

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ZYDUS TECHNOLOGIES LIMITED**

Report on the Financial Statements

We have audited the accompanying financial statements of **ZYDUS TECHNOLOGIES LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

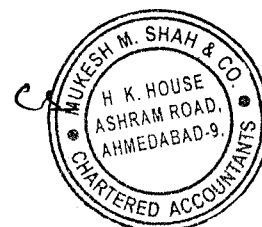
Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India including the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

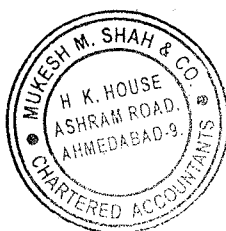
- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2014;
- (b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - (c) the financial statements dealt with by this report are in agreement with the books of account.
 - (d) in our opinion, the financial statements comply with the Accounting Standards referred to in Sub-section (3C) of Section of the Act; and
 - (e) on the basis of the written representations received from the directors as on 31st March, 2014 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2014 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

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

C.S. Shah
Chandresh S. Shah
Partner
Membership No.: 042132
Place: Ahmedabad
Date: 3rd April, 2014



**Annexure referred to in the Independent Auditors' Report of even date to the members of
ZYDUS TECHNOLOGIES LIMITED for the year ended 31st March , 2014.**

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, we report that:

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

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

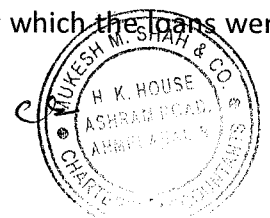
(c) There are no disposals of fixed assets during the year.
2. The Company does not hold any inventory during the year. Hence, clause (ii)(b) and (ii) (c) of paragraph 4 of the Order are not applicable to the company for the current year.
3. (a) The Company has not granted any loans secured or unsecured to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. Consequently, requirements of clauses (iii.b) (iii.c) and (iii.d) of paragraph 4 of the Order are not applicable.

(b) The Company has not taken any loans, secured or unsecured, from any firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 during the year under audit, hence, reporting requirements under Para iii(f) and iii(g) are not applicable.
4. In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
5. (a) In our opinion, and according to the information and explanations given to us, the particulars of all contracts or arrangements that need to be entered into a register in pursuance of Section 301 of the Companies Act, 1956, have been so entered.

(b) In our opinion and according to the information and explanations given to us. The transactions exceeding rupees five lakhs each have been made at prices, which are reasonable having regard to prevailing market prices at the relevant time.



6. The Company has not accepted any deposits from the Public within the meaning of the provisions of section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975. Further, we are informed that no order has been passed by the Company Law Board.
7. The Company has an internal audit system which, in our opinion is commensurate with its size and the nature of its business.
8. In absence of any manufacturing activities carried out by the Company, the requirement of maintenance of cost records under the provisions of section 209(1) (d) of the Companies Act, 1956 are not applicable to the Company during the year under audit.
9. (a) The Company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues, as applicable, with the appropriate authorities. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they become payable.
(b) There are no dues outstanding in respect of sales-tax, income-tax, custom duty, wealth-tax, excise duty, cess on account of any dispute.
10. The accumulated losses at the end of the financial year has not exceeded fifty per cent of the net worth of the Company and it has incurred cash losses in the financial year and also in the immediately preceding financial year.
11. The Company has not defaulted in repayment of dues to any banks during the year. The Company did not have any outstanding debentures or dues payable to financial institutions at any time during the year.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company is not a chit fund/ nidhi/ mutual benefit fund/ society.
14. The Company is not dealing or trading in shares, securities, debentures and other investments.
15. In our opinion and according to the information and explanations given to us, the Company has not given any guarantees for loans taken by any other companies; hence question of reporting under clause 4(xv) of the order does not arise.
16. Term Loans obtained by the company were applied for the purpose for which the loans were obtained.



17. According to the information and explanations given to us and on an overall examination of the Cash Flow Statement and other records examined by us, we report that no funds raised on short term basis have prima facie, been used during the year for long term investment.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
19. The Company has neither issued nor had any outstanding debentures during the year.
20. The Company has not raised any money by public issues during the year.
21. To the best of our knowledge and based on information and explanations received from the management, no fraud on or by the Company has been noticed or reported during the period covered by our audit.

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

C S Shah
Chandresh S. Shah
Partner
Membership No.: 042132
Place: Ahmedabad
Date: 3rd April, 2014



