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Happiness is in crossing
the \$1 billion mark

Zydus
dedicated to *life*

www.zyduscadila.com

Cadila Healthcare Limited
Annual Report 2010-11

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Important Communication To Members

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

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In 2007, we set out on a journey to achieve the 'Healthy Billion' - posting \$1 bn in revenues. This dream is now a happy reality. We are now ready to embark on a new journey. Stepping beyond the billion, we aspire to achieve sales of \$3 bn by 2015.

Happiness is in aiming for more!



BEYOND THE BILLION
2015



The Company's state-of-the-art Vaccine Technology Centre at Changodar, Ahmedabad



Highlights of Operations – 2010-11

India Formulations

- First company in India to launch an indigenously developed and manufactured H1N1 vaccine – VaxiFlu-S.
- Forayed into the new therapy segment of Hepatology with the launch of a super specialty division Zydus Heptiza.
- Focused efforts in cardiology and respiratory segments have yielded expected results, with the Company outpacing the market growth in both these segments and strengthening its market share.
- Launched over 60 new products including line extensions in the formulations market, of which, 24 were first in India.
- Overall, the India formulations business posted sales of Rs. 17,145 mio., up by 19%.
- Signed an agreement with Bayer Healthcare to form Bayer Zydus Pharma Pvt. Ltd., a joint venture to market products in India with a focus on women's healthcare, metabolic disorders, diagnostic imaging, cardiovascular diseases, anti-diabetic treatments and oncology.

Global Formulations

- US business posted sales of Rs. 9,655 mio., up by 44% y-y, with launch of 11 new products, including four Day-1 launches. Zydus Pharmaceuticals USA Inc. is now amongst the top 3 players in the market for nine out of the top ten products marketed by it in the US and has recently been ranked 12th amongst the top US generic companies based on scripts.

- Despite the challenging time that the overall French market faces, the French business continued to progress and outpaced the market growth. Launched over 20 new products and line extensions in France, including four Day-1 launches. Continued to increase market presence in Spain through new product launches. The Company now ranks amongst the top 20 generic companies in Spain. Overall, posted sales of Rs. 2,740 mio., in Europe, up by 13% in constant Euro terms.
- Continued to make headway in Japan in spite of price reductions during the year. With the launch of Amlodipine in Japan, the Company became the first Indian company to get marketing approval and launch a product manufactured in India. Also launched 3 in-licensed products, including two Day-1 launches. During the year, Japan operations posted sales of Rs. 422 mio., up by 34% y-y.
- Business in Brazil continued to progress well with a healthy growth in both the branded and pure generics segments with the launch of 4 new products. Business in the other emerging markets of Asia Pacific, Africa and the Middle East also registered a healthy growth, maintaining leadership positions in Sri Lanka, Myanmar, Uganda and Sudan. Overall, registered sales of Rs. 4,230 mio., in the emerging markets, up by 24% y-y.
- Entered the Mexican pharmaceuticals market with the setting up of the new subsidiary – Zydus Pharmaceuticals Mexico S.A. de C.V. Valued at approx. \$9 bn, the Mexican pharmaceuticals market is growing at over 8% and offers great potential.

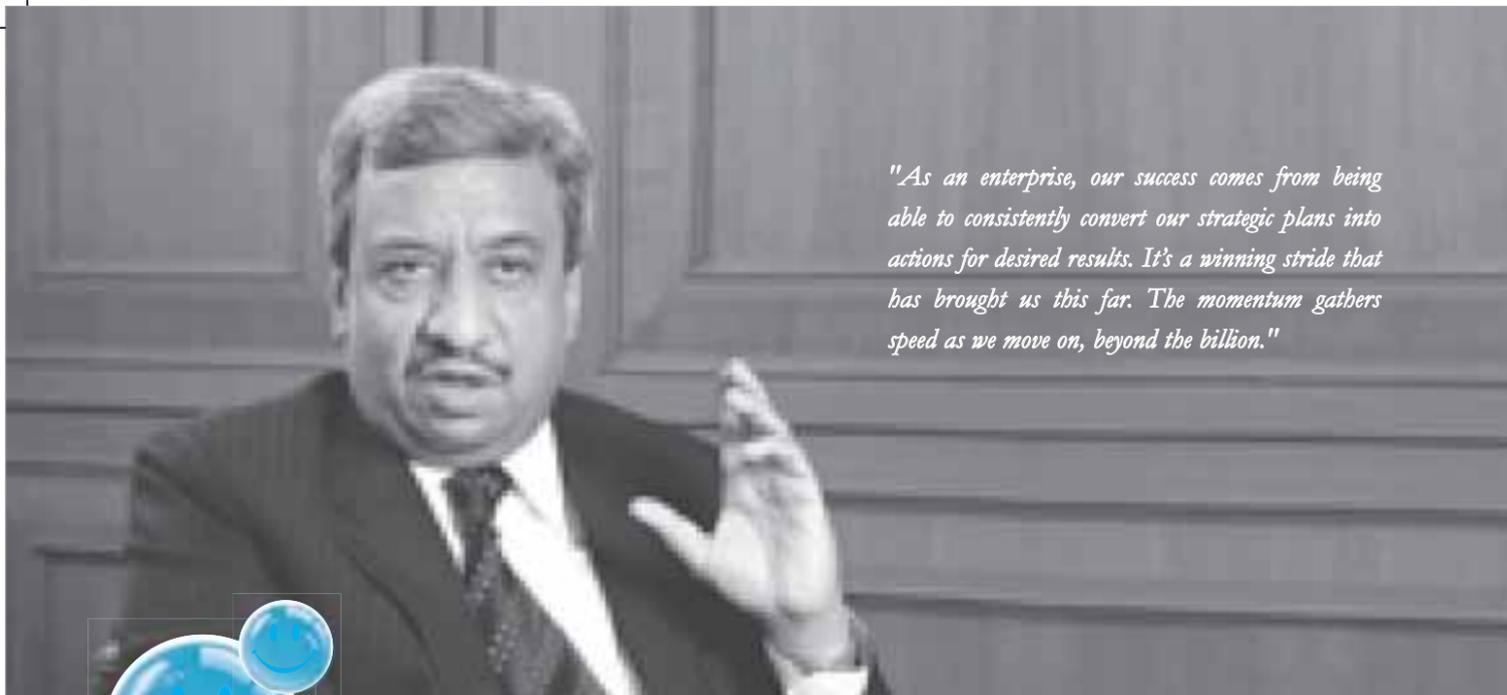
Other Businesses

- Zydus Wellness Ltd. continued its journey on the growth track and registered sales of Rs. 3,355 mio., up 25% and net profit of Rs. 595 mio., up 31%. During the year, Zydus Wellness launched a couple of new variants of existing categories of Sugar Free. Extending the wellness range, it introduced 'ActiLife' – a nutritional beverage in select markets, marking its foray into the nutraceutical space.
 - API Exports (other than Nycomed JV) grew by 18% during the year in spite of challenges in the form of price erosions and appreciation of the rupee.
 - Zydus Nycomed, the JV with Nycomed commissioned the newly expanded API manufacturing facility at Navi Mumbai, which is slated to emerge as a hub for global supplies of APIs for Nycomed's branded generic portfolio.
 - Zydus Hospira JV (50% share) posted sales of Rs. 2,152 mio. It completed successful audits by ANVISA, Brazil and NDA, Uganda.
 - Zydus Animal Health Ltd., one of India's leading companies in the animal health space, posted sales of Rs. 1,390 mio., up by 17%, with the launch of 10 new products, of which, one was a first in India launch. It received the Indian Poultry Journalists Association Award 2010 for 'The Best Poultry Health Care Products Company' of India.
 - Signed a strategic licensing deal with Abbott Laboratories to license 24 branded generics in 15 key emerging markets. This deal is expected to create a considerable competitive advantage for value creation for both the partners in the long term.
- ### R&D
- On the NME research front, ZYOG1, the novel orally acting GLP-1 agonist completed Phase I clinical trials during the year.
 - Received USFDA approval for conducting Phase 1 clinical trials for the IND ZYD1, a novel GLP-1 agonist for treating diabetes. Filed IND for ZYGK1, a novel glucokinase activator which received permission from the USFDA for Phase I clinical trials recently.

- ZYPH0907, a novel oral PTH agonist for treating osteoporosis, and ZYG19, a novel GPR-119 agonist for treating diabetes have completed IND enabling pre-clinical development.
 - On the biologics front, received Indian marketing authorisation for biosimilar versions of EPO during the year. Also completed clinical trials of biosimilar versions of Teriparatide and PEG-IFN α -2b.
 - On the vaccine research front, commissioned a new, fully equipped, state-of-the-art Vaccine Technology Centre near Ahmedabad, which would house several vaccine research programmes.
 - Filed 24 ANDAs with the US FDA, 26 new product dossiers for EU market and 5 new product dossiers for Brazil.
- ### Awards and Recognition
- Declared the 'Emerging Company of the Year' by the Economic Times Awards for Corporate Excellence 2010.
 - Ranked 75th amongst the top 100 stocks in India by ET Wealth.

Consolidated Financial Highlights

- Total income from operations was up by 26% y-y to Rs. 46.3 bn i.e. over \$1 bn from Rs. 36.9 bn last year.
- EBIDT was up by 27% y-y to Rs. 10,262 mio., from Rs. 8,086 mio., last year. EBIDT margin was up by 0.3% to 22.2% from 21.9% last year.
- Operating profit before tax (excl. non-operating incomes, exceptional items and exchange rate fluctuation on forex loans) was up by 38% y-y to Rs. 8,212 mio., from Rs. 5,939 mio., last year.
- Net profit after tax was up by 41% y-y to Rs. 7,110 mio., from Rs. 5,051 mio., last year, and in line, EPS was also up by 41% to Rs. 34.73 from Rs. 24.67 last year.
- Return on average capital employed increased to 24.5% vis-à-vis 21.1% last year, while return on average net worth increased to 37.5% from 35.9% last year.



"As an enterprise, our success comes from being able to consistently convert our strategic plans into actions for desired results. It's a winning stride that has brought us this far. The momentum gathers speed as we move on, beyond the billion."



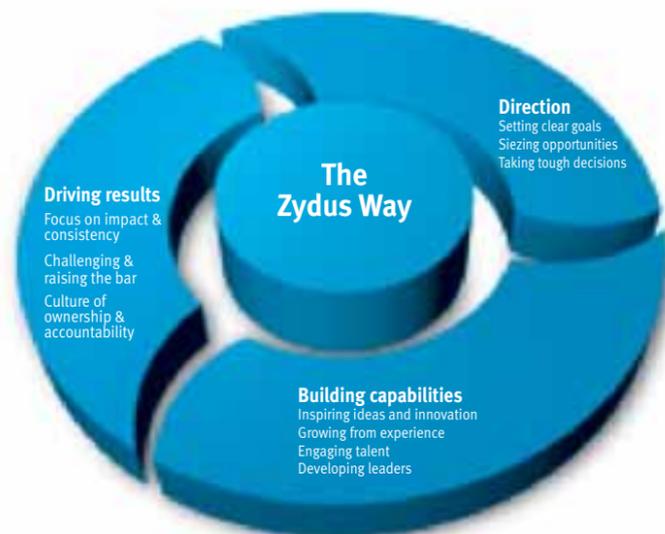
Chairman's Message

This was a momentous year, one which was of strategic importance for our company. Four years ago we set out with a vision to achieve the 'Healthy Billion' – our dream of crossing the billion dollar mark in revenues. The year 2010-11 was therefore the 'HB Year' – marking the countdown to our overarching goal. In a year packed with initiatives, novel and strategic, we once again generated a robust all round performance. For fiscal 2011, we reported total income from operations of Rs. 46.3 bn i.e. over \$1 bn and a healthy 41% growth in Net Profit. This can be attributed to the relentless focus on the goals, skillful execution of our business plans and sheer consistency, which are the fundamental strengths of the organization.

As the company's performance in the year 2010-11 has been dealt with in greater detail elsewhere in this annual report, I'd like to focus my thoughts on the foundations of our success, the trends that are emerging and our journey ahead in the coming years.

The foundation of our successes

The foundation of any successful growth process lies in aligning the organisation to its goals. We internalized this process, at the very start of our growth story in 1995. From our first goal of becoming a Rs. 1000 crore company by the year 2000, to the next goal of becoming a \$400 mn company by 2006-07 and the recently achieved goal of becoming a billion dollar company - the growth process has become a 'Zydus Way' of doing things. At the heart of it all, lies a bold vision, clear direction, consistent performance and well thought out implementation plans. Under this broad canopy, are the various initiatives that we ongoingly undertake to integrate efforts, achieve synergies, enhance value and constantly improve our capabilities. The 'Zydus Way' has worked well for us and will continue to be the mainstay as we continue to make substantial improvements to our operational effectiveness and create a culture of sustainable growth.



Being prepared for the next wave

It's often said that the ability to anticipate key trends that will shape the future of technology, customers, society and the marketplace will determine the survival of the enterprise.

All around the world, the healthcare fraternity continues to be engaged in exploring the critical role of new medicines in the prevention, treatment and management of diseases and improving the quality of life. Trends such as globalization, shifting demographics, patent cliff and concerns on R&D productivity and pricing pressures are transforming the industry. The critical questions shaping our world are : How can innovation lead to new ways of tackling the enormous disease burden and improving healthcare outcomes? Are we prepared for the market transitions? What steps can be taken to reduce the economic burden of healthcare costs? How do we bring innovation to the frontline and more importantly, are we equipped to ride the next wave of innovation which may not just be restricted to products and extend to how we do our business?

At Zydus, we have always believed that the first step to evolution is embracing change. Whenever we have adopted a differentiated strategy it has been in response to the need to break the mould and look at new approaches. This continues to be the guiding spirit as we look at a new horizon of business opportunities that may come our way. Broadly, our four-step strategy aims to:

- First : identify and capture market transitions and new business opportunities with speed and agility
- Second : approach innovation in new ways – in terms of technology, products, and business processes that can lead to new dimensions of growth
- Third : explore differentiated strategies to drive value in the markets that we operate and in the products that we offer
- Fourth : form strategic partnerships and alliances with best-in-class companies to offer new solutions and reach out to newer markets more quickly and efficiently

Aiming higher, moving faster

It's on a strong record of achievement that we are basing the next evolution of our company. Our next goal 'Beyond the Billion' calls on us to aim higher, move faster and perform better than ever before. It raises the bar of growth and profitability and puts more emphasis on global expansion. We believe that we are in an advantageous position to optimise strengths, capitalise on investments, efficiently leverage leadership and talent resources and extend our ability to compete in the global marketplace. The 'Business Health' metrics, which we maintained right through the journey to the billion, will continue to play an important role in the future as well. Well-defined performance parameters to drive consistent results, maximisation of resources and adopting systems and processes that create a lean culture will continue to step up efficiencies and enhance business productivity.

Well-positioned for the future

At Zydus, we are driven, not by a sense of nostalgia for the past, but by a vision of what we can be in the years ahead. We believe that the team at Zydus which consists of over 13,000 people across 20 geographies, are creating new windows of opportunities for the group with their diversity, creativity and a passion for achieving results. Over the years, by attracting, engaging and retaining our talent, we have put together high performance teams possessing excellent business as well as technical skills. The right mix of talent has helped us successfully combine business expertise with a technological edge for desired results.

The starting point in building a high-performance team is leadership and that is why one of the key focus areas of our organisation transformation programme has been to strengthen the leadership bench strength and develop leadership competencies. We believe that this is crucial as we proactively lead change and guide the organisation towards newer levels of achievement.

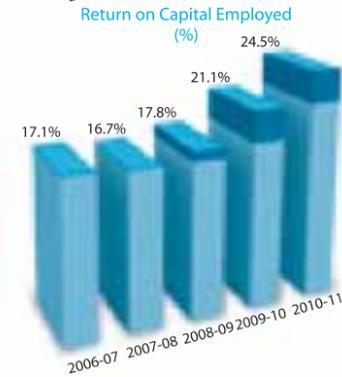
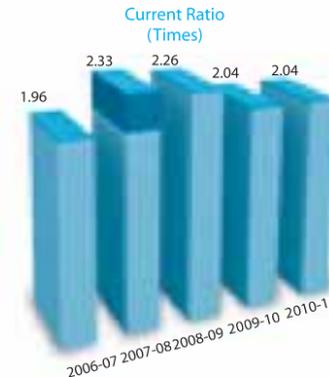
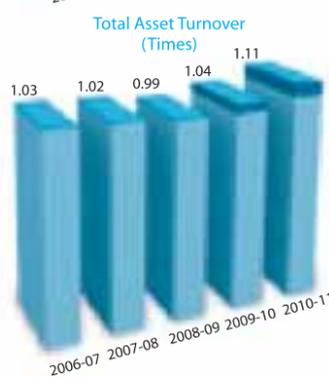
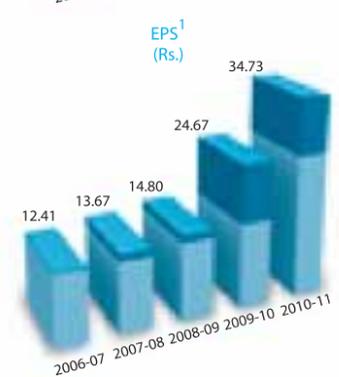
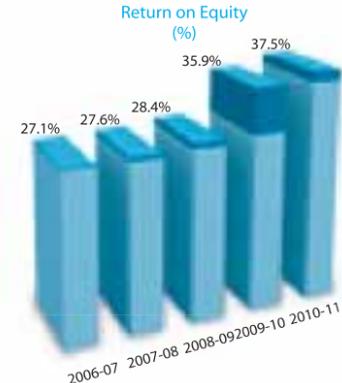
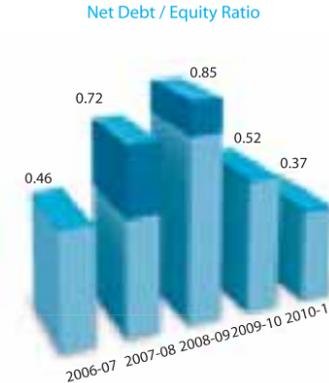
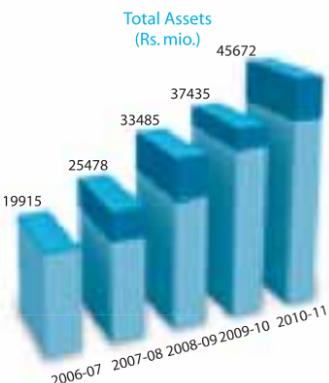
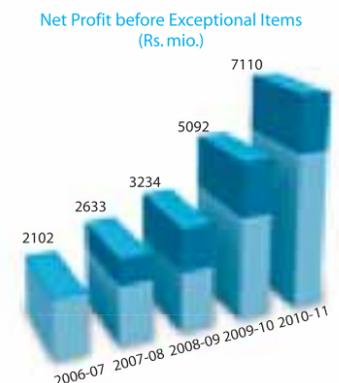
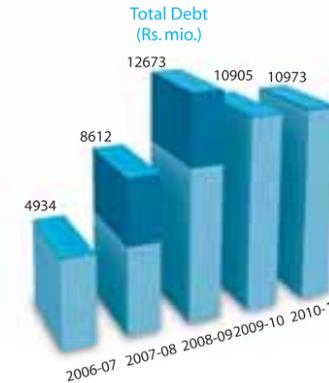
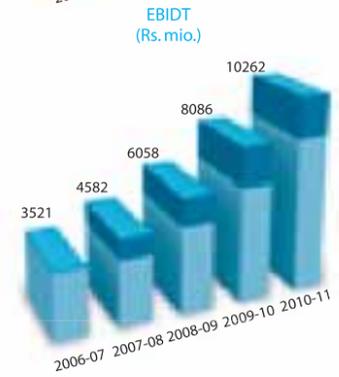
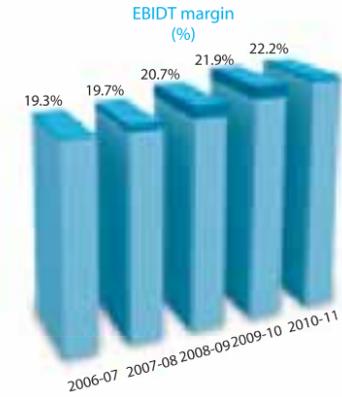
Moving ahead, we have now reset our vision. We aspire to be a leading global healthcare provider with a robust product pipeline. Stepping beyond the billion, we shall achieve sales of over \$3 bn by 2015 and be a research-based pharmaceutical company by 2020.

Our accomplishments and successes, as always, are to support long term value creation for all our stakeholders. We wish to thank our employees, partners in progress, the healthcare fraternity and the shareholders for their unstinted support. Working together, we will create healthier communities through novel ideas, innovation and quality healthcare solutions. I look forward to your continued support as we embark on our next phase of growth, beyond the billion.

Pankaj R. Patel



Financial Highlights (Consolidated)



¹ EPS, DPS and Book value per share of earlier years have been adjusted for bonus shares issued in the ratio of 1:1 in 2006-07 and 1:2 in 2009-10.
² Excl. Exceptional Items.
 Previous years' figures have been regrouped wherever necessary.

BEYOND THE BILLION 2015



The Executive Committee members of the Zydus Group are seen here with Chairman and Managing Director, Mr. Pankaj R. Patel, at the 16th Annual Day celebrations of the group in January 2011. Standing from left to right are Mr. H.T. Patel, Mr. M.S. Kulkarni, Mr. Savyasachi Sengupta, Mr. M.K. Patel, Mr. Pankaj R. Patel, Dr. Sharvil Patel, Mr. Ganesh Nayak, Mr. Nitin Parekh, Mr. S.G. Belapure, Mr. Ashok Bhatia and Mr. P.R. Joshi.



Management's Discussion and Analysis – 2010-11

Economy and Industry Overview

Global Economy and the Pharmaceutical Industry

As reported by the World Bank in the Global Economic Prospects 2011, the real GDP of the global economy is estimated to have expanded by 3.9% in 2010, led by a strong domestic demand in the developing countries. The economic activities in most of the developing countries, which experienced a downward trend following the global economic crisis post 2008, have, or are close to having recovered. This has been supported by a resurgence in the international and domestic financial flows and a hike in commodity prices, which has helped economies of the developing countries regain the growth rates close to those observed in the pre-crisis period. Conversely, the recovery process in many high-income countries has been weaker. The robust recovery process in the developing countries is quite remarkable as it reflects a significant expansion of their domestic markets, which contributed to 46% of the global growth in 2010. Going forward, developing countries are expected to lead the growth journey and outpace high-income developed countries in terms of economic growth. (Source: World Bank Report on "Global Economic Prospects 2011")

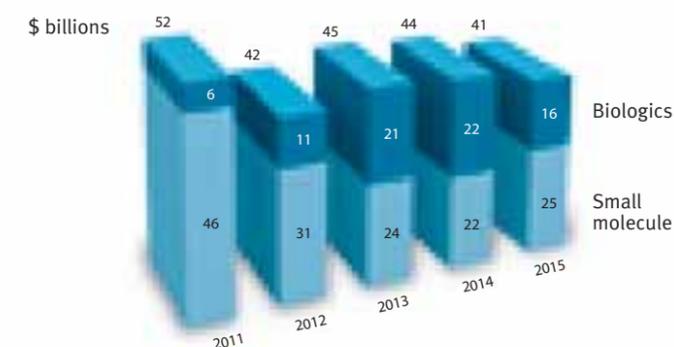
The global pharmaceutical industry is estimated to have grown by over 4% in 2010, slower than the growth rate of over 5.5% in 2009 and approximately 5.9% average CAGR of the last five years. The highly developed and mature pharmaceutical markets of North America, Europe and Japan grew by less than 3% while the emerging markets of Asia, Africa and Latin America, termed as the 'Pharmerging' markets, grew by over 14%. This shift can be attributed to the low costs, rising income levels, better standards of living and a favourable regulatory environment in these countries. These markets are expected to play the role of the growth engine of the global pharmaceutical industry in times to come (Source: IMS Health).

Generic drugs continue to have a significant share in the overall growth pie, outpacing the growth of patented drugs. Growth in this segment has been propelled by various Government initiatives to promote the use of these products over higher-priced or branded products. Generics have not only amassed a critical scale in the world market, but have also generated significant share of the prescription volume with a high penetration in several key markets across the globe. This indicates that generics would grab a dominant pie of the overall global pharmaceutical market going forward.

Factors such as increasing penetration of generic drugs, patent expiry of 'block-buster' products and a declining R&D productivity of 'big pharma' companies have led to a wave of consolidation, partnerships and licensing arrangements in the global pharmaceutical space.

The year 2011 is said to be the beginning of the 'patent cliff', a period in which patent protection of many 'block-buster' branded drugs of 'big pharma' companies will expire. By 2015, branded drugs of over \$200 bn sold by 'big pharma' MNCs are expected to lose patent protection. This provides a huge opportunity for generic players, with low cost product development and manufacturing capabilities, to tap the market for these drugs.

