For Capital Goods	1	342
Others	737	771
Total	738	1113

	Rupees in Thousands	
	As at 31.3.2003	As at 31.3.2002
VIII) PROVISIONS		
Provision for retirement benefits	338	358
Total	338	358

	Rupees in Thousands	
	As at 31.3.2003	As at 31.3.2002
IX) MISCELLANEOUS EXPENDITURE (In the extent not written off or adjusted):		
Prepaid expenses	148	187
Total	148	187

	Rupees in Thousands	
	Year ended 31.3.2003	Year ended 31.3.2002
X) SALES / OTHER INCOME FROM OPERATION		
Sales	8738	7388
With Business Income	138	248
Income from operations :		
Service charges received	0	28
Total	8876	7674

	Rupees in Thousands	
	Year ended 31.3.2003	Year ended 31.3.2002
XI) OTHER INCOME		
Interest received (Gross (Tax Debucted at source No. 40 (Prev. year No. 40))	12	2
Prev period income (net)	268	0
Other Income	58	5
Total	278	7

	Rupees in Thousands	
	Year ended 31.3.2003	Year ended 31.3.2002
XII) COST OF GOODS SOLD		
Purchases of Finished Goods	8241	8772
Decrease/(Increase) in stock of Finished Goods :		
Stock at close	882	14737
Less - Opening stock	638	14737
Total	8488	71088

Schedules to the Accounts

	Rupees in Thousands	
	Year ended 31.3.2003	Year ended 31.3.2002
III) GENERAL EXPENSES		
Personnel Expenses :		
Salaries, Wages and Bonus	882	515
Company's contribution to provident and other funds	482	48
Staff Welfare Expenses	818	484
Insurance		
Fire	317	70
Rates and taxes	218	248
Collaboration fees	32	16
Repairs		
Buildings	14	0
Others	212	82
Telephone and postage exp.		
Electricity Exp.	228	82
Auditor's Remuneration :	1912	128
Audit fees	1282	787
Tax audit fees	28	21
Less on account of assets	21	21
Selling & Distribution Expenses :		
Sales Promotional Expenses	1221	0
Commission on sales	322	581
Other Marketing Exp.	828	373
448	278	
Miscellaneous Expenses	1328	1242
Provisionary Expenses Written Off	2848	4582
Total	47	47
	23428	18714

III) SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

- Significant Accounting Policies :**
 - Basic of Accounting :**
 - The financial statements are prepared under the historical cost convention on the basis of "Accrual Concept".
 - Fixed Assets and Depreciation :**
 - Fixed Assets are stated at historical cost of acquisition less accumulated depreciation. Cost includes related expenditure and preparatory and project expenses incurred for the period up to commencement of commercial operation.
 - Depreciation is provided on "Straightline method" as per Section 205(2) of the Companies Act, 1956 at the rate prescribed in Schedule XIV thereto.
 - Depreciation on additions / deposits of the fixed assets during the year is provided on pro-rata basis according to the period during which assets are put to use.
 - Software development expenses are written off over a period of five years.
 - Expenditure during construction period -**
 - The expenditure incurred incidental to the establishment of retail shops are shown under "Preparatory expenses pending allocation". The said expenditure are allocated to fixed assets upon commencement of operation by the respective retail shop.
 - Inventories :**
 - Finished Goods are valued at lower of the cost or net realizable value.
 - Revenue Recognition :**
 - The Company recognizes sale of products when they are invoiced to customers excluding sales tax and trade discounts, and income from services, when it is rendered.
 - Revenue in respect of other income is recognized when no significant uncertainty as to its determination or realization exists.
 - Retirement Benefits :**
 - Contribution to provident fund working during each year as per the scheme is charged to Profit and Loss Account.
 - Gratuity and Leave Encashment liabilities are charged to Profit & Loss Account on the basis of actuarial valuation.
 - Miscellaneous Expenditure not written off:**
 - Provisionary Expenses are written off equally over a period of five years.
- Note on Accounts :**
 - Though the accumulated loss is more than 20% of the net worth of the company, the accounts are prepared on "going concern" basis in view of :
 - Normal business operations carried on by the company during the year ;
 - Continuous support extended by the Holding Company ; and
 - Long term strategic involvement of the parent company in the present business activities of the company.
 - In respect of the pending income tax / value tax assessment of the Company, the Company does not anticipate any liability in respect of the same.
 - Figures for the previous year have been re-organized wherever necessary so as to make it comparable with those of the current year.
 - On the basis of the information available with the company regarding the status of the suppliers, there are no amounts due as on 31st March, 2003 to any supplier who is a normal trade industrial undertaking.
 - In view of loss on per books and on per income tax, no provision is made for current and deferred tax.

	Rupees in Thousands					
	Year ended 31st March, 2003			Year ended 31st March, 2002		
	Net Sales	Total Sales	Pharma Sales	Net Sales	Total Sales	Pharma Sales
A. Revenue :						
External sales	1388	1388	1388	8878	2488	2478
Inter-segment sales	0	0	0	0	0	0
Total Revenue	1388	1388	1388	8878	2488	2478
B. Result :						
Segment result (attributed)	(8872)	(7941)	42	8 (2077)	(1628)	(1872)
Income (net of attributed expenditure)				16	16	(24)
Operating (loss)/Profit	(8872)	(7941)	42	16	(2079)	(1896)
Interest expense	0	0	0	0	0	0
Interest & dividend income	0	0	0	0	0	0
Income taxes	0	0	0	0	0	0
Loss from ordinary activities	(8872)	(7941)	42	16	(2079)	(1896)
Net loss	(8872)	(7941)	42	16	(2079)	(1896)
C. Other Information :						
Assets	18274	23481	0	3824	4888	2218
Liabilities	182	2848	82	3818	3828	1888
Capital expenditure	38	278	278	388	1288	1278
Depreciation	288	182	482	388	188	488
Non Cash expense other than depreciation	182	47	188	47	47	47

- Geographical segment :-** Geographically the business is within India only.
- Notes :**
 - The Company is organized into three main business segments, namely :
 - Web business
 - Trading in Medicines/Consumer Products
 - Trading in Pharmaceuticals products

- Related Party Transactions :**
 - Name of the Related Party and Nature of the Related Party Relationship :-**
 - Holding Company :** Cadila Healthcare Limited
 - Former Subsidiaries**
 - German Remedies Specialties Limited
 - Zylo Pharma Limited
 - Baryon Chemicals Limited
 - Zylo Healthcare (New Zealand) Ltd.
 - Directors**
 - Mr. Parag R. Patel
 - Mr. Shant P. Patel
 - Mrs. P. P. Patel

- Transactions with Related Parties :** The following transactions were carried out with the related parties in the ordinary course of business.
 - Details relating to parties referred to in items 7 - a) (i) & (ii)

Nature of Transactions	Rupees in Thousands	
	Year ended 31-3-03	Year ended 31-3-02
1) Purchases		
Goods	42878	7824
Services	0	118
2) Sales		
Goods	128	0
Services	848	2427
3) Reimbursement of expenses		
Received	0	217
4) Rent		
Change	1888	1888
5) Finance		
Loans taken	3218	4887
Loans repaid	4887	0
Investment	4788	0
6) Outstanding		
Payable	3848	79697

Quantitative and Value analysis of Sales Turnover :

Class of Goods	Unit of Measure	Year ended 31.03.2003		Year ended 31.03.2002	
		Qty.	Rs. in '000	Qty.	Rs. in '000
Tablets	M.Nos.	17,23	3388	24,88	4837
Capsules	M.Nos.	4,87	1228	5,88	14237
Injections	K.Litres	8,28	1488	8,48	1778
Dry Powder Injections	Flg.	7,28	1887	18,71	8817
Liquid	K.Litres	18,21	2228	13,41	2178
Business through retail shops (*)			1288		3878
webbusiness income			1288		2487
Total			8828		7848

Quantitative and Value analysis of Good traded in :

Class of Goods	Unit of Measure	Year ended 31.03.2003		Year ended 31.03.2002	
		Qty.	Rs. in '000	Qty.	Rs. in '000

C. Balance Sheet statement and Company's General Business Profile:

1. Registration details	
Registration number	07488
Balance Sheet date	31.03.2003
State code	4
Rs. in '000	
2. Capital raised during the year:	47000
3. Position of Mobilisation & Deployment of Funds:	
Total Liabilities	80048
Total Assets	80048
Source of Funds:	
Paid up Capital	50000
Reserves & Surplus	30
Secured Loan	Nil
Unsecured Loans	20048
Application of Funds:	
Net Fixed Assets	25507
Investments	Nil
Net Current Assets	10710
Miscellaneous Expenditure	140
Balance in P & L A/c	40288
4. Performance of Company:	
Turnover (including other income)	88888
Total Expenditure	91802
Loss before Tax	22758
Loss after Tax	22758
Earning per Share (%)	(8.6)
Dividend rate (%)	N.A.
5. Generic names of three principle products/services of Company (As per monetary terms):	N.A.