Zydus Technologies Limited
Balance Sheet as at March 31, 2014

	Note No.	INR-Thousands	
		As at March 31	
		2014	2013
EQUITY AND LIABILITIES:			
Shareholders' Funds:			
Share Capital	1	590,000	590,000
Reserves and Surplus	2	(42,174)	(9,313)
		547,826	580,687
Non-Current Liabilities:			
Long Term Borrowings	3	2,514,221	2,374,721
Other Long Term Liabilities	4	2,768	1,113
Long Term Provisions	5	2,387	4,013
		2,519,386	2,379,847
Current Liabilities:			
Trade Payables	6	73,427	37,584
Other Current Liabilities	7	814,043	57,417
Short Term Provisions	8	2,187	-
		889,657	95,001
Total		3,386,869	3,055,535
ASSETS:			
Non-Current Assets:			
Fixed Assets:			
Tangible Assets	9	152,600	156,172
Intangible Assets	9	401	526
Capital work-in-progress		383,007	381,347
Pre-operative & Project Expenses pending capitalisation/ allocation [Net]	10	3,289,842	2,397,812
		3,825,850	2,935,857
Long Term Loans and Advances	11	94,043	101,377
		3,919,893	3,037,234
Current Assets:			
Cash and Bank Balances	12	63,631	14,780
Short Term Loans and Advances	13	390	723
Other Current Assets	14	3,135	2,798
		67,156	18,301
Total		3,987,049	3,055,535
Significant Accounting Policies	II		
Notes to the Financial Statements	1 to 25		

As per our report of even date
For Mukesh M. Shah & Co.,
Chartered Accountants
Firm Registration Number: 106625W

For and on behalf of the Board

C.S. Shah

Chandresh S. Shah
Partner
Membership Number: 042132
Ahmedabad, Dated: April 2, 2014

Dishita Shah

Dishita Shah
Company Secretary

S.D. Patel

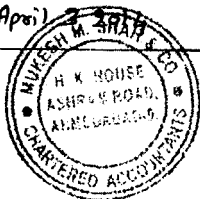
Sandip D. Patel
Chief Financial Officer

Manubhai K. Patel

Manubhai K. Patel
Managing Director

Sharvil Patel

Sharvil Patel
Chairman



Zydus Technologies Limited
Statement of Profit and Loss for the year ended March 31, 2014

	Note No.	INR-Thousands	
		Year ended March 31	
		2014	2013
EXPENSES:			
Employee Benefits Expense	16	128	134
Finance Costs	17	851	652
Other Expenses	18	1,719	1,336
Loss before Tax		2,698	2,122
Add: Tax Expense:			
Current Tax		100	35
Prior Year Tax Adjustment		63	4
		163	39
Loss for the year		2,861	2,161
Basic & Diluted Earning per Equity Share [EPS] [in Rupees]	19	(0.20)	(0.19)
Significant Accounting Policies	II		
Notes to the Financial Statements	1 to 25		

As per our report of even date

For Mukesh M. Shah & Co.,

Chartered Accountants

Firm Registration Number: 106625W

C.S. Shah

Chandresh S. Shah

Partner

Membership Number: 042132

Ahmedabad, Dated: *April 3, 2014*

For and on behalf of the Board

Dishita Shah
Dishita Shah

Company Secretary

S.D. Patel

Sandip D. Patel

Chief Financial Officer

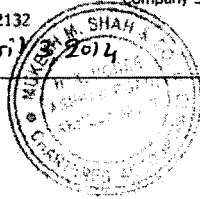
Manubhai K. Patel
Manubhai K. Patel

Managing Director

Sharvil K. Patel

Sharvil K. Patel

Chairman



Zydus Technologies Limited
Cash Flow Statement for the year ended on March 31, 2014

Particulars	INR-Thousands	
	Year ended March 31	
	2014	2013
A Cash flows from operating activities:		
Loss before tax	(2,698)	(2,122)
Adjustments for:		
Interest expenses	851	652
Operating profit before working capital changes	(1,847)	(1,470)
Adjustments for:		
Decrease/[Increase] in short term advances	333	2,220
Decrease/[Increase] in long term advances	12,299	(22,196)
[Increase] in other current assets	(337)	(541)
Increase/ [Decrease] in trade payables	36,784	(33,403)
[Decrease]/Increase in other current liabilities	(20,472)	21,680
Increase in Long term and short term provision	572	549
Increase/ [Decrease] in other long term liabilities	1,655	(657)
Total	30,834	(32,348)
Cash generated from operations	28,987	(33,818)
Direct taxes paid [Net of refunds]	(202)	(39)
Net cash used in operating activities	28,785	(33,857)
B Cash flows from investing activities:		
Purchase of fixed assets	(10,230)	(20,120)
Pre-operative & Project expenses	(737,908)	(558,560)
Net cash used in investing activities	(748,138)	(578,680)
C Cash flows from financing activities:		
Proceeds from Long Term Borrowings	889,500	807,534
Interest paid	(121,296)	(195,205)
Net cash from financing activities	768,204	612,329
Net increase/(-) decrease in cash and cash equivalents	48,851	(208)
Cash and cash equivalents at the beginning of the year	14,780	14,988
Cash and cash equivalents at the close of the year	63,631	14,780

Notes to the cash flow statement

- All figures in brackets are outflows.
- Previous year's figures have been regrouped wherever necessary.
- Cash and cash equivalent at the close [beginning] of the year includes Rs.40,001 [Rs.21] Thousands not available for immediate use.