Estimated brand sales value of the 'Loss of Exclusivity' drugs



Includes drugs from the top 20 pharmaceutical companies only
Forecasted estimates of drugs going off patent
(Source: McKinsey Knowledge Bank)

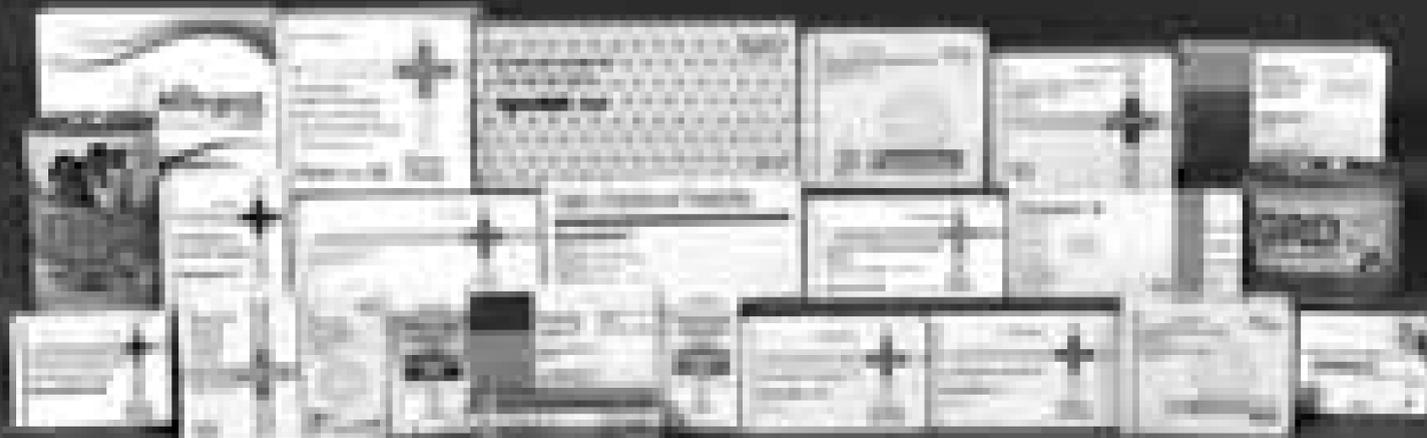
Indian Economy and Pharmaceutical Industry

The fundamentals of the Indian economy continued to remain strong during FY 10-11. The GDP is estimated to have grown by 8.6% in 2010-11 as compared to 8% in 2009-10 which is remarkable considering the muted growth globally. This growth has been witnessed across all the major sub-sectors in the industry and services. Despite the sluggish growth in the global markets, the employment opportunities continued to show an upward trend in India. The inflationary trends which have been steadily rising are a cause for concern. The average Wholesale Price Index (WPI) inflation rate for 2010-11 was 9.4% as compared to 3.6% in 2009-10.

(Source: Monthly Economic Report, March 2011 as published by Ministry of Finance, Govt. of India)

India is one of the fastest growing pharmaceutical markets in the world and its market size has nearly doubled since 2005. The Indian pharmaceutical market is expected to continue growing in double digits and establish its presence amongst the world's top ten markets. The domestic pharmaceuticals market grew by 15% in 2010-11 and reached a size of over Rs. 48000 crores (Source: IMS MAT Mar-11). This was led by rising income levels, an increasing awareness about healthcare and higher government spending on healthcare. Chronic therapies continued to dominate the market and outpaced acute therapies in terms of growth.

The exports of pharmaceutical goods from India continued to surge rapidly with a rise in sales of generic products in the developed regulated markets and the emerging markets. The cost competitiveness in product development and manufacturing and a large resource pool of technical talent has helped India emerge as a dominant player in the global generics space. With the onset of the 'patent cliff' period, the Indian generics exports' growth potential holds a lot of promise.



17 of the Company's brands which feature amongst the top 300 pharmaceutical brands in India

Operating Highlights

The year 2010-11 has been a special one for the Company as it marched ahead to achieve the goal of \$1 bn in consolidated revenues by March 2011.

Four years ago when the Company set out to achieve the billion, it added an important prefix to the goal and called it the 'Healthy Billion' as it looked at achieving the billion dollar mark with an overall improvement in business health parameters – growth, market share, productivity, margins and returns and increase in value for all the stakeholders.

The Company ended the year on a high note as it entered the billion dollar league. It's a big leap, achieved through an all-round effort in terms of strengthening existing businesses, building new capabilities and venturing into new geographies.

Here is an account of the initiatives and achievements of the different business verticals in the 'Healthy Billion' year, 2010-11.

India Formulations

The Company's formulations business in India has been one of the significant contributors to the 'Healthy Billion' with a dominant share in the overall business.

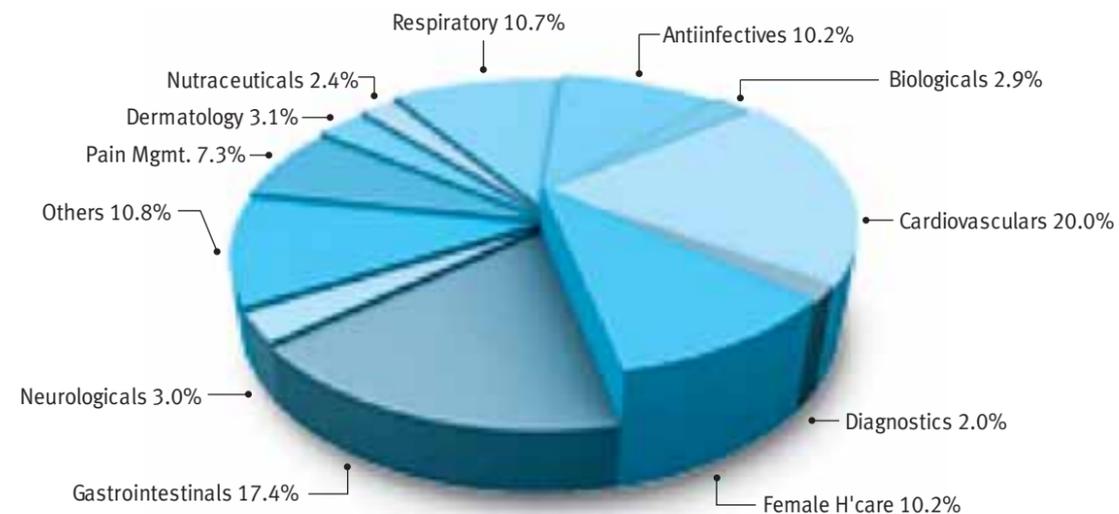
During the year 2010-11, the Company's branded formulations business in India posted sales of Rs. 16,200 mio., up by 19% from Rs. 13,625 mio., last year. The Company maintained its strong position in the Indian pharmaceuticals market with a market share of 3.73% (Source: IMS MAT March 2011).

During the year, the Company continued with its efforts and strategic initiatives towards increasing the market reach and improving market share through portfolio expansion, new product introductions and increased market penetration. Last year, the Company had initiated a strategic expansion of the field force in the cardiology and respiratory segments. This has yielded expected results as the Company outpaced the market growth and strengthened its market share in both these segments during the year.

During the financial year 2010-11, the Company made a foray into the new therapy segment of Hepatology with the launch of the super specialty division – Zydus Heptiza.

The Company continued its focus on strengthening its pillar brands. 17 of the Company's brands now feature amongst the top 300 pharmaceutical brands in India (Source: IMS MAT March 2011). The Company maintained its strong position in the participated market segments of cardiovasculars, gastrointestinals, women's healthcare and respiratory.

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



During the year, the Company continued its thrust on new product introductions and launched over 60 new products including line extensions, of which, 24 were first in India. With the launch of VaxiFlu-S, the Company became the first to launch an indigenously developed and manufactured H1N1 vaccine in India. The new products launched in 2010-11 contributed to about 4% in the growth of the formulations business in India.

During the year, the group entered into a 50:50 joint venture with Bayer HealthCare to set up Bayer Zydus Pharma Pvt. Ltd., for the sales and marketing of pharmaceutical products in India. Bayer Zydus Pharma will operate in the key segments of the Indian pharmaceuticals market with a focus on women's healthcare, metabolic disorders, diagnostic imaging, cardiovascular diseases, anti-diabetic treatments and oncology. The JV will leverage the strengths of Bayer's optimised product portfolio and Zydus' marketing and distribution capabilities to enhance the sales of existing brands and launch of new products.



International Formulations Business

A. US

The US pharmaceutical market remains the world's largest market at approximately 40% of the global pharmaceutical industry and currently reflects the growth of a matured market at around 2% over 2009 in dollar terms. Zydus Pharmaceuticals (USA) Inc., the Company's 100% subsidiary in the US continued to progress with an all-round performance in 2010-11 and posted sales of Rs. 9,655 mio., up by 44%. The Company launched 11 new products during the year, including four Day-1 launches. The Company continues to be the 'preferred supplier' and 'partner of choice' for its customers. It ranks amongst the top three players in the market for nine out of the top ten products marketed by it in the US and has also recently been ranked 12th amongst the top US generic companies based on scripts (Source: IMS). The strong performance in the US has been driven by the Company's continuous efforts to improve its service levels to satisfy the needs of the customers, supply products at the most competitive rates and adhering to stringent regulatory and quality standards. The Company also increasingly focuses on identifying, developing and launching complex and niche products, which are difficult to develop and/or manufacture and products of different dosage forms. Going forward, the Company will further strengthen its core competencies in terms of a large product portfolio, cost competitiveness, superior quality standards and rigorous compliance with regulatory standards and strive to enhance value for its customers with an aim to maintain its leadership position.

B. Europe

The Company is present in the French and Spanish generic pharmaceutical markets through its subsidiaries, Zydus France SAS in France and Laboratorios Combix SL in Spain. During the year 2010, the French generics market grew by approximately 8% to €2.7 bn. The slowdown in the growth of the market compared to the growth it has achieved in the previous years can be mainly attributed to the absence of patent expiry of any major products and lower than expected generic substitution rates. The Spanish generics market grew by 16% in 2010 and crossed Euro 836 mio. (Source: IMS Health). Against this backdrop, the Company's business in Europe registered sales of Rs. 2,755 mio. In constant currency (Euro) terms, the European business grew by 13%.

In France, the Company's business continued to progress despite the challenging times that the French market is facing. The Company's French business outpaced the market growth, though the acceleration was lower. It launched over 20 new products and line extensions in France, including four Day-1 launches. Zydus France is now recognised as one of the most reliable partners by pharmacists as per a survey conducted by an independent external agency. In Spain, the Company continued to increase its market presence through new product launches and now ranks amongst the top 20 generic companies. During the year 2010-11, the Company launched 8 new products, including a Day-1 launch. The prospects for generic products in Spain look quite positive and promising as the Spanish Government has started promoting the use of generics as a measure to reduce their healthcare expenses. This, combined with the continuous flow of products going off-patent and the launch of new products from the portfolio built from India would ensure that the Company's business in Spain continues to expand its market presence and posts a healthy growth year-on-year.

C. Japan

The Company is present in Japan, the world's second largest pharmaceutical market, through its subsidiary Zydus Pharma Japan Co. Ltd. (ZPJ), previously known as Nippon Universal Pharmaceutical Co. Ltd. The mounting healthcare costs and rapidly ageing population have made the Japanese government encourage and incentivise generic players to play a vital role in increasing the generic penetration and reduce the healthcare cost burden. This has resulted into an increase in the generic penetration year-on-year, which now accounts for about 22% in terms of volume and 7% in terms of value.

In spite of price reductions in the generic products in Japan, during the year 2010-11, the Company continues to make headway in this market by expanding the product portfolio, product development and registration programmes. With the launch of Amlodipine in Japan, the Company became the first Indian company to get a marketing approval and launch a product manufactured in India in Japan. It also launched 3 in-licensed products, including two Day-1 launches. During the year 2010-11, the Company posted sales of Rs. 422 mio., in Japan, up by 34% y-y. Going forward, the Company has plans to launch new products to expand the market reach in the generics market in Japan.

D. Emerging Markets of Latin America, Asia Pacific, Africa and the Middle East

As the geographic balance of the global pharmaceutical market continues to shift towards the developing and the emerging markets, which are expected to grow in double digits vis-à-vis developed markets which are expected to grow in the range of 3-5%, the emerging markets are expected to drive over 70% of the market growth globally in the times to come. The Company is present in these highly potential emerging markets through its operations in the select countries of Latin America, Asia Pacific, Africa and the Middle East.

In Brazil, the Company's operations, which are spearheaded by its subsidiaries, Quimica e Farmaceutica Nikkho do Brasil Ltda., and Zydus Healthcare Brasil Ltda., continued to progress registering a healthy growth in both the branded and pure generics segments with the launch of 4 new products. Business in the other emerging markets of Asia Pacific, Africa and the Middle East also registered a healthy growth while maintaining leadership positions in Sri Lanka, Myanmar, Uganda and Sudan. The Company has built a strong position in these markets with an emphasis on new product launches and increase in customer oriented activities through the field force. Overall, the Company registered sales of Rs. 4,230 mio., in the emerging markets, up by 24 % y-y.

E. Mexico

In keeping with the Company's strategy to consolidate its position as a global generics player, the Company entered the Mexican pharmaceutical market by setting up its 100% subsidiary – Zydus Pharmaceuticals Mexico S.A. de C.V. Valued at approx. \$9 bn, the Mexican pharmaceuticals market is growing at over 8% and offers a lot of potential.



In the Wellness domain

The consumer healthcare and wellness market in India is a niche segment within the overall FMCG market, which is growing rapidly with increasing urbanisation, increasing income levels and mounting aspirations of the consumers for a better life.

The Company's presence in this rapidly growing segment is spearheaded by Zydus Wellness Ltd. (ZWL), a publicly listed subsidiary in which it owns approximately 72% stake. With iconic brands like Sugar Free, EverYuth and Nutralite, ZWL has a strong brand equity in the niche segments of sugar substitutes, skincare and table spreads.

During the year 2010-11, ZWL continued to make brisk progress. With all the three pillar brands viz. Sugar Free, EverYuth and Nutralite contributing to its growth, ZWL registered sales of Rs. 3355 mio., up by 25% and a net profit of Rs. 595 mio., up by 31%. All the three brands posted a healthy growth and maintained leadership positions in their respective categories. This performance came on the back of ZWL's continued strategic efforts in terms of launching newer concepts in the wellness category and focused and creative communication backed by promotional support to ensure good visibility of the brands across media.

During the year, ZWL launched a couple of new variants of existing categories like 'Sugar Free TeaLite', a unique concept which offers the goodness of tea minus the calories, Sugar Free Mints, Sugar Free Natura sweet drops in liquid form, Sugar Free Herbviva which is the first herbal sweetener made from Stevia. Extending its wellness range, it introduced 'ActiLife' – a nutritional beverage in select markets, marking its foray into the nutraceutical space.



API & Intermediates *

Globally, the market for APIs and intermediates remained more or less stagnant during the year 2010-11 except for a few products where the entry of newer players resulted into price competition. During the year, the Company's APIs and intermediates business grew by 17%, with exports registering a growth of 18% in spite of challenges including price erosion and appreciation of the rupee. The Company continued its focused initiatives to launch newer products, enter newer markets and reach out to a larger customer base to consolidate its API business. The Company further strengthened its pipeline by filing 7 new DMFs with the USFDA during the year, taking the cumulative DMF filings to 97.

*Excluding business of JV with Nycomed.

Animal Health Business

Zydus Animal Health Ltd. (ZAHL), which spearheads the Company's operations in the animal healthcare market, is one of India's leading companies in the animal health space with a strong market share in several therapeutic areas, offering a wide range of drugs, feed supplements and vaccines for livestock, companion animals and poultry. During the year 2010-11, ZAHL posted sales of Rs. 1,390 mio., with a growth of 17%, driven by robust growth in most of the segments. ZAHL continued to improve its profitability through a better product mix, effective marketing strategies and austerity measures. ZAHL has been at the forefront in providing technical support to all its target customers and key stakeholders including farmers, pet owners and veterinarians. During the year, ZAHL introduced 10 new products, of which, one was first in India. ZAHL has also introduced 3 poultry vaccines, for the first time, in an effervescent tablet form. In recognition of its efforts in the areas of improvement in animal healthcare, ZAHL received the Indian Poultry Journalists Association Award 2010 for 'The Best Poultry Health Care Products Company' of India. Going forward, ZAHL will continue to introduce new products, make field services more effective as well as improve geographical coverage to become a leading player in the segment.

Alliances

A. Zydus Nycomed Healthcare Private Limited

Zydus Nycomed, the 50:50 JV between Zydus and Nycomed for manufacturing of key starting materials (KSM) for Pantoprazole, recorded sales of Rs. 1112 mio., during the year 2010-11, which declined post the patent expiry of Pantoprazole in the US market (50% of JV's financials are reported in the Company's consolidated financial statements). During the year, Zydus Nycomed commissioned the newly expanded API manufacturing facility at Navi Mumbai. Slated to emerge as a hub for global supplies of APIs for Nycomed's branded generic portfolio, the facility will manufacture complex high-end APIs and would be audited by several regulatory authorities. The commercial production and supply shall commence in the forthcoming year.

B. Zydus Hospira Oncology Pvt. Ltd.

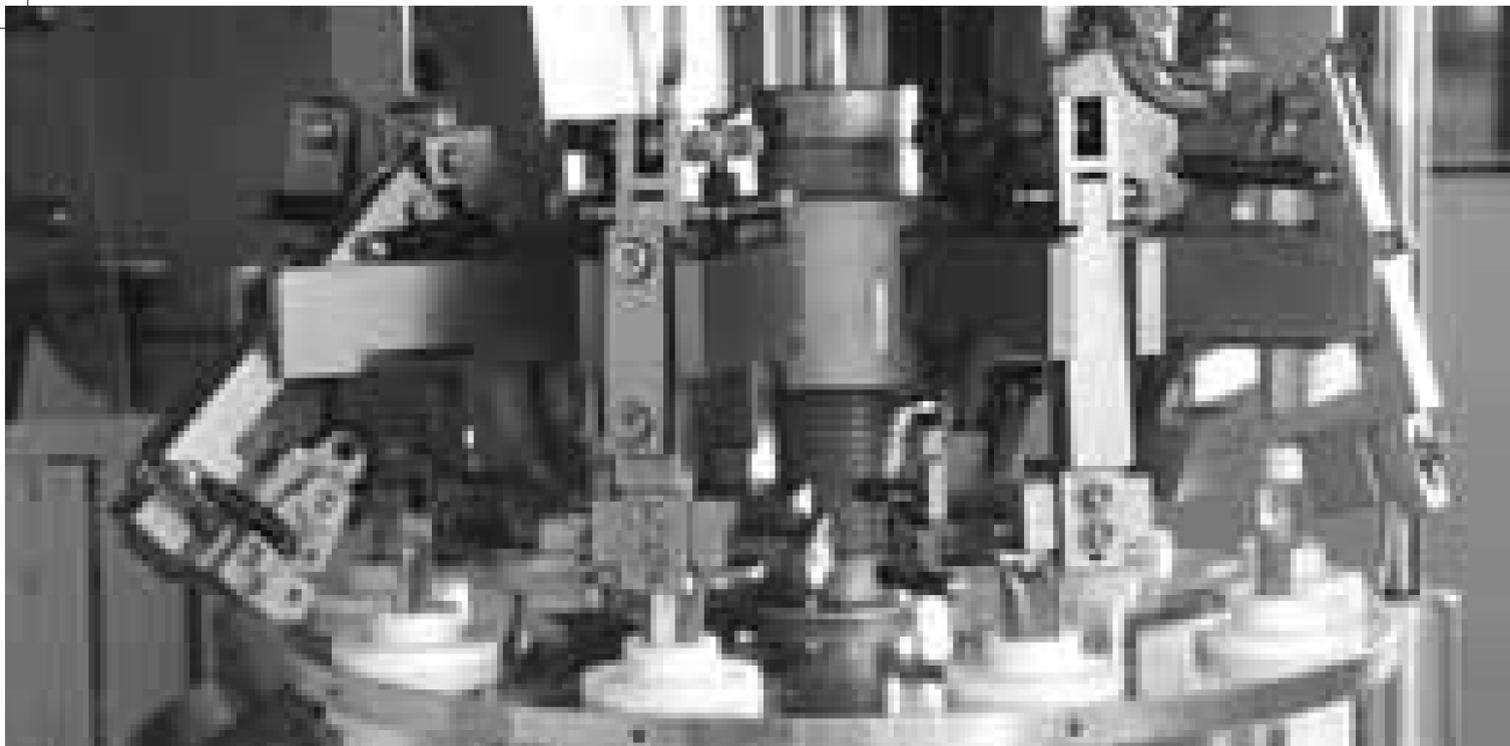
Zydus Hospira Oncology Pvt. Ltd. (ZHOPL), the 50:50 JV between Zydus and Hospira Inc., USA successfully completed its second year of operations. During the year 2010-11, it registered sales of Rs. 4,304 mio. During the year, ZHOPL also completed successful audits by ANVISA, Brazil and NDA, Uganda. With this, ZHOPL has received approvals from the regulatory authorities of US, Europe, Canada, Australia, Brazil and Uganda.

C. Zydus BSV Pharma Pvt. Ltd.

Zydus BSV Pharma Pvt. Ltd. (ZBSV), the 50:50 JV set up in alliance with Bharat Serums and Vaccines Ltd., owns rights to a novel and patented product for use in Oncology. ZBSV also operates in the generic oncology segment by way of contract manufacturing. ZBSV has completed the Phase II clinical study during the year and will now initiate the Phase III study on this novel product. ZBSV has now embarked upon a new development strategy for approval of this product in the US and EU. This will be put up as an IND application in the forthcoming year. ZBSV's product, sold under the brand name 'Nudoxa' continues to enjoy a strong brand position amongst the oncology practitioners in India.

D. Strategic out-licensing deal with Abbott Laboratories

During the year, the Company signed a strategic licensing deal with Abbott Laboratories to license 24 of its branded generics in 15 key emerging markets, where Abbott has a strong and growing presence. The products will be manufactured by the Company for Abbott at its state-of-the-art manufacturing facilities in India. This deal is expected to create a considerable competitive advantage for value creation for both the partners in the long term.



Manufacturing Operations

The Company's state-of-the-art facilities for manufacturing formulations and APIs, considered to be the backbone of the Company's operations have continued to make a significant contribution to its growth and success. These facilities have been instrumental in consistently catering to the demand for high quality products at the most competitive costs and helped the Company have an edge in sustaining the stiff competition and growing the business.

Environment, Health and Safety



The ceramic based ultra filtration unit, at the Ankleshwar API plant, is the first of its kind in India for effluent treatment

The Company's mission of creating healthier communities globally reflects its commitment towards conservation of the environment and compliance with all the requirements related to Environment, Health and Safety (EHS). The Company undertook various initiatives during the year to adopt best environmental management practices and promote awareness on EHS management. The Company launched the Zydus EHS portal for accessing the EHS documents, legal updates, forms, achievements, events and developments in the field of EHS. The formulations manufacturing facilities at Baddi and Goa have received the ISO 14001 and OHSAS 18001 accreditations during the year. The Company's API manufacturing facility at Ankleshwar has implemented the absolute zero discharge system for waste water recycling. During the year, the Company also initiated actions on carbon foot printing. The Company aspires to get the ISO 14064 certification for its environment friendly practices.

The Company's initiatives in ensuring Environment, Health and Safety have been appreciated by several agencies. The Zydus Research Centre, the Company's NME research facility near Ahmedabad was awarded the Gujarat State Safety Award - Rotating Shield for Lowest Disabling Injury Index by the Gujarat Safety Council. Zfyne, the Company's fine chemical manufacturing facility near Ahmedabad and the Company's API manufacturing facility at Dabhaha were awarded the Certificate of Appreciation at the State level by the Gujarat Safety Council for achieving 10 lac accident free man hours during the year.

Research and Development

In keeping with the long term objective of emerging as an innovation driven, research based company, the Company continued its concerted efforts and substantial investments in research during the year. The Company now has state-of-the-art facilities for research in the field of NME, NDDS, biologics, vaccines, formulations and API process research and a rich talent pool of over 1050 dedicated scientists.

During the year 2010-11, the total expenditure on R&D initiatives was Rs. 2,976 mio., of which, the revenue expenditure was Rs.2,502 mio., up by 51% from last year, while the capital investment was Rs. 474 mio. The total R&D expenditure as a % to total operating income was 6.4%.

A. NME research

The Company's state-of-the-art Zydus Research Centre (ZRC) spearheads the Company's NME and Biologics research activities with a dedicated research team of over 400 research professionals. The fully integrated R&D facility is well equipped to carry out new drug discovery and development activities.

During the year 2010-11, ZRC made remarkable progress in the area of NME research and development. The Company currently conducts basic new drug discovery research in cardio-metabolic, inflammation, pain and oncology therapeutic areas. The Company has a portfolio of 12 candidates in various stages of development.



The following chart shows the status of various NME projects currently pursued by ZRC:

PROJECT	Target	Indication	Drug Discovery	Lead Optimisation	Preclinical Development	IND	Phase I	Phase II	Phase III	NDA
ZYH1	PPAR alpha;gamma	Dyslipidemia	[Progress bar]							
ZYH2	PPAR alpha;gamma	Diabetes	[Progress bar]							
ZYH7	PPAR alpha	Dyslipidemia	[Progress bar]							
ZY1	Multi-modal	Pain	[Progress bar]							
ZY01	CB-1 antagonist	Obesity	[Progress bar]							
ZYT1	TR-beta agonist	Dyslipidemia	[Progress bar]							
ZYOG1	Oral GLP-1 agonist	Diabetes Obesity	[Progress bar]							
ZYD1	GLP-1 agonist	Diabetes Obesity	[Progress bar]							
ZYGL241	Oral GLP-1 agonist	Diabetes Obesity	[Progress bar]							
ZYGK1	Glucokinase activator	Diabetes	[Progress bar]							
ZYG19	GPR-119 agonist	Diabetes	[Progress bar]							
ZYPH0907	PTH agonist	Osteoporosis	[Progress bar]							

B. Biologics

The Company is developing a portfolio of 17 biosimilar products. The biosimilars portfolio includes therapeutic proteins and therapeutic monoclonal antibodies. The Company has set up a new dedicated state-of-the-art manufacturing facility for biologics near Ahmedabad. During the year 2010-11, the Company received the Indian marketing authorisation for biosimilar versions of EPO. The Company also completed clinical trials of biosimilar versions of Teriparatide and PEG-IFN Alpha-2b.