Signatures to Schedules 1 to 15

As per our report of even date

For Mubashir M. Shah & Co.,
Chartered Accountants
Mubashir M. Shah
Partner
Attested, dated 10th August, 2003

Per: M. Shah
Chairman

Per: P. Patel
Director

Cash Flow Statement
for the year ended 31st March, 2003

Particulars	Working Note No.	Rupees in Thousands	
		Year ended 31.3.2003	Year ended 31.3.2002
A. Cash flows from operation activities:			
Net Loss before taxation and extraordinary		(22758)	(17492)
Adjustment for:			
Depreciation	4501	4501	0
Loss on assets discarded	1021	1021	0
Interest Income	(10)	(10)	0
Provisionary expense written off	47	47	0
Provision for dividend/bonus	1	358	408
Total		6048	408
Operating profit before working		(16710)	(17084)
Adjustment for:			
Decrease/Increase in trade receivables	2	7401	(1496)
Decrease/Increase in other receivables	3	2384	(2442)
Decrease/Increase in Investments	4	6386	(1473)
Increase/Decrease in trade payables & other liabilities	5	(26)	642
Total		16736	(2133)
Cash generated from operations		(374)	(2782)
Interest received	6	12	2
Interest paid	7	0	0
Dividend income paid (Net of advance)	8	0	0
Total		12	2
Cash flow before extraordinary items		(362)	(2780)
Net Cash from operating activities		(362)	(2780)
B. Cash flow from investing activities:			
Purchase of fixed assets	9	(2116)	(830)
Pre-operative & Project expenses	10	0	(826)
Purchase of Investments	12	0	0
Proceeds from sale of Investments	13	0	0
Proceeds from sale of fixed assets	14	0	0
Interest Received	6	0	0
Dividend received	15	0	0
Net Cash from investing activities		(2116)	(830)
C. Cash flows from financing activities:			
Proceeds from issuance of share capital		47000	0
Borrowings (net)	14	(4494)	4907
Dividend paid	16	0	0
Tax on dividend paid	17	0	0
Net Cash used in financing activities		3806	4907
Net increase/(decrease) in cash and cash equivalents		(327)	258
Cash and cash equivalents at the beginning of the year		3397	29
Cash and cash equivalents at the close of the year		2770	307

Notes to the cash flow statement

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

Per: M. Shah
Chairman

Per: P. Patel
Director

Attested, dated 10th August, 2003

Company information

Directors S. Patel P. Patel	Secretary SK Company Secretarial Service Ltd. Registration Number 20030 Registered Office 20 Cavendish Terrace Dublin 2 Ireland	Auditors Family Dews White FOY House Blackburn Business Park Coss Road Dundalk Co. Louth	Bankers Barclays Bank Plc Edgware Road and Marble Arch Branch 127 Edgware Road London W2
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Directors' Report

for the year ended 31 December 2002

The directors present their report and the financial statements for the year ended 31 December 2002.

Principal Activity
The principal activity of the company is to promote, import and export of pharmaceutical products. The Company did not engage in any trading activity during the year.

Results And Dividends
The profit for the year after providing for depreciation and taxation amounted to UK£ 571,712 (2001 - UK£ 862,298).

Equity Shareholders funds as at the end of the year was UK£ 56,340 (2001 - UK£ 515,888).

The directors do not recommend payment of a final dividend.

Directors
In accordance with the Articles of Association, the directors are not required to retire by rotation.

Health and Safety of Employees
The Company has adopted a safety statement in accordance with the Health, Safety and Welfare at Work Act, 1989.

Directors and their interests
The directors who served during the year and their interests in the Company are as stated below.

Ordinary shares	2002	2001
S. Patel	-	-
P. Patel	-	-

There were no changes in shareholdings between 31 December 2002 and the date of signing the financial statements.

Directors' Responsibilities
Company law requires the directors to prepare financial statements for each

financial year which give a true and fair view of the state of the affairs of the Company and of the profit or loss of the Company for that year. In preparing these the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985 to 2001. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Accounting Records
The directors acknowledge their responsibilities under Section 202 of the Companies Act 1985 to keep proper books and records for the company. To this end:

- employees of the company maintain the books;
- we maintain all source documentation and Family Dews White, prepare our financial statements from the source documentation;
- Our books and records are kept at 20 Cavendish Terrace, Dublin 2, Ireland.

Auditors
The auditors, Family Dews White, have indicated their willingness to continue in office in accordance with the provisions of Section 180(2) of the Companies Act, 1985.

On behalf of the Board

S. Patel
Director

P. Patel
Director

Date: 28 April, 2003

Independent Auditors' Report

to the Shareholders of
Zydus International Private Limited

We have audited the financial statements of Zydus International Private Limited for the year ended 31st December 2002. These financial statements have been prepared under the historical cost convention and the accounting policies.

This report is made solely to the company's members as a body in accordance with the Companies Act, 1985 to 2001. Our audit work has been undertaken so that we might state to the company's members those matters that we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and Irish Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and Auditing Standards promulgated by the Auditing Practices Board in Ireland and the United Kingdom.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Acts. We also report to you whether in our opinion, proper books of account have been kept by the company, whether, at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the company, and whether the information given in the Directors' Report is consistent with the financial statements.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Acts 1985 to 2001.

We have obtained all the information and explanations necessary for the purposes of our audit and whether the company's balance sheet and profit and loss account are in agreement with the books of accounts and returns. We report to the shareholders. In our opinion, any information specified by law regarding directors' remuneration and directors' transactions is not given and, where practicable, includes such information in our report.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or related inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Acts 1985 to 2001.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the company. The financial statements are in agreement with the books of account.

In our opinion the information given in the directors' report is consistent with the financial statements.

The net assets of the company, as stated in the Balance Sheet, are more than half of the amount of its called up share capital and, in our opinion, on that basis there did not exist at 31 December 2002 a financial situation which under Section 40(1) of the Companies (Amendment) Act 1985 may require the convening of an extraordinary meeting of the company.

Family Dews White
Registered Auditors & Accountants
FOY House
Blackburn Business Park
Coss Road
Dundalk
Co. Louth

28 April, 2003

Profit and Loss Account

For the year ended 31 December 2002

	Notes	Continuing operations	
		2002	2001
		UK£	UK£
Administrative expenses		(915,871)	(971,555)
Operating (loss)	2	(915,871)	(971,555)
Profit on disposal of intangible asset		943,704	-
Profit/(loss) on ordinary activities		227,833	(971,555)
Activities before interest			
Interest receivable and similar income	3	40	6,328
Interest payable and similar charges	4	(338,960)	(338,960)
Profit/(loss) on ordinary activities before taxation		571,737	(903,288)
Tax on profit/(loss) on ordinary activities	6	(18)	-
Retained profit/(loss) for the year		571,712	(903,288)
Accumulated (loss) brought forward		(915,888)	(10,410)
Accumulated (loss) carried forward		(344,176)	(915,888)

There are no re-organised gains or losses other than the profit or loss for the above two financial years. The financial statements were approved by the Board on 28th April, 2003 and signed on its behalf by:

S. Patel
Director

P. Patel
Director

Balance Sheet

As at 31 December 2002

	Notes	2002		2001	
		UK£	UK£	UK£	UK£
Fixed Assets					
Trademarks	7	-	-	7,388,881	-
Investments	8	6,317	6,317	5,778	5,778
Current Assets					
Debtors	9	7,011	14,212	14,212	14,212
Cash at Bank and in hand		22,142	79,652	79,652	79,652
		29,153	93,864	93,864	93,864
Creditors - amounts falling due within one year					
Net Current Assets (Liabilities)	10	(8,722)	(8,175,000)	(8,175,000)	(8,175,000)
Total Assets Less Current Liabilities		20,431	86,689	20,431	86,689
Capital and Reserves					
Called up share capital	11	100,000	100,000	100,000	100,000
Profit and loss account		(79,569)	(915,888)	(915,888)	(915,888)
Equity Shareholders' Funds	12	20,431	86,689	20,431	86,689

The financial statements were approved by the Board on 28 April 2003 and signed on its behalf by:

S. Patel
Director

P. Patel
Director

Notes to the Financial Statement

For the year ended 31 December 2002

1. Accounting Policies

- Accounting Convention**
The financial statements are prepared under the historical cost convention. The Company has taken advantage of the exemption in FR08 from the requirement to produce a cashflow statement because it is a small company. The company has acknowledged the guidance set out in FR08 ("Accounting Policies") for its accounting policies.
- Intangible Fixed Assets**
Trademarks are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful life of 17 years.
- Investments**
Investments are stated at cost less provision for distribution in value.
- Deferred taxation**
Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes except to the extent that the directors considers that a liability to taxation is arbitrary to materialise.
- Foreign currencies**
Monetary assets and liabilities denominated in foreign currencies are translated into UK pounds at the rates of exchange prevailing at the accounting date. Transactions in foreign currencies are recorded at the date of the transactions. All differences are taken to the Profit and Loss Account.
- Consolidated accounts**
The company is entitled to the exemption under Section 154 of the Companies Act, 1985 from the obligation to prepare group account.

	2002		2001	
	UK£	UK£	UK£	UK£
2. Operating (loss)				
Operating (loss) is stated after charging:				
Amortisation of trademarks	377,364	315,767		
Auditors' remuneration	1,200	1,831		
and after crediting (Profit/Loss on foreign currencies)	5,268	(45,898)		
3. Interest receivable and similar income				
Bank Interest	40	6,328		
4. Interest payable and similar charges				
On amounts payable to group companies	(338,960)	(338,960)		
On bank loans and overdrafts	-	102		
	(338,960)	(338,960)		
5. Employees				
Number of employees				
The average monthly numbers of employees (including the directors) during the year were:				
Administration	2	2		
There were no staff costs for the year ended 31 December 2002 or for the year ended 31 December 2001.				
6. Taxation				
Current year taxation				
Corporation Tax	18	-		

	2002		2001	
	UK£	UK£	UK£	UK£
7. Intangible fixed assets				
Cost				
At 1 January 2002			7,388,881	
Disposals			(7,388,881)	
At 31 December 2002			-	
Provision for Distribution in value				
At 1 January 2002			(915,767)	
On Disposals			688,761	
Charge for year			(971,555)	
At 31 December 2002			-	
Net book value				
At 31 December 2002			7,388,881	
At 31 December 2001			-	

The company disposed of a trademark for various pharmaceutical products to German Remedies Limited during the year under review. Amortisation on Trademark is provided on a pro rata basis until the date of sale of Trademark.