As per our report of even date

For and on behalf of the Board

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

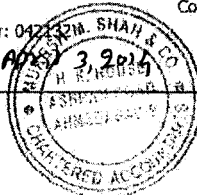
M. S. Shah
Chandresh S. Shah
Partner

Dishita Shah
Dishita Shah
Company Secretary

S. D. Patel
Sandip D. Patel
Chief Financial Officer

Manubhai K. Patel
Manubhai K. Patel
Managing Director

Shankar P. Patel
Shankar P. Patel
Chairman

Membership Number: 042132M. SHAH & CO.
Ahmedabad, Dated: *3, 2014*


I-Company overview:

Zydus Technologies Limited is an India-based pharmaceutical company. The Company has set up a unit in SEZ to develop, patent, manufacture and market non-oral dosage form generic drugs using novel drug delivery system in selected therapeutic areas for regulated developed Global markets. The product selection will focus on easier to formulate products with low IP barriers, as well as on high margin, limited competition products to achieve sustainable margins. The Company has filed and will continue to file ANDAs [Abbreviated New Drug Application] and remain focused on selected therapeutic areas in regulated markets. The marketing strategy will initially focus on ANDAs products.

II-Significant Accounting Policies:**1 Basis of Accounting:**

The financial statements are prepared under the historical cost convention on the "Accrual Concept" of accountancy in accordance with the accounting principles generally accepted in India and they comply with the Accounting Standards prescribed in the Companies [Accounting Standards] Rules, 2006 issued by the Central Government and other pronouncement issued by Institute of Chartered Accountants of India to the extent applicable, with the applicable provisions of the Companies Act, 1956.

2 Use of Estimates:

The preparation of Financial Statements in conformity with the Accounting Standards generally accepted in India, requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as at the date of the financial statements and reported amounts of revenues and expenses for the reporting year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

3 Fixed Assets, Depreciation and Amortisation:

- A** Fixed Assets are stated at historical cost of acquisition/ construction less accumulated depreciation and impairment loss. Cost [Net of Input tax credit received/ receivable] includes related expenditure and pre-operative & project expenses for the period up to completion of construction/ assets are put to use.
- B** The loss or gain on exchange rates on long term foreign currency loans attributable to fixed assets is adjusted to the cost of respective fixed assets.
- C** 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.
- D** Leasehold land is amortized over the period of the lease.
- E** Capitalised costs towards purchase/ development of software are amortised using straight line method over its useful life of four years as estimated by the management at the time of capitalisation.
- F** Where the actual cost of purchase of an asset is below Rs. 10,000/-, the depreciation is provided @ 100 %.
- G** Depreciation on additions/ disposals of the fixed assets during the year is provided on pro-rata basis according to the period during which assets are put to use.

4 Impairment of Assets:

The Company, at each balance sheet date, assesses whether there is any indication of impairment of any asset and/ or process technologies. If such indication exists, assets/ process technologies are impaired by comparing carrying amount of each asset and/ or process technology to the recoverable amount being higher of the net selling price or value in use. Value in use is determined from the present value of the estimated future cash flows from the continuing use of the assets/ process technologies.

5 Borrowing Costs:

- A** Borrowing costs that are directly attributable to the acquisition/ construction/ development of a qualifying asset are capitalised as part of the cost of such assets, up to the date, the assets are ready for their intended use.
- B** Other Borrowing costs are recognised as an expense in the year in which they are incurred.
- C** Borrowing costs also include exchange differences arising from Foreign Currency borrowings to the extent that they are regarded as an adjustment to interest costs.

6 Revenue Recognition:

- A** Interest income is recognised on time proportionate method.
- B** Revenue in respect of other income is recognised when no significant uncertainty as to its determination or realisation exists.

7 Expenditure during the Construction/ development Period:

The expenditure incidental to setting up of manufacturing facilities and in relation to development of process technologies and obtaining necessary registration with various statutory authorities are shown under "Pre-operative and project expenses pending capitalisation" and will be allocated to fixed assets upon successful implementation of the process technologies and commercialisation.

8 Foreign Currency Transactions:

- A** The transactions in foreign currencies are stated at the rates of exchange prevailing on the dates of transactions.
- B** The net gain or loss on account of exchange differences either on settlement or on translation of short term monetary items is capitalised until the commercial exploitation/ production of the products.
- C** Current Assets and Liabilities are restated at prevailing exchange rates at year end.

9 Research and Development Cost:

- A** Expenditure incurred on acquiring in-process product development technologies and subsequent expenditure incurred on further development and registration of products and process are shown as "Pre-operative and project expenses pending capitalisation/ allocation" till the completion of the development process, filling of the dossier and its commercial exploitation.
- B** Capital expenditure on research and development is given the same treatment as Fixed Assets.

10 Preliminary Expenses:

Preliminary expenses are written off to the Statement of Profit and Loss, in the year in which it is incurred.

Zydus Technologies Limited
Significant Accounting Policies - Continued

11 Employees Benefits:

A Defined Contribution Plans:

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

B Defined Benefit Plans:

The gratuity scheme is administered through the Life Insurance Corporation of India [LIC]. The liability for the defined benefit plan of Gratuity is determined on the basis of an actuarial valuation by an independent actuary at the year end, which is calculated using projected unit credit method. Actuarial gains and losses which comprise experience adjustment and the effect of changes in actuarial assumptions are recognised in the statement of Profit and Loss.