The portfolio of 2 novel biologics viz. monoclonal antibody for treating rabies, which the Company is developing in collaboration with the World Health Organisation and a novel next generation PEG-EPO, which the Company is developing in collaboration with Prolong Pharma, USA has completed pre-clinical development stage.

The status of various biologics programmes currently under clinical development is given below:

Project	Indication	Cloning	Process development	Pre-clinical development	Regulatory permission	Clinical Development	Marketing authorisation
G-CSF	Oncology	[Progress bar]					
PEG GCSF	Oncology	[Progress bar]					
IFN α -2b	Infectious diseases	[Progress bar]					
PEG IFN α -2b	Infectious diseases	[Progress bar]					
IFN β 1b	Multiple Sclerosis	[Progress bar]					
EPO	Oncology Nephrology	[Progress bar]					
Prod 1	Nephrology	[Progress bar]					
Teriparatide	Osteoporosis	[Progress bar]					
Prod 2	Diabetes	[Progress bar]					
Prod 3	Rheumatoid Arthritis	[Progress bar]					
MAB 1	Oncology / RA	[Progress bar]					
MAB 2	Inflammation	[Progress bar]					
MAB 3	Oncology	[Progress bar]					
MAB 4	Oncology	[Progress bar]					
Prod 4	AMI	[Progress bar]					
Prod 5	Fertility	[Progress bar]					
Prod 6	Fertility	[Progress bar]					
MAB 5	Rabies	[Progress bar]					
PEG-EPO	Nephrology	[Progress bar]					



C. Vaccines Research and Development

The year 2010-11 marked the launch of India's first indigenously developed vaccine from the Company's own stable – VaxiFlu-S, the influenza vaccine against the pandemic swine flu virus H1N1. VaxiFlu-S is a highly purified and concentrated, modern inactivated whole virus vaccine satisfying the highest standards of safety and efficacy.

During the year, the Company commissioned a new state-of-the-art Vaccine Technology Centre (VTC) near Ahmedabad. VTC will house several vaccine research programmes.

D. Pharmaceutical Technology Development

The Pharmaceutical Technology Centre (PTC), the Company's formulations development centre, has made significant contribution in catapulting the Company's position as one of the prominent Indian players in the global markets.

During the year, PTC continued to make brisk progress in formulations research. PTC has been successful in developing complex products and products in different dosage forms and different therapies, like pulmonary, injectables, oncologicals, ointments and creams.

E. New Drug Delivery Systems (NDDS)

To tackle the challenge of continuous price erosion and pressure on margins in the highly competitive generics business across the globe, the Company is looking at development of new drug delivery systems (NDDS) which are complex and difficult to make, requiring higher initial investment. These products require high-end capabilities to meet complex product development and manufacturing requirements, and hence attract only limited competition, thus offering sustainable business with comparatively higher margins.

F. Intellectual Property Rights

The Company continued its efforts in the development of new molecules, newer delivery systems, processes and technologies during the year. The Company's research and development centres have filed over 100 patents in the US, Europe and other countries during 2010-11, taking the cumulative number of filings to over 650.

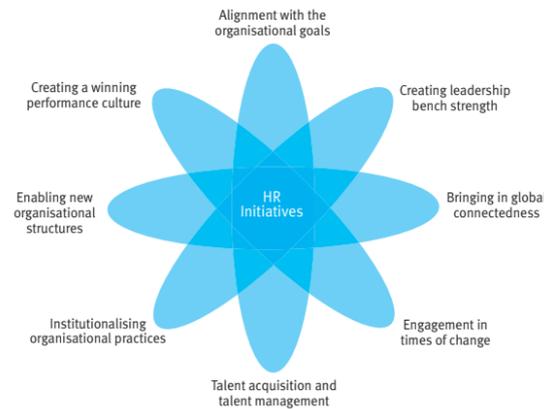


Human Resources and Corporate Social Responsibility

HR Initiatives

Over the last four years, the Company had been gearing up to achieve its goal of posting consolidated revenues of over \$1 billion by March 2011. The Year 2010-11, therefore, was the countdown year as Zydans across locations stepped up their efforts to achieve this target. The journey to the billion was about overcoming several challenges as the Company opened up new avenues for growth, enhanced the size and scale of operations and branched out into niche and specialised areas. As the Company catapulted itself to a bigger league, it had to traverse through a vast transformational landscape that looked at new capabilities, expertise, skills and mindset to reach the overarching goal.

The initiatives undertaken by Team HR in the journey to the billion looked at:



The Company's HR focus in the journey to the billion has been to develop a set of core competencies needed to drive the Company's growth. At the heart of it all, were initiatives to create an eco-system within the Company that embraces transformation and change. A framework of a shared agenda and strategy that has been created, helped maximise organisational effectiveness in a continuously changing environment. As a part of a larger organisational transformation process, HR initiatives have created an environment conducive for networking, co-operation, teamwork, innovation and alignment with the organisation's priorities – all of which have set the context for consistent growth. Leadership development and strengthening the leadership bench strength has also been an ongoing process.

Creating people assets and investing in capability building have been at the heart of the organization's growth since 1995. Team HR has been looking at both conventional and differentiated approaches to create this culture of learning in the Company. The learning programmes range from leadership building to capability enhancement programmes.

Capping a decade of achievements

It was quite befitting that in the year when the group was racing ahead to achieve its vision of becoming a billion dollar company, the news came in that it had been declared the 'Emerging Company of the Year' by the Economic Times Awards for Corporate Excellence 2010. This was in recognition of the group's growth and consistent performance over the last decade. The award seeks to recognise the capacity to take calculated risks, show explosive growth potential and discover a growth model that others would want to emulate. Chairman and Managing Director, Mr. Pankaj R. Patel, attributed this honour to the collective efforts of all Zydans.



Mr. Pankaj R. Patel is seen here receiving the award from Mr. Jairam Ramesh, the Union Minister for Environment and Forests, Government of India, on the 8th of January 2011 at Mumbai.

Corporate Social Responsibility

Zydus Srishti, the group's CSR programme, is about reaching out to make a difference in a myriad ways in the areas of health – Swaasthya, education – Shiksha and research – Shodh. Through these initiatives, the group reaches out to the community that it forms a part of, finding new expressions for its mission to create healthier communities globally. Zydus Srishti focuses on three core areas that were close to the Late Founder Chairman, Mr. Ramanbhai B. Patel's heart – Healthcare, Research and Education. The Ramanbhai Foundation set up in his memory, continues to keep alive these initiatives through Zydus Srishti.

Shiksha Shikshak Jagruti Abhiyan – Empowering teachers at the grass root level

As part of Zydus Srishti's initiatives in the field of education, the Shiksha Shikshak Jagruti Abhiyan (SSJA), a mentoring programme to empower teachers in the rural communities was launched during the year. SSJA aims to support teachers from rural communities, who are more of change agents in the community, fighting discrimination, encouraging literacy, supporting girl child education and taking up social causes in the community. SSJA is a joint initiative of the Ramanbhai Foundation, Ahmedabad Management Association (AMA) and the Zydus School for Excellence.

The programme was inaugurated by Former President of India, H.E. Dr. A.P.J. Abdul Kalam on 22nd October 2010 at the new campus of the Zydus School for Excellence, Godhavi village, Ahmedabad.



The Ramanbhai Foundation 5th International Symposium – A knowledge sharing forum on innovation

The Ramanbhai Foundation 5th International Symposium on 'Advances in Translational Research and Medicine' was held at the Zydus Research Centre from 1st to 4th February 2011. 42 internationally acclaimed scientists, researchers and academicians from India and across the globe addressed the various aspects related to Translational Research and Medicine with a focus on cancer, inflammation and cardio-metabolic diseases. Dr. Rolf Zinkernagel, Nobel Laureate (Medicine) delivered the keynote address. Dr. Rolf Zinkernagel was awarded the Nobel Prize in Medicine in 1996 jointly with Peter C. Doherty for their discoveries concerning the specificity of the cell mediated immune defense. More than 600 delegates from India and abroad participated in the symposium.





Consolidated Financial Highlights*

* In the consolidated financial statements, the Company's share in incomes, expenses, assets and liabilities of Joint Ventures (JVs) have been shown at the end of the schedule of such incomes, expenses, assets and liabilities. However, for financial analysis, share in each head of income, expense, asset and liability of the JV has been considered for better understanding.

Operating Incomes

Sales

The gross sales revenue grew by 25% to Rs. 45,211 mio., in 2010-11 from Rs. 36,142 mio., in 2009-10. Sales growth was mainly driven by formulations exports, which grew by 37%.

The formulations business in India grew by 19% while the consumer wellness business posted a growth of 25%.

Other Income from Operations

The other income from operations, grew by 47% to Rs. 1,655 mio., from Rs. 1,127 mio., in 2009-10.

Other Incomes

Other incomes reduced by 18% to Rs. 131 mio., from Rs. 159 mio. last year.

Operating Expenses

Material Cost, Excise Duty and Processing Charges

The combined cost of consumption of materials and finished goods, excise duty and manufacturing and processing charges as % to gross sales reduced marginally by 0.1% to 34.5% from 34.6% last year. Excise duty as a % to sales increased by 0.1% to 1.2% from 1.1% last year, mainly due to increase in excise duty on APIs towards the end of the last year.

Personnel Costs

The personnel costs (excluding R&D staff costs) increased by 37% y-y to Rs. 5,574 mio., from Rs. 4,076 mio., last year. This increase was due to the net addition in manpower, increase in average cost per employee and special one-time bonus which was given to all the employees on achieving \$1 bn mark in revenue, a major milestone envisaged by the group four years ago.

Excluding the special one-time bonus of Rs. 510 mio., the personnel costs in 2010-11 were Rs. 5,064 mio., which grew by 24% over the previous year.

Manufacturing, Selling, Distribution and General Administration (MSGA) Expenses

The manufacturing (excluding processing charges), selling, distribution and other general administration expenses (excluding deficit on account of foreign exchange fluctuation) increased by 21% y-y to Rs. 12,918 mio., from Rs. 10,649 mio., last year. Overall MSGA (excluding foreign exchange fluctuation losses) as % to operating income came down to 27.9% from 28.9% last year.

Research and Development Expenses

The revenue expenditure, including staff cost, on Research and Development (R&D) was Rs. 2,502 mio., up by 51%, which was 5.4% of total operating income as against 4.5% last year. This increase reflected the enhanced focus of the Company on the research activities and initiatives for developing novel and complex technologies to build incremental growth.

Depreciation and Amortisation

The depreciation and amortisation expenses were down by 5% y-y to Rs. 1,269 mio., from Rs. 1,339 mio., in 2009-10. The reduction was mainly due to cessation of amortisation of some of the intangibles, the estimated useful life of which expired towards the end of last year.

Interest and finance charges

Overall the finance cost (excluding foreign currency fluctuation loss not classified as interest cost) was down by 4%, from Rs. 809 mio., last year to Rs. 780 mio.

Profits and margins

The EBITDA (Earnings before interest, tax, depreciation and amortisation excluding non operating incomes) grew by 27% to Rs. 10,262 mio., from Rs. 8,086 mio., last year. The EBITDA margin as % to total operating income increased by 0.3% to 22.2% from 21.9% a year ago.

The profit before tax (PBT) excluding exceptional items grew by 38% y-y to Rs. 8,425 mio., from Rs. 6,086 mio., last year. As a % to total operating income, PBT before exceptional items increased to 18.2% as against 16.5% last year.

Net profit after tax and minority interest was up by 41% y-y to Rs. 7,110 mio., from Rs. 5,051 mio. last year. The net margin as % to total operating income increased to 15.4% vs. 13.7% last year.

Net Worth

The consolidated net worth increased to Rs. 21,715 mio., at the end of March 31, 2011, up by 33% from Rs. 16,285 mio., at the end of March 31, 2010.

The paid-up equity share capital increased by Rs. 342 mio., to Rs. 1,024 mio., from Rs. 682 mio., last year, pursuant to the issue of bonus shares in the ratio of 1 share for every 2 shares held by the shareholders.

The reserves and surplus increased by Rs. 5,088 mio., to Rs. 20,691 mio., at the end of the year 2010-11, from Rs. 15,603 mio., last year.

The book value per share increased to Rs. 106.1 as on 31st March 2011 from Rs. 79.2 (adjusted for bonus issue in 2010-11) last year. The return on adjusted net worth (RONW = Net profit excluding exceptional items net of tax / Average net worth adjusted for deferred expenses and exceptional items) increased to 37.5% from 35.9% last year.

Debt

Consolidated debt of the Company stood at Rs. 10,973 mio., as on 31st March, 2011, which increased by Rs. 68 mio., from Rs. 10,905 mio., last year. There was, however, cash and bank balance of Rs. 2,952 mio., on 31st March 2011 as against Rs. 2,507 mio., last year. Net debt (adjusted for cash and bank balances) as on 31st March, 2011 was lower at Rs. 8,021 mio., against Rs. 8,398 mio., last year.

The company has low leverage in the form of Net Debt Equity Ratio of 0.37:1 (marked improvement from 0.52:1 from last year) due to 33% jump in its net worth during the year, against which net debt (after adjusting cash and bank balance) has reduced by 4% during the year.

Fixed Assets and Capital Expenditure

The consolidated gross block (including capital work in progress) at the end of the year was Rs. 32.6 bn, up by over Rs. 4.5 bn from Rs. 28.1 bn last year. Net capital expenditure (excluding goodwill, but including capital work in progress) during the year was Rs. 4,564 mio., which was incurred for upgradation and expansion of the capacity of existing facilities for formulations and API manufacturing, expansion of research facilities and building up of new facilities for new dosage forms.

Working capital and liquidity

The working capital level at the end of the year 2010-11 was of Rs. 11,641 mio., as against Rs. 9,088 mio., last year, which shows an increase of Rs. 2,553 mio. The average working capital excluding cash balance, however, remained at the level of approximately 16.5% of total operating income, which was reduced by approximately 0.8% compared to last year. Overall current ratio at the end of the year 2010-11 was 2.04, almost the same as that of last year.

Capital employed and operating efficiency

The total Capital Employed (CE), adjusted for exceptional items and deferred expenses, at the end of the year was Rs. 33.8 bn, up from Rs. 28.3 bn at the end of the previous year, showing an increase of 20% which corresponds to the growth of business. Return on Capital Employed (ROCE = Adjusted earnings before interest net of tax / Average CE) increased to 24.5% vis-à-vis 21.1% last year, showing overall improvement in operating efficiency across all parameters.



Risk Identification, Risk Mitigation and Internal Controls

The Company is engaged in the business of manufacturing and marketing of pharmaceutical products, both active pharmaceutical ingredients and finished dosage formulations in the Indian and several other generics markets across the globe. The Company is also engaged in the research and development of new molecular entities (NME), novel drug delivery systems (NDDS) and generic product development. The ever changing scenarios across the globe for the highly regulated pharmaceutical industry exposes it to various risks, which are explained below.

Risk related to economic and political environment across the world

The Company's operations span across the globe in over 25 countries. Any changes in the economic or political conditions in these countries can affect its operations, though the magnitude of such impact could vary from country to country.

Risk of competition, price pressure and Government controls on prices

The Company's business in developed as well as emerging generics markets across the globe faces stiff competition from Indian as well as other players. Apart from this, any action by Governments in these countries towards controlling prices of the pharmaceutical products can also impact its pricing power adversely.

Risk of litigation related to quality of products, intellectual properties and other litigation

The pharmaceutical products and their manufacturing and supply chain processes are subject to stringent regulations and quality standards. Any deviation from prescribed regulations or any variation in quality from standards laid down by regulatory authorities can lead to actions from these authorities or litigation from the customers. The Company also faces the risk of litigation from competitors and the multinational pharmaceutical companies holding patents for products and processes, in case the Company's products or processes are claimed to be infringing their intellectual property rights.

Risk of international operations including foreign exchange risk

The Company's international operations in various countries and funding of its operations through foreign currency debt exposes it to the risk associated with fluctuation in currencies of these countries vis-à-vis its functional currency viz. the Indian Rupee.

Risk of efforts on Research and Development proving to be unproductive

The Company invests about 6% of its revenues on research and development activities (both revenue and capital expenditure) every year. NME and NDDS research require significant investment and a longer gestation period, with minimal chances of success. This exposes the Company to the risk of its drug discovery efforts proving to be non-productive at any stage.

Risk Management and Internal Control Systems

The Company has established a well defined process of risk management, wherein the identification, analysis and assessment of the various risks, measurement of the probable impact of such risks, formulation of risk mitigation strategies and implementation of the same takes place in a structured manner. An organisation-wide risk evaluation and validation process is carried out regularly, and review of the risk management policy and framework is also carried out at regular intervals by the Risk Management Committee. Requisite internal control mechanisms have been put in place by the Company on various activities across the board to minimise the impact of various risks. A well-defined and established system of internal audit has also been set up to independently review and strengthen these control measures. The Audit Committee of the Company regularly reviews the reports of the internal auditors and recommends actions for further improvement of the internal controls.

Financial Section 2010-11



Directors' Report

Your Directors are pleased to present 16th Annual Report and the audited accounts for the financial year ended on 31st March 2011.

Financial Results:

The financial performance of the Company, for the year ended on 31st March, 2011 is summarised below :

(Rs. in Millions)

Particulars	For the Year ended 31 st March, 2011	For the Year ended 31 st March, 2010	Growth (%)
Sales and Other Income	29780	24684	20.6
Profit before Interest, Finance Charges, Depreciation, Amortisation and Impairment and Tax (PBIDT)	7659	6534	17.2
Less: Depreciation, Amortisation and Impairment	969	900	7.7
Profit Before Interest and Finance charges and Tax (PBIT)	6690	5634	18.7
Less: Interest and Finance charges	318	431	(26.2)
Profit Before Tax	6372	5203	22.5
Less: Provision for Tax	268	170	57.6
Profit After Tax	6104	5033	21.3
Add: Profit brought forward from the previous year	3323	2030	
Profit available for appropriation, which is appropriated as follows:	9427	7063	
Proposed Dividend	1280	1024	
Corporate Dividend Tax on Proposed Dividend [Net of CDT Credit]	146	116	
Transferred to Debenture Redemption Reserve	100	100	
Transferred to General Reserve	1226	2500	
Balance carried to Balance Sheet	6675	3323	
Total	9427	7063	
Earnings per share [EPS] [Face Value of shares Rs.5/-] [in Rupees]	29.81	24.58*	

* After considering bonus equity shares issued after 31st March, 2010.

Results of operations:

During the year under review, the Company has scaled new heights and achieved milestone total revenues of one billion dollar mark on consolidated basis. The consolidated sales grew by 25 % during the year. On standalone basis, the Company has achieved sales of Rs. 22,113 mn, showing a growth of 19.2 % compared to the previous year. The PBIDT increased by 17.2 % to Rs. 7,659 mn. The Profit before Tax was higher by 22.5 % to Rs. 6,372 mn. The Profit after Tax increased to Rs. 6,104 mn up by 21.3 % compared to Rs. 5,033 mn in 2009-10. The Company achieved EPS of Rs. 29.81 compared to Rs.24.58 in 2009-10, calculated on the enhanced capital after the issue of Bonus Equity Shares. A detailed analysis of performance for the year has been included in the Management Discussion and Analysis, which forms part of the Annual Report.

Bonus Equity Shares and Listing:

On 9th April, 2010, the Company has allotted 68,249,507 bonus equity shares in the ratio of 1:2 [one bonus equity share for every two equity shares] to the members, whose names appeared on the Register of Members on the Record Date fixed for the purpose. Bonus shares were listed on the Stock Exchanges, where the existing equity shares are listed.

Dividend:

In celebration of joining the billion dollar league of Indian Pharma Companies, your Directors are pleased to recommend a dividend of Rs. 6.25 [previous year Rs.5.00] per equity share on 204,748,520 equity shares of Rs. 5/- each fully paid-up for the financial year ended 31st March, 2011. The dividend, if declared by the shareholders at the ensuing Annual General Meeting, will be paid to those shareholders, whose names stand registered in the Register of Members on 19th July, 2011. The Dividend Payout ratio for the current year (inclusive of corporate tax on dividend distribution) is 23.36 percent.

Management Discussion and Analysis (MDA):

MDA, as required under the Listing Agreements with the Stock Exchanges is given as a separate statement, which forms part of this Annual Report.

Subsidiary Companies and Consolidated Financial Statements:

During the year, the Company has formed following two wholly owned subsidiaries to enter in the Mexican Pharma market;

- (1) Zydus Pharmaceuticals Mexico S.A. de C.V., Mexico and
- (2) Zydus Pharmaceuticals Mexico Service Company S.A. de C.V., Mexico.

As required under the Listing Agreements with the Stock Exchanges, Consolidated Financial Statements of the Company and all its subsidiaries are attached. The Consolidated Financial Statements have been prepared in accordance with Accounting Standards 21 and 23 issued by the Institute of Chartered Accountants of India and show the financial resources, assets, liabilities, income, profits and other details of the Company, its associates companies and its subsidiaries after elimination of minority interest, as a single entity.

Ministry of Corporate Affairs, Government of India has granted general exemption for the requirements to attach various documents in respect of subsidiary Companies vide circular No. 2/2011 vide its letter No. 51/12/2007-CL-III dated 8th February, 2011. Details of major subsidiaries of the Company are covered in Management's Discussion and Analysis Report forming part of the Annual Report.

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

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

Directors:

Mr. Nitin Raojibhai Desai was appointed as an Additional Director effective from 6th May, 2011. In terms of section 260 of the Companies Act, 1956, he shall hold office only upto the date of the ensuing Annual General Meeting. The Company has received a notice in writing under section 257 of the Companies Act, 1956 from a member proposing his candidature along with deposit of Rs. 500/- for the office of Director liable to retire by rotation.

Your Directors express their profound grief on the sad demise of Mr. Pranlal Bhogilal. The Board places on record its deep sense of appreciation for the valuable contributions made by late Mr. Pranlal Bhogilal during his tenure as a Director of the Company.

Mr. Humayun Dhanrajgir, Director of the Company retires by rotation at the ensuing Annual General Meeting and being eligible, has offered himself for re-appointment. The Board of Directors recommends the re-appointment of Mr. Humayun Dhanrajgir.

The Board of Directors of the Company has, subject to approval of the shareholders at the ensuing Annual General Meeting re-appointed Mr. Pankaj R. Patel as Managing Director of the Company. An abstract of the terms and conditions of his appointment and memorandum of interest under section 302 of the Act have been sent to the members of the Company.

Brief profiles of the Directors proposed to be appointed / re-appointed as required under clause 49 of the Listing Agreement are annexed to the notice convening 16th Annual General Meeting forming part of this Annual Report.

Directors' Responsibility Statement:

Pursuant to the requirements under section 217 (2AA) of the Companies Act, 1956 and to the best of their knowledge and belief, and according to the information and explanations provided to them, your Directors hereby state that:

- the Annual Accounts for the year ended 31st March, 2011 are prepared on going concern basis;
- in preparation of the Annual Accounts, all the applicable accounting standards have been followed. Necessary explanations are given for material departures, if any;
- sound accounting policies have been selected and applied consistently and judgments and estimates made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31st March, 2011 and of the profit of the Company for the year ended on that date and
- proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for prevention and detection of fraud and other irregularities.

Corporate Governance:

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



Directors' Report

Auditors:

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

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

Auditors' Report and Notes on Accounts:

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

Cost Auditors:

The Central Government had directed an audit of the cost accounts maintained by the Company in respect of Formulations and Bulk Drugs businesses. For conducting the cost audit for these activities for the financial year ended 31st March, 2011, the Central Government has approved the appointment of M/s A. G. Dalwadi & Co., Cost Accountants as Cost Auditors. The Cost Auditor has filed the cost audit report on 16th September, 2010 as against the last date of filing it of 30th September, 2010.

Particulars of Employees:

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

Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo:

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

Acknowledgment:

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

By Order of the Board of Directors

Place : Ahmedabad
Date : 6th May, 2011

Pankaj R. Patel
Chairman

Annexure to the Directors' Report

Annexure - A

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

1. Conservation of Energy:

a. The following energy conservations measures were undertaken during the year ended on 31st March, 2011.

General measures :

- i] Regular preventive maintenance of Pumps & Air Compressors, Steam traps, Joints, Steam leakage to reduce transmission loss and to get maximum out-put,
- ii] Keeping lights and Air Conditioning systems off during non-working hours and
- iii] Maintenance of power factor above 99 %.

Specific measures taken:

At Formulation units :

Unit at Moraiya :

- i] Using of coal based steam boiler,
- ii] Installed Natural Gas based generating set for power generation,
- iii] Installed tube lights of lower watt in place of higher watt tube lights,
- iv] Installed vapor absorption machine for generation of chilled water for HVAC system,
- v] Using of thermal storage system for HVAC,
- vi] Running of water circulation pumps on VFD,
- vii] Installed temperature control in air handling system,
- viii] Installed air conserves system in centralized air supply system,
- ix] Installed flush water tanks in toilets in place of open taps and
- x] Installed lower HP and high efficient water pumps in place of higher HP & low efficient water pumps.

Unit at Baddi (HP):

- i] Set-up rain water harvesting system and
- ii] Using of CFL lights for lightings.

At API Units :

Unit-I and Unit-II at Ankleshwar:

- i] Installed autotransformer in lighting circuit and flame proof timers.