	2002		2001	
	UK£	UK£	UK£	UK£
8. Investments				
Cost or Valuation				
At 1 January 2002			5,778	
Additions			5,798	
Disposal			(6,298)	
At 31 December 2002			5,278	
Net book value				
At 31 December 2002			5,278	
At 31 December 2001			5,778	

The company subscribed to the entire share capital of 10,000 equity shares of 1 and each in Zydus Healthcare SA (PTY) Limited on 15 June 1999, which became a wholly owned subsidiary.

The Company subscribed to the entire 1000 ordinary share capital of Zydus Healthcare (New Zealand) Ltd. on 25 January 2003. Further it has subscribed to 10,000 ordinary shares during the year under review. During the year Zydus Healthcare (New Zealand) Limited has closed its business operations. As per the certificate from Registrar of Companies, New Zealand, the Company's name has been removed from the register on the 24th of December 2002. Since no amount is recoverable, total investment has been written off during the year.

	2002		2001	
	UK£	UK£	UK£	UK£
9. Debtors				
Amounts owed by subsidiary companies	4,312	14,212		
Other debtors	2,806	-		
	7,118	14,212		
10. Creditors - Amounts falling due within one year				
Amounts owed to Cadila Healthcare (Parent company)	5,812			

Corporate Information

Directors P.R.Patel I.F. O'Leary E. Deshpande	Nature of Business Trading in Pharmaceutical products.	Bankers The Standard Bank of South Africa Limited.	Company Registration Number 991433957	Registered Office 23 Moorosi, Potchefstroom 201, South Africa.
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Approval of annual financial statements

The annual financial statements were approved by the directors on 01 April 2003 and signed on their behalf by

I.F. O'Leary
POTCHEFSTROOM
1 April 2003

Directors' Report

for the year ended 28 February, 2003

- Business and Operations**
The principal activity of the Company is trading in Pharmaceutical products. There was no major change in the nature of the business of the Company.
- Financial Results**
The results of operations for the year are clearly set out in the income statement.
- Fixed Assets**
The Company had no fixed assets at the end of the financial year.
- Directors**
Mr E. Deshpande was appointed as director during the year.

The directors during the year were P.R.Patel, I.F. O'Leary and E. Deshpande.

- Shareholder**
The Company is a wholly owned subsidiary of Zybus International Pty Limited, a Company incorporated in The Republic of Ireland.
- Events Subsequent to the Accounting Date**
No material fact or circumstance has occurred between the accounting date and the date of this report.
- Authorized Share Capital**
There was no change in the authorized or issued share capital during the year.

Report of the Independent Auditors

In the members of Zybus Healthcare SA Proprietary Limited
We have audited the annual financial statements of Zybus Healthcare SA Proprietary Limited. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Audit opinion
In our opinion, the financial statements fairly present in all material respects the financial position of the Company at 28 February 2003, and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting practice, and in the manner required by the Companies Act.

- examining on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and

2 April 2003

Sd/- Carlota & Robinson
Registered Accountants and Auditors
Chartered Accountants (SA)
Potchefstroom

Balance Sheet

as at 28 February, 2003

Notes	2003		2002	
	R	R	R	R
ASSETS				
Current Assets				
Bank and cash		19 624		19 624
Debtors		4 795		-
		R 17 122		R 19 624
EQUITY AND LIABILITIES				
Share Capital	2	50 000		50 000
Retained Income / (accumulated loss)		(50 448)		(87 717)
Shareholders loan	3	52 991		52 991
Current Liabilities		4 889		4 892
Debtors		4 890		4 892
		R 17 122		R 19 624

Income Statement

for the year ended 28 February, 2003

Notes	2003		2002	
	R	R	R	R
TURNOVER				
Net profit/(loss) after allowing for the following		(7 732)		(86 170)
Income		68		644
Interest		68		644
EXPENSES		(2 800)		(86 814)
Auditors remuneration		2 188		2 800
Audit fee		2 200		2 200
Other services		68		60
Bank charges		677		3 838
Foreign exchange loss		277		55 218
Registration fees		13 236		5 941
Stationery & printing		6 075		817
Reimbursement of expenses		(31 983)		-
Net Profit/(Loss) before taxation		(7 732)		(86 170)
Taxation		-		-
Retained Income/(Accumulated Loss) for the year		(7 732)		(86 170)
Retained Income/(Accumulated Loss) at beginning of year		(87 717)		(21 547)
Retained Income/(Accumulated Loss) at end of year		R (94 448)		R (87 717)

Cash Flow Statement

for the year ended 28 February, 2003

Notes	2003		2002	
	R	R	R	R
Cash Flows From Operating Activities		(7 207)		(86 470)
Cash receipts from customers		-		-
Cash paid to suppliers and employees		(7 278)		(86 184)
Cash generated from operations	1	(7 278)		(86 184)
Interest received		68		644
Interest paid		-		-
Normal taxation paid		-		-
Cash Flows From Investing Activities		-		-
Additions to fixed assets		-		-
Additions to investments and sundry loans		-		-
Proceeds on disposal of fixed assets		-		-
Cash Flows From Financing Activities		-		43 827
Share issue		-		43 827
Net increase/(decrease) in shareholders loan		-		43 827
Net increase/(decrease) in cash and cash equivalents		(7 207)		(21 583)
Cash and cash equivalents at beginning of period		19 624		41 207
Cash And Cash Equivalents at end of period		R 12 417		R 19 624

Notes to the Cash Flow Statement

for the year ended 28 February, 2003

Notes	2003		2002	
	R	R	R	R
Reconciliation of Income Before Taxation to Cash Generated From Operations				
Income before interest and taxation		(7 732)		(86 170)
Adjusted for:				
Depreciation		-		-
Interest received		68		644
Net Profit before working capital changes		(7 664)		(85 526)
(Decrease)/Increase in creditors		230		760
(Decrease)/Increase in debtors		(4 795)		-
Cash generated from operations		R (7 278)		R (85 954)

Notes to the Annual Financial Statements for the year ended 28 February, 2003

- Accounting Policies**
The financial statements are prepared on the historical cost basis and incorporate the following principal accounting policy:
1.1 **Fixed assets**
Fixed assets are depreciated on the straight line basis at rates considered appropriate to the useful life of the assets concerned.
- Share Capital**
Authorized
10 000 Ordinary Shares of R1 each issued
R 10 000
10 000 Ordinary shares of R1 each
R 10 000
- Shareholders Loan**
Unsecured
Zybus International Pty Ltd.
No interest rates or repayment terms have been fixed.
- Foreign Exchange Loss**
The loss was incurred due to the depreciation of ZAR against US \$ on partial settlement of loan from holding company.
- Taxation**
No provision for taxation has been made as the Company has no taxable income.

Notes	2003		2002	
	R	R	R	R
ASSETS				
Current Assets				
Bank and cash		19 624		19 624
Debtors		4 795		-
		R 17 122		R 19 624
EQUITY AND LIABILITIES				
Share Capital	2	50 000		50 000
Retained Income / (accumulated loss)		(50 448)		(87 717)
Shareholders loan	3	52 991		52 991
Current Liabilities		4 889		4 892
Debtors		4 890		4 892
		R 17 122		R 19 624

Directory

Nature of Business Distributor of medical products	Directors Ganesh Narayan Nayak Parvati Ramakrishna Patel
Trading name Zybus Healthcare (NZ) Limited	Shareholder Zybus International Private Limited 20,000 shares
Part of capital \$20,000	Accountants KPMG, 130 Victoria St, Wellington
Registered Office Level 7, KPMG Centre, 130 Victoria Street, Wellington	Bankers UDC Finance Limited, 210-220 Lendon Quay, Wellington
Registered under The Companies Act, 1993	Incorporation number 1219579
Share issued 100 shares	ND number 76-000-613

The Directory has not been audited or reviewed, and is to be read subject to the disclaimer of this Financial Report.

Approval of financial report

The directors are pleased to present the financial report of Zybus Healthcare (NZ) Limited for the 10 months ended 31 October 2002.

Parvati Ramakrishna Patel
Director
Ganesh Narayan Nayak
Director
Dated: 10th January, 2003

Disclaimer of liability

We have compiled the Financial Report of Zybus Healthcare (NZ) Limited for the 10 months ended 31 October 2002 in accordance with the limited procedures agreed in our letter of engagement dated 19 July 2002.

A compilation is limited primarily to the collection, classification and summarisation of financial information supplied by the client. A compilation does not involve the verification of that information. We have not carried out an audit or a review engagement on the Financial Report, nor otherwise attempted to verify the accuracy or completeness of the information and therefore neither we nor any of our employees accept any responsibility for the accuracy of the information from which the Financial Report has been prepared.

This Financial Report has been prepared at the request of and for the purpose of our client only and neither we nor any of our employees accept any responsibility on any ground whatsoever, including liability in negligence, to any other person.