C Leave Liability [Long Term Employee Benefit]:

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

12 Taxes on Income:

A Tax expenses comprise of current and deferred Tax.

B Current tax is measured at the amount expected to be paid on the basis of reliefs and deductions available under the provisions of the Income Tax Act, 1961.

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

13 Provisions, Contingent Liabilities and Contingent Assets:

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

Zydus Technologies Limited
Notes to the Financial Statements

	INR-Thousands			
	As at March 31			
	2014	2013		
Note : 1 - Share Capital:				
Authorised:				
50,000,000 [as at March 31, 2013 : 50,000,000] Equity Shares of Rs.10/- each	500,000	500,000		
1,000,000 [as at March 31, 2013 : 1,000,000] Preference Shares of Rs.100/- each	100,000	100,000		
	600,000	600,000		
Issued, Subscribed and Paid-up:				
50,000,000 [as at March 31, 2013 : 50,000,000] Equity Shares of Rs.10/- each fully paid up	500,000	500,000		
900,000 [as at March 31, 2013 : 900,000] 8% Redeemable Cumulative Preference shares of Rs. 100/- each fully paid up	90,000	90,000		
	590,000	590,000		
A There is no change in the number of shares as at the beginning and end of the year.				
a Number of Equity shares at the beginning and at the end of the year	50,000,000	50,000,000		
b Number of Preference shares at the beginning and at the end of the year	900,000	900,000		
B The Company has equity shares and preference shares. All equity shares rank pari passu and carry equal rights with respect to voting and dividend. In the event of liquidation of the Company, the equity shareholders shall be entitled to proportionate share of their holding in the assets remained after distribution of all preferential amounts.				
C Preference shares are redeemable at par at the option of the company within ten years from the date of allotment, February 10, 2010. The Preference shares shall carry a preferential right with respect to dividend on the paid up capital in the event of distribution of profits by the company. In case of winding up of the Company, preference shareholders shall be entitled to rank as regards repayment of capital and dividend up to the commencement of winding up, in priority to equity shares.				
D Details of share holders holding more than 5% of Shares:				
a Equity Shares:				
i Cadila Healthcare Limited and its nominees				
Number of Shares	42,500,000	42,500,000		
% to total share holding	85%	85%		
ii Essgee Enterprises LLC				
Number of Shares	7,072,122	7,072,122		
% to total share holding	14%	14%		
b Preference shares:				
Cadila Healthcare Limited				
Number of Shares	9,00,000	9,00,000		
% to total share holding	100%	100%		
Note: 2-Reserves and Surplus:				
Surplus in Statement of Profit and Loss:				
Balance as per last Balance Sheet	(9,313)	(7,152)		
Add: Loss for the year	(2,861)	(2,161)		
Balance as at the end of the year	(12,174)	(9,313)		
Note: 3 - Long Term Borrowings:				
	INR-Thousands			
	Non-current portion		Current Maturities	
	As at March 31			
	2014	2013	2014	2013
Term Loan from a Bank [Secured] [*]	1,250,000	2,000,000	750,000	-
Loans and Advances From Holding Company				
Cadila Healthcare Limited [Unsecured] [**]	1,264,221	374,721	-	-
Total	2,514,221	2,374,721	750,000	-
The above amount includes:				
Secured borrowings	1,250,000	2,000,000	750,000	-
Unsecured borrowings	1,264,221	374,721	-	-
Amount disclosed under the head "Other Current Liabilities" [Note-7]	-	-	(750,000)	-
Net amount	2,514,221	2,374,721	-	-

Zydus Technologies Limited
Notes to the Financial Statements

Note: 3 - Long Term Borrowings - Continued

[*] Securities and Terms of Repayment for Secured Long Term Borrowings:

Secured by hypothecation of all movable properties of the Company, both present and future, excluding current assets and further secured by an equitable mortgage of all immovable properties and hypothecation of all future intellectual property rights. Besides pledge of 7,500,000 [as at March 31, 2013 : 7,500,000] equity shares of the company held by joint venture partner and promoter of the company and corporate guarantee from Cadila Healthcare Limited. Loan repayment to bank will start from September 12, 2014 in eight quarterly equal installments of Rs.250,000 thousands and will end on June 12, 2016. The interest rate on Term Loan is SBI BPLR Rate less 2% p.a.

[] Terms of Repayment for Unsecured Long Term Borrowings:**

The Loans from the Holding company shall be repaid within 3 years from the date of execution of respective loan agreements from time to time or as may be decided mutually by both the parties. The applicable interest rate on the loan is SBI BPLR Less 2% p.a.