Unit at Dabhasa (Baroda):

Installed:

- i] 200 KVA transformer in lighting circuit and timers in vessel lamp circuit,
- ii] 350 KVA APFC panel for maintenance of power factor 0.999,
- iii] 4 into 14 watts with electronics ballasts with high power factor and
- iv] Inter connected the brine systems to run 16 TR brine plant when higher TR required.

At R&D Center (Moraiya):

Installed:

- i] 100 KVA Servo stabilizer for lighting at primate research facility and
- ii] PFC panel automation in utility area.

At Zyfine:

- i] Using of PNG- gas in boiler in place of diesel.



Directors' Report

b. Proposals for additional investments :

At Formulation units :

Unit at Moraiya :

Installation of:

- i] Additional coal fire boiler by replacing furnace oil fired Boiler,
- ii] New air compressor of 1000 CFM in place of existing 2 X 300 CFM compressor of low efficiency,
- iii] Air ventilation system in roof area,
- iv] Gas based burner in place of FO based burner and
- v] LED based street light fixtures in place of sodium light fixtures.

At API Units :

Unit-I and Unit-II at Ankleshwar:

Installation of:

- i] Natural gas based 1 MW CPP with 270 TR VAHP,
- ii] Compressed Air Pressure Control system,
- iii] AHU, LET light fittings,
- iv] Automatic vacuum control system and
- v] Steam condensate recovery.

At Dabhasa (Baroda):

- i] Replacement of 67% efficient brine chilled water pump by 92% efficient pumps and
- ii] Replacement of three reciprocating air compressors by one screw compressor.

c. Impact of measure (a) and (b):

The adoption of energy conservation measures have resulted in improvement of power factor and consequential reduction in power and water consumption, thereby savings in electricity and water bill. It has also resulted into reduction in maintenance cost due to adoption of higher efficient technology. Further, the noise levels are monitored, waste water is recycled and increased the levels of awareness amongst the employees. It has condensate recovery for additional area, reduced wastage of water and resulted in reduction in treatment cost and damage to the drain line.

Form - A

(A) Power and fuel consumption :

Particulars	Unit of Measures	Year Ended March 31,	
		2011	2010
1. Electricity :			
(a) Purchased :			
Units	Nos.	57165223	48279973
Total Amount	Rs. In mn	332.52	271.45
Rate/Unit	Rs.	5.82	5.62
(b) Own Generation :			
i) Through Diesel Generator :			
Units	Nos.	2025179	2865547
Units per Lt. of Diesel oil	Nos.	3.19	3.26
Cost/Unit	Rs.	11.83	10.51
ii) Through HFO DG Set :			
Units	Nos.	8743970	11826620
Unit per lit. of Fuel	Nos.	3.67	4.20
Cost / Unit	Rs.	8.44	5.60
iii) Through CPP (Natural Gas) :			
Units	Nos.	18131325	16297824
Unit per lit. of Gas (M ³)	Nos.	3.74	3.66
Cost / Unit	Rs.	5.50	4.29
2. Coal (used in Boiler for steam generation) :			
Quantity	MT	13251.73	6317
Amount	Rs. In mn	63.75	25.66
Average cost per MT	Rs.	4810	4062
3. Furnace Oil / HSD / LDO :			
Furnace Oil :			
Quantity	K.Lt.	490.15	3277.93
Total Amount	Rs.in mn	14.41	80.90
Average Rate per Lt.	Rs.	29.39	24.68
HSD :			
Quantity	K.Lt.	578.54	860.59
Total Amount	Rs.in mn	21.85	30.09
Average Rate per Lt.	Rs.	37.76	34.97
LDO :			
Quantity	K.Lt.	-	1406.30
Total Amount	Rs.in mn	-	39.37
Average Rate per Lt.	Rs.	-	28
4. Others/Internal Generation :			
Natural Gas :			
Quantity	M ³	10607724	6163300
Total Cost	Rs.in mn	185.53	87.07
Rate/Unit	Rs.	17.49	14.13
Bagasse :			
Quantity	MT	964.09	1224.51
Total Amount	Rs.in mn	5.04	5.83
Rate/Unit MT	Rs.	5230	4766.20

(B) Consumption per unit of production :

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



Directors' Report

Form - B

2. Research and Development :

a. Specific areas in which Research and Development is carried out:

Discovery and development of New Molecular Entities (NME), New Chemical Entities (NCE), Biosimilar Portfolio, Novel Biologics for treatment of Rabies, Novel next generation PEG-EPO, vaccines, chemical research for Active Pharmaceutical Ingredients (APIs) and Intermediates and development of new products are important highlights of the year.

b. Benefits derived as a result of Research and Development activities:

Filed 24 Abbreviated New Drug Application (ANDAs) with US FDA, 26 new products for EU Market, 5 for Brazil and 3 for Japan. Launched first time in India 'Influenza Vaccine' against the pandemic swine flue virus H1N1.

c. Future plant of action:

Development of new product portfolio, Novel Biologics and New Dosage Forms.

d. Expenditure on R & D:

(INR - Millions)

Sr. No.	Particulars	2010-11	2009-10
i.	Capital	474	415
ii.	Recurring [Excluding depreciation of Rs.136 {2009-10 Rs.127} mn]	2543	1763
iii.	Total	3017	2178
iv.	Total R&D expenditure as a percentage of total turnover	13.64%	11.58%

3. Technology absorption, adaptation and innovation:

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

- i] Adopted a technology of wurster coating and developed skill to improve the processes over 300% productivity rise by implementation of high speed coating guns,
- ii] In-house development of Nanotechnology based products,
- iii] Developed API technologies through process chemistry innovation,
- iv] Continuously upgrading research facilities and employing scientifically skilled manpower.

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

- i] Product development and cost competitiveness,
- ii] Introduction of new products,
- iii] Management of safety, health and environment parameters as per stringent safety standards.

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

i] Technology imported:

The Company has not imported any technology during the last 5 years.

ii] Year of Import: Not applicable.

iii] Has the technology been fully absorbed: Not applicable.

iv] If not fully absorbed, area where this has not taken place, reasons therefore and future plans of action: Not applicable.

4. Foreign exchange earnings and outgo:

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

Company's foreign exchange earnings, stood at Rs. 13,017 mio for the year 2010-11 as against Rs. 10,335 mio in 2009-10. The Company's exports have grown by 26% to Rs. 12,111 mio. The Company has filed Drug Master Files [DMFs] for API with the regulatory authorities in several countries. The Company has taken initiatives for the development of new export markets, which includes formation of subsidiaries in Mexico and Sri Lanka. The Company is continuously exploring possibilities of exporting more of its products to different markets. More details are covered in the Management Discussion and Analysis Report, which forms part of Directors' Report.

b. Total foreign exchange earnings and outgo:

(INR - Millions)

Sr. No.	Particulars	2010-11	2009-10
i.	Earnings:		
	a. FOB value of exports	12,111	9,600
	b. Others	906	735
	Total	13,017	10,335
ii.	Outgo:		
	a. CIF value of imports	2,699	2,077
	b. Expenditure in foreign currency	1,073	988
	Total	3,772	3,065

By order of the Board of Directors

Place : Ahmedabad.
Date : 6th May, 2011.

Pankaj R. Patel
Chairman



Corporate Governance

[As required under clause 49 of the Listing Agreements entered into with the Stock Exchanges]

Company's Philosophy on Corporate Governance Code :

Cadila Healthcare Limited believes in continuous good corporate governance and always strives to follow the highest standards of ethics, transparency and integrity to improve performance at all levels. The Company manages its affairs with the diligence, responsibility and accountability. It is also in line with the Core Values determined by the management. Our well designed systems and action plans have enhanced performance and stakeholders' value. To create a culture of good governance, your Company has adopted practices that comprise of performance accountability, effective management control, constitution of Board Committees as a part of the internal control system, fair representation of professionally qualified and non-executive independent Directors on the Board, adequate and timely compliance, disclosure of maximum information to the present and prospective investors and discharge of statutory dues.

I Board of Directors :

a) Composition of the Board:

The present strength of the Board is six Directors. The Board comprises of Executive and Non-Executive Directors and meets the requirement of the Code of Corporate Governance. The Board is headed by the Executive Chairman, Mr. Pankaj R. Patel, who is also the promoter Director. Except Mr. Pankaj R. Patel and Dr. Sharvil P. Patel, all other Directors are independent Directors. Independent Directors have expert knowledge in the fields of finance, taxation, legal and industry. The Independent Directors bring independent judgment and decisions.

b) Board Meetings / Director's Particulars:

During the financial year 2010-11, five board meetings were held on 29th April, 2010, 27th July, 2010, 19th October, 2010, 18th January, 2011 and 12th February, 2011. The Board decides in advance the dates for holding board meetings in the calendar year. At least one Board meeting is held in each quarter and the gap between any two Board Meetings was not more than four months.

All information as required under Annexure 1A to clause 49 of the Listing Agreement is made available to the Board. The Agenda and the relevant papers are circulated for consideration to the Directors at least a week in advance. Directors are also free to bring up any matter for discussion at the Board Meetings with the permission of the Chairman. Adequate information is circulated as part of the Board papers and is also made available at the Board meeting to enable the Board to take informed decisions. Only in very exceptional and urgent cases some issues are tabled during the course of the Board meetings. The minutes of the proceedings of the Meetings of the Board of Directors are noted and the draft minutes are circulated to the Directors for their perusal. Comments, if any, received from the Directors are incorporated in the Minutes, which is approved by the Board at its next meeting.

The following table provides the details of composition and category of Directors, their attendance at the Board / Annual General Meetings and the number of other Directorship [other than the Company] and Chairmanship / membership in Board Committees of public limited companies. None of the Directors on the Board is a member of more than 10 committees and Chairman of more than 5 committees across all the Companies in which they are Directors. All Directors have made necessary disclosures in this regard to the Company. All Directors have attended the last Annual General Meeting held on 27th July, 2010.

Name of the Director	Category	No. of Board Meetings held during the year	No. of Board Meetings attended	Member (Chairman)* of Board Committees **	No. of other Directorships held
Mr. Pankaj R. Patel ***	Chairman and Managing Director	5	5	4 (3)	10
Mr. Mukesh M Patel	Non-executive and Independent	5	5	9 (5)	8
Mr. Pranlal Bhogilal ****	Non-executive and independent	5	2	-	-
Mr. Humayun Dhanrajgir	Non-executive and independent	5	5	8 (1)	7
Mr. Apurva S. Diwanji	Non-executive and independent	5	5	2(1)	-
Dr. Sharvil P. Patel *****	Deputy Managing Director	5	5	1	6
Mr. Nitin Raojibhai Desai*****	Non-Executive and Independent	-	-	1	2

Notes:

- * Figures in () indicate the number of Board Committees of which Director is Chairman.
- ** Board committees means Audit Committee and Shareholders' / Investors' Grievance Committee.
- *** Promoter Director and father of Dr. Sharvil P. Patel.
- **** Expired on 12th January, 2011.
- ***** Son of Mr. Pankaj R. Patel.
- ***** Appointed as an Additional Director w.e.f. 6th May, 2011.

c) Details of Directors being appointed / re-appointed :

Mr. Humayun Dhanrajgir retires by rotation at the ensuing Annual General Meeting and being eligible offered himself for re-appointment. Mr. Nitin Raojibhai Desai was appointed as an Additional Director on 6th May, 2011 and holds office until the conclusion of the ensuing Annual General Meeting. The five years term of Mr. Pankaj R. Patel expires on 31st August, 2011 and his re-appointment for a further period of five years on the existing terms and conditions is proposed. Information required under clause 49 IV(G) of the Listing Agreement on Directors seeking appointment / re-appointment is annexed to the notice convening ensuing Annual General Meeting.

II Committees of the Board:

The Company has five Board level Committees, namely;

- A) Audit Committee;
- B) Share Transfer Committee;
- C) Shareholders' / Investors' Grievance Committee;
- D) Committee of Directors and
- E) Bonus Committee.

A) Audit Committee:

a) Composition of the Audit Committee and attendance of members:

The Audit Committee of the Company currently comprises of three Directors. Mr. Mukesh M. Patel is the Chairman of the Committee. Mr. Humayun Dhanrajgir and Mr. Apurva S. Diwanji are the members of the Committee. Mr. Pranlal Bhogilal, a member of the Committee expired on 12th January, 2011. All members of the Committee are Non Executive Independent Directors and having accounting, financial and management expertise.



Corporate Governance

Four Audit Committee meetings were held during the financial year on 28th April, 2010, 26th July, 2010, 19th October, 2010 and 18th January, 2011. The attendance of each member of the Audit Committee in the committee meetings is provided in the below table.

Name of the Member	Designation	No. of Meetings held	No. of Meetings attended
Mr. Mukesh M. Patel	Chairman	4	4
Mr. Pranal Bhogilal *	Member	4	2
Mr. Humayun Dhanrajgir	Member	4	4
Mr. Apurva S. Diwanji	Member	4	4

* Expired on 12th January, 2011

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

The Chairman of the Audit Committee, Mr. Mukesh M. Patel, was present at the Annual General Meeting of the Company held on 27th July, 2010.

b) Terms of Reference:

The Terms of Reference of the Audit Committee covers all the matters specified under section 292A of the Companies Act, 1956 and matters specified for Audit Committee under clause 49 of the Listing Agreement, and are as follows:

- Oversight of the Company's financial reporting process.
- Reviewing with the Management, the financial results before placing them to the Board with a special emphasis on accounting policies and practices, internal controls, 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 with the statutory auditors.
- Recommending the appointment and removal of external auditors and their fees.
- Reviewing the performance of statutory and internal auditors.
- Reviewing the observations of internal, statutory and management auditors about the findings during the audit of the Company and making suggestions for their improvement.
- Reviewing the financial and risk management policies.
- Keeping watch on timely payment to debenture holders, shareholders and creditors.
- Reviewing management discussion and analysis of financial condition and results of operations.
- Reviewing significant related party transactions.
- Reviewing appointment, removal and terms of remuneration of Internal Auditors.

The Company continued to derive benefit from the deliberations of the Audit Committee Meetings. It ensures accurate and timely disclosures that maintain the transparency, integrity and quality of financial control and reporting.

B) Share Transfer Committee:

a) Terms of reference:

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

b) Composition:

The Share Transfer Committee comprises of the following members:

Mr. Pankaj R. Patel - Chairman
Mr. Mukesh M. Patel
Mr. Pranal Bhogilal *
Mr. Apurva Diwanji **

* upto 12th January, 2011

** w.e.f. 18th January, 2011

c) Meetings and attendance during the year:

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

C) Shareholders' / Investors' Grievance Committee:

a) Terms of reference:

The Shareholders' / Investors' Grievance Committee primarily focuses on redressal of complaints received by the Company from the shareholders and investors.

b) Composition:

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

Name of the Member	Designation	No. of Meetings held	No. of Meetings attended
Mr. Apurva S. Diwanji *	Chairman	4	1
Mr. Pranal Bhogilal **	Chairman	4	2
Mr. Pankaj R. Patel***	Member	4	4
Mr. Mukesh M. Patel	Member	4	4

* With effect from 18th January, 2011

** upto 12th January, 2011

*** Elected as chairman at the Committee meeting held on 29th April, 2010 in absence of the Chairman of the Committee.

The Company Secretary acts as the Secretary to the Committee, who is designated as Compliance Officer pursuant to clause 47(a) of the Listing Agreement with the Stock Exchanges.

During the year, the Company received 83 complaints from the shareholders, mostly pertaining to non-receipt of dividend warrants, revalidation of expired dividend warrants, non receipt of bonus shares, issuance of duplicate shares, transfer of shares, etc. all of which were attended to the satisfaction of the shareholders and investors. The Company has no unattended request pending for transfer of shares at the close of the financial year.



Corporate Governance

D) Committee of Directors :

Committee of Directors comprises of three members namely, [1] Mr. Pankaj R. Patel, Chairman, [2] Dr. Sharvil P. Patel and [3] Mr. Mukesh M. Patel. The Committee looks after the businesses, which are administrative in nature and within overall Board approved directions and framework. One meeting of the committee was held during the year. The Chief Financial Officer and the Company Secretary were present at the meeting. The Company Secretary acts as the secretary to the committee.

E) Bonus Committee :

Bonus committee was constituted specifically for taking necessary decisions for the implementation of issue and allotment of bonus equity shares and the matters incidental thereto. The committee comprises of three members namely, [1] Mr. Pankaj R. Patel, Chairman, [2] Dr. Sharvil P. Patel and [3] Mr. Mukesh M. Patel. One meeting of the committee was held during the year for allotment of bonus equity shares, its listing on the Stock Exchanges and matter incidental thereto. The Company Secretary acts as the secretary to the committee and he attended the meeting.

III Subsidiary Companies :

None of the subsidiaries of the Company come under the purview of the material non-listed subsidiary. The summarized financial statements and particulars of investments made by the subsidiary company[ies] are reviewed by the Audit Committee of the Board of Directors. Audit Committee also reviews the significant transactions and arrangements entered into by the unlisted subsidiary Companies. The Board Minutes of unlisted subsidiary companies are placed at the Board Meeting of the Company.

IV Disclosures :

a) Related Party Transactions:

The Company has not entered into any transaction of material nature with its Promoters, Directors or Management or their relatives, etc., that may have a potential conflict with the interest of the Company. The Register of Contracts containing transactions in which Directors are interested pursuant to the provisions of the Companies Act, 1956 is placed before the Board regularly for its approval. The details of related party transactions are disclosed in the financial section of this Annual Report.

b) Remuneration of Directors:

Remuneration to the Managing Director and Deputy Managing Director is within the limits approved by the shareholders at the Annual General Meetings of the Company held on 28th July 2006 and 27th July, 2010 respectively. The Board ensures that commission to Non Executive Directors is within the overall limits approved by the shareholders at the Annual General Meeting of the Company held on 29th July, 2008 and meets the industry norm. Non Executive Directors are also paid sitting fees of Rs. 20,000/- per Board, Audit Committee and Committee of Directors meeting attended by them. Directors are also reimbursed the traveling and out-of-pocket expenses for attending such meetings.

The details of remuneration paid to Managing Director and Deputy Managing Director for the financial year 2010-11 is provided in the below table.

(INR - Millions)

Name and Designation of Director	Salary & Allowances	Commission	Perquisites	Retiral Benefits
Mr. Pankaj R. Patel Managing Director	249.7	0	0	0.3
Dr. Sharvil P. Patel Deputy Managing Director	98.7	0	0	1.3

Computation of the remuneration of the Managing Director / Deputy Managing Director is given in Note-B-9 of Notes on Accounts, under Schedule-20 of the accounts.

Mr. Pankaj R. Patel was appointed as the Managing Director of the Company for a period of five years from 1st September, 2006. Dr. Sharvil P. Patel was appointed as Deputy Managing Director of the Company for a period of five years from 1st April, 2007.

As per the terms of the agreements with the Managing Director and Deputy Managing Director they can resign from their office by giving three calendar months notice in writing to the Company and the Board may appoint any other person(s) to be Managing Director(s) at any time. If the office of the Managing Director is determined before the expiry of his term of office, the Company will pay compensation for loss of office in accordance with the provisions of section 318 of the Companies Act, 1956.

The details of commission / sitting fees paid to the Non-Executive Directors for the financial year 2010-11 is provided in the below table.

(INR - Millions)

Name of the Director	Commission	Sitting fees			Total
		Board Meetings	Audit Committee Meetings	Other Committees*	
Mr. Mukesh M. Patel	1.00	0.10	0.08	0.04	1.22
Mr. Pranlal Bhogilal **	1.00	0.04	0.04	-	1.08
Mr. Humayun Dhanrajgir	1.00	0.10	0.08	-	1.18
Mr. Apurva S. Diwanji	1.00	0.10	0.08	-	1.18
Mr. Nitin Raojibhai Desai***	-	-	-	-	-

* Committees of Directors and Bonus Committee.

** Expired on 12th January, 2011.

*** Appointed as an Additional Director w.e.f. 6th May, 2011.

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

c) Code of Conduct:

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

d) Prohibition of Insider Trading:

The Company has also adopted a Code of Conduct for prevention of insider trading in Compliance with the SEBI Regulations on Prevention of Insider Trading. All Directors, Senior Management Personnel and other employees of the Company, who are expected to have access to unpublished price sensitive information relating to the Company is governed by the Code. During the year, there has been due compliance of the Code.



Corporate Governance

e) Shares held by the Directors:

Details of equity shares of the Company held by the Directors as at 31st March, 2011 and details of equity Shares bought or sold by them during the financial year 2010-11 is provided in the below table.

Name of the Director	No. of shares held as at 31 st March, 2011	Details of shares bought / (sold) during 2010-2011
Mr. Pankaj R. Patel *	153122446	**51040815
Mr. Mukesh M. Patel	1200	**400
Mr. Pranlal Bhogilal	NIL	NIL
Mr. Humayun Dhanrajgir	NIL	NIL
Mr. Apurva S. Diwanji	NIL	NIL
Dr. Sharvil P. Patel	3000	**1000
Mr. Nitin Raojibhai Desai	***50400	N.A.

* Held also as a Karta of HUF and Trustees of the Family Trusts.

** Bonus shares issued on 9th April, 2010.

*** As on the date of appointment i.e. 6th May, 2011.

f) Management Discussion and Analysis Report:

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

g) Compliance by the Company:

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

h) Unclaimed Suspense Account:

Pursuant to amendment in clause 5A of the Listing Agreements with the Stock Exchanges, the Registrar and Transfer Agent has sent two reminders to the shareholders of the Company at their respective registered address, whose equity shares could not be delivered. The Registrar and Transfer Agent will send a third and the last reminder to such shareholders to claim their undelivered shares. If no claim received from the shareholders, the shares remained undelivered with the company will be transferred to "Unclaimed Suspense Account" and all corporate benefits accruing to these shares in future will also be credited to that account. The shareholders are requested to claim their shares, which were sent to them but returned undelivered for some reasons. The Company will disclose the requisite information as provided in clause 5A of the Listing Agreement after transferring these shares to Unclaimed Suspense Account.

i) Risk Management:

The Company has in place mechanism to inform Board Members about the risk assessment, minimization procedures and periodical review to ensure that executive management controls risk by means of a properly defined framework.

V CEO/CFO Certification:

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

VI Means of Communication:

- The Company has 40,073 shareholders as on 31st March, 2011. The main channel of communication to the shareholders is through annual report, which includes interalia, the Directors' Report, Management's Discussion and Analysis, Report on Corporate Governance and Audited financial results.
- The Chairman makes presentation on the performance, business plans and financial results of the Company at every Annual General Meeting of the Company. The Chairman also responds to the questions of the shareholders.
- The Company also intimates to the Stock Exchanges all price sensitive matters, which in its opinion are material and of relevance to the shareholders and subsequently issues a Press Release on such matters, wherever necessary.
- The quarterly and half yearly results are published in widely circulating national and local dailies such as "Business Standard" and "Jansatta", in English and Gujarati respectively. These are not sent individually to the shareholders.
- The financial results of the Company and official news releases are displayed on the Company's website, www.zyduscadila.com. The Company holds meetings and makes presentations to the institutional investors and analysts. The copy of such presentation and the transcript of the phone call are also made available on the Company's web-site.

VII General Body Meetings:

The last three Annual General Meetings were held as under.

Year	Date and Time	Venue
2010	15 th AGM on 27 th July, 2010 at 10.00 a.m.	H.T. Parekh Hall, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad – 380 015
2009	14 th AGM on 29 th July, 2009 at 10.00 a.m.	Bhaikaka Bhavan, Nr. Law Garden, Ellisbridge, Ahmedabad – 380 006
2008	13 th AGM on 29 th July, 2008 at 10.00 a.m.	

Postal Ballot :

No resolution was passed through Postal Ballot in Financial year 2010-11. None of the businesses proposed to be transacted in the ensuing Annual General Meeting require passing a resolution through Postal Ballot.



Corporate Governance

VIII General shareholder information:

Date and Time of 16 th AGM	19 th July, 2011 at 10.00 a.m.
Venue of 16 th AGM	J. B. Auditorium Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad – 380 015.
Financial Year	1 st April, 2010 to 31 st March, 2011
Book Closure Date	11 th July, 2011 to 19 th July, 2011 (both days inclusive)
Registered Office Address	“Zydus Tower”, Satellite Cross Roads, Sarkhej-Gandhinagar High Way, Ahmedabad – 380 015.
Dividend Payment Date	25 th July, 2011
Compliance Officer	Mr. Upen Shah, Company Secretary
Website Address	www.zyduscadila.com

Financial Calendar for the financial year 2011-12 (tentative):

First Quarter Results	Before 31 st July, 2011
Half Yearly Results	Before 31 st October, 2011
Third Quarter Results	Before 31 st January, 2012
Audited Results for the financial year 2011-12	Before 30 th May, 2012

Listing of equity shares:

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

Name and Address of the Stock Exchange
Ahmedabad Stock Exchange Limited Kamdhenu Complex, Opp. Sahjanand College, Panjara Pole, Ahmedabad - 380015.
Bombay Stock Exchange Limited 1 st Floor, New Trading Ring, Rotunda Bldg, P. J. Towers, Dalal Street, Fort, Mumbai - 400001.
The National Stock Exchange of India Limited Exchange Plaza, Bandra-Kurla Complex, Bandra (E), Mumbai - 400051.

Listing fees:

The Company has paid the annual listing fees for the financial year 2011-12 to all the Stock Exchanges where its securities are listed.