KPMG

Dated: 10th January, 2003

Statement of Financial Performance

for the period ended 31 October 2002

Notes	2002		2001	
	10 months	10 months	10 months	10 months
Expenses				
Accounting Services		-		5,794
KPMG Auditors fee		925		2,081
Bank Charges		134		194
Depreciation		-		198
General expenses		-		280
Interest		89		92
Loss on disposal of fixed assets	2	204		-
Party cash expenditure		(172)		400
Printing and stationery		-		510
Telecommunications		-		3,428
		5,835		12,207
Bondary Income				
Interest received		133		-
		133		-
Net deficit before tax		(5,702)		(12,207)
Tax expense	7	41		-
Net deficit after tax		(5,661)		(12,207)

Statement of movements in equity

for the period ended 31 October 2002

Notes	2002		2001	
	10 months	10 months	10 months	10 months
Opening Equity		(13,181)		(201)
Net deficit after tax		(5,661)		(12,207)
Contribution from owners		16,880		-
Closing Equity		1		(13,181)

Statement of Financial Position

as at 31 October, 2002.

Notes	2002		2001	
	10 months	10 months	10 months	10 months
Equity		1		(13,181)
Current assets				
Cash	4	1		-
Non-current assets				
Fixed assets		-		204
Total Assets		1		204
Current liabilities				
Overdraft	4	-		3,415
Tax payable	7	-		-
Advances	5	-		10,800
Total liabilities		-		14,215
Net assets		1		(13,181)

These statements has not been audited or reviewed, and is to be read subject to the disclaimer on page [] of this Financial Report.

Notes to the Financial Statements for the period ended 31 October 2002

1. Statement of Accounting Policies

Book of Incorporation
The company, Zybus Healthcare (NZ) Limited, is registered under the Companies Act 1993. The financial statements have been prepared in accordance with the Financial Reporting Act 1993, in terms of which the company is an exempt company.

The financial statements have been prepared on the basis of historical cost. There have been no changes in accounting policy during the current year and the accounting policies adopted are consistent with those of the previous year.

Fixed assets
Fixed assets are stated at cost less accumulated depreciation.

Expenses
Expenses represent costs incurred by the company on its own behalf. Any costs incurred on behalf of other Group companies are not recorded.

Assets
The expenses incurred in the period have not been used in deriving gross income. All such expenses are non-deductible.

The income tax expense is equal to the income tax payable in the current year. Timing differences between accounting profit and assessable income are not accounted for.

Good and Services for
The financial statements have been prepared on a GST inclusive basis.

Comparative
The comparative for the year under review are for 10 months, as the company has ceased trading and is being wound up in the current period.

	2002		2001	
	10 months	10 months	10 months	10 months
1. Finance expenses				
Interest		89		92
2. Equity				
Share Capital		20,000		1,800
Retained deficit		(14,827)		(1,721)
Retained deficit		(5,448)		(12,302)
Net deficit after tax		(5,448)		(14,821)
Total Equity		1		(13,181)
4. Cash				
The company has the following cash balances and bank accounts:				
ANZ Account		-		(3,400)
UDC Account		1		1
Total		1		(3,400)
These are shown in the statement of financial position as follows:				
Cash (current assets)		1		1
Overdraft (current liabilities)		-		(3,400)
Total		1		(3,400)
The ANZ account was closed during the period under review.				
5. Advances				
The loan from Zybus International Private Limited has been converted to equity in the period under review.				16,880
6. Qualifying company regime				
As at balance date the company had not elected to enter the regime.				

	2002		2001	
	10 months	10 months	10 months	10 months
7. Tax				
Net deficit before tax		(5,702)		(12,207)
Adjusted for permanent differences				
Non-deductible expenditure		5,835		13,280
Taxable Income		133		-
Tax expense as per statement of financial position		41		-
Resident withholding tax paid		21		-
Tax balance as per statement of financial position		19		-

8. Going concern
Zybus Healthcare (NZ) Limited is no longer a going concern as the company ceased to trade during the period under review. This cessation of trading was at the request of the directors and shareholders and accordingly is voluntary.

At balance date proceedings are in place to remove the company from the New Zealand Companies Office Register.

9. Related party disclosures
Zybus International Private Limited, the parent company of Zybus Healthcare (NZ) Limited, made an advance to Zybus Healthcare (NZ) Limited which was unsecured, interest free and repayable on demand.

The advance from Zybus International Private Limited has been converted into equity in the period under review.

These notes have not been audited or reviewed, and are to be read subject to the disclaimer of this Financial Report.

ZYDUS HEALTHCARE (USA) LLC

Corporate Information

Board of Managers
 Patrick P. Patel
 Shant P. Patel
 Dr. Karan Pandya

Auditors
 Rao Narasim INC
 Financial & Tax Consultants

Bankers
 First Union National Bank
 882 Alexander Road
 Financial Center
 NJ 07093 Princeton
 N.J. U.S.A.

Registered Office
 2711 Centerville Road
 Ste. 400 in the City of Wilmington
 DE 19808
 State of Delaware
 United States of America

Independent Auditors Report

April 17, 2003
 Zyduz Healthcare (USA) LLC
 882 Alexander Road
 Princeton, NJ 07093

Attention: Board of Managers
 We have audited the accompanying financial statements of Zyduz Healthcare (USA) LLC, as of December 31, 2002 and the related statement of operations for the period ended December 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements provided to us.

We have conducted an audit in accordance with auditing standards generally accepted in the United States. These 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 documents and disclosures in the

financial statements. We believe that our audits provide a reasonable basis for our opinion.
 In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of Zyduz Healthcare (USA) LLC, as of December 31, 2002 and its results and operations during the same time period, in conformity with accounting principles generally accepted in the United States of America.

Rao P. Nayyar
 Accountant
 Dated: April 17, 2003.

Statement of Retained Earning
 For the period ended December 31st, 2002

	Period ended December 31, 2002
INCOME	
Income from Services	0
OPERATING AND ADMINISTRATIVE EXPENSES	
Bank Charges	22
Travel Expenses	1791
Professional Fees - Legal	4157
Total Expenses Incurred in 2002	(3970)
Net Operating Loss in 2002	(3970)

(See attached Notes to Financial Statements)

Rao P. Nayyar
 Accountant
 April 17, 2003

Balance Sheet
 As at December 31st, 2002

	As at December 31, 2002
ASSETS	
Current Assets	
Cash with Bank	22,475
Other Assets	
Security Deposit - Rent	20,623
Prepaid Rent	5,198
Total Current Assets	25,779
Total Assets	48,197
LIABILITIES & EQUITY	
Current Liabilities	4,157
Accrued Legal Expenses	
Other Liabilities	
Due to Cofelis Healthcare Limited	50,000
Retained Earnings 12-31-02	(5,993)
Total Liabilities & Equity	48,197

(See attached notes to Financial Statements)

Rao P. Nayyar
 Accountant
 April 17, 2003

Notes to Financial Statements

- Organization and Structure**
 Zyduz Healthcare (USA) LLC was formed on September 24, 2002 in the State of Delaware, United States, with its sole member Zyduz International Pvt. Ltd., a corporation organized under the laws of India. Zyduz Healthcare (USA) LLC also registered in the State of New Jersey, in order to conduct business in the State of New Jersey. As of December 31, 2002 the Company has not generated any revenue from operations, but has incurred expenses. Funds to the extent of \$50,000.00 were provided from Cofelis Healthcare Limited, India on December 2, 2002.
- Stockholders' Equity**
 Zyduz Healthcare (USA) LLC does not have any stock, issued to its sole member Zyduz International Pvt. Ltd.
- Income Taxes**
 Zyduz Healthcare (USA) LLC has no tax liability, as there were no earnings for the period, covered by the report, hence no provision was made.

ZYDUS HEALTHCARE BRASIL LTDA.

Corporate Information

Board of Managers
 Patrick P. Patel
 Shant P. Patel
 Dr. Karan N. Nayyar

Registered Office
 Av. Engenheiro Paulo de Frontin, 1401-120-1100
 Suite 13A, South Tower, Sao Paulo - SP, Brazil

Bankers
 Banco Citibank SA
 Av. Paulista, 1111
 Sao Paulo
 Brazil

Independent Auditors' Report

The Directors and Shareholders
 Zyduz Healthcare Brasil Ltda.

(1) We have examined the balance sheet of ZYDUS HEALTHCARE BRASIL LTDA, at December 31, 2002 and the related statements of income for the 3-month period then ended, all prepared under the responsibility of the management. Our responsibility is to express an opinion on these financial statements.

- (2) Our examination was conducted in accordance with auditing standards and included:
- work planning, taking into consideration the Company's relevant balances, volume of transaction and accounting and internal control systems;
 - verification, on a test basis, of evidence and records supporting the amounts and accounting information disclosed; and
 - evaluation of the most significant accounting practices used, and estimation made, by the management, as well as the financial statements overall presentation.