	INR-Thousands	
	As at March 31	
	2014	2013

Note: 4 - Other Long Term Liabilities:

	2014	2013
Others : Employee car deposits	2,768	1,113
Total	2,768	1,113

Note: 5 - Long Term Provisions:

	2014	2013
Provision for Employee benefits [Refer Note: 8 - Short Term Provisions]	2,397	4,013
Total	2,397	4,013

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

Defined benefit plan and long term employment benefit:

A General description:

Gratuity [Defined benefit plan]:

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

Leave wages [Long term employment benefit]:

The leave encashment scheme is unfunded liability and is administered by the company. The employees of the company are entitled to leave as per the leave policy of the company. The leave wages are payable to all eligible employees for each day of accumulated leave on death or on resignation or upon retirement on attaining superannuation age.

	INR-Thousands					
	As at March 31					
	2014			2013		
	Med. Leave	Pre. Leave	Gratuity	Med. Leave	Pre. Leave	Gratuity
B Change in the present value of the defined benefit obligation:						
Opening defined benefit obligation	27	3,986	2,026	30	3,433	1,335
Interest cost	2	297	147	3	292	103
Current service cost	5	468	712	7	582	826
Benefits paid		(649)	(420)			(235)
Actuarial [gains]/ losses on obligation	(10)	427	(17)	(13)	(321)	(3)
Closing defined benefit obligation	24	4,529	2,448	27	3,986	2,026
C Change in the fair value of plan assets:						
Opening fair value of plan assets	-	-	3,514	-	-	2,758
Adjustment to Opening Fund	-	-	-	-	-	27
Expected return on plan assets	-	-	302	-	-	275
Contributions by employer	-	-	-	-	-	699
Benefits paid	-	-	(420)	-	-	(235)
Actuarial gains/ [losses]	-	-	(29)	-	-	(10)
Closing fair value of plan assets	-	-	3,367	-	-	3,514
Total actuarial gains/[losses] to be recognised	10	(427)	(12)	13	(321)	(7)
D Actual return on plan assets:						
Expected return on plan assets	-	-	302	-	-	275
Actuarial gains/ [losses] on plan assets	-	-	(29)	-	-	(10)
Actual return on plan assets	-	-	273	-	-	265
E Amount recognised in the Balance Sheet:						
[Liabilities]/ Assets at the end of the year	24	4,529	2,448	27	3,986	2,026
Fair value of plan Assets at the end of the year	-	-	(3,367)	-	-	(3,514)
Difference	24	4,529	(919)	27	3,986	(1,488)
Unrecognised past Service cost	-	-	-	-	-	-
[Liabilities]/ Assets recognised in the Balance Sheet [*]	24	4,529	(919)	27	3,986	(1,488)

Zydus Technologies Limited
Notes to the Financial Statements

Note: 5 - Long Term Provisions - Continued:

	INR-Thousands					
	As at March 31					
	2014			2013		
	<u>Med. Leave</u>	<u>Pre. Leave</u>	<u>Gratuity</u>	<u>Med. Leave</u>	<u>Pre. Leave</u>	<u>Gratuity</u>
F [Incomes]/ Expenses recognised in the statement of Profit and Loss:						
Current service cost	5	468	712	7	582	826
Interest cost on benefit obligation	2	297	147	3	292	103
Expected return on plan assets	-	-	(302)	-	-	(275)
Net actuarial [gains]/ losses in the year	(10)	427	12	(13)	(321)	7
Net [benefits]/ expense	(3)	1,192	569	(3)	553	661
G Movement in net liabilities recognised in Balance Sheet:						
Opening net liability	27	3,985	(1,488)	30	3,433	(1,423)
Expenses as above [P & L Charge]	(3)	1,192	569	(3)	553	634
Employer's contribution	-	(649)	-	-	-	(699)
Actuarial gains/ [losses] on plan assets	-	-	-	-	-	-
[Liabilities]/ Assets recognised in the Balance Sheet	24	4,528	(919)	27	3,985	(1,488)
H Principal actuarial assumptions as at Balance sheet date:						
Discount rate	9.17%	9.17%	9.17%	8.10%	8.10%	8.10%
[The rate of discount is considered based on market yield on Government Bonds having currency and terms consistence with the currency and terms of the post employment benefit obligations]						
Expected rate of return on plan Assets [The expected rate of return assumed by the Insurance company is generally based on their Investment patterns as stipulated by the Government of India]	-	-	9.15%	-	-	9.10%
Annual increase in salary cost	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
[The estimates of future salary increases considered in actuarial valuation, taking into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market]						
I The categories of plan assets as a % of total plan assets are:						
Insurance Plan	0.00%	0.00%	100.00%	0.00%	0.00%	100%

[*] Out of these Rs.2,155 thousands are disclosed under Note 8 "Short Term Provision".