Stock Code:

Name of the Stock Exchange	Stock Code No.	Closing Price as on 31 st March 2011 (Rs.)
The National Stock Exchange of India Limited	CADILAHC	789.90
Bombay Stock Exchange Limited	532321	791.30
Ahmedabad Stock Exchange Limited	10927	No trading reported

Stock price and BSE Sensex data:

Month	BSE Sensex	Bombay Stock Exchange Limited			The National Stock Exchange of India Limited		
		High [Rs.]	Low [Rs.]	Av. Volume [In Nos.]	High [Rs.]	Low [Rs.]	Av. Volume [In Nos.]
April, 10	17559	838.00	542.20	32200	843.90	542.00	112341
May, 10	16945	648.00	552.00	34217	649.40	552.00	74862
June, 10	17701	679.00	595.20	18243	680.00	591.65	100950
July, 10	17868	681.00	627.90	18293	684.00	603.30	87757
Aug., 10	17971	655.00	599.00	42433	655.00	597.70	56732
Sept., 10	20069	667.00	605.10	16958	669.00	604.30	154143
Oct., 10	20032	725.00	661.95	27227	727.90	651.00	100660
Nov., 10	19521	809.45	677.65	14304	825.00	673.65	56681
Dec., 10	20509	798.50	732.00	5231	826.00	730.10	64293
Jan., 11	18328	864.00	756.00	23801	864.70	751.25	115327
Feb., 11	17823	834.00	703.10	9545	836.00	705.00	65226
March, 11	19445	802.70	724.90	12853	840.00	687.65	79251

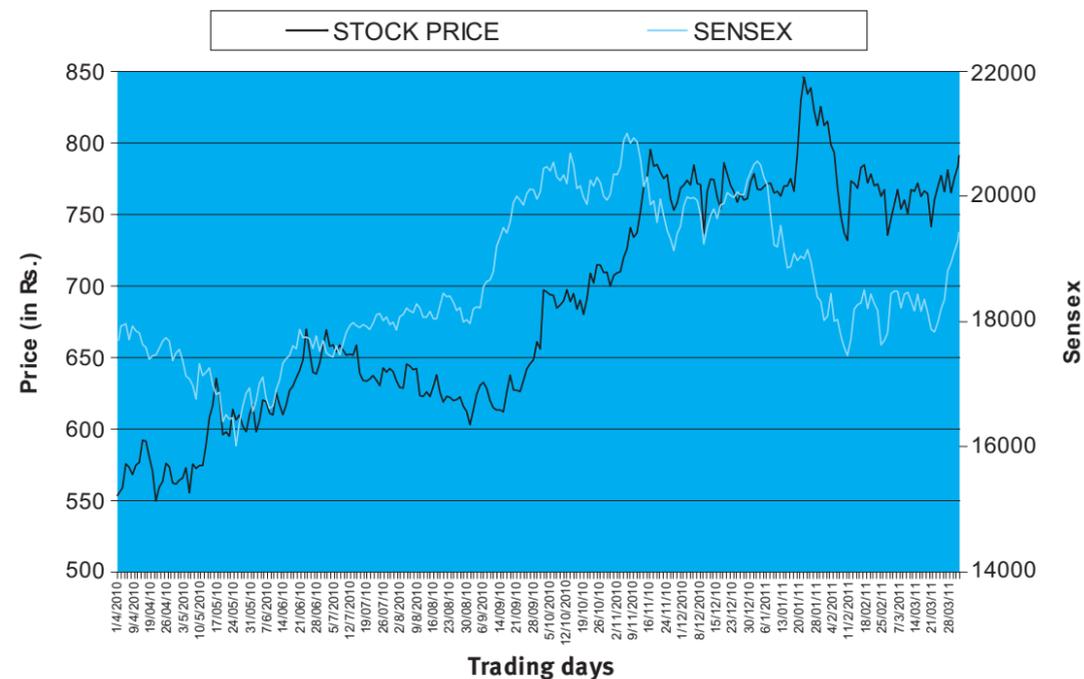
No Trading recorded on the Ahmedabad Stock Exchange Limited.



Corporate Governance

Chart 'A' Stock Performance :

CHL Daily Share Price Vs Sensex



Registrar and Share Transfer Agents :

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

Share transfer system:

Shares received for transfer in physical form are registered within the stipulated time and returned by Registrar and Share Transfer Agents. Shares under objection are returned within 21 days to the concerned shareholders. The Share Transfer Committee meets generally twice in a month to approve share transfers/transmissions.

Physical shares received for dematerialization are processed and completed within a period of 21 days from the date of receipt. Bad deliveries are promptly returned to the Depository Participant [DP] under advice to the shareholders.

As required under clause 47 (c) of the Listing Agreement with the Stock Exchanges, a certificate on half yearly basis confirming due compliance of share transfer formalities by the Company from a Practicing Company Secretary has been submitted to the Stock Exchanges within stipulated time.

Secretarial Audit:

A practicing Chartered Accountant carried out secretarial audit in each of the quarter in the financial year 2010-11, to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and total issued and listed capital. The audit reports confirm that the total issued / paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with depositories.

Distribution of shareholding:

The shareholding distribution of equity shares as on 31st March, 2011 is given below:

No. of Equity Shares	No. of Folios	% to total folios	No. of Shares	% of shareholding
1 to 1000	38413	95.86	6157141	3.01
1001 to 2000	1020	2.54	1377425	0.67
2001 to 4000	260	0.65	717134	0.35
4001 to 6000	69	0.17	344998	0.17
6001 to 8000	31	0.08	223636	0.11
8001 to 10000	36	0.09	325163	0.16
10001 to 20000	72	0.18	1037000	0.50
20001 to above	172	0.43	194566023	95.03
Grand Total	40073	100.00	204748520	100.00
Shareholders in Physical Mode	5795	14.46	1724701	0.84
Shareholders in Electronic Mode	34278	85.54	203023819	99.16
Grand Total	40073	100.00	204748520	100.00

Shareholding pattern as at 31st March 2011:

Category	No. of Shares held		Total Shares	% of shareholding
	Physical	Electronic		
Promoter's holding	0	153138046	153138046	74.79
Mutual Funds and UTI	0	15828059	15828059	7.73
Banks, FIs and Insurance Companies	375	11440486	11440861	5.59
Foreign Institutional Investors	0	10998502	10998502	5.37
NRIs / OCBs	9072	298517	307589	0.15
Other Corporate Bodies	12026	2970283	2982309	1.46
Indian public	1703228	8349926	10053154	4.91
Total	1724701	203023819	204748520	100.00



Corporate Governance

Dematerialisation of shares and liquidity:

The Company's equity shares are traded compulsorily in dematerialised form with effect from 24th July 2000. Approximately 99.16 % of the equity shares has been dematerialised. ISIN number for dematerialisation of the equity shares of the Company is INE010B01019.

Location of the company's manufacturing plants:

The details of the locations of the plants of the Company are mentioned on the inside cover page of the annual report.

Address for correspondence:

Shareholders' correspondence should be addressed to the Company's Registrar and Share Transfer Agent at the address mentioned above.

Shareholders may also contact Mr. Upen H. Shah, Company Secretary at the Registered Office of the Company for any assistance.

Tele. Nos. 079 – 26868100 Extension – 326
e-mail id : upen.shah@zyduscadila.com

Investors can also send their complaints at investor.grievance@zyduscadila.com, a special e-mail ID created pursuant to clause 47(f) of the Listing Agreement.

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

Outstanding GDRs/ADRs/Warrants, its conversion date and likely impact on equity:

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

Listing of Debt Securities:

The Redeemable Non-Convertible Debentures issued by the Company are listed on the Wholesale Debt Market [WDM] of National Stock Exchange of India Limited.

Debenture Trustees [for privately placed debentures]:

IDBI Trusteeship Services Limited
Ground Floor, Asian Building
17, R. Kamani Marg, Ballard Estate
Mumbai – 400 001

DECLARATION

I hereby declare that all the Board Members and Senior Management Personnel of the Company have affirmed the compliance with the provisions of the code of conduct for the year ended on 31st March, 2011.

Place : Ahmedabad.
Date : 6th May, 2011.

Pankaj R. Patel
Chairman and Managing Director

Auditors' Certificate on Corporate Governance

To
The Members of Cadila Healthcare Limited.

We have examined the compliance of the conditions of Corporate Governance by Cadila Healthcare Limited, for the year ended on 31st March, 2011 as stipulated in clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The Compliance of the conditions of corporate governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of corporate governance. It is neither an audit nor an expression of an opinion on the financial statements of the Company.

In our opinion and to the best of our information and explanations given to us, we certify that the company has complied with the conditions of corporate governance as stipulated in the above mentioned listing agreement.

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

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

Mukesh M. Shah
Partner
Membership Number : 30190

Place : Ahmedabad
Date : 6th May, 2011



Auditors' Report

Auditors' Report to the Members of Cadila Healthcare Limited

1. We have audited the attached Balance Sheet of Cadila Healthcare Limited ('the company') as at 31st March, 2011, Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of section 227(4A) of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - a) we have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - b) in our opinion, proper books of account as required by law have been kept by the company, so far as appears from our examination of those books;
 - c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in section 211(3C) of the Companies Act, 1956;
 - e) on the basis of the written representations received from the directors and taken on record by the Board of Directors, we report that none of the director is disqualified as on 31st March, 2011 from being appointed as a director in terms of section 274 (1)(g) of the Companies Act, 1956;
 - f) in our opinion, and to the best of our information and according to explanations given to us, the said financial statements, read together with the significant accounting policies and notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
- (i) in the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2011;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

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

Mukesh M. Shah
Partner
Membership Number : 30190

Place : Ahmedabad
Date : May 6, 2011

Annexure to the Auditors' Report

With reference to the Annexure referred to in paragraph 3 of the Auditors' Report to the Members of Cadila Healthcare Limited on the financial statements for the year ended 31st March, 2011, we report that:

1. (a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) Some of the fixed assets were physically verified during the year by the management in accordance with programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
 - (c) Fixed assets disposed off during the year, in our opinion, do not constitute substantial part of Fixed Assets of the Company and such disposal has not affected the going concern status of the company.
2. (a) The inventories has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable, having regard to the size of the Company and nature of its business.
 - (b) In our opinion, the procedures for the physical verification of inventory followed by management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - (c) In our opinion and according to the information and explanation given to us, the company has maintained proper records of inventory. No material discrepancies were noticed on physical verification of inventory.
3. The company has neither granted nor taken any loans, secured or unsecured, to Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, clause (iii)(b) to (iii)(d) of paragraph 4 of the Order are not applicable to the company for the current year.
4. In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal control systems.
5. (a) In our opinion, and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956, have been entered in the register required to be maintained under that section.
 - (b) In our opinion and according to the information and explanations given to us, transactions made in pursuance of such contracts or arrangements and exceeding Rs. Five Lacs, in respect of any party during the year, have been made at prices, which are reasonable having regard to prevailing market price at the relevant time.
6. The company has not accepted any deposits from the public as per provisions of sections 58A, 58AA or other relevant provisions of the Companies Act, 1956 and the rules framed there under.
7. The company has an internal audit system, which, in our opinion is commensurate with its size and the nature of its business.
8. We have broadly reviewed the books of accounts maintained by the Company pursuant to the Rules made by the Central Government for maintenance of cost records under section 209(1) (d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.



Auditors' Report

9. (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth tax, Service tax, Custom duty, Excise duty, Cess and any other statutory dues during the year with the appropriate authorities. Moreover, as at 31st March, 2011, there are no such undisputed dues payable for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, the particulars of dues of Income tax, Sales tax, Excise duty and Service tax and other material statutory dues as at 31st March, 2011 which have not been deposited on account of any dispute, are as follows:

Name of the Statute	Nature of dues	Amounts involved (Rs. in Millions)	Period to which the amount relates	Forum where the dispute is pending
The Income Tax Act, 1961	Income Tax	66.27	2005-06	Income Tax Appellate Tribunal
		0.2	1995-96	Deputy Commissioner of Income Tax (OSD)
The Central Sales Tax and Local Sales Tax Acts	Sales Tax	83.59	1996-97 to 1999-00, 2001-02, 2004-05 to 2007-08	Commissioner of Sales Tax
		9.06	1997-98 2001-02	Tribunal
The Central Excise Act and the Service Tax Act	Excise Duty, Service Tax	0.04	1985-86, 1987-88, 1988-89, 1992-93	ACCE/DCCE/JCCE/Add.Comm.
		4.61	Various cases for the period 1995 to 1998, 2006-07, 2007-08, 2008-09	Commissioner (Appeals)
		23.69	Various cases for the period 1995 to 2000, 2003-04, 2005-06, 2006-07, 2007-08, 2008-09	CESTAT
		2.19	Jan. '95 to Nov. '95	High Court

10. The company does not have any accumulated losses at the end of the financial year and has not incurred cash losses during the financial year and during the immediately preceding financial year.
11. The company has not defaulted in repayment of dues to financial institution or bank or debenture holder.
12. The company has not granted any loans and advances on the basis of security by way of pledge of shares during the year.
13. The company is not a chit fund company/nidhi/mutual benefit fund/society.
14. According to the information and explanations given to us, the company is not dealing or trading in shares, securities, debentures and other investments.

15. In our opinion and according to the information and explanations given to us, the terms and conditions of guarantees / letter of comfort given by the company for loans taken by subsidiaries and other parties from banks are not prima facie, prejudicial to the interest of the company.
16. Term loans obtained by the Company were applied for the purposes for which the loans were obtained.
17. According to the Cash-flow statement and other records examined by us and the information and explanations given to us, on an overall basis, funds raised on short-term basis have not, prima facie, been used during the year for long-term investment.
18. The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
19. The company has created securities in respect of non-convertible debentures issued so far.
20. The company has not raised any money by public issues during the year.
21. To the best of our knowledge and belief, and according to the information and explanations given to us, no fraud on or by the company was noticed or reported during the year.

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

Mukesh M. Shah
Partner
Membership Number : 30190

Place : Ahmedabad
Date : May 6, 2011

Balance Sheet as at March 31, 2011

	Schedule No.	INR - Millions	
		As at March 31,	
		2011	2010
SOURCES OF FUNDS :			
Shareholders' Funds :			
Share Capital	1	1024	682
Reserves and Surplus	2	19875	15539
		20899	16221
Loan Funds :			
Secured Loans	3	5317	5542
Unsecured Loans	4	323	399
		5640	5941
Deferred Tax Liability [Net]	20[B-20]	1193	1149
Total		27732	23311
APPLICATION OF FUNDS :			
Fixed Assets :	5		
Gross Block		17325	15567
Less : Depreciation, Amortisation and Impairment		6959	6063
Net Block		10366	9504
Capital work-in-progress		2337	1429
		12703	10933
Investments	6	6988	5989
Net Current Assets :			
Current Assets, Loans and Advances :			
Inventories	7	4645	3808
Sundry Debtors	8	4751	4008
Cash and Bank Balances	9	424	282
Loans and Advances	10	5061	3677
		14881	11775
Less : Current Liabilities & Provisions :			
Current Liabilities	11	5036	3881
Provisions	12	1804	1517
		6840	5398
		8041	6377
Foreign Currency Monetary Items Translation Difference Account	20[B-1]	0	12
Total		27732	23311
Significant Accounting Policies and Notes on Accounts	20		

As per our report of even date

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

Pankaj R. Patel
Chairman & Managing Director

Mukesh M. Shah
Partner
Membership Number : 30190
Ahmedabad, Dated : May 6, 2011

Jyotindra B. Gor
Chief Accounts Officer

Upen H. Shah
Company Secretary

Sharvil P. Patel
Deputy Managing Director

Profit and Loss Account for the year ended March 31, 2011

	Schedule No.	INR - Millions	
		Year ended March 31,	
		2011	2010
INCOME :			
Sales and Income from Operations :			
Gross Sales		22113	18549
Less : Excise Duty		351	220
Net Sales		21762	18329
Other Income from Operations	13	7437	5920
Total		29199	24249
Other Income	14	581	435
		29780	24684
EXPENDITURE :			
Consumption of Materials and Finished Goods	15	8699	7679
General Expenses	16	10879	8708
Research Expenses	17	2543	1763
Interest and Finance Charges	18	318	431
Depreciation, Amortisation and Impairment	5	969	900
		23408	19481
Profit before Tax		6372	5203
Less : Provision for Taxation	19	268	170
Profit after Tax		6104	5033
Add : Balance brought forward		3323	2030
PROFIT AVAILABLE FOR APPROPRIATIONS		9427	7063
Appropriations :			
Dividends :			
Proposed Dividend		1280	1024
Corporate Dividend Tax on Proposed Dividend [Net of CDT credit]		146	116
		1426	1140
Transfer to Debenture Redemption Reserve		100	100
Transfer to General Reserve		1226	2500
		2752	3740
Balance carried to Balance Sheet		6675	3323
Basic & Diluted E P S [in Rupees]	20[B-21]	29.81	24.58
Significant Accounting Policies and Notes on Accounts	20		
As per our report of even date			
For Mukesh M. Shah & Co., Chartered Accountants Firm Registration Number : 106625W			
Mukesh M. Shah Partner Membership Number : 30190 Ahmedabad, Dated : May 6, 2011		Jyotindra B. Gor Chief Accounts Officer	Upen H. Shah Company Secretary
		Pankaj R. Patel Chairman & Managing Director	Sharvil P. Patel Deputy Managing Director

Cash Flow Statement for the year ended March 31, 2011

Particulars	INR - Millions	
	Year ended March 31,	
	2011	2010
A Cash flows from operating activities :		
Net profit before taxation and extraordinary items	6372	5203
Adjustments for :		
Depreciation	969	900
Loss on sale of assets [Net]	12	5
Loss on long term investments	0	154
Interest income	(36)	(64)
Dividend income	(524)	(359)
Interest expenses	342	374
Bad debts written off	95	0
Provision for doubtful debts written back	(90)	0
Provisions for retirement benefits	204	19
Provisions for probable product expiry claims and return of goods	3	(9)
Total	975	1020
Operating profit before working capital changes	7347	6223
Adjustments for :		
Increase in trade receivables	(750)	(473)
Increase in other receivables	(1002)	(554)
Increase in inventories	(837)	(318)
Increase in trade payables & other liabilities	1145	948
Total	(1444)	(397)
Cash generated from operations	5903	5826
Direct taxes paid [Net of refunds]	(421)	(256)
Cash flow before extraordinary items	5482	5570
Extraordinary income	12	292
Net cash from operating activities	5494	5862
B Cash flows from investing activities :		
Purchase of fixed assets	(2931)	(2325)
Purchase of investments	(999)	(530)
Proceeds from sale of Investments	0	341
Proceeds from sale of fixed assets	177	23
Advances to subsidiary companies	(405)	(1025)
Repayment of Advances by subsidiary companies	16	605
Interest received	43	66
Dividend received	524	359
Net cash from investing activities	(3575)	(2486)

Cash Flow Statement for the year ended March 31, 2011

Particulars	INR - Millions	
	Year ended March 31,	
	2011	2010
C Cash flows from financing activities :		
Proceeds from Long Term Borrowings	669	2187
Repayment of Long Term Borrowings	(589)	(1875)
Short Term Borrowings [Net]	(381)	(2569)
Interest paid	(328)	(382)
Dividends paid	(1023)	(615)
Tax on dividends paid	(125)	(96)
Net cash used in financing activities	(1777)	(3350)
Net increase / (-) decrease in cash and cash equivalents	142	26
Cash and cash equivalents at the beginning of the year	282	256
Cash and cash equivalents at the close of the year	424	282

Notes to the cash flow statement

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

As per our report of even date

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

Pankaj R. Patel
Chairman & Managing Director

Mukesh M. Shah
Partner
Membership Number : 30190
Ahmedabad, Dated : May 6, 2011

Jyotindra B. Gor
Chief Accounts Officer

Upen H. Shah
Company Secretary

Sharvil P. Patel
Deputy Managing Director

Schedules forming part of the Balance Sheet

	INR - Millions	
	As at March 31,	
	2011	2010
Schedule : 1 - Share Capital :		
Authorised :		
220,000,000 [As at 31-03-10 : 220,000,000] Equity Shares of Rs.5/- each	1100	1100
	1100	1100
Issued, Subscribed and Paid-up :		
204,748,520 [As at 31-03-10 : 136,499,013] Equity Shares of Rs.5/- each fully paid-up	1024	682
Notes : Of the above Shares,		
[A] 133,919,637 [As at 31-03-10 : 133,919,637] Equity Shares were allotted as fully paid-up without payments being received in cash and 90,000,000 [As at 31-03-10 : 90,000,000] Equity Shares were extinguished pursuant to different Composite Schemes of Arrangement.		
[B] 145,941,483 [As at 31-03-10 : 77,691,976] Equity Shares were allotted as fully paid-up by way of Bonus Shares by capitalisation of Security Premium Account & General Reserve		
Total	1024	682
Schedule : 2 - Reserves & Surplus :		
Security Premium Account :		
Balance as per last Balance Sheet	116	116
Less : Utilised for issue of Bonus shares	116	0
	0	116
International Business Development Reserve :		
Balance as per last Balance Sheet	2000	2000
Debenture Redemption Reserve :		
Balance as per last Balance Sheet	100	0
Add : Transfer from Profit & Loss account	100	100
	200	100
General Reserve :		
Balance as per last Balance Sheet	10000	7500
Add : Transfer from Profit & Loss account	1226	2500
	11226	10000
Less : Utilised for issue of Bonus shares	226	0
	11000	10000
Balance in Profit and Loss Account	6675	3323
Total	19875	15539

Schedules forming part of the Balance Sheet

	INR - Millions	
	As at March 31,	
	2011	2010
Schedule : 3 - Secured Loans :		
A 8.5%, Secured, Redeemable, Non Convertible Debentures - Privately placed [Redeemable at par on December 4, 2014]	500	500
B Loans and Advances from Banks :		
a Term Loans	750	750
b Working Capital Loans [Including Packing Credit foreign currency loans of Rs. Nil { As at 31-03-10 : Rs. 526 } Millions]	497	879
c Term Loans - External Commercial Borrowings in Foreign Currency	3570	3413
Total	4817	5042
	5317	5542
Securities for Loans :		
[A] Secured by way of mortgage on a specific Trade Mark and land at Manipur.		
[B-a] Secured by securities mentioned at [B-c][i] on "pari passu" basis with lenders referred to at [B-c][i] and [B-c][iii] and further secured by hypothecation of a specific Trade Mark of the Company.		
[B-b] Secured by way of hypothecation of Inventories [including goods in transit], Bills Receivables, Book-Debts and all other movables of the Company, including documents of title to goods, excluding Plant & Machineries, both present & future, to rank "pari passu" amongst banks.		
[B-c] Out of External Commercial Borrowings in Foreign Currency :		
[i] Rs. 357 [As at 31-03-10 : Rs. 360] Millions are secured by first equitable mortgage of immovable properties and hypothecation of movable properties of the Formulation Unit of the Company at Moraiya, both present and future, excluding current assets, to rank "pari passu" with lenders referred to at [B-c][iii] & [B-a].		
[ii] Rs. Nil [As at 31-03-10 : Rs. 253] Millions are secured by mortgage of immovable properties and hypothecation of movable properties of the API Unit-1 situated at Ankleshwar, excluding current assets, both present and future.		
[iii] Rs. 892 [As at 31-03-10 : Rs. 1138] Millions secured by hypothecation of movable properties of the Formulation unit of the Company at Moraiya, both present and future, excluding current assets to rank "pari passu" with lenders referred to at [B-c][i] & [B-a] and further secured by hypothecation of two specific Trade Marks of the Company.		
[iv] Rs. 446 [As at 31-03-10 : Rs.449] Millions are secured by first equitable mortgage of immovable properties and hypothecation of movable properties excluding current assets, of the API Unit of the Company at Dabhasa / Umraya, both present and future and a specific Trade Mark of the Company.		
[v] Rs. 1205 [As at 31-03-10 : Rs. 1213] Millions secured by hypothecation of two specific Trade Marks of the Company.		
[vi] Rs. 670 [As at 31-03-10 : Rs. Nil] Millions secured by hypothecation of a specific Trade Mark of the Company.		
Schedule : 4 - Unsecured Loans :		
Other Loans and Advances :		
Interest free deemed loan against deferment of sales tax * :		
From a Financial Institution [Rs. 56 { As at 31-03-10 : Rs. 70 } Millions guaranteed personally by the Chairman & Managing Director of the Company]	56	70
Deferred amount	229	291
* Installments falling due for payment within one year - Rs. 72 [As at 31-03-10 : Rs. 72] Millions	285	361
From Others	38	38
Total	323	399

Schedules forming part of the Balance Sheet

Schedule : 5 - Fixed Assets :

Nature of Fixed Assets	INR - Millions													
	Gross Block				Depreciation				Impairment				Net Block	
	As at 31-03-10	Additions During the year	Sales and / or adj. during the year	As at 31-03-11	Up to 31-03-10	For the year	On Sales and / or adj. during the year	Up to 31-03-11	Up to 31-03-10	For the year	On Sales and / or adj. during the year	Up to 31-03-11	As at 31-03-11	As at 31-03-10
Tangible Assets :														
Freehold Land	254	233		487	0		0	0			0	487	254	
Leasehold Land	97	146		243	11	3	14	0			0	229	86	
Buildings	2947	220	2	3165	565	91	656	0			0	2509	2382	
Plant & Machinery	8707	1310	103	9914	2863	602	3415	117			117	6382	5727	
Furniture, Fixtures & Office Equipments	450	49	1	498	203	29	232	0			0	266	247	
Vehicles	286	62	29	319	108	27	120	0			0	199	178	
Intangible Assets :														
Trade Marks, Patents & Designs	2090		127	1963	1503	181	1676	31			31	256	556	
Technical know-how	680			680	556	35	591	52			52	37	72	
Commercial Rights	56			56	54	1	55	0			0	1	2	
Total	15567	2020	262	17325	5863	969	73	6759	200	0	0	200	10366	9504
2009-10	13585	2063	81	15567	5025	891	53	5863	191	9	0	200	9504	

Notes :

- [1] Buildings include Rs. 0.02 [As at 31-03-10 : 0.02] Millions being the cost of shares held in cooperative societies.
- [2] Additions of Rs. 254 [Previous year : Rs. 272] Millions in research assets during the year are included in "Additions" column under the respective heads of Gross Block as above.
- [3] Reduction of Rs. 35 [Previous year reduction of Rs. 100] Millions in respect of exchange rate fluctuations on long term foreign currency monetary items during the year are included in "Additions" column under the respective heads of Gross Block as above.