Sao Paulo, August 14, 2003
 ETNE AUDITORS INDEPENDENTES S/C
 CRC-SP No. 25910380-8
 FURTO DE AUGUSTO 101111
 Public Accountant
 CRC-SP No. 159213810-8
 Member of International Association
 ABR INTERNATIONAL LTD.
 (Accountants Global Network)

Balance Sheet
 For period December 2002

	December 02	December 03
ASSETS		
Rate LOS		5,000
Current Assets		
Cash	55,28	15,84
Accounts Receivable	8,043,57	2,279,75
Others	-	-
Total Current Assets	8,098,85	2,295,59
Total Assets	8,098,85	2,295,59
LIABILITIES		
Current Liabilities		
Accounts Payable	21,897,58	6,198,19
Account Taxes	863,32	272,88
Total Current Liabilities	22,760,90	6,471,07
Equity		
Capital	-	-
Retained Earnings	-	-
Balance Beginning of Period	-	-
Year To Date	(14,761,77)	(4,206,30)
Translation Loss	-	(97,20)
Balance End Of Period	(14,761,77)	(4,178,20)
Total Equity	(14,761,77)	(4,178,20)
Total Liabilities & Equity	8,098,85	2,295,59

Profit & Loss
 for period of October to December 2002

	Year to Date Oct. to Dec/02 R\$	Year to Date Oct. to Dec/03 US\$
Average Rate		1,0201
EXPENSES		
Personnel Costs		
Director Fee	0,00	0,00
Social Cost On Fee	0,00	0,00
Total Personnel Costs	0,00	0,00
ADMINISTRATIVE COSTS		
Laptop Expenses	20,597,58	5,271,28
Pharmaceutical Expenses	6,912,00	1,918,36
Contract Fees	108,00	27,75
Taxes Registrations	1,589,00	416,25
Banking Expenses - CNPJ	7,34	2,15
Total Administrative Costs	29,193,52	7,635,49
Reimbursement Expenses	13,889,06	3,845,49
Inventory Variation	0,00	0,00
Tax On Income-pto and Cofelis	0,00	0,00
Other Tax	0,00	0,00
NET INCOME	10,889,06	2,845,49
Federal Income Tax/Don. Contribution	0,00	0,00
Net Income After Trans.Fee.Tax	(14,761,77)	(4,198,30)

Consolidated Auditors Report

REPORT OF THE AUDITORS TO THE BOARD OF DIRECTORS ON CONSOLIDATED FINANCIAL STATEMENTS

- We have examined the attached consolidated Balance Sheet of Cadila Healthcare Limited, its subsidiaries and joint ventures as at March 31, 2003, the consolidated Profit and Loss Account and also the consolidated Cash Flow Statement for year then ended.
- These financial statements are the responsibility of the management of Cadila Healthcare Limited. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
- We did not audit the financial statements of following subsidiaries and joint ventures whose statements have been proportionately Consolidated. These financial statements have been audited by other auditors whose reports have been furnished to us, and in our opinion, so far as it relates to the amounts included in respect of the subsidiaries, is based solely on the report of the other auditors. The details of assets and revenues in respect of these subsidiaries and joint ventures to the extent to which they are reflected in the consolidated financial statements are given below:

Name of the Companies	(Rupees in 'Millions)		Year Ended on
	Total Assets	Total Revenues	
Subsidiaries :			
German Remedies Specialities Ltd.	38.74	47.21	31-03-03
Zydus International (Ireland) Ltd.	4.62	23.57	31-12-02
Zydus international (New Zealand) Ltd.*	0	0	31-12-02
Zydus Healthcare S.A. Proprietary Ltd.	0.07	0	28-02-03
Zydus Healthcare (USA) LLC.	4.64	0	31-12-02
Zydus Healthcare Brazil Ltda.	(0.20)	0	31-12-02
Joint Venture			
Zydus Altana Health Pvt. Ltd.	270.52	557.00	31-03-03

* The Company has been voluntarily wound up and its name has been removed from the register of ROC, New Zealand w.e.f. 24th December, 2002.

- The financial statement of joint venture company namely Sarabhai Zydus Animal Health Ltd have been audited by M/S Mukesh M Shah & Co as joint statutory auditors while the financial statements of the subsidiary companies namely Dialforhealth India Limited and Banyan Chemicals Ltd, have been audited by Mukesh M. Shah & Co. and R. R. Patel & Co. respectively. The details of assets and revenues in respects of these subsidiaries and joint ventures to the extent to which they are reflected in the consolidated financial statement are as under

Name of the Companies	(Rupees in 'Millions)		Year Ended on
	Total Assets	Total Revenues	
Subsidiaries :			
Dialforhealth India Ltd.	44.70	68.90	31-03-03
Banyan Chemicals Ltd.	110.54	75.08	31-03-03
Joint Venture			
Sarabhai Zydus Animal Health Ltd.	484.30	370.00	31-03-03

- We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21, "Consolidated Financial Statements" and Accounting Standard 27, "Financial Reporting of Interest in Joint Ventures" issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Cadila Healthcare Ltd., its subsidiaries and joint ventures included in the consolidated financial statements.
- On the basis of the information and explanations given to us and on the consideration of the separate audit report on individual audited financial statements of Cadila Healthcare Limited, its aforesaid subsidiaries and joint ventures, we are of the opinion that:
 - the Consolidated Balance Sheet gives a true and fair view of consolidated state of affairs of Cadila Healthcare Limited, its subsidiaries and joint ventures as at March 31, 2003,
 - the consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of Cadila Healthcare Limited, its subsidiaries and joint ventures for the year then ended, and
 - In the case of Consolidated Cash flow statements of the consolidated cash flows of Cadila Healthcare Limited, its subsidiaries and joint ventures for the year ended on that date.

For R. R. Patel & Co.
Chartered Accountants

R. R. Patel
Proprietor

For Mukesh M. Shah & Co.
Chartered Accountants

Mukesh M. Shah
Partner

Ahmedabad, Dated : 16th August, 2003.

Consolidated Balance Sheet

As at 31 March, 2003

Rupees in millions

	Schedule No.	As at 31.3.2003	As at 31.3.2002
SOURCES OF FUNDS :			
[1] Shareholders' Funds :			
Share Capital	1	314	298
Reserves and Surplus	2	4256	5165
		4570	5463
[2] Minority Interest		0	717
[3] Deferred Tax Liability [Net]	20[B-10]	857	497
[4] Loan Funds :			
Secured Loans	3	3744	2880
Unsecured Loans	4	1159	1557
		4903	4437
Total		10330	11114
APPLICATION OF FUNDS :			
[1] Fixed Assets			
Gross Block	5	8858	8375
Less : Depreciation		1526	1092
Net Block		7342	7283
Capital work-in-progress		299	480
Preoperative & Project Expenses pending allocation		6	1
		7647	7764
[2] Investments	6	217	823
[3] Net Current Assets :			
Current Assets, Loans and Advances :			
Inventories	7	1943	1490
Sundry Debtors	8	1595	1138
Cash and Bank Balances	9	103	553
Loans and Advances	10	783	933
		4424	4114
Less : Current Liabilities & Provisions :			
Current Liabilities	11	1839	1317
Provisions	12	344	277
		2183	1594
		2241	2520
[4] Miscellaneous Expenditure [to the extent not written off or adjusted]	13	225	7
Total		10330	11114
Significant Accounting Policies and Notes on Accounts	20		

As per our report of even date

For R.R.Patel & Co.,
Chartered AccountantsFor Mukesh M. Shah & Co.,
Chartered AccountantsParikaj R. Patel
Chairman & Managing DirectorPranjal Bhogilal
DirectorR. R. Patel
ProprietorMukesh M. Shah
PartnerJyotindra B. Gor
Chief Accounts OfficerUpen H. Shah
Company SecretaryMukesh M. Patel
DirectorAhmedabad, Dated : 16th August, 2003.**Consolidated Profit and Loss Account**

For the year ended 31 March, 2003

Rupees in millions

	Schedule No.	Year ended 31.3.2003	Year ended 31.3.2002
INCOME			
Sales		11286	8733
Less : Excise Duty		933	869
Net Sales		10353	7864
Other Income	14	35	125
Total		10388	7989
EXPENDITURE :			
Consumption of Materials and Finished Goods	15	4624	3545
General Expenses	16	3574	2872
Interest and Financial Charges	17	444	259
Depreciation and Misc. exp. written off	18	462	327
Total		9104	7003
Profit before extra ordinary items and Tax		1284	986
Extraordinary item - Amortisation of compensation under Voluntary Retirement Scheme		89	0
Profit before Taxes		1195	986
Less : Provision for Taxation	19	307	165
Profit after Tax		888	821
Minority Interest		0	113
Profit for the year attributable to the Group		888	708
Pre-acquisition profit for the year transferred to Goodwill arising on consolidation		0	39
Net Profit attributable for the Group		888	669
Add [Less] : Adjustment on consolidation		128	(2)
Less : Share of brought forward balance in P & L Account of Joint Ventures		51	0
Add : Balance brought forward		72	198
PROFIT AVAILABLE FOR APPROPRIATIONS		1037	865
Appropriations :			
Transfer to Debenture Redemption Reserve		199	11
Transfer to Capital Redemption Reserve		0	20
Dividends:			
Proposed Dividend on - Equity Shares		220	208
- Preference Shares		0	1
Corporate Dividend Tax on Distributed Profit		41	0
Total		261	209
Transfer to General Reserve		128	553
		588	793
Balance carried to Balance Sheet		449	72
Basic and Diluted EPS [in Rupees]	20[B-9]	15.36	11.25
Significant Accounting Policies and Notes on Accounts	20		

As per our report of even date

For R. R. Patel & Co.,
Chartered AccountantsFor Mukesh M. Shah & Co.,
Chartered AccountantsParikaj R. Patel
Chairman & Managing DirectorPranjal Bhogilal
DirectorR. R. Patel
ProprietorMukesh M. Shah
PartnerJyotindra B. Gor
Chief Accounts OfficerUpen H. Shah
Company SecretaryMukesh M. Patel
DirectorAhmedabad, Dated : 16th August, 2003.