INR-Thousands
As at March 31

2014 **2013**

Note: 6 - Trade Payables:

Micro, Small and Medium Enterprises [*]	-	-
Others	73,427	37,584
Total	73,427	37,584
[*] Disclosure in respect of Micro, Small and Medium Enterprises:		
A Principal amount remaining unpaid to any supplier as at year end	-	-
B Interest due thereon	-	-
C Amount of interest paid by the Company in terms of section 16 of the MSMED Act, along with the amount of the payment made to the supplier beyond the appointed day during the year	-	-
D Amount of interest due and payable for the year of delay in making payment [which have been paid but beyond the appointed day during the year] but without adding the interest specified under the MSMED Act	-	-
E Amount of interest accrued and remaining unpaid at the end of the accounting year	-	-
F Amount of further interest remaining due and payable in succeeding years	-	-
The above information has been compiled in respect of parties to the extent to which they could be identified as Micro, Small and Medium Enterprises on the basis of information available with the Company.		

Zydus Technologies Limited
Notes to the Financial Statements

	INR-Thousands	
	As at March 31	
	2014	2013
Note: 7 - Other Current Liabilities:		
Current Maturities of Long Term Debt [Refer Note: 3]	750,000	-
Interest accrued but not due on borrowings	54,324	27,226
Others:		
Provision for Expenses	1,472	23,428
Payable to Statutory Authorities	4,940	2,736
Payable to Employees	3,307	4,027
Total	9,719	30,191
	814,043	57,417

Note: 8 - Short Term Provisions:		
Provision for Taxation [Net of advance payment of taxes of Rs. 68 {As at March 31, 2013: Rs. 35} Thousands]	32	0
Provision for Employee Benefits [Refer Note: 5(*)]	2,155	-
Total	2,187	0

	INR-Thousands							Intangible Asset Computer Software
	Tangible Assets							
	Leasehold Land	Buildings	Plant and Equipment	Furniture and Fixtures	Vehicles	Office Equipment	Total Tangible Assets	
Gross Block:								
As at March 31, 2012	70,057	18,562	69,980	6,773	5,689	828	171,889	1,687
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
As at March 31, 2013	70,057	18,562	69,980	6,773	5,689	828	171,889	1,687
Additions	-	-	480	-	2,206	-	2,686	17
Disposals	-	-	-	-	-	-	-	-
As at March 31, 2014	70,057	18,562	70,460	6,773	7,895	828	174,575	1,704
Depreciation, Impairment and Amortisation:								
As at March 31, 2012	1,462	749	6,144	722	675	88	9,840	739
Charge for the year	707	303	3,802	486	541	38	5,877	422
Disposals	-	-	-	-	-	-	-	-
As at March 31, 2013	2,169	1,052	9,946	1,208	1,216	126	15,717	1,161
Charge for the year	707	303	3,881	425	604	38	5,958	422
Disposals	-	-	-	-	-	-	-	-
As at March 31, 2014	2,876	1,355	13,827	1,633	1,820	164	21,675	1,583
Net Block:								
As at March 31, 2013	67,888	17,510	60,034	5,565	4,473	702	156,172	526
As at March 31, 2014	67,181	17,207	56,633	5,140	6,075	664	152,900	121

Note:

The Company is setting up an industrial undertaking for manufacturing of Novel Drug Delivery System in non oral dosage forms in Pharma SEZ. It is also developing process technologies for the said products and applying for necessary registrations with various regulatory authorities for the said products. The expenditure incurred on the same is shown under "Pre-operative and Project expenses pending capitalisation/ allocation" under "Fixed Assets" in the Balance Sheet. Such expenses will be allocated to respective items of fixed assets upon successful implementation of process technologies so developed and commencement of its commercial exploitation. Depreciation on the Assets used for the development of various products/ process technologies are added to the pre-operative and project expenses pending capitalisation/ allocation.