Schedules forming part of the Balance Sheet

	Numbers [*]	Face Value [**]	INR - Millions	
			As at March 31,	
			2011	2010
Schedule : 6 - Investments [At cost] :				
Long Term Investments :				
In Shares, Debentures, Bonds & Firms :				
Subsidiary companies:				
Quoted :				
In fully paid-up equity shares of Zydus Wellness Limited [11136 shares purchased during the year]	27443274 [27432138]	10	523	518
Unquoted :				
In fully paid-up equity shares of :				
Dialforhealth India Limited	5000000	10	50	50
German Remedies Limited	24000	100	2	2
Liva Healthcare Limited	90750	100	616	616
Zydus Animal Health Limited	24000000	10	502	502
Zydus International Private Limited, Ireland	25961500	€ 1.462843	2329	2329
Zydus Pharmaceuticals Limited	950000	10	10	10
Zydus Technologies Limited	42500000	10	425	425
Sub-total			3934	3934
In fully paid-up, 8%, Redeemable Cumulative preference shares of Zydus Technologies Limited	900000	100	90	90
			4547	4542
Trade Investments :				
Unquoted :				
In fully paid-up equity shares of :				
Companies under the same Management :				
Zydus BSV Pharma Private Limited	11165000	10	157	157
Zydus Hospira Oncology Private Limited	7500000	10	75	75
Zydus Nycomed Healthcare Private Limited	10000000	10	100	100
Bayer Zydus Pharma Private Limited [25000000 shares subscribed during the year]	25000000 [0]	10	250	0
			582	332
In fully paid-up, 10%, Redeemable Cumulative Preference Shares of Zydus BSV Pharma Private Limited, a company under same management [445000 preference shares subscribed during the year]	445000 [0]	100	45	0
In fully paid-up, 7%, Non Redeemable Cumulative Preference Shares of Zydus Hospira Oncology Private Limited, a company under same management	2000	100000	200	200
In fully paid-up Convertible Preferred Stock of Onconova Therapeutic Inc. USA:				
Series B	521739	\$0.01	140	140
Series C	280899	\$0.01	47	47
			187	187
			1014	719

Schedules forming part of the Balance Sheet

	Numbers [*]	Face Value [**]	INR - Millions	
			As at March 31,	
			2011	2010
Schedule : 6 - Investments [At cost] : continue :				
Other Investments :				
Quoted :				
In fully paid-up Equity Shares of :				
Housing Development Finance Corporation Limited	219500 [43900]	2 [10]	1	1
HDFC Bank Limited [Rs. 10,850/-]^	800	10	0	0
Saket Projects Limited [Rs. 50,000/-]^	5000	10	0	0
			1	1
Unquoted :				
In fully paid-up equity shares of :				
Bharuch Enviro Infrastructure Company Limited [Rs. 12,140/-]^	1214	10	0	0
Bharuch Eco - Aqua Infrastructure Limited	625813	10	6	6
Enviro Infrastructure Company Limited	50000	10	1	1
The Green Environment Co-operative Society Limited [Rs. 5,000/-]^	50	100	0	0
Shivalik Solid Waste Management Limited [Rs. 2,00,000]^	20000	10	0	0
			7	7
Total Other Investments			8	8
Total Investments in Shares, Debentures & Bonds			5569	5269
***] In the Capital of a Partnership Firm			1419	714
Share application Money			0	6
Total [Aggregate Book Value of Investments]			6988	5989
Unquoted			6464	5470
Quoted [Market Value Rs. 16546 { As at 31-03-10 : Rs. 10591 } Millions]			524	519
Total			6988	5989
Notes :				
[1] ***] Investment in the Capital of a Partnership Firm :				
Name of Firm : M/s. Zydus Healthcare, Sikkim.				
Total Capital of the Firm [INR Millions] :			1730	893
Name of Partners & their Profit Sharing Ratio :				
Cadila Healthcare Limited			96%	96%
German Remedies Limited			2%	2%
Cadila Healthcare Limited Staff Welfare Trust			2%	2%
[2] In "Numbers [*]" figures of Previous year are same unless stated in []				
[3] In "Face Value [**]", figures in Indian Rupees unless stated otherwise and face value of previous year are same unless stated in []				
[4] []^ Figures in bracket denote cost of investment in Rupees.				

Schedules forming part of the Balance Sheet

	INR - Millions	
	As at March 31,	
	2011	2010
Schedule : 7 - Inventories :		
[As taken, valued and certified by the management] [Valued at lower of cost and net realisable value]		
Stores and Spare Parts	22	22
Stock-in-Trade :		
Raw Materials	1933	1480
Packing Materials	344	306
Finished Goods	1603	1385
	3880	3171
Works-in-progress	743	615
Total	4645	3808
Schedule : 8 - Sundry Debtors [Unsecured] :		
Debts outstanding for a period exceeding six months :		
Considered good	86	117
Considered doubtful	28	118
Total	114	235
Less : Provision for doubtful debts	28	118
	86	117
Other debts - Considered good	4665	3891
Total	4751	4008
Schedule : 9 - Cash and Bank Balances :		
Cash balance on hand	4	4
Bank Balances :		
With Scheduled Banks :		
In Current Accounts	75	29
[Includes Rs. 11 { as at 31-03-10 : Rs. 10 } Millions in Unclaimed Dividend accounts with banks]		
In Margin Money Accounts	6	6
In Fixed Deposit Accounts	277	200
In Exchange Earners' Foreign Currency Accounts	1	1
	359	236
With Other Banks :		
In Current Accounts in foreign currency with :		
Uni Credit Bank, Moscow, [Maximum amount outstanding during the year Rs. 8 { Previous year : Rs. 9 } Millions]	0	3
Union Bank of Philippines, Philippines, [Maximum amount outstanding during the year Rs. 75 { Previous year : Rs. 42 } Millions]	7	37
OJSC Reiffeisen Bank Aval, Ukraine [Maximum amount outstanding during the year Rs. 5 { Previous year : Rs. 5 } Millions]	1	1
Exim Bank HCMC US\$ A/c - Vietnam [Maximum amount outstanding during the year Rs. 2 { Previous year : Rs. 1 } Millions]	2	1
Bank of Philippines Island [Maximum amount outstanding during the year Rs. 52 { Previous year : Rs. Nil } Millions]	51	0
	61	42
Total	424	282

Schedules forming part of the Balance Sheet

	INR - Millions	
	As at March 31,	
	2011	2010
Schedule : 10 - Loans and Advances :		
[Unsecured, Considered Good, unless otherwise stated]		
Advances to subsidiary companies [Refer note no. B - 8 of Sch. No. 20]	1955	1566
Advances recoverable in cash or in kind or for value to be received :		
Considered good *	1910	1505
Considered doubtful	13	13
Total	1923	1518
Less : Provision for doubtful advances	13	13
* [Includes loan to an Officer Rs. Nil { as at 31-03-10 : Rs. 0.01 } Million]		
[Maximum balance due during the year Rs. 0.1 { Previous Year : Rs. 0.1 } Million]	1910	1505
	3865	3071
Balances with Customs / Central Excise / Sales Tax Authorities	984	598
Advance payment of Tax [Net of provision for Tax of Rs. 1434 { As at 31-03-10 : Rs. 1287 } Millions]	211	0
Interest receivable	1	8
Total	5061	3677
Schedule : 11 - Current Liabilities :		
Sundry Creditors other than Micro, Small and Medium Enterprises :		
[Refer note no. B - 12 of Sch. No. 20] :		
Subsidiary Companies	75	20
Others	4822	3740
	4897	3760
Advances from Debtors	42	44
Trade Deposits	39	34
Investor Education and Protection Fund :		
Unclaimed dividends [There are no amounts due and outstanding to be credited to Investor Education and Protection Fund]	11	10
Interest accrued but not due on loans	47	33
Total	5036	3881
Schedule : 12 - Provisions :		
Proposed Dividend	1280	1024
Corporate Dividend Tax on Proposed Dividend	146	125
Provision for taxation [Net of advance payment of tax of Rs. 1645 { As at 31-03-10 : Rs.1090 } Millions]	0	197
Provision for claims for product expiry and return of goods	27	24
Provision for retirement benefits	351	147
Total	1804	1517

Schedules forming part of the Profit and Loss Account

	INR - Millions	
	Year ended March 31,	
	2011	2010
Schedule : 13 - Other Income from operations :		
Partner's Remuneration from a Partnership Firm	1700	1300
Share of Profit from a Partnership Firm	4115	3312
Interest earned on Capital in a Partnership firm	15	16
Gain on account of fluctuations in foreign exchange rates [Net]	123	0
Government Grants [Refer note no. B - 2 of Sch. No. 20]	24	39
Miscellaneous Income [Tax Deducted at Source Rs. 16 { Previous year : Rs. 28 } Millions]	1460	1253
Total	7437	5920
Schedule : 14 - Other Income :		
Dividends [Gross] :		
From Long Term :		
A Trade Investments :		
a Subsidiaries	272	53
b Joint Ventures	250	305
	522	358
B Non - Trade Investments - Others	2	1
Total Dividend received	524	359
Profit earned on Venture Fund Investments [Rs. 4,12,500 { Previous year : Rs. Nil }]	0	0
Interest earned - Others [Gross] [Tax Deducted at Source - Rs. 3 { Previous year : Rs. 3 } Millions]	36	64
Miscellaneous Income [Tax Deducted at Source Rs. 1 { Previous year : Rs. 2 } Millions]	21	12
	57	76
Total	581	435
Schedule : 15 - Consumption of Materials and Finished Goods :		
Raw Materials :		
Stock at commencement	1480	1205
Add : Purchases	5743	5132
	7223	6337
Less : Stock at close	1933	1480
	5290	4857
Packing Materials consumed	1477	1318
Purchases of Finished Goods	2283	1612
[Increase] in Closing Stock of Finished Goods & Works-in-progress :		
Stock at close :		
Finished Goods	1603	1385
Works-in-progress	743	615
	2346	2000
Less : Stock at commencement :		
Finished Goods	1385	1362
Works-in-progress	615	526
	2000	1888
	(346)	(112)
Differential Excise Duty on Opening and Closing stock of Finished Goods	(5)	4
	(351)	(108)
Total	8699	7679

Schedules forming part of the Profit and Loss Account

	INR - Millions	
	Year ended March 31,	
	2011	2010
Schedule : 16 - General Expenses :		
Personnel expenses :		
Salaries, wages and bonus	2926	2130
Company's contribution to provident & other funds	314	144
Staff welfare expenses	117	94
	3357	2368
Stores and spare parts consumed	298	275
Power & fuel	719	579
Processing Charges	288	248
Insurance	72	58
Repairs :		
Buildings	46	28
Plant and Machinery	199	141
Others	75	85
	320	254
Rent	31	33
Rates and Taxes	7	4
Managing Directors' Remuneration	350	297
Commission to Directors	4	4
Traveling Expenses	556	574
Legal and Professional Fees	328	127
Loss on account of fluctuations in foreign exchange rates [Net]	0	279
Marketing, Selling & Distribution Expenses :		
Commission on sales	313	276
Freight and forwarding on sales	756	537
Sales promotion expenses	689	551
Seminar, Conference and Exhibition	429	187
Representative Allowances and Incentives	627	528
Other marketing expenses	809	628
	3623	2707
Bad Debts :		
Bad debts written off	95	0
Provision for Doubtful Debts	0	47
	95	47
Less : Transferred from Provision for Doubtful Debts	(90)	0
	5	47
Directors' fees	1	1
Provision for Doubtful Advances	0	13
Loss on sale of Assets [Net of Profit of Rs. 8 { Previous year - Rs. 4 } Millions]	2	5
Loss on long term Investments	0	154
Donations	170	70
Miscellaneous Expenses	748	611
Total	10879	8708

Schedules forming part of the Profit and Loss Account

	INR - Millions	
	Year ended March 31,	
	2011	2010
Schedule : 17 - Research Expenses :		
Materials	663	478
Personnel Expenses :		
Salaries, wages and bonus	453	363
Company's contribution to provident & other funds	35	27
Staff welfare expenses	27	21
	515	411
Stores and spare parts consumed	136	71
Power & Fuel	75	54
Analytical expenses	641	480
Insurance	2	5
Repairs :		
Buildings	1	2
Plant and Machinery	7	15
Others	5	4
	13	21
Travelling Expenses	36	20
Legal and Professional fees	77	39
Loss on sale of Assets [Net of Profit of Rs. 1 { Previous year : Rs. Nil } Millions]	10	0
[Gain] / Loss on account of fluctuations in foreign exchange rates [Net]	(4)	14
Miscellaneous Expenses [excluding Depreciation of Rs. 136 { Previous Year : Rs.127 } Millions]	379	170
Total	2543	1763
Schedule : 18 - Interest and Finance Charges :		
Interest :		
On term loans	281	238
On debentures	43	14
On working capital loans	6	115
Others	12	7
	342	374
[Gain] / Loss on account of fluctuations in exchange rates on foreign currency loans [Net]	(77)	5
Bank commission & charges	53	52
Total	318	431
Schedule : 19 - Provision for Taxation :		
Current Tax	330	280
Deferred Tax	44	(110)
Total	374	170
Less : Prior year's tax adjustments [Previous Year : Rs. 5,01,038]	106	0
Total	268	170

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

Schedule : 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 "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 to the extent applicable and with the applicable provisions of the Companies Act, 1956.

2 Use of Estimates :

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

3 Fixed Assets and Depreciation :

A Fixed Assets are stated at historical cost of acquisition / construction less accumulated depreciation and impairment loss. Cost [Net of Input tax credit received / receivable] includes related expenditure and pre-operative & project expenses for the period up to completion of construction / assets are put to use. The loss or gain on exchange rates on long term foreign currency loans attributable to fixed assets, effective from April 1, 2007 is adjusted to the cost of respective fixed assets.

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

C Depreciation on impaired assets is calculated on its residual value, if any, on a systematic basis over its remaining useful life.

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

E Trade Marks, Technical Know-how Fees and other similar rights are amortised over their estimated economic life of ten years.

F Capitalised costs incurred towards purchase / development of software are amortised using straight line method over its useful life of four years as estimated by the management.

G Depreciation on additions / disposals of the fixed assets during the year is provided on pro-rata basis according to the period during which assets are put to use.

H Where the actual cost of purchase of an asset is below Rs. 10,000/-, the depreciation is provided @ 100 %.

4 Impairment of Assets :

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

5 Borrowing Costs :

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

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

C Borrowing Costs also include Exchange differences arising from Foreign Currency borrowings to the extent that they are regarded as an adjustment to interest costs.

6 Expenditure during the Construction Period :

The expenditure incidental to the expansion / new projects are allocated to Fixed Assets in the year of commencement of the commercial production.

7 Investments :

A Long term and strategic investments are stated at cost, less any diminution in the value other than temporary.

B Current investments, if any, are stated at lower of cost and fair value determined on individual investment basis.

C Investments in shares of foreign subsidiary and other Companies are expressed in Indian Currency at the rates of exchange prevailing at the time when the original investments were made.

8 Inventories :

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

B Cost [Net of Input tax credit availed] of Raw Materials, Stores & Spare Parts, Packing Materials & Finished Goods is determined on Moving Average Method.

C Cost of Finished Goods and Works-in-Progress is determined by taking material cost [net of Input tax credit availed], labour and relevant appropriate overheads.

9 Revenue Recognition :

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

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

C Dividend income is recognised when the unconditional right to receive the income is established.

D Interest income is recognised on time proportionate method.

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

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

Schedule : 20 - Significant Accounting Policies & Notes on Accounts - Continue :

10 Foreign Currency Transactions :

- A** The transactions in foreign currencies on revenue accounts 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 recognised in the Profit and Loss Account.
- C** The net gain or loss on account of exchange differences either on settlement or on translation of long term monetary items including long term forward contracts is recognised under " Foreign Currency Monetary Items Translation Difference Account " [FCMITDA], except in case of foreign currency loans taken for funding of fixed assets, where such difference is adjusted to the cost of respective fixed assets. The FCMITDA is amortised during the tenure of loans but not beyond March 31, 2011.
- D** Investments in foreign subsidiaries are recorded in Indian Currency at the rates of exchange prevailing at the time when the investments were made.
- E** The foreign currency assets and liabilities including forward contracts are restated at the prevailing exchange rates at the year end. The premium in respect of forward contracts is accounted over the period of the contract.

11 Derivative Instruments and Hedge Accounting :

The Company is exposed to foreign currency fluctuations on foreign currency assets, liabilities and forecasted cash flows denominated in foreign currency. The Company limits the effects of foreign exchange rates fluctuations by following established risk management policies, including use of derivatives. The company enters into forward, options & swap contracts where the counter parties are banks. Accordingly, losses in respect of all outstanding derivatives, contracts, other than options & swap contracts, at the year end by marking them to market are provided. However, out of prudence, the net gain, if any, on all such outstanding options & swap contracts is not accounted for.

12 Research and Development Cost :

- A** 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.

13 Excise Duty :

Excise Duty is accounted gross of Cenvat benefit availed on inputs, fixed assets and eligible services.

14 Retirement 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 year 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 Profit and Loss Account.

C Leave Liability :

The leave encashment scheme is administered through Life Insurance Corporation of India's Employees' Group Leave Encashment cum Life Assurance [Cash Accumulation] Scheme. The employees of the company are entitled to leave as per the leave policy of the company. The liability on account of accumulated leave as on last day of the accounting year is recognised [net of the fair value of plan asset as at the balance sheet date] at present value of the defined obligation at the balance sheet date based on the actuarial valuation carried out by an independent actuary using projected unit credit method.

15 Employee Separation Costs :

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

16 Provision for Bad and Doubtful Debts / Advances :

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

17 Taxes on Income :

- A** Tax expenses comprise of current and deferred tax.
- B** Current tax is measured at the amount expected to be paid on the basis of reliefs and deductions available in accordance with the provisions of the Income Tax Act, 1961.
- C** Deferred tax reflects the impact of current year timing differences between accounting and taxable income and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and laws that have been enacted or substantively enacted as of the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised and are reviewed at each balance sheet date.

18 Provision for Product Expiry Claims :

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

19 Leases :

Leases are classified as operating leases where the lessor effectively retains substantially all the risks and benefits of the ownership of the leased assets. Operating lease payments are recognised as expenses in the Profit and Loss Account as and when paid.

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

Schedule : 20 - Significant Accounting Policies & Notes on Accounts - Continue :

20 Government Grants :

- A** Government grants are recognised in accordance with the terms of the respective grant on accrual basis considering the status of compliance of prescribed conditions and ascertainment that the grant will be received.
- B** Government grants related to revenue is recognised on a systematic basis in the Profit and Loss Account over the period during which the related costs intended to be compensated are incurred.
- C** Government grants of the nature of incentive provided by the government without related costs are credited to capital reserve.

21 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.

B Notes on Accounts :

- The Company had opted for accounting the exchange rate differences arising on the Long Term Foreign Currency Monetary Items [LTFCMI] in accordance with the notification dated March 31, 2009 under the Companies [Accounting Standards] Amendment Rules, 2009 on Accounting Standard 11 relating to "the effects of changes in foreign exchange rates". Accordingly, the effects of exchange rate differences arising from long term foreign currency loans availed for funding acquisition of fixed assets have been adjusted to the cost of respective items of fixed assets. While, in other cases, such exchange rate difference on the LTFCMI is transferred to "Foreign Currency Monetary Items Translation Difference Account" [FCMITDA], which is amortised during the tenure of the respective LTFCMI but not beyond March 31, 2011.
- The grant-in-aid of Rs. 24 { Previous year : Rs. 39 } Millions received from Ozone Cell, Ministry of Environment and Forests to meet the expenditure incurred for phasing out Chlorofluorocarbons (CFCs) in the manufacture of Pharmaceutical Metered Dose Inhalers (MDIs), is treated as revenue in nature and accordingly is shown under the head "Other Income from Operations" in the Profit and Loss Account.
- 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 \$ 4 Millions { equivalent to Rs. 163 Millions approx. } [Previous Year US \$ 2 { equivalent to Rs. 105 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 March 31, 2011 of Rs. 5 [as at 31-03-10 : Rs. 17] Millions is not provided for.
- The Company has taken various residential / office premises / godowns under operating lease or leave and license agreement. The lease terms in respect of such premises are on the basis of individual agreement entered into with the respective landlords. The Company has given refundable interest free security deposits in accordance with the agreed terms. The lease payments are recognised in the Profit and Loss Account under "Rent" in Schedule 16.
- The Company has invested Rs. 50 Millions and given loans & advances of Rs. 131 [As at 31-03-10 : Rs. 131] Millions to Dialforhealth India Limited [DIL], a wholly owned subsidiary of the Company. The accumulated losses as at March 31, 2011 amounting to Rs. 106 [As at 31-03-10 : Rs. 105] Millions has exceeded the net worth of DIL. However having regard to the long term strategic investment, the diminution in the value of investments in DIL is considered to be temporary and loans and advances are considered good and accordingly no provision has been made.
- A** Provision for product expiry claims in respect of the products sold during the year is made based on management's estimates considering the estimated stock lying with retailers. The Company does not expect any reimbursement of such claims in future.

B The movement in such provision is stated as under :

Particulars

INR - Millions Year ended March 31,

	2011	2010
a Carrying amount at the beginning of the year	24	33
b Additional provision made during the year	27	24
c Amount used	24	33
d Carrying amount at the end of the year	27	24

- 7 Previous year's figures have been regrouped / restated wherever necessary to make it comparable with the current year's figures.

INR - Millions As at March 31,

	2011	2010
8 Loans & Advances include amounts due from subsidiary companies :		
A Zydus International Private Limited [Maximum amount due during the year Rs. 1756 { Previous Year : Rs. 1432 } Millions]	1756	1351
B Dialforhealth India Limited [Maximum amount due during the year Rs. 132 { Previous Year : Rs. 131 } Millions]	131	131
C Etna Biotech S.R.L., Italy [Maximum amount due during the year Rs. 17 { Previous Year : Rs. 48 } Millions]	0	16
D Zydus Technologies Limited [Maximum amount due during the year Rs. 68 { Previous Year : Rs. 260 } Millions]	68	68

Note : Loan at A is optionally convertible & interest bearing unless converted. Loan at D is interest bearing.
The terms of repayment are not specified in B and C.

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

Schedule : 20 - Significant Accounting Policies & Notes on Accounts - Continue :

		INR - Millions	
		Year ended March 31,	
		2011	2010
9 A	Details of remuneration paid / payable to the Managing Directors :		
a	Remuneration	312	266
b	Contribution to Provident and other Funds	38	31
c	Total	350	297
B	Computation of net profit as per section 198 read with section 309, 349 & 350 of the Companies Act, 1956 :		
a	Net Profit after Tax as per Profit & Loss Account	6104	5033
b	Add :		
Depreciation provided in Accounts		969	900
Provision for Taxation - Current, Deferred & Prior year tax adjustments		268	170
Managing Directors' Remuneration		350	297
Commission to Other Directors		4	4
Directors' fees		1	1
Provision for Bad & Doubtful Debts		0	47
Provision for doubtful advances		0	13
Loss on sale of Investments [Net]		0	154
Loss on sale / disposal of Assets [Net]		12	5
		1604	1591
c	Total (a + b)	7708	6624
d	Less :		
Depreciation as per section 350		969	900
Bad Debts written off against provision for Doubtful debts		90	0
e	Net Profit as per section 198 (c - d)	6649	5724
C	Maximum remuneration payable at the rate of 10% of the net profit as per section 309 of the Companies Act, 1956.	665	572
	Remuneration paid / payable to Chairman & Managing Director	250	286
	Remuneration paid / payable to Deputy Managing Director	100	11
D	Commission to Non-Executive Directors :		
	Maximum allowable as per Companies Act, 1956 [1 % of net profit]	66	57
	Maximum approved by the Shareholders	10	10
	Commission approved by the Board	4	4
10	Capital expenditure on Research & Development [Including net increase in Capital Work-in-Progress of Rs. 219 { Previous Year : Rs. 143 } Millions]	474	415
11	Miscellaneous Expenses include :		
A	Auditors' Remuneration [Including Service Tax] :		
a	Audit Fees	3	3
b	Tax Audit Fees	1	1
c	Certification & Other Charges	1	1
d	Total	5	5
B	Cost Auditor's Remuneration including fees for other services & including Service Tax	1	1
12	Micro, Small and Medium Enterprises :		
A	Under the Micro, Small and Medium Enterprises Development Act, 2006 [MSMED], following disclosures are required to be made relating to Micro, Small and Medium enterprises.		
	Principal amount remaining unpaid to any supplier as at the year end	0	0
	Interest due thereon	0	0
	Amount of interest paid by the Company in terms of section 16 of the MSMED, along with the amount of the payment made to the supplier beyond the appointed day during the year	2	1
	Amount of interest due and payable for the period of delay in making payment [which have been paid but beyond the appointed day during the year] but without adding the interest specified under the MSMED	0	0
	Amount of interest accrued and remaining unpaid at the end of the accounting year	0	0
B	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.		

