

Cadila Healthcare to restructure its consumer business and create a single listed entity

Ahmedabad, July 4, 2008

Board of Directors of Cadila Healthcare Limited (Cadila Healthcare) and Carnation Nutra – Analogue Foods Limited (Carnation) at their meetings held today have approved the modalities of the composite scheme of arrangement for restructuring of the Consumer Products Division of Cadila Healthcare. The Boards have approved the demerger of the Consumer Products Division of Cadila Healthcare into Carnation, which is a subsidiary of Cadila Healthcare and the merger of Zydus Hospital and Medical Research Pvt. Ltd. (ZHMRPL) with Cadila Healthcare. This is in order to ensure that Carnation continues to remain listed and a subsidiary of Cadila Healthcare, to retain control over Carnation.

As consideration, Carnation shall allot to the shareholders of Cadila Healthcare 4 fully paid-up equity shares of Rs 10 (ten) each for every 15 equity shares of Rs.5 (five) each held in Cadila Healthcare. The shares of Carnation will remain listed on the Bombay Stock Exchange. By virtue of this, the shareholders of Cadila Healthcare will continue to participate individually as well as collectively in the growth of the Consumer Product Business.

The shareholders of Carnation will gain due to the increase in size of operations and benefits of scale, besides synergic benefits, both in marketing through media and an enriched and efficient distribution network.

The grouping of same line of businesses into a single entity will greatly optimize the strengths of the Company's consumer business, which can now be more effectively leveraged. This restructuring would also facilitate better alignment of assets with priorities to accelerate the consumer business. The process is slated to be completed by early 2009.

Elaborating on the decision to hive off its Consumer Products Business into Carnation, Chairman and Managing Director, Mr. Pankaj R. Patel said, "It made strategic business sense to create synergies for similar businesses and strengthen long term business prospects for the group's consumer products business. We believe that there is a tremendous potential to grow this business and we would be better placed to unlock value through a concerted effort under a single banner. By doing this, we also create long term value for the shareholders of both companies, which has always been our endeavor."

The Consumer Products Division, which posted sales of Rs. 979 mio. in 2007-08, markets wellness products, which include India's leading sugar substitute – 'Sugar Free', derma care and specialized skin care products under the brand name 'Everyuth'. A pioneering entrant in the sweetener market, Sugar Free was first introduced in 1988. Over the years, the company has extended the Sugar Free brand umbrella to make successful forays in health beverages and also to launch the sucralose variant Sugar Free Natura.

Carnation manufactures and markets Nutralite – India's leading table spread as a healthier alternative to butter. Carnation, which was acquired by Cadila Healthcare in 2006, recorded the turnover of Rs. 563 mio. in 2007-08.

The salient features of the proposed composite scheme are interalia as under:

- All assets and liabilities of the Consumer Products Division of Cadila Healthcare shall become the assets and liabilities of Carnation w.e.f the Demerger Appointed Date of 1st April, 2008 and as consideration, Carnation shall allot 4 (four) fully paid-up equity shares of Rs 10 (ten) each for every 15 (fifteen) equity shares of Rs.5 (five) each held in Cadila to the shareholders of Cadila Healthcare.

- All assets and liabilities of ZHMRPL shall become the assets and liabilities of the Cadila, w.e.f. the Amalgamation Appointed Date of 1st July, 2008, 9,00,00,000 equity shares held by ZHMRPL into Cadila Healthcare would get cancelled and as consideration, Cadila Healthcare shall allot 10,08,85,305 fully paid-up equity shares of Rs.5 (five) each to the shareholders of ZHMRPL.

- The Scheme is subject to the requisite consent, approval of the shareholders of all the three companies, the Hon'ble High Court of Gujarat, respective Stock Exchanges and other regulatory authorities.

The Board of Directors have approved the above restructuring after considering the recommendation of KPMG India Private Limited. The share entitlement / exchange ratios have been determined based on the recommendation of independent valuers viz., SSPA & Co, Chartered Accountants and Grant Thornton, while M/s Singhi and Co.is acting as the legal advisors

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