Zydus Technologies Limited
Notes to the Financial Statements

	INR-Thousands	
	As at March 31	
	2014	2013
Note: 10-Pre-operative & Project Expenses pending capitalisation/ allocation [Net]:		
Salaries and wages	27,179	33,828
Company's contribution to provident & other funds	1,456	2,536
Staff Welfare Expenses	1,473	1,832
Consumption of Stores and spare parts	2,156	2,884
Power & fuel	6,291	7,171
Insurance	5,618	2,648
Repairs to Buildings	1,096	374
Repairs to Plant and Machinery	1,294	1,683
Repairs to Others	1,264	1,076
Rent	18	18
Interest on term Loan	250,648	220,088
Interest others	103,106	15,192
Managing Directors' Remuneration	14,293	15,603
Legal and Professional Fees	56,260	18,185
Consumption of Materials for development of Products & processes	9,024	95,810
Product/ process Validation and Registration charges	393,782	317,667
Depreciation, Impairment and Amortisation on Fixed Assets	6,380	6,298
Net Loss on foreign currency transactions and translation	-	7,894
Other Expenses	14,869	19,140
	896,207	769,927
Less:		
Interest on Fixed Deposits with Bank	122	2
Interest on Deposit with UGVCL	333	111
Sundry Income	84	59
Net Gain on foreign currency transactions and translation	3,838	-
	4,377	172
Total Expenses for the year [Net]	891,830	769,755
Add: Balance Brought forward of previous year	2,397,812	1,628,057
Total	3,289,642	2,397,812
Notes:		
[1] Borrowing costs Capitalised on qualifying assets.	353,753	235,280
[2] Expenditure incurred on acquiring in-process Product Development Technologies is shown under "Pre-operative & Project Expenses pending capitalisation/ allocation" till the completion of the development process and filling of the dossier and commencement of its commercial exploitation.		
Note: 11-Long Term loans and Advances:		
[Unsecured , Considered Good]		
Advances for Capital Goods	31,726	26,800
Security Deposits	1,847	1,847
Other Loans and Advances:		
Balances with Custom/ Central Excise/ Sales Tax Authorities	30	30
Service Tax Refund Receivables [*]	60,392	72,690
Advance payment of Tax [Net of Provision for taxation Rs.100 {as at March 31, 2013: Rs. 59} Thousands]	48	10
Total	94,043	101,377
[*] Service Tax Refund Receivables amounting to Rs. 60,392 [as at March 31, 2013: Rs.72,690] thousands are in respect of service tax paid on the value of services availed by the Company's unit situated in Special Economic Zone, which is eligible for refund under the applicable statutory provisions. The Company has preferred an appeal before CESTAT/ Commissioner of Appeals of Service Tax against the order of the Service Tax Department denying refund of service tax amounting to Rs. 32,821 [as at March 31, 2013: Rs.52,345] thousands. During the financial year the Company has received total Rs. 19,598 thousands against these refund claims. In view of the above, the Company is confident of recovery of the pending refund claims and hence, not expensed out in accounts.		
Note: 12-Cash and Bank Balances:		
Balances with Banks [*]	63,629	14,734
Cash on Hand	2	46
Total	63,631	14,780
[*] Balances with Banks include balances to the extent held with the Schedule/ Nationalised banks:		
- As Margin money deposits against :		
a Guarantees	-	20
b Import letter of credit opened	40,000	-
- Held with the Government Authority	1	1
Bank deposits with maturity of more than 12 months	1	1
Bank deposits with maturity of less than 12 months	40,000	-

Zydus Technologies Limited
Notes to the Financial Statements

	INR-Thousands		
	As at March 31		
	2014	2013	
Note: 13-Short Term Loans and Advances:			
[Unsecured, Considered Good]			
Others:			
Advances to Employees	341	694	
Balances with Custom/ Central Excise/ Sales Tax Authorities	3	5	
Others	46	24	
Total	390	723	
Note: 14-Other Current Assets:			
[Unsecured, Considered Good]			
Interest Receivables	279	6	
Prepaid Expenses	2,856	332	
Receivable from Fellow Subsidiaries/ Concerns	-	2,460	
Total	3,135	2,798	
Note: 15 - Contingent Liabilities and commitment [to the extent not provided for]:			
A Contingent Liability:			
Arrears of dividend on Cumulative Redeemable Preference Shares	29,806	22,606	
B Estimated amount of contracts remaining to be executed on capital account and not provided for [Net of Advances]	132,660	157,309	
	INR-Thousands		
	Year ended March 31		
	2014	2013	
Note: 16-Employee Benefits Expense:			
Salaries and wages	118	118	
Company's contribution to provident & other funds	10	10	
Staff Welfare Expenses	-	6	
Total	128	134	
Note: 17-Finance Cost:			
Interest expense - on loans	851	652	
Total	851	652	
Note: 18-Other Expenses:			
Legal & Professional Expenses	1,413	937	
Payment to Auditors [*]	281	274	
Donations	25	25	
Sponsorship Expenses	-	100	
Total	1,719	1,336	
[*] Payment to the auditors as [Excluding Service Tax]:			
I Auditor	220	220	
II For other services	61	54	
III Total	281	274	
Note: 19-Calculation of Earnings per Equity Share [EPS]:			
The numerators and denominators used to calculate the basic and diluted EPS are as follows:			
A Loss after tax	INR-Thousands	(2,861)	(2,161)
B Dividend on cumulative Preference shares [*]	INR-Thousands	(7,200)	(7,200)
C Loss after tax attributable to Equity Shareholders [A+B]	INR-Thousands	(10,061)	(9,361)
D Basic and weighted average number of Equity shares outstanding during the year	Numbers	50,000,000	50,000,000
E Nominal value of equity share	INR	10.00	10.00
F Basic & Diluted EPS	INR	(0.20)	(0.19)
[*] The dividend payable to the preference shareholders of Rs. 7,200 [previous year: Rs. 7,200] is added in the loss for the year for calculation of EPS.			