Schedules to the Consolidated Accounts

Rupees in millions

	As at 31.3.2003	As at 31.3.2002
1] SHARE 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 :		
5,95,41,368 Equity Shares of Rs.5/- each fully paid-up	298	298
Notes : of the above Equity Shares :		
[A] 2,97,68,846 Shares were allotted as fully paid-up pursuant to the Scheme of Arrangement & Amalgamation for consideration other than 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		
3265486 [NI] Equity Shares of Rs. 5/- each fully paid-up to be issued pursuant to the Scheme of Amalgamation [Refer note no. B - 1 of Sch. no. 20]	16	0
Total	314	298

2] RESERVES & SURPLUS

Capital Reserve : [Including Subsidy received] :

Balance as per last Balance Sheet	292	292
Less : Adjusted against Goodwill arising due to Amalgamation [Refer note no. B - 1 of Sch. no. 20]	292	0
	0	292

Capital Redemption Reserve Account :

Balance as per last Balance Sheet	20	0
Add : Addition during the year	0	20
	20	20

Share Premium Account :

Balance as per last Balance Sheet	3545	3545
Less : Adjusted against Goodwill arising due to Amalgamation [Refer note no. B - 1 of Sch. no. 20]	984	0
	2561	3545

Debenture Redemption Reserve :

Balance as per last Balance Sheet	38	27
Add : Transfer from Profit and Loss Account	199	11
	237	38

General Reserve :

Balance as per last Balance Sheet	1198	1002
[Less] / Add : Adjustment on consolidation	(171)	1
Add : Excess of net assets of the amalgamating companies over the paid-up value of equity shares allotted under the scheme of arrangement and amalgamation	0	8
Add : Transfer from Profit and Loss Account	88	553
	1115	1564
Less : Deferred tax adjustment for prior years [Refer note no. B - 10 of Sch. no. 20]	166	366
	949	1198

Balance in Profit and Loss Account

	449	72
	4216	5165
Group's proportionate share in reserves (other than balance in P & L Account) of Joint Ventures	40	0
Total	4256	5165

Schedules to the Consolidated Accounts

Rupees in millions

	As at 31.3.2003	As at 31.3.2002
3] SECURED LOANS		
1 Privately Placed Debentures :		
A 70 [0] 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	0
- 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 20 [0] 7 % Redeemable Non Convertible Debentures of Rs. 100,00,000/- each [Redeemable at par on 23rd September, 2003]	200	0
	900	0
2 Loans and Advances from Banks :		
A Term Loan for Office Complex	0	29
B Other Term Loans	350	200
C Working Capital Loans	810	204
D Short Term Demand Loan	0	200
E Interest accrued and due on above [Rs. 0.06 millions]	0	1
	1160	634
3 Other Loans and Advances :		
A Term Loan from a Financial Institution for Formulation Unit	73	146
B Term Loan from a Financial Institution for Others	775	2100
C Term Loan from Others	586	0
	1434	2246
	3494	2880
4. Group's proportionate share in secured loans of Joint Ventures	250	0
Total	3744	2880

4] UNSECURED LOANS

1 Fixed Deposits	233	123
2 Privately Placed Debentures :		
5,00,000 Zero interest, non-convertible Debentures of Rs. 100/- each, redeemable on 16th May, 2003 held by some Directors.	50	50
20 [0] 6.45 % Interest bearing, non-convertible Debentures of Rs. 1,00,00,000 each. Redeemable on 23rd May, 2003 held by a Bank.	200	0
	250	50
3 Short - term Loans and Advances from Banks	200	725
4 Other Loans and Advances :		
A Interest free deemed loan against deferment of sales tax		
a From a Financial Institution	192	85
b Deferred amount	110	109
	302	194
B Commercial Paper issued to a Bank	100	350
C From Others	74	115
D Total	476	659
Total	1159	1557
5. Group's proportionate share in unsecured loans of Joint Ventures	0	0
Total	1159	1557

5 | FIXED ASSETS

Nature of Fixed Assets	Rupees in millions					
	Gross Block		Depreciation		Net Block	
	As at 31.03.2003	As at 31.03.2002	Upto 31.03.2003	Upto 31.03.2002	As at 31.03.2003	As at 31.03.2002
Goodwill	104	2134	0	0	104	2134
Freehold Land	66	57	0	0	66	57
Leasehold Land	19	20	5	4	14	16
Buildings	2162	1256	188	154	1974	1102
Plant & Machinery	3042	2362	829	615	2213	1747
Furnitures, Fixtures & Office Equipments	362	451	97	139	265	312
Vehicles	132	122	43	38	89	84
Trade Marks, Patents, Designs	1550	1547	113	100	1437	1447
Technical know-how	620	421	79	41	541	380
Commercial Rights	50	0	46	0	4	0
Software Developments	5	5	2	1	3	4
Total	8112	8375	1402	1092	6710	7283
Share in assets of Joint Ventures	756	0	124	0	632	0
Grand Total	8868	8375	1526	1092	7342	7283
2001-02	8375	3315	1092	384	7283	2931

	Rupees in millions	
	As at 31.3.2003	As at 31.3.2002
6 INVESTMENTS [At Cost]		
Long Term Investments		
In Government Securities [Unquoted] :	0	0
In Shares, Debentures and Bonds :		
Trade Investments :		
Unquoted		
In fully paid-up equity shares of Companies under the same Management	0	330
In fully paid-up Series B convertible Preferred Stock	141	140
Total Trade Investments	141	470
Other Investments :		
Quoted :		
In fully paid-up Equity Shares	79	84
In Mutual Funds	42	255
Total	121	339
Unquoted :		
In fully paid-up Equity Shares	11	10
In partly paid-up Equity Shares	1	1
Total	12	11
Total Other Investments	133	350
Contribution to the Corpus of Gujarat Venture Capital Fund	2	2
Share Application Money for equity shares	1	1
Group's proportionate share in investments held by Joint Ventures	0	0
Total	277	823
Less : Provision for diminution in value of Investments	60	0
Aggregate Book Value of Investments	217	823

Schedules to the Consolidated Accounts

	Rupees in millions	
	As at 31.3.2003	As at 31.3.2002
7 INVENTORIES [As taken, valued and certified by the management]		
Stores, Spare Parts	83	38
Raw Materials	509	289
Packing Materials	68	90
Finished Goods	831	650
Work-in-process	386	423
	1877	1490
Group's proportionate share in inventories of Joint Ventures	66	0
Total	1943	1490

8 | SUNDRY DEBTORS [Unsecured, unless otherwise stated]

Debts outstanding for a period exceeding six months :

Considered good :

Due from a Firm in which a Director is a partner

Others

Considered doubtful

Less: Provision for doubtful debts

Other debts - Considered good

Group's proportionate share in sundry debtors of Joint Ventures

Total

	0	2
	96	84
	96	86
	23	24
	119	110
	23	24
	96	86
	1298	1052
	1394	1138
	201	0
Total	1595	1138

9 | CASH AND BANK BALANCES

Cash on hand

Bank Balances :

With Scheduled Banks :

In Current Accounts

In Fixed Deposit Accounts

In Foreign Currency Account

With other Banks :

In Fixed Deposit Account with Bhadran Co-operative Bank Ltd. Rs. nil (as at 31.03.02 Rs. 0.1 mn.)

In Current Account with Bank Austria Creditanstalt, Moscow, in foreign currency A/c

Group's proportionate share in cash and balances of Joint Ventures [Negative due to consolidation adj.]

Total

	4	5
	90	62
	16	447
	16	33
	122	542
	0	0
	4	6
	4	6
	130	553
	(27)	0
Total	103	553

Schedules to the Consolidated Accounts

Rupees in millions

	As at 31.3.2003	As at 31.3.2002
10 LOAN 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	179	155
Advances to a Joint Venture Company	44	0
Others	4	4
Total	227	159
Unsecured :		
Inter-corporate loan	17	314
Others	418	313
	435	627
	662	786
Advance payment of Income tax [net of provision]	22	20
Balances with Custom / Central Excise Authorities	77	127
Dividend receivable [Rs. nil (As at 31-03-2002 - Rs. 4,000/-)]	0	0
Interest receivable from others [(As at 31-03-2002 - Rs. 0.4 mn)]	2	0
	763	933
Group's proportionate share in loans and advances of Joint Ventures	20	0
Total	783	933

11| CURRENT LIABILITIES

Acceptances	329	0
Sundry Creditors :		
For Capital Goods	66	44
Others	1217	1086
Total [includes Rs. 48 millions (As at 31.03.02 Rs. 9 millions) due to small scale industrial undertakings]	1283	1130
Advances from Debtors	17	0
Trade Deposits	41	0
Investor Education and Protection Fund [*] :		
Unclaimed dividends	6	4
Matured but unclaimed Fixed Deposits [Rs. 0.33 millions (As at 31.03.2002 - Rs. nil)]	0	0
Interest payable on matured but unclaimed fixed deposits [Rs.0.14 millions (As at 31.03.2002 - Rs. nil)]	0	0
Total [*][There are no amounts due and outstanding to be credited to Investor Education and Protection Fund]	6	4
Interest accrued but not due on loans	42	183
	1718	1317
Group's proportionate share in current liabilities of Joint Ventures	121	0
Total	1839	1317

12| PROVISIONS

Proposed dividend	220	209
CDT on Proposed Dividend	28	0
Provision for retirement benefits	79	68
	327	277
Group's proportionate share in provisions of Joint Ventures	17	0
Total	344	277