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

Schedule : 20 - Significant Accounting Policies & Notes on Accounts - Continue :

13 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 service gets a gratuity on death or resignation or retirement at 15 days salary [last drawn salary] for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

Leave wages [Long term employment benefit] :

The leave encashment scheme is administered through Life Insurance Corporation of India's Employees' Group Leave Encashment cum Life Assurance [Cash Accumulation] scheme. The employees of the Company are entitled to leave as per the leave policy of the Company. The liability on account of accumulated leave as on last day of the accounting year is recognised [net of the fair value of plan asset as at the balance sheet date] at present value of the defined obligation at the balance sheet date based on the actuarial valuation carried out by an independent actuary using projected unit credit method.

	INR - Millions					
	Year ended March 31,					
	2011			2010		
	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	5	132	300	3	98	260
Interest cost	0	11	25	0	8	21
Current service cost	2	42	51	4	37	28
Benefits paid	0	(37)	(49)	0	(49)	(99)
Actuarial [gain] / losses on obligation	1	75	136	(2)	38	90
Closing defined benefit obligation	8	223	463	5	132	300
C Change in the fair value of plan assets :						
Opening fair value of plan assets	0	60	296	0	0	239
Expected return on plan assets	0	7	30	0	1	25
Contributions by employer	0	51	74	0	108	132
Benefits paid	0	(37)	(49)	0	(49)	(99)
Actuarial gains / [losses]	0	0	0	0	0	(1)
Closing fair value of plan assets	0	81	351	0	60	296
Total actuarial gain [loss] to be recognised	1	75	136	0	38	91
D Actual return on plan assets :						
Expected return on plan assets	0	7	30	0	1	25
Actuarial gain / [loss] on plan assets	0	0	0	0	0	(1)
Actual return on plan assets	0	7	30	0	1	24
E Amount recognised in the balance sheet :						
[Assets] / Liability at the end of the year	8	223	463	5	132	300
Fair value of plan assets at the end of the year	0	(81)	(351)	0	(60)	(296)
Difference	8	142	112	5	72	4
Unrecognised past Service cost	0	0	0	0	0	0
[Assets] / Liability recognised in the Balance Sheet	8	142	112	5	72	4
F [Income] / Expenses recognized in the Profit & Loss Account statement :						
Current service cost	2	42	51	4	37	28
Interest cost on benefit obligation	0	11	25	0	8	21
Expected return on plan assets	0	(7)	(30)	0	(1)	(24)
Net actuarial [gain] / loss in the period	1	75	136	(2)	38	91
Net [benefit] / expense	3	121	182	2	82	116
G Movement in net liability recognised in Balance Sheet :						
Opening net liability	5	72	3	3	98	19
Expenses as above [P & L Charge]	3	121	182	2	82	116
Employer's contribution	0	(51)	(74)	0	(108)	(132)
[Assets] / Liability recognised in the Balance Sheet	8	142	111	5	72	3

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

Schedule : 20 - Significant Accounting Policies & Notes on Accounts - Continue :

	Year ended March 31,					
	2011			2010		
	Med. Leave	Pre. Leave	Gratuity	Med. Leave	Pre. Leave	Gratuity
H Principal actuarial assumptions as at Balance sheet date :						
Discount rate	8.35%	8.35%	8.35%	8.25%	8.25%	8.25%
[The rate of discount is considered based on market yield on Government Bonds having currency and terms consistent with the currency and terms of the post employment benefit obligations]						
Expected rate of return on plan assets	0.00%	9.25%	9.25%	0.00%	9.00%	9.00%
[The expected rate of return assumed by the Insurance company is generally based on their Investment patterns as stipulated by the Government of India]						
Annual increase in salary cost	7.50%	7.50%	7.50%	5.00%	5.00%	5.00%
[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 Company	0.00%	100%	100%	0.00%	100%	100%

14 Contingent liabilities not provided for :

	INR - Millions	
	As at March 31,	
	2011	2010
A In respect of guarantees given by Banks and / or counter guarantees given by the Company.	150	143
B In respect of letters of credit for imports.	2	0
C In respect of letters of comfort / corporate guarantees given by the Company to Banks for the outstanding dues of loans availed by some of the subsidiary companies and a joint venture company	4643	4347
D In respect of claims against the Company not acknowledged as debts. [Including Rs. 1 { as at 31-03-10 : Rs. 8 } Millions in respect of Amalgamated (*) Companies]	57	68
E In respect of the demands raised by the Central Excise, State Excise & Service Tax Authority [Including Rs. 9 { as at 31-03-10 : Rs. 9 } Millions in respect of Amalgamated (*) Companies]	40	49
F In respect of the demands raised by the Ministry of Chemicals & Fertilizers, Govt. of India under Drug Price Control Order, 1979 / 1995 for difference in actual price and price of respective bulk drug allowed while fixing the price of certain life saving formulations and disputed by the Company. Based on the legal advice the Company does not foresee the crystallization of the liability. [Including Rs. 49 { as at 31-03-10 : Rs. 51 } Millions in respect of Amalgamated (*) Companies]	317	227
G In respect of Income Tax matters pending before appellate authorities which the Company expects to succeed, based on decisions of Tribunals / Courts.	66	12
H In respect of Sales Tax matters pending before appellate authorities / Court which the Company expects to succeed, based on decisions of Tribunals / Courts.	93	74
Note : [*] represents contingent liabilities taken over by the Company under the Scheme of Arrangement and Amalgamation of Cadila Laboratories Limited, and erstwhile Cadila Chemicals Limited, Cadila Antibiotics Limited, Cadila Exports Limited and Cadila Veterinary Private Limited with the Company w.e.f. June 1, 1995.		
15 Estimated amount of contracts remaining to be executed on capital account and not provided for [Net of Advances]	651	582

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

Schedule : 20 - Significant Accounting Policies & Notes on Accounts - Continue :

16 Derivative Financial Instruments :

A The derivative transactions are considered as off balance sheet items and cash flows arising there from are recognised in the books of account as and when the settlements take place in accordance with the terms of the respective contracts over the tenure thereof.

B The details of outstanding derivative transactions are as under :

Nature of derivative transactions	Value [*] in INR-Millions		Underlying exposure	Purpose
	2011	2010		
Currency Forwards / Options	4438	952	Forecasted Exports Realisation	For Hedging the risk of exchange rate fluctuations.
Currency Forwards / Options	3	575	Debts servicing	
Interest Swap / FRAs	2097	2964	Debts servicing	

C The details of foreign currency exposures not hedged by derivative transactions are as under :

Underlying exposure	Value [*] in INR-Millions	
	2011	2010
Assets	4007	6561
Payables	2274	2955

Value [*] represents the Indian Rupee equivalent of foreign currency contracts and derivatives converted in accordance with the accounting policy followed by the Company

17 The 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	INR - Millions			
				Amount of interest based on last audited accounts			
				Assets	Liabilities	Income	Expenditure
Zydus Nycomed Healthcare Private Limited	50	31-12-10	Audited	1052	115	657	233
Zydus Hospira Oncology Private Limited	50	31-03-11	Unaudited	1978	210	2165	892
Zydus BSV Pharma Private Limited	50	31-03-10	Audited	926	428	851	593
Bayer Zydus Pharma Private Limited*	50	31-03-11	Unaudited	250	2	0	2

* Company incorporated on February 7, 2011

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

	INR - Millions	
	2011	2010
A In respect of guarantees given by a Bank and counter guarantees given by the jointly controlled entities	0	2
B In respect of Custom duty liability which may arise if export obligations are not fulfilled against import of machinery under EPCG Scheme	1	1
C In respect of Income Tax matters pending before appellate authorities which the jointly controlled entities expects to succeed, based on decisions of Tribunals / Courts.	1132	816
D In respect of arrears of Dividend on Cumulative Preference Shares	1	0
Estimated amount of contracts remaining to be executed on capital account & not provided for [Net of Advance]	38	64

18 Segment Information :

Segment Information has been given in the Consolidated Financial Statements of the Company. Hence, as per Accounting Standard - 17 issued by the Institute of Chartered Accountants of India, no separate disclosure on segment information is given in these financial statements.

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

Schedule : 20 - Significant Accounting Policies & Notes on Accounts - Continue :

19 Related Party Transactions :

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

a Subsidiary Companies / Concerns :

Dialforhealth India Limited	Zydus Pharmaceuticals (USA) Inc. [USA]
Dialforhealth Unity Limited	Zydus Healthcare (USA) LLC [USA]
Dialforhealth Greencross Limited	Zydus Noveltech Inc. [USA]
German Remedies Limited	Zydus Healthcare S.A. (Pty) Ltd [South Africa]
Zydus Pharmaceuticals Limited	Simayla Pharmaceuticals (Pty) Ltd [South Africa]
Zydus Animal Health Limited	Script Management Services (Pty) Ltd [South Africa]
Zydus Wellness Limited	[Formerly known as ZC Pharma (Pty) Ltd]
M/s. Zydus Wellness, Sikkim, a Partnership Firm	Zydus Healthcare Brasil Ltda. [Brazil]
Liva Healthcare Limited	Quimica E Farmaceutica Nikkho Do, Brasil Ltda. [Brazil]
Zydus Technologies Limited	Zydus Pharma Japan Co. Ltd. [Japan]
M/s. Zydus Healthcare, Sikkim, a Partnership Firm	Laboratorios Combix S.L. [Spain]
Zydus International Private Limited [Ireland]	Zydus IntRus Limited [Russia]
Zydus Netherlands B.V. [The Netherlands]	Zydus Pharmaceuticals Mexico SA De CV [Mexico]
Zydus France, SAS [France]	Zydus Pharmaceuticals Mexico Service Company
Etna Biotech S.R.L. [Italy]	SA De CV [Mexico]

b Joint Venture Companies :

Zydus BSV Pharma Private Limited	Zydus Hospira Oncology Private Limited
Zydus Nycomed Healthcare Private Limited	Bayer Zydus Pharma Private Limited

c Directors and their relatives :

Shri Pankaj R. Patel	Chairman & Managing Director [C.M.D.]
Dr. Sharvil P. Patel	Deputy Managing Director & son of C.M.D.

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

Cadmach Machinery Company Private Limited	Zydus Infrastructure Private Limited
M/s. CMC Machinery	Cadila Laboratories Private Limited
M/s. Cadam Enterprises	Zandra Infrastructure LLP

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

Schedule : 20 - Significant Accounting Policies & Notes on Accounts - Continue :

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 & d]

Nature of Transactions	Value of the Transactions [INR - Millions]					
	Subsidiary Companies		Joint Venture Companies		Enterprises significantly influenced by Directors and/or their relatives	
	Year ended March 31,					
	2011	2010	2011	2010	2011	2010
Purchases :						
Goods :						
Dialforhealth India Limited	48	42				
Zydus Healthcare (USA) LLC	91	37				
Zydus France, SAS	63	13				
Others	28	8	16	21	6	5
Total	230	100	16	21	6	5
Fixed Assets :						
Cadmach Machinery Company Private Limited					74	56
Zydus Infrastructure Private Limited					146	
Zandra Infrastructure LLP					200	
Others		2	1	3	30	16
Total	0	2	1	3	450	72
Reimbursement of Expenses :						
Zydus Pharmaceuticals (USA) Inc.	33	31				
Zydus Healthcare (USA) LLC	41	45				
Others	15	5			3	1
Total	89	81	0	0	3	1
Services :						
Etna Biotech S.R.L.	41	32				
Dialforhealth India Limited	9	6				
Zydus Infrastructure Private Limited					6	1
Others					1	
Total	50	38	0	0	7	1
Sales :						
Goods :						
Zydus Pharmaceuticals (USA) Inc.	7376	5970				
Others	932	721		3		
Total	8308	6691	0	3	0	0
Fixed Assets :						
Cadmach Machinery Company Private Limited					3	2
Zydus Pharma Japan Co. Ltd.	127					
Others	7					
Total	134	0	0	0	3	2
Reimbursement of Expenses :						
Zydus Pharmaceuticals (USA) Inc.	41	3				
Others	1	2	0.1			
Total	42	5	0.1	0	0	0
Services :						
Zydus Technologies Limited	59	197				
Zydus Pharma Japan Co. Ltd.	14	3				
Zydus Nycomed Healthcare Private Limited			23	8		
Others	20	21	1	1		
Total	93	221	24	9	0	0

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

Schedule : 20 - Significant Accounting Policies & Notes on Accounts - Continue :

Nature of Transactions	Value of the Transactions [INR - Millions]					
	Subsidiary Companies		Joint Venture Companies		Enterprises significantly influenced by Directors and/or their relatives	
	Year ended March 31,					
	2011	2010	2011	2010	2011	2010
Investments :						
Purchases / Subscription to Share Capital :						
Bayer Zydus Pharma Private Limited			250			
Zydus BSV Pharma Private Limited			45	16		
Others	5	507				
Total	5	507	295	16	0	0
Change in Partner's Capital [Net] :						
M/s. Zydus Healthcare, Sikkim	(5124)	(4619)				
Share of Profit from a firm Received :						
M/s. Zydus Healthcare, Sikkim	4115	3312				
Interest on Partner's Capital Received :						
M/s. Zydus Healthcare, Sikkim	15	16				
Dividend Received :						
Zydus Wellness Limited	82	41				
Zydus Animal Health Limited	120					
Zydus Nycomed Healthcare Private Limited			250	305		
Others	70	12	0	0		
Total	272	53	250	305	0	0
Finance :						
Inter Corporate Loans given :						
Zydus International Private Limited	370	1098				
Others	1	269				
Total	371	1367	0	0	0	0
Loans Repaid :						
Zydus Technologies Limited		193				
Zydus France, SAS		567				
Dialforhealth India Limited	1					
Total	1	760	0	0	0	0
Interest Received :						
Zydus France, SAS		14				
Zydus Noveltech Inc.		23				
Zydus Technologies Limited	7	9				
Total	7	46	0	0	0	0
Guarantees given :						
Zydus Netherlands B.V.	1205	1286				
Zydus Pharmaceuticals (USA) Inc.	892	1128				
Zydus Technologies Limited	880	286				
Others	1666	1647				
Total	4643	4347	0	0	0	0
Others :						
Partner's Remuneration Received :						
M/s. Zydus Healthcare, Sikkim	1700	1300				

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

Schedule : 20 - Significant Accounting Policies & Notes on Accounts - Continue :

Nature of Transactions	Value of the Transactions [INR - Millions]					
	Subsidiary Companies		Joint Venture Companies		Enterprises significantly influenced by Directors and/or their relatives	
	Year ended March 31,					
	2011	2010	2011	2010	2011	2010
Outstanding :						
Payable :						
Zydus Healthcare (USA) LLC	15	16				
Zydus Pharmaceuticals (USA) Inc.	15					
Zydus France, SAS	39	4				
Cadila Laboratories Private Limited					24	24
Others	6					
Total	75	20	0	0	24	24
Receivable :						
Zydus Pharmaceuticals (USA) Inc.	2145	2098				
Zydus International Private Limited	1756	1351				
Others	599	508	23	9		
Total	4500	3957	23	9	0	0

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

	INR - Millions	
	Year ended March 31,	
	2011	2010
1 Remuneration :		
Shri Pankaj R. Patel [Chairman & Managing Director]	250	286
Dr. Sharvil P. Patel [Deputy Managing Director]	100	11
2 Outstanding remuneration payable :		
Shri Pankaj R. Patel [Chairman & Managing Director]	247	282
Dr. Sharvil P. Patel [Deputy Managing Director]	87	0

20 Deferred Tax :

A The Net Deferred Tax Liability of Rs. 44 [Previous Year : Asset Rs. 110] Millions for the year has been provided in the Profit and Loss Account.

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

	INR - Millions		
	As at 31-03-10	Charge for the year to Profit & Loss A/c.	As at 31-03-11
Deferred Tax Liabilities :			
Depreciation	1463	28	1491
Others	18	(5)	13
Total	1481	23	1504
Deferred Tax Assets :			
Retirement benefits	68	(4)	64
Receivables	40	(26)	14
Others	224	9	233
Total	332	(21)	311
Net Deferred Tax Liability	1149	44	1193

21 Calculation of Earnings per Share [EPS] :

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

		Year ended March 31,	
		2011	2010
A Profit after tax attributable to Shareholders	INR - Millions	6104	5033
B Basic and weighted average number of Equity shares outstanding during the year	Numbers	204748520	136499013
C Nominal value of equity share	INR	5	5
D Basic & Diluted EPS	INR	29.81	24.58*

* Earning per share for the year ended on March 31, 2010 is calculated taking into account the allotment of bonus shares issued by the company, to make the figures comparable.

22 A As per the Notification No. S.O.301(F) dated February 8, 2011 issued by the Ministry of Corporate Affairs, the Company is exempt from disclosing the information as required under paragraphs 3(i)(a), 3(ii)(b) and 3(ii)(d) of Part-II of Schedule VI being "Export Oriented Company" having Export turnover exceeding 20% of the total turnover.

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

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

Schedule : 20 - Significant Accounting Policies & Notes on Accounts - Continue :

23 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 As at March 31		Actual Production Year ended March 31	
		2011	2010	2011	2010
Tablets	Million Numbers	12084	10236	7304	6717
Capsules	Million Numbers	1138	778	916	710
Injections	Kilo Litres	513	513	1264	1281
Dry Powder Injections	Kilograms	200	200	5295	3689
Liquids	Kilo Litres	0	0	1485	1319
Dry Syrups, Powders & Granules	Tonnes	5800	5800	524	471
Ointments	Tonnes	150	150	334	314
Suppositories	Million Numbers	8	8	17	14
Bulk Drugs [#]	Tonnes	907	881	633	494
Lyophilised Injections	Million Numbers	19	12	9	6
Vaccines	Million Dosages	4	2	2	2
Aerosols	Million Numbers	3	3	8	2
Transdermals	Million Numbers	5	5	0	0

[#] Includes Inter unit Transfer 124 Tonnes [2009-10 : 121 Tonnes] .

Note : 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 October 25, 1994, issued by the Government of India.

	Year ended March 31,			
	2011		2010	
	INR Millions	% to Total	INR Millions	% to Total
24 A Value of Raw Materials Consumed :				
Imported	1510	29	1453	30
Indigenous	3780	71	3404	70
Total	5290	100	4857	100
B Value of Stores & Spares Consumed :				
Imported	161	37	78	23
Indigenous	273	63	268	77
Total	434	100	346	100

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

Schedule : 20 - Significant Accounting Policies & Notes on Accounts - Continue :

	INR - Millions	
	Year ended March 31,	
	2011	2010
25 Value of Imports calculated on CIF basis :		
Raw Materials	1553	1329
Packing Materials	167	104
Finished Goods	322	234
Spare Parts	161	78
Capital Goods	496	331
26 Expenditure in Foreign currency :		
Royalty	19	19
Professional Fees	101	37
Interest	76	128
Others [including Travelling, Commission, Patent fees, Trademarks, Personnel cost, Research & Development expenses, Marketing expenses etc.]	877	804
27 Earnings in Foreign exchange :		
FOB value of Exports	12111	9600
Others	906	735
28 Remittances made on account of dividend in Foreign currency	Nil	Nil

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

Schedule : 20 - Significant Accounting Policies & Notes on Accounts - Continue :

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

1 Registration details :

Registration Number

L24230GJ1995PLC025878

Balance Sheet date

31-03-11

State Code

4

INR - Thousands

2 Capital raised during the year

NIL

3 Position of Mobilisation & Deployment of Funds :

Total Liabilities

34571616

Total Assets

34571616

Sources of Funds :

Paid up Capital

1023743

Reserves & Surplus

19875399

Deferred Tax Liabilities

1192961

Secured Loans

5316891

Unsecured Loans

323132

Application of Funds :

Net Fixed Assets

12703244

Investments

6987827

Net Current Assets

8041055

4 Performance of Company :

Turnover [including other income]

29780088

Total Expenditure

23408306

Profit before Tax

6371782

Profit after Tax

6103836

Basic & Diluted E P S [in Rupees]

29.81

Dividend Rate [%]

125%

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

Item Code Number (ITC Code)

29420090

Product Description

Clopidogrel

Item Code Number (ITC Code)

30049099

Product Description

Metformin Tablets

Item Code Number (ITC Code)

30049082

Product Description

Paroxetine Tablets

Signatures to Schedules 1 to 20

As per our report of even date

For Mukesh M. Shah & Co.,

Chartered Accountants

Firm Registration Number : 106625W

Pankaj R. Patel
Chairman & Managing Director

Mukesh M. Shah

Partner

Membership Number : 30190

Ahmedabad, Dated : May 6, 2011

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

Consolidated Financial Statements

Auditors' Report

The Board of Directors,
Cadila Healthcare Limited,
Ahmedabad.

1. We have examined the attached consolidated Balance Sheet of Cadila Healthcare Limited("the Company"), its subsidiaries and Joint Ventures (the Company, its subsidiaries and joint ventures constitute "the Group") as at March 31, 2011, the consolidated Profit and Loss Account and also the consolidated Cash Flow Statement for year then ended annexed thereto.
2. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components thereof. Our responsibility is to express an opinion on these financial statements based on our audit.
3. We have conducted our audit in accordance with generally accepted auditing standards in India. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
4. We have not audited the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs. 17,371 Million as at March 31, 2011, total revenues of Rs. 18,089 Million and net cash outflows amounting to Rs. 59 Million for the year ended on that date as considered in the consolidated financial statements. These financial statements and other financial information have been audited or subjected to limited review by other auditors, whose reports have been furnished to us and our opinion in so far as it relates to the amounts included in respect of these subsidiaries is based solely on the reports of other auditors.
5. As stated in Note A-2-G of schedule 21, the consolidated financial statements include the unaudited financial statements of certain subsidiaries and joint ventures, whose financial statements reflect the group share of assets of Rs. 9,254 Million as at March 31, 2011, total revenues of Rs. 6,719 Million and net cash inflows amounting to Rs. 188 Million for the year ended on that date as considered in consolidated financial statements. We have relied upon the unaudited financial statements as furnished by the company's management for the purpose of our examination of consolidated financial statement.
6. We report that the consolidated financial statements have been prepared by the Company in accordance with Accounting Standard 21, "Consolidated Financial Statements" and Accounting Standard 27, "Financial Reporting of Interest in Joint ventures" issued by the Institute of Chartered Accountants of India and as notified under the Companies (Accounting Standards) Rules, 2006.
7. On the basis of the information and explanations given to us and based on our audit and on consideration of the separate audit reports on the individual financial statements of the Company, its subsidiaries and joint ventures and read together with our remarks in paragraph 4 and 5 above, and to best of our information and according to the explanation given to us, in our opinion, the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) In case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2011;
 - b) In the case of the consolidated Profit and Loss Account, of the consolidated results of operations of the Group for the year then ended; and
 - c) In the case of Consolidated Cash flow statements of the consolidated cash flows of the Group for the year ended on that date.