Zydus Technologies Limited
Notes to the Financial Statements

INR-Thousands

Year ended March 31

2014	2013
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Note: 20-Value of Imports calculated on CIF basis:

Research Materials	6,047	21,328
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Note: 21-Expenditure in Foreign Currency:

Professional Fees	57,611	17,390
Others [including Travelling, Bio study, Research & Development expenses etc.]	514,540	293,161

Note: 22-Related Party Transactions:

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

a Holding Company:

Cadila Healthcare Limited

b Fellow Subsidiaries/ Concerns:

Dialforhealth India Limited	Zydus Healthcare S.A. (Pty) Ltd [South Africa]
Dialforhealth Unity Limited	Simayla Pharmaceuticals (Pty) Ltd [South Africa]
Dialforhealth Greencross Limited	Script Management Services (Pty) Ltd [South Africa]
German Remedies Limited	Zydus Nikkho Farmaceutica Ltda. [Brazil]
Zydus Wellness Limited	Zydus Pharma Japan Co. Ltd. [Japan]
M/s. Zydus Wellness, Sikkim, a Partnership Firm	Laboratorios Combig S.L. [Spain]
Liva Pharmaceuticals Limited	Zydus Pharmaceuticals Mexico SA De CV [Mexico]
Biochem Pharmaceutical Industries Limited	Zydus Pharmaceuticals Mexico Services Company SA De C.V.[Mexico]
M/s. Zydus Healthcare Sikkim, a Partnership Firm	Z AHL B.V. [the Netherlands]
Zydus International Private Limited [Ireland]	Z AHL Europe B.V. [the Netherlands]
Zydus Netherlands B.V. [the Netherlands]	Bremer Pharma GmbH [Germany]
Zydus France, SAS [France]	Zydus Lanka (Private) Limited [Sri Lanka]
Zydus Pharmaceuticals (USA) Inc.[USA]	Etna Biotech S.R.L. [Italy]
Nesher Pharmaceuticals (USA) Inc.[USA]	Zydus Healthcare Philippines Inc. [Philippines]
Hercon Pharmaceutical Inc.,USA [USA]	
Zydus Healthcare (USA) LLC [USA]	
Zydus Noveltech Inc. [USA]	

c Directors and their relatives:

Shri Manubhai K Patel	Managing Director	Dr. Sharvil P. Patel	Chairman
Shri Ganesh Nayak	Director	Dr. Sharad Kumar Govil	Director

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

Zydus Infrastructure Private Limited

B Transactions with Related Parties:

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

a Details relating to parties referred to in items 22- A[a, b & d]

Value of the Transactions [INR] Thousands

<u>Nature of Transactions</u>	<u>Year ended March 31</u>				<u>Enterprises significantly influenced by Directors and/or their relatives</u>	
	<u>Holding Company</u>		<u>Fellow subsidiaries</u>		<u>2014</u>	<u>2013</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>		
Purchases:						
Goods:						
Cadila Healthcare Limited	605	20,017				
Services:						
Cadila Healthcare Limited	260	14,139				
Zydus Noveltech Inc.			154,614	139,249		
Zydus Infrastructure Private Limited					2,220	2,988
Hercon Pharmaceutical Inc.			108,187			
Dialforhealth India Limited				13		
Total	260	14,139	262,801	139,262	2,220	2,988

Zydus Technologies Limited
Notes to the Financial Statements

Note: 22-Related Party Transactions - Continued

Nature of Transactions	Value of the Transactions (INR) Thousands				Enterprises significantly influenced by Directors and/or their relatives	
	Holding Company		Fellow subsidiaries		2014	2013
	2014	2013	Year ended March 31			
Sales:			2014	2013		
Goods:						
Cadila Healthcare Limited	1,889					
Hercon Pharmaceutical Inc.			395			
Fixed Assets:						
Hercon Pharmaceutical Inc.				2,460		
Finance:						
Inter Corporate Loans accepted:						
Cadila Healthcare Limited	889,500	308,000				
Interest Paid:						
Cadila Healthcare Limited	103,106	13,021				
Outstanding:			As at March 31			
Payable :						
Cadila Healthcare Limited	1,296,887	374,721				
Hercon Pharmaceutical Inc.			30,971			
Zydus Noveltch Inc.			39,247	33,012		
Total	1,296,887	374,721	70,218	33,012		
Receivables:						
Hercon Pharmaceutical Inc.				2,460		

b. Details relating to persons referred to in item 22- A(c) above:	INR-Thousands	
	Year ended March 31	2014
Remuneration:		
Shri Manubhai K Patel	14,293	15,603
	As at March 31	
Outstanding remuneration payable:		
Shri Manubhai K Patel	1,191	1,191

Note: 23 The company operates in one segment only, namely "Development of Novel Drug Delivery System in non oral dosage forms". Therefore, the segment reporting is not applicable.

Note: 24 As there are no timing differences resulting into Deferred Tax Assets/ Liabilities for the current year, the provision for Deferred Tax has not been made.

Note: 25 Previous year's figures have been regrouped/ reclassified wherever necessary to correspond with the current year's classifications/ disclosure.

Signatures to Significant Accounting Policies and Notes 1 to 25 to the Financial Statements

As per our report of even date

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

For and on behalf of the Board

C. Shah
Chandresh S. Shah
Partner

Membership Number: 042132
Ahmedabad, Dated: Apr 11, 2014

Dishita Shah
Dishita Shah
Company Secretary

S.D. Patel
Sandip D. Patel
Chief Financial Officer

Manubhai K. Patel
Manubhai K. Patel
Managing Director

Sharvil Patel
Sharvil Patel
Chairman