Schedules to the Consolidated Accounts

Rupees in millions

	As at 31.3.2003	As at 31.3.2002
13 MISCELLANEOUS EXPENDITURE [To the extent not written off or adjusted]		
Debtore Issue Exp. / Discount on Debentures	1	7
Compensation under Voluntary Retirement Scheme	220	0
Preliminary Expenses	1	0
	222	7
Group's proportionate share in miscellaneous expenditure of Joint Ventures	3	0
Total	225	7

Rupees in millions

	Year ended 31.3.2003	Year ended 31.3.2002
14 OTHER INCOME		
A Dividends [Gross] :		
From Long Term Non Trade Investments in Others	9	94
B Others :		
Cash Discount	4	4
Rent Received	0	1
Bad debts recovered [Rs. nil (Previous year - Rs. 0.23 mn.)]	0	0
Miscellaneous Income	21	26
	25	31
	34	125
C Group's proportionate share in other income of Joint Ventures	1	0
Total	35	125

15| CONSUMPTION OF MATERIALS AND FINISHED GOODS

Raw Materials	2572	2284
Packing Materials	419	443
Purchases of Finished Goods	1456	961
[Increase] in Stock of Finished Goods & Work-in-process	(127)	(143)
Group's proportionate share in material cost of Joint Ventures	304	0
Total	4624	3545

Schedules to the Consolidated Accounts

Rupees in millions

	Year ended 31.3.2003	Year ended 31.3.2002
16 GENERAL EXPENSES		
Personnel expenses :		
Salaries, wages and bonus	893	749
Company's contribution to provident & other funds	107	96
Staff welfare expenses	<u>72</u>	<u>80</u>
	1072	925
Stores and spare parts consumed	75	80
Power & fuel	198	214
Processing Charges	103	137
Insurance	38	31
Repairs :		
Buildings	16	17
Plant and Machinery	23	25
Others	<u>19</u>	<u>21</u>
	58	63
Rent	15	15
Rates and Taxes	15	22
Managing Director's Remuneration	56	68
Travelling Expenses	173	200
Deficit / (Surplus) on account of fluctuations in foreign exchange rates [net]	45	(24)
Miscellaneous Expenses	477	311
Selling & Distribution Expenses :		
Commission on sales	152	84
Freight and forwarding on sales	120	105
Sales promotion expenses	177	143
Advertisements	115	73
Other marketing expenses	<u>410</u>	<u>395</u>
	974	800
Bad debts written off	26	3
Preliminary Expenses written off [Rs. 0.26 Mn. (Previous year - Rs. 0.39 Mn.)]	0	0
Directors' fees [Rs. 0.3 Mn. (Previous year - Rs. 0.1Mn.)]	0	0
Loss on assets sold / discarded [net]	12	5
Loss on sale of investments [net]	12	1
Provision for diminution in value of Investments	60	0
Donations	<u>25</u>	<u>21</u>
	3434	2872
Group's proportionate share in general expenses of Joint Ventures	140	0
Total	<u>3574</u>	<u>2872</u>

Schedules to the Consolidated Accounts

Rupees in millions

	Year ended 31.3.2003	Year ended 31.3.2002
17 INTEREST AND FINANCIAL CHARGES		
Interest :		
On term loans	263	232
On debentures	44	0
On working capital loans from banks	47	39
On loan from Managing Director [Rs. Nil (Previous year - Rs. 0.26 Mn.)]	0	0
Others	<u>58</u>	<u>22</u>
	412	293
Discount on debentures written off	5	5
Bank commission & charges	<u>46</u>	<u>32</u>
	463	330
Less : Interest earned [Gross] :	<u>56</u>	<u>71</u>
	407	259
Group's proportionate share in net interest and financial charges of Joint Ventures	37	0
Total	<u>444</u>	<u>259</u>

18 | DEPRECIATION AND MISCELLANEOUS EXPENDITURE WRITTEN OFF

Depreciation	406	327
Prior period depreciation adjustment	<u>1</u>	<u>0</u>
	407	327
Group's proportionate share in depreciation and deferred revenue expenditure of Joint Ventures	<u>55</u>	<u>0</u>
Total	<u>462</u>	<u>327</u>

19 | PROVISION FOR TAXATION

Current Tax	90	150
Deferred Tax	<u>192</u>	<u>33</u>
Total	282	183
Add [Less] : Prior year's tax adjustments	10	(18)
	<u>292</u>	<u>165</u>
Group's proportionate share in tax provisions made by Joint Ventures	15	0
Total	<u>307</u>	<u>165</u>

Schedules to the Consolidated Accounts

20 | SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

A. Significant Accounting Policies :

1 Basis of Accounting :

The financial statements are prepared under the historical cost convention on the basis of "Accrual Concept".

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] in case of Zydus Healthcare (New Zealand) Ltd., a subsidiary company, the accounts have been considered on a "liquidation basis" as the said company has been wound up voluntarily during the year.

[ii] 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 %

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, 2003 comprise the financial statements of Cadila Healthcare Limited and its subsidiaries as well as its interest in Joint Ventures as at 31st March, 2003, 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, 2003
2	Banyan Chemicals Limited	India	WOS	Audited	31st March, 2003
Subsidiary with effect from 1st April, 2002.					
3	Dialforhealth India Limited	India	WOS	Audited	31st March, 2003
4	German Remedies Specialities Limited	India	WOS	Audited	31st March, 2003
B Foreign Subsidiaries:					
1	Zydus International Private Limited	Ireland (UK)	WOS	Audited	31st December, 2002
2	Zydus Healthcare SA (Pty.) Limited	South Africa	WOS of Zydus International Private Limited	Audited	28th February, 2003
3	Zydus Healthcare (USA) LLC (Subsidiary with effect from 24th September, 2002)	United States of America	WOS of Zydus International Private Limited	Audited	31st December, 2002
4	Zydus Healthcare Brazil Ltda. (Subsidiary with effect from 27th August, 2002.)	Brazil	WOS of Zydus International Private Limited	Audited	31st December, 2002
5	Zydus Healthcare (New Zealand) Ltd. ** **The Company has been voluntarily wound up and its name has been removed from the register of ROC, New Zealand w.e.f. 24th December, 2002. WOS = Wholly Owned Subsidiary	New Zealand	WOS of Zydus International Private Limited	Unaudited	31st December, 2002

Schedules to the Consolidated Accounts

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, 2002
2	Sarabhai Zydus Animal Health Limited	India	50%	Audited	31st March, 2003

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

a Recon Healthcare Ltd. [Recon], whose business includes manufacturing and marketing of pharmaceutical products,

b Zoom Properties Ltd. [Zoom], whose business includes developing and letting out properties,

c Zydus Pathline Ltd. [ZPL] whose business includes manufacturing and marketing of diagnostic and pharmaceutical products, [all three wholly owned subsidiaries of the Company] and

d German Remedies Ltd. [GRL] [a subsidiary] whose business includes manufacturing and marketing of pharmaceutical products, [collectively referred to as Transferor Companies] which was sanctioned by the Orders of the Gujarat High Court [dated 10th April, 2003], Delhi High Court [dated 9th May, 2003] and Mumbai High Court [dated 27th June, 2003]. Effective Date under the Scheme being 11th August, 2003 have been amalgamated with the Company w.e.f. the appointed date under the Scheme, being 1st April, 2002.

B In accordance with the Scheme,

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

i land and buildings, which are recorded at their estimated market value, net of taxes, duties, etc., as at the Appointed Date.

ii 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 Recon, Zoom and ZPL shall get extinguished.

d All the shares of GRL held by the Company and Recon shall get extinguished.

e 32,65,486 Equity Shares of Rs.5/- each fully paid up are to be allotted to the minority shareholders of GRL, in the proportion of 7 equity shares of the Company for every 4 equity shares held by them in GRL, without payment being received in cash which will be entitled for the dividend for the year 2002-03 and pending allotment, these have been shown under the head "Share Capital Suspense", of Rs. 16 millions in Schedule 1.

f The shortfall in the aggregate value of the assets over the aggregate value of the liabilities of the Transferor Companies taken over by the Company, after adjusting for

i The face value of the Equity Shares to be issued and allotted by the company as stated in (e) above

ii Carrying amount of investments in the Transferor Companies held by the Company as on the Effective Date has been debited to the extent of Rs. 292 millions to the Capital Reserve Account and balance amount of Rs. 984 millions to the Share Premium Account of the Company as per the Scheme approved by the Courts otherwise the said amount would have been shown as goodwill.

g 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 respective Transferor Companies.

2 In the previous year, Joint Ventures were accounted for as investments under Accounting Standard 13 "Accounting for Investments" while during the year under audit, the same have been accounted as Joint Venture under Accounting Standard 27 in Consolidated Financial statements. Accordingly, the figures of previous year are not comparable.

3 A The Company has closed manufacturing operations at its Andheri plant during the year. Fixed assets having original cost of Rs. 5 millions with a written down value of Rs. 1 million and stocks valued at Rs. 2 millions have been written off and charged to Profit and Loss Account.

B As a part of the restructuring, the Company has offered a Voluntary Retirement Scheme to its employees of aforesaid plant. The compensation paid under the said Scheme is accounted as deferred revenue expenditure and amortised over a period of 42 months.

4 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. 8 millions [Previous Year Rs. nil].

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

Schedules to the Consolidated Accounts

6 Contingent liabilities not provided for :

	Rupees in millions		
	Cadila Healthcare Ltd. and Subsidiaries		Joint Ventures
	As at 31-03-03	As at 31-03-02	As at 31-03-03
A In respect of guarantees given by a Bank and counter guarantees given by the Company.	16.7	264	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	200	0	0
C Estimated amount of contracts remaining to be executed on capital account and not provided for [Net of Advances]	53	44	0.6
D Claims against the Company not acknowledged as debts	15.8	13	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.	183	160	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 crystallisation 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.	7	6	0
H In respect of Sales Tax matters pending before appellate authorities which the Company expects to succeed, based on decisions of Tribunals / Courts.	20	3	0
I Uncalled liability on partly paid shares	2	2	0
J In respect of demand raised by the Government of Gujarat on account of stamp duty payable on the trademarks acquired by one of the jointly controlled entities against which appeal has been preferred before the Hon'able Delhi High Court	0	0	16

7 Segment Information :

- A Primary Business Segment : There is only one segment namely Pharmaceutical Products.
B Secondary Business Segment - By Geographical market :

	Within India		Outside India		Total	
	Year Ended		Year Ended		Year Ended	
	31.3.03	31.3.02	31.3.03	31.3.02	31.3.03	31.3.02
a Sales revenue by geographical market	9622	7744	1664	989	11286	8733
b Carrying amount of segment assets	12190	12446	322	262	12512	12708
c Additions to fixed assets	1884	3923	0	0	1677	3923

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.

8 Related Party Transactions :

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

a Joint Venture Companies		
Sarabhai Zydus Animal health Limited		Zydus Altana Healthcare Pvt. Ltd.
b Associate Companies		
Cadmach Machinery Company Private Limited		
c Directors and their relatives		
Shri P. R. Patel		Miss Shivani P.Patel
Shri Pranlal Bhogilal		Aarti Trust
Dr. M. A. Patel		Gira Trust
Shri Mukesh M. Patel		Rita Trust
Smt. Taraben R. Patel		Zydus Family Trust
Shri Sharvil P. Patel		B.M.Patel Family Trust
Mrs. Gira R. Patel		

Schedules to the Consolidated Accounts

d Enterprises significantly influenced by Directors and /or their relatives

M/s. Alidac Distributors [*]	Cadila Laboratories Limited [*]
M/s. Alidac Genetics & Pharmaceuticals [*]	M/s. Cadila Veterinary [*]
M/s. Cadila Distributors [*]	M/s. Zeita Pharmaceuticals [*]
M/s. Cadmach Exports	
[*] indicates no transactions with the party during the year	

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 8- A [a, b and d]

Nature of Transactions	Volume of the Transactions (Rs. in Millions)					
	Joint Ventures Companies		Associate Companies		Associate Enterprises	
	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended
	31.3.03	31.3.02	31.3.03	31.3.02	31.3.03	31.3.02
1 Purchases :						
Goods			1	3		
Fixed Assets			3	17		
Services				0.1		
2 Sales :						
Goods	3	4				
Fixed Assets		0.9				
Services	1	0.3				
3 Investments :						
Purchase	20					
Dividend received	200					
4 Finance						
Inter Corporate						
Deposits given	89	20				
Deposits Repaid			5		5	
Guarantees given	400	533				
Interest received	2	0.1				
5 Outstanding						
Payable				5	20	25
Receivable	89	20			19	20

b Details relating to persons referred to in item 8-A [d] above :

	Year Ended	
	31-03-03	31-03-02
1 Remuneration	56	68
2 Sitting Fees	0.4	0.1
3 Reimbursement of expenses	1	2
4 Professional Fees	1	1
5 Interest expense on deposits taken	18	6
6 Rent paid on residential flats	0.2	0.2
7 Outstanding fixed deposits payable	232	114
8 Outstanding remuneration payable	52	55

9 Calculation of Earnings per Share [EPS] :

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

A Profit attributable to shareholders			
a Profit for the year after tax	Rs. in millions	965	677
b Less : Dividend on Preference Shares	Rs. in millions	0	1
c Profit attributable to Equity shareholders	Rs. in millions	965	666
B Basic and weighted average number of Equity Shares outstanding during the year	Nos.	62806854	59541368
C Nominal value of Equity Share	Rupees	5	5
D Basic and Diluted EPS	Rupees	15.36	11.25

10 Deferred Tax :

- A As per the Accounting Standards Interpretation [ASI] - 2 issued by the Institute of Chartered Accountants of India the deferred tax liability

Schedules to the Consolidated Accounts

should be calculated at the maximum marginal rate instead of MAT rate. The company had calculated the deferred tax liability for the previous accounting year at the MAT plus applicable surcharge rate. Consequently, the Company recalculated the cumulative net deferred tax liability as at 31st March, 2002 amounting to Rs. 166 millions and the same has been reduced from General Reserve .

- B The deferred tax liability of Rs. 192 millions for the year has been recognised in the Profit And Loss Account.
C Break up of Deferred Tax Assets and Liabilities into major components of the respective balances are as under :

(Rupees in millions)		
	As on 31-03-03	As on 31-03-02
Deferred Tax Liabilities :		
Depreciation	977	495
Others	7	8
Total	<u>984</u>	<u>503</u>
Deferred Tax Assets :		
Retirement benefits	10	3
Receivables	10	1
Others	107	2
Total	<u>127</u>	<u>6</u>
Net Deferred Tax Liability	<u>857</u>	<u>497</u>

As per our report of even date

For R.R.Patel & Co., Chartered Accountants	For Mukesh M. Shah & Co., Chartered Accountants	Pankaj R. Patel Chairman & Managing Director
		Pranlal Bhogilal Director
R. R. Patel Proprietor	Mukesh M. Shah Partner	Jyotindra B. Gor Chief Accounts Officer
		Upen H. Shah Company Secretary
		Mukesh M. Patel Director

Ahmedabad, Dated : 16th August, 2003.

Consolidated Cash Flow Statement

For the year ended 31 March, 2003

Rupees in millions		
Particulars	Year ended 31.3.03	Year ended 31.3.02
A Cash Flows from Operating Activities :-		
Net profit before taxation and extraordinary items	1254	986
Adjustments for :-		
Depreciation	482	327
Loss on sale of assets [net]	12	6
Loss on sale of investments [net]	12	1
Provision for diminution in value of investments	60	0
Interest income	(58)	(71)
Dividend income	(9)	(94)
Interest expenses	447	293
Bad debts written off	26	3
Provision for doubtful debts and advances	1	0
Current year's profit adjusted against Goodwill	0	(38)
Minority interest	0	(113)
Discount on debentures written off	5	1
Preliminary Expenses written off	0	1
Provisions for retirement benefits	9	27
Total	<u>969</u>	<u>343</u>
Operating profit before working capital changes	<u>2253</u>	<u>1329</u>

Consolidated Cash Flow Statement

For the year ended 31 March, 2003

Rupees in millions		
Particulars	Year ended 31.3.03	Year ended 31.3.02
Adjustments for :-		
[Increase] / Decrease in trade receivables	(410)	(440)
[Increase] / Decrease in other receivables	167	(426)
[Increase] / Decrease in inventories	(382)	(525)
[Increase] / [Decrease] in trade payables & other liabilities		717
Acquisition of deferred tax liability		99
Increase / [Decrease] in trade payables & other liabilities	411	359
Total	<u>(224)</u>	<u>(216)</u>
Cash generated from operations	2029	1113
Interest received	56	76
Interest paid	(624)	(122)
Direct taxes paid (Net of refunds)	(304)	(148)
Total	<u>(873)</u>	<u>(194)</u>
Cash flow before extraordinary items	1156	919
Extraordinary items	(307)	0
Net cash from operating activities	<u>849</u>	<u>919</u>
B Cash flows from investing activities :-		
Purchase of fixed assets	(1070)	(4928)
Pre-operative & Project expenses	0	(1)
Acquisition of reserves (net) on amalgamation		6
Purchase of investments	(757)	(208)
Proceeds from sale of investments	206	626
Proceeds from sale of fixed assets	3	13
Interest received on long term investments	0	0
Dividend received	302	96
Net cash from investing activities	<u>(1316)</u>	<u>(4197)</u>
C Cash flows from financing activities :-		
Redemption of Preference share capital		(20)
Borrowings (net)	127	3550
Dividends paid	(163)	(176)
Tax on dividends paid	0	(19)
Net cash used in financing activities	<u>(36)</u>	<u>3335</u>
Net increase / (-) decrease in cash and cash equivalents	<u>(503)</u>	<u>57</u>
Cash and cash equivalents at the beginning of the year	552	496
Cash and cash equivalents of new subsidiary at the beginning of the year	25	0
Cash and cash equivalents of joint ventures at the beginning of the year	29	0
Cash and cash equivalents at the close of the year	<u>103</u>	<u>552</u>

Notes to the Cash Flow Statement

- All figures in brackets are outflow.
- Previous year's figures have been regrouped wherever necessary.
- The amalgamation of German Remedies Ltd., Recon Healthcare Ltd. and Zoom Properties Ltd. with the Company is considered as non cash adjustment except receipt of dividend from German Remedies Ltd. during the year.

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

Ahmedabad, Dated : 16th August, 2003.

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 31st, 2003. 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 31st, 2003 covered by our report dated 16th August, 2003 to the members of the Company.

For R. R. Patel & Co., Chartered Accountants	For Mukesh M. Shah & Co., Chartered Accountants
R. R. Patel Proprietor	Mukesh M. Shah Partner

Ahmedabad, Dated : 16th August, 2003.