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

Mukesh M. Shah
Partner
Membership No.: 30190

Place : Ahmedabad
Date : May 6, 2011

Consolidated Balance Sheet as at March 31, 2011

	Schedule No.	INR - Millions	
		As at March 31,	
		2011	2010
SOURCES OF FUNDS :			
Shareholders' Funds :			
Share Capital	1	1024	682
Reserves and Surplus	2	20691	15603
		21715	16285
Minority Interest		669	392
Loan Funds :			
Secured Loans	3	9341	9782
Unsecured Loans	4	1632	1123
		10973	10905
Deferred Tax Liability [Net]	21 [B-9]	1127	1141
Total		34484	28723
APPLICATION OF FUNDS :			
Fixed Assets :	5		
Gross Block		28320	25578
Less : Depreciation, Amortisation and Impairment		9994	8734
Net Block		18326	16844
Capital work-in-progress		3441	2111
Preoperative & Project Expenses pending capitalisation / allocation		869	371
		22636	19326
Investments	6	207	207
Net Current Assets :			
Current Assets, Loans and Advances :			
Inventories	7	8119	7504
Sundry Debtors	8	7652	4668
Cash and Bank Balances	9	2952	2507
Loans and Advances	10	4106	3120
		22829	17799
Less : Current Liabilities & Provisions :			
Current Liabilities	11	8955	6760
Provisions	12	2233	1951
		11188	8711
Foreign Currency Monetary Items Translation Difference Account	21[B-2]	11641	9088
Total		0	102
		34484	28723
Significant Accounting Policies and Notes on Accounts	21		

As per our report of even date

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

Mukesh M. Shah
Partner
Membership Number : 30190
Ahmedabad, Dated : May 6, 2011

Jyotindra B. Gor
Chief Accounts Officer

Upen H. Shah
Company Secretary

Pankaj R. Patel
Chairman & Managing Director

Sharvil P. Patel
Deputy Managing Director

Consolidated Profit and Loss Account for the year ended March 31, 2011

	Schedule No.	INR - Millions	
		Year ended March 31,	
		2011	2010
INCOME :			
Sales and Income from Operations :			
Gross Sales		45211	36142
Less : Excise Duty		564	401
Net Sales		44647	35741
Other Income from Operations	13	1655	1127
Total		46302	36868
Other Income	14	131	159
Total		46433	37027
EXPENDITURE :			
Consumption of Materials and Finished Goods	15	14754	11784
General Expenses	16	18784	15338
Research Expenses	17	2502	1660
Interest and Finance Charges	18	699	821
Depreciation, Amortisation and Impairment	19	1269	1339
Total		38008	30942
Profit before exceptional items and Tax		8425	6085
Less : Exceptional Expenses :			
Compensation under Voluntary Retirement Scheme		0	24
Expenses incurred on Composite Scheme of Arrangement		0	22
		0	46
Profit before Taxes		8425	6039
Less : Provision for Taxation	20	1064	741
Profit after Tax		7361	5298
Less : Pre-acquisition Loss transferred to Goodwill arising on consolidation		0	9
Less : Profit attributable to Minority Share Holders		251	238
Net Profit		7110	5051
Add : Balance brought forward		2796	1704
PROFIT AVAILABLE FOR APPROPRIATIONS		9906	6755
Appropriations :			
Dividends :			
Proposed Dividend on - Equity Shares		1280	1024
Corporate Dividend Tax on Proposed Dividend [Net of CDT credit]		249	213
Total		1529	1237
Transfer to Debenture Redemption Reserve		100	100
Transfer to General Reserve		1321	2565
Group's proportionate share in Transfer to General Reserve of Joint Ventures		0	57
		2950	3959
Balance carried to Balance Sheet		6956	2796
Basic & Diluted E P S [in Rupees] :	21[B-8]		
Before Exceptional items		34.73	24.89
After Exceptional items		34.73	24.67
Significant Accounting Policies and Notes on Accounts	21		

As per our report of even date

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

Mukesh M. Shah
Partner
Membership Number : 30190
Ahmedabad, Dated : May 6, 2011

Jyotindra B. Gor
Chief Accounts Officer

Upen H. Shah
Company Secretary

Pankaj R. Patel
Chairman & Managing Director

Sharvil P. Patel
Deputy Managing Director

Consolidated Cash Flow Statement for the year ended March 31, 2011

Particulars	INR - Millions	
	Year ended March 31,	
	2011	2010
A Cash Flows from Operating Activities :		
Net profit before taxation and extraordinary items	8425	6039
Adjustments for :		
Depreciation	1269	1339
Loss / [Profit] on sale of assets [Net]	19	(1)
Loss on long term investments	0	154
Interest income	(119)	(120)
Dividend income	(2)	(1)
Interest expenses	587	716
Bad debts written off	109	4
Provision for claims for product expiry & return of goods	(5)	(21)
Provisions for retirement benefits	245	147
Provision for doubtful debts written back	(92)	64
Total	2011	2281
Operating profit before working capital changes	10436	8320
Adjustments for :		
Increase in trade receivables	(2953)	(181)
Increase in other receivables	(871)	(516)
Increase in inventories	(615)	(1492)
Change in Minority Interest	277	164
Increase in trade payables & other liabilities	2108	789
Total	(2054)	(1236)
Cash generated from operations	8382	7084
Direct taxes paid [Net of refunds]	(1385)	(771)
Cash flow before extraordinary items	6997	6313
Exchange Rate Fluctuations and other adjustments arising on Consolidation	(403)	489
Foreign Currency Monetary items Translation Difference Account Written off	102	152
Net cash from operating activities	6696	6954
B Cash flows from Investing Activities :		
Purchase of fixed assets	(4395)	(3041)
Pre-operative & Project expenses	(499)	(280)
Purchase of Investments	(5)	(842)
Proceeds from sale of Investments	0	300
Proceeds from sale of fixed assets	229	47
Interest received	138	99
Dividend received	2	1
Net cash from investing activities	(4530)	(3716)

Consolidated Cash Flow Statement for the year ended March 31, 2011

Particulars	INR - Millions	
	Year ended March 31,	
	2011	2010
C Cash flows from financing activities :		
Proceeds from Long Term Borrowings	669	2473
Repayment of Long Term Borrowings	(266)	(2225)
Short Term Borrowings [Net]	(335)	(2016)
Interest paid	(567)	(729)
Dividends paid	(1012)	(597)
Tax on dividends paid	(210)	(154)
Net cash used in financing activities	(1721)	(3248)
Net increase / (-) decrease in cash and cash equivalents	445	(10)
Cash and cash equivalents at the beginning of the year	2507	2517
Cash and cash equivalents at the close of the year	2952	2507

Notes to the cash flow statement

1. All figures in brackets are outflow.
2. Previous year's figures have been regrouped wherever necessary.

As per our report of even date

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

Pankaj R. Patel
Chairman & Managing Director

Mukesh M. Shah
Partner
Membership Number : 30190
Ahmedabad, Dated : May 6, 2011

Jyotindra B. Gor
Chief Accounts Officer

Upen H. Shah
Company Secretary

Sharvil P. Patel
Deputy Managing Director

Schedules forming part of the Consolidated Balance Sheet

	INR - Millions	
	As at March 31,	
	2011	2010
Schedule : 1 - Share Capital :		
Authorised :		
220,000,000 [As at 31-03-10 : 220,000,000] Equity Shares of Rs.5/- each	1100	1100
	1100	1100
Issued, Subscribed & Paid-up :		
204,748,520 [As at 31-03-10 : 136,499,013] Equity Shares of Rs.5/- each fully paid-up	1024	682
Notes : Of the above Shares,		
[A] 133,919,637 [As at 31-03-10 : 133,919,637] Equity Shares were allotted as fully paid-up without payments being received in cash and 90,000,000 [As at 31-03-10 : 90,000,000] Equity Shares were extinguished pursuant to different Composite Schemes of Arrangement.		
[B] 145,941,483 [As at 31-03-10 : 77,691,976] Equity Shares were allotted as fully paid-up by way of Bonus Shares.		
Total	1024	682
Schedule : 2 - Reserves & Surplus :		
Capital Reserve :		
Balance as per last Balance Sheet	288	350
Add / [Less] : Capital Reserve arising due to Consolidation	1	(62)
	289	288
Security Premium Account :		
Balance as per last Balance Sheet	116	116
Less : Utilised for issue of Bonus Shares	116	0
	0	116
Debenture Redemption Reserve :		
Balance as per last Balance Sheet	100	0
Add : Transfer from Profit and Loss account	100	100
	200	100
International Business Development Reserve :		
Balance as per last Balance Sheet	2000	2000
Foreign Currency Translation Reserve :		
Balance as per last Balance Sheet	(146)	(327)
[Less] / Add : Exchange differences on translation arising on consolidation	(153)	181
	(299)	(146)
General Reserve :		
Balance as per last Balance Sheet	10010	7445
Add : Transfer from Profit and Loss Account	1321	2565
	11331	10010
Less : Utilised for issue of Bonus Shares	226	0
	11105	10010
Balance in Profit and Loss Account	6956	2796
	20251	15164
Group's proportionate share in reserves [other than balance in P & L Account] of Joint Ventures	440	439
Total	20691	15603

Schedules forming part of the Consolidated Balance Sheet

	INR - Millions							
	As at March 31,							
	2011	2010						
Schedule : 3 - Secured Loans :								
8.5% Secured Redeemable Non Convertible Debentures Privately placed [Redeemable at par on December 4, 2014]	500	500						
Loans and Advances from Banks :								
Term Loans including Foreign Currency Loans	3807	3815						
Term Loans - External Commercial Borrowings in Foreign Currency	3570	3413						
Working Capital Loans	1289	1716						
	8666	8944						
Group's proportionate share in secured loans of Joint Ventures	175	338						
Total	9341	9782						
Schedule : 4 - Unsecured Loans :								
Short Term Loans :								
From Banks	1309	724						
Other Loans and Advances :								
Interest free deemed loan against deferment of sales tax * :								
From a Financial Institution	56	70						
Deferred amount	229	291						
* Installments falling due for payment within one year - Rs. 72 [As at 31-03-10 : Rs. 72] Millions	285	361						
From Others	38	38						
Total	1632	1123						
Schedule : 5 - Fixed Assets :								
Nature of Fixed Assets	INR - Millions							
	Gross Block		Depreciation		Impairment		Net Block	
	As at 31-03-11	As at 31-03-10	Up to 31-03-11	Up to 31-03-10	Up to 31-03-11	Up to 31-03-10	As at 31-03-11	As at 31-03-10
Tangible Assets :								
Freehold Land	585	299	0	0	0	0	585	299
Leasehold Land	437	280	18	13	0	0	419	267
Buildings	3836	3551	821	698	1	1	3014	2852
Plant & Machinery	11364	9837	3823	3170	118	118	7423	6549
Furnitures, Fixtures & Office Equipments	701	604	341	286	0	0	360	318
Vehicles	362	319	133	117	0	0	229	202
Intangible Assets :								
Goodwill	4844	4838	42	42	0	0	4802	4796
Trade Marks, Patents & Design	4271	4132	3323	3058	222	213	726	861
Technical Know-how	680	680	591	556	52	52	37	72
Commercial Rights	293	248	204	159	0	0	89	89
	27373	24788	9296	8099	393	384	17684	16305
Group's Proportionate Share in fixed assets of Joint Ventures	947	790	305	251	0	0	642	539
Total	28320	25578	9601	8350	393	384	18326	16844
2009-10	25578	22870	8350	7199	384	373	16844	-

Schedules forming part of the Consolidated Balance Sheet

	INR - Millions	
	As at March 31,	
	2011	2010
Schedule : 6 - Investments [At cost] :		
In Shares, Debentures and Bonds :		
Trade Investments [Unquoted] :		
In fully paid-up Series B and C Convertible Preferred Stock	187	187
Other Investments in fully paid-up Equity Shares :		
Quoted	12	12
Unquoted	8	8
	20	20
Total	207	207
Schedule : 7 - Inventories :		
[As taken, valued and certified by the management]		
Stores and Spare Parts	22	22
Stock-in-Trade :		
Raw Materials	2481	1811
Packing Materials	440	378
Finished Goods	3899	4153
	6820	6342
Works-in-progress	822	706
	7664	7070
Group's proportionate share in inventories of Joint Ventures	455	434
Total	8119	7504
Schedule : 8 - Sundry Debtors [Unsecured] :		
Debts outstanding for a period exceeding six months :		
Considered good	84	132
Considered doubtful	77	170
	161	302
Less : Provision for doubtful debts	77	170
	84	132
Other debts - Considered good	6268	4338
	6352	4470
Group's proportionate share in sundry debtors of Joint Ventures	1300	198
Total	7652	4668

Schedules forming part of the Consolidated Balance Sheet

	INR - Millions	
	As at March 31,	
	2011	2010
Schedule : 9 - Cash and Bank Balances :		
Cash balance on hand	12	7
Bank Balances with Banks :		
In Current Accounts	846	689
In Margin Money Accounts	9	9
In Fixed Deposit Accounts	1664	1410
	2519	2108
	2531	2115
Group's proportionate share in cash and bank balances of Joint Ventures	421	392
Total	2952	2507
Schedule : 10 - Loans and Advances :		
[Considered Good, Unsecured]		
Advances recoverable in cash or in kind or for value to be received :		
Considered good	2562	2261
Considered doubtful	13	13
Total	2575	2274
Less : Provision for doubtful advances	13	13
	2562	2261
Advance payment of Direct taxes [Net of provisions]	134	0
Balances with Customs / Central Excise / Sales tax Authorities	1205	744
Interest receivable	22	40
	3923	3045
Group's proportionate share in loans and advances of Joint Ventures	183	75
Total	4106	3120
Schedule : 11 - Current Liabilities :		
Sundry Creditors	8306	6196
Advances from Debtors	122	84
Trade Deposits	44	39
Bank Book Overdraft	55	26
Investor Education and Protection Fund - Unclaimed dividends	12	11
Interest accrued but not due on loans	64	45
	8603	6401
Group's proportionate share in current liabilities of Joint Ventures	352	359
Total	8955	6760
Schedule : 12 - Provisions :		
Proposed Dividend	1324	1057
Corporate Dividend Tax on Proposed Dividend	215	176
Provision for taxation [Net of Advance payment of Direct taxes]	0	348
Provision for claims for product expiry & return of goods	79	84
Provision for retirement benefits	596	358
	2214	2023
Group's proportionate share in provisions of Joint Ventures	19	(72)
Total	2233	1951

Schedules forming part of the Consolidated Profit and Loss Account

	INR - Millions	
	Year ended March 31,	
	2011	2010
Schedule : 13 - Other Income from Operations :		
Gain on account of fluctuations in foreign exchange rates [Net]	95	0
Government Grants	24	39
Miscellaneous Income	1524	1086
	1643	1125
Group's proportionate share in other income from operations of Joint Ventures	12	2
Total	1655	1127
Schedule : 14 - Other Income :		
Dividends [Gross]	2	1
Profit on assets sold [Net]	0	1
Interest earned [Gross]	111	120
Miscellaneous Income	10	12
	123	134
Group's proportionate share in Other Income of Joint Ventures	8	25
Total	131	159
Schedule : 15 - Consumption of Materials and Finished Goods :		
Raw Materials :		
Stock at commencement	1811	1503
Add : Purchases	7921	6926
	9732	8429
Less : Stock at close	2481	1811
		6618
Packing Materials	7251	1672
Purchases of Finished Goods	1892	3904
Decrease / [Increase] in closing Stock of Finished Goods & Works-in-progress :	4623	
Stock at close :		
Finished Goods	3899	4153
Works-in-progress	822	706
	4721	4859
Less : Stock at commencement :		
Finished Goods	4153	3272
Works-in-progress	706	618
	4859	3890
	138	(969)
Differential Excise Duty on Opening and Closing stock of Finished Goods	(8)	3
	13896	11228
Group's proportionate share in consumption of materials and finished goods of Joint Ventures	858	556
Total	14754	11784

Schedules forming part of the Consolidated Profit and Loss Account

	INR - Millions	
	Year ended March 31,	
	2011	2010
Schedule : 16 - General Expenses :		
Personnel expenses :		
Salaries, wages and bonus	4679	3411
Company's contribution to provident & other funds	616	388
Staff welfare expenses	198	212
	5493	4011
Stores and spare parts consumed	442	332
Power & fuel	789	660
Processing Charges	290	309
Insurance	108	87
Repairs :		
Buildings	78	41
Plant and Machinery	221	164
Others	106	113
	405	318
Rent	104	126
Rates and Taxes	186	220
Managing Directors' Remuneration	388	326
Commission to Directors	5	4
Traveling Expenses	881	872
Legal & Professional fees	668	359
Loss on account of fluctuations in foreign exchange rates [Net]	0	304
Marketing, Selling & Distribution Expenses :		
Commission on sales	1049	839
Freight and forwarding on sales	1248	931
Sales promotion expenses	1719	1503
Advertisements	634	651
Seminar, Conference and Exhibition	480	234
Representative Allowances and Incentives	768	625
Other marketing expenses	1475	1070
	7373	5853
Bad Debts :		
Bad debts written off	109	4
Provision for Doubtful Debts	5	64
	114	68
Less : Transferred from Provision for Doubtful Debts	(97)	0
	17	68
Directors' fees	2	1
Provision for Doubtful Advances	0	13
Loss on assets sold / discarded [Net]	9	0
Loss on long term Investments	0	154
Donations	213	70
Miscellaneous Expenses	1178	1067
	18551	15154
Group's proportionate share in general expenses of Joint Ventures	233	184
Total	18784	15338

Schedules forming part of the Consolidated Profit and Loss Account

	INR - Millions	
	Year ended March 31,	
	2011	2010
Schedule : 17 - Research Expenses :		
Materials	667	483
Personnel expenses :		
Salaries, wages and bonus	453	363
Company's contribution to provident & other funds	35	27
Staff welfare expenses	27	21
	515	411
Stores and spare parts consumed	136	71
Power & fuel	75	54
Analytical expenses	664	480
Insurance	2	5
Repairs :		
Buildings	1	2
Plant and Machinery	7	15
Others	5	4
	13	21
Travelling Expenses	36	20
Legal and Professional fees	79	39
Loss on assets sold / discarded [Net]	10	0
[Gain] / Loss on account of fluctuations in foreign exchange rates [Net]	(4)	14
Miscellaneous Expenses	309	62
Total	2502	1660
Schedule : 18 - Interest and Finance Charges :		
Interest :		
On term loans	433	445
On debentures	43	14
On working capital loans from banks	149	204
Others	39	39
	664	702
[Gain] / Loss on account of fluctuations in foreign exchange rates on loans [Net]	(81)	12
Bank commission & charges	112	93
	695	807
Group's proportionate share in interest and finance charges of Joint Ventures	4	14
Total	699	821
Schedule : 19 - Depreciation, Amortisation and Impairment :		
Depreciation	1209	1285
Group's proportionate share in depreciation, amortisation and impairment of Joint Ventures	60	54
Total	1269	1339
Schedule : 20 - Provision for Taxation :		
Current Tax	1108	808
Deferred Tax	(14)	(183)
Total	1094	625
Prior year's tax adjustments	(94)	19
	1000	644
Group's proportionate share in provision for taxation of Joint Ventures	64	97
Total	1064	741

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

Schedule : 21 - Significant Accounting Policies and Notes on Accounts :

A Significant Accounting Policies :

1 Basis of Accounting :

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

2 Basis of consolidation :

The Consolidated Financial Statements [CFS] relate to Cadila Healthcare Limited, its Subsidiaries and Joint Ventures.

The CFS have been prepared on the following basis :

A The financial statements of the 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 Changes have been made in the accounting policies followed by each of the subsidiaries / joint ventures to the extent they are material and identifiable from their respective accounts to make them uniform with the accounting policies followed by the Holding Company. Where it has not been practicable to use uniform accounting policies in preparing the CFS, the different accounting policies followed by each of the group concerns have been followed. The major differences in the accounting policies followed by group companies are as under :

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

b In case of Quimica e Farmaceutica Nikkho Do, Brasil Ltda., Trademarks & Patents are not amortised but evaluated for impairment.

c Inventories are valued on FIFO basis by foreign subsidiaries & Dialforhealth India Limited.

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

- Leasehold Land [Amortised over lease period]	64 Years
- Buildings - Factory	5%
- Buildings - Non Factory	2.5%
- Plant & Machinery	15%
- Electrical Equipments	20%
- Computers and Peripherals	33.33%
- Vehicles	20%
- Office Equipments	20%
- Furniture and Fixtures	16.67%

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

f In case of Zydus Hospira Oncology Private Limited & Zydus Nycomed Healthcare Private Limited, assets having actual cost of purchases below Rs. 5,000/- are depreciated entirely in the year of acquisition.

C a The excess / deficit of the cost of the Company's investments in each of its subsidiaries & Joint Ventures over its share in equities of respective companies on the date of acquisition is recognised in the financial statements as Goodwill / Capital Reserve. However, such excess or deficit arising after the date of acquisition on account of currency fluctuations in respect of the foreign subsidiaries is transferred to Profit and Loss Account / Foreign Currency Translation Reserve in accordance with para D below.

b Goodwill arising on consolidation has not been amortised, instead it is evaluated for impairment whenever events or changes in circumstances indicate that its carrying amount may be impaired.

D a The operations of foreign subsidiaries are classified into Integral and Non Integral operations using the criteria specified in AS -11 "The Effect of changes in Foreign Exchange Rates".

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

- i All Monetary Assets and Liabilities using closing exchange rates.
- ii All Non Monetary Assets and Liabilities using Historical exchange rates.
- iii All Revenues and Expenses using yearly Average Exchange Rates prevailing during the year.
- iv Exchange differences arising on conversion are recognised in Profit and loss Account.

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

- i All Assets and Liabilities using closing exchange rates.
- ii All Revenue and Expenses using yearly Average Exchange Rates prevailing during the year.
- iii Exchange differences arising on conversion are accumulated in the "Foreign Currency Translation Reserves" until the disposal of Investments in such Operations.

E Investments in the Joint ventures have been accounted for by using the "Proportionate Consolidation method" in accordance with the Accounting Standard - 27 on "Financial reporting of Interests in Joint Ventures".

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

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

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

G CFS as at March 31, 2011 comprise the financial statements of Cadila Healthcare Limited [CHL] and its subsidiaries as well as its interest in Joint Ventures as at March 31, 2011, which are as under :

Sr. No.	Name of the Company	Country of incorporation	% Shareholding and voting power	Status of Financial Statement	Financial Statement as at
[a] Subsidiaries :					
A Indian Subsidiaries :					
1	Zydus Pharmaceuticals Limited	India	WOS *	Audited	31-03-11
2	Dialforhealth India Limited [DFH]	India	WOS	Audited	31-03-11
3	Dialforhealth Unity Limited	India	55% holding of DFH	Audited	31-03-11
4	Dialforhealth Greencross Limited	India	WOS of DFH	Audited	31-03-11
5	German Remedies Limited [GRL]	India	WOS	Audited	31-03-11
6	Zydus Wellness Limited [ZWL]	India	70.24% holding of CHL 1.84 % holding of ZAHL	Audited	31-03-11
7	Liva Healthcare Limited	India	WOS	Audited	31-03-11
8	Zydus Animal Health Limited [ZAHL]	India	WOS	Audited	31-03-11
9	Zydus Technologies Limited	India	85% holding of CHL	Audited	31-03-11
B Foreign Subsidiaries :					
1	Zydus International Private Limited [ZIPL]	Ireland	WOS of CHL	**	31-03-11
2	Zydus Healthcare SA (Pty) Ltd [Zydus SA]	South Africa	WOS of ZIPL	Unaudited	31-03-11
3	Zydus Healthcare (USA) LLC	U. S. A.	WOS of ZIPL	**	31-03-11
4	Zydus Pharmaceuticals (USA) Inc.	U. S. A.	WOS of ZIPL	**	31-03-11
5	Zydus France, SAS	France	WOS of ZIPL	Unaudited	31-03-11
6	Zydus Netherlands B.V. [ZNBV]	The Netherlands	WOS of ZIPL	Unaudited	31-03-11
7	Zydus Pharma Japan Co. Ltd. [Formerly known as Nippon Universal Pharmaceutical Co. Ltd.]	Japan	WOS of ZIPL	**	31-03-11
8	Etna Biotech S.R.L.	Italy	WOS of ZIPL	Unaudited	31-03-11
9	Zydus IntRus Limited [Refer Note-1]	Russia	WOS of ZIPL	Unaudited	22-10-10
10	Zydus Pharmaceuticals Mexico SA De CV [Refer Note-2]	Mexico	WOS of ZIPL	Unaudited	31-03-11
11	Zydus Pharmaceuticals Mexico Service Company SA De CV [Refer Note-3]	Mexico	WOS of ZIPL	Unaudited	31-03-11
12	Zydus Noveltch Inc., USA	U. S. A.	85% holding of ZIPL	Unaudited	31-03-11
13	Zydus Healthcare Brasil Ltda. [ZHBL]	Brazil	WOS of ZNBV	**	31-03-11
14	Laboratorios Combix S.L.	Spain	WOS of ZNBV	Unaudited	31-03-11
15	Quimica e Farmaceutica Nikkho Do Brasil Ltda.	Brazil	WOS of ZHBL	**	31-03-11
16	Simayla Pharmaceuticals (Pty) Ltd	South Africa	WOS of Zydus SA	Unaudited	31-03-11
17	Script Management Services (Pty) Ltd [Formerly known as ZC Pharma Services (Pty) Ltd]	South Africa	WOS of Zydus SA	Unaudited	31-03-11
[b] Joint Ventures					
1	Zydus Nycomed Healthcare Private Limited	India	50% holding of CHL	**	31-03-11
2	Zydus Hospira Oncology Private Limited	India	50% holding of CHL	Unaudited	31-03-11
3	Zydus BSV Pharma Private Limited	India	50% holding of CHL	Audited	31-03-11
4	Bayer Zydus Pharma Private Limited [Refer Note-4]	India	50% holding of CHL	Unaudited	31-03-11
[c] Associate Concerns					
1	M/s. Zydus Healthcare - Sikkim	India	96% holding of CHL & 2% holding of GRL	Audited	31-03-11
2	M/s. Zydus Wellness - Sikkim	India	98% holding of ZWL	Audited	31-03-11
Explanatory Notes					
<p>Note - 1 Operations of the Company wound up on October 22, 2010. Note - 2 Became WOS of ZIPL w.e.f. July 6, 2010. Note - 3 Became WOS of ZIPL w.e.f. August 12, 2010. Note - 4 Became 50% JV of CHL w.e.f. February 7, 2011. * WOS = Wholly Owned Subsidiary ** Financial statements have been audited by the auditors for its respective accounting period and are subjected to limited review by their auditors for the remaining period up to March 31, 2011.</p>					

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.

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

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

B Notes on Accounts :

- 1 **A** Previous year's figures have been regrouped / restated wherever necessary to make it comparable with the current year's figures.
- B** During the year, a new 50% JV with Bayer Zydus Pharma Private Limited has been created. Besides, new WOS of ZIPL, Zydus Pharmaceuticals Mexico SA De CV, Mexico and Zydus Pharmaceuticals Mexico Service Company SA De CV, Mexico has been created. The figures for the current year are, therefore, not comparable with those of the previous year.
- 2 The Company had opted for accounting the exchange rate differences arising on the Long Term Foreign Currency Monetary Items [LTFCMI] in accordance with the notification dated March 31, 2009 under the Companies [Accounting Standards] Amendment Rules, 2009 on Accounting Standard 11 relating to "the effects of changes in foreign exchange rates". Accordingly, the effects of exchange rate differences arising from long term foreign currency loans availed for funding acquisition of fixed assets has been adjusted to the cost of respective items of fixed assets. While, in other cases such exchange rate difference on the LTFCMI is transferred to "Foreign Currency Monetary Items Translation Difference Account" [FCMITDA], which is amortised during the tenure of the respective LTFCMI but not beyond March 31, 2011.
- 3 The Sales include Rs. 2707 Millions [Previous year : Rs. 1588 Millions] Group's proportionate share in net sales of Joint Ventures.
- 4 **Contingent liabilities not provided for :**

	INR - Millions			
	Cadila Healthcare Limited and subsidiaries		Joint Ventures	
	As at 31-03-11	As at 31-03-10	As at 31-03-11	As at 31-03-10
A In respect of guarantees given by Banks and / or counter guarantees given by the Company.	193	148		2
B In respect of letters of credit for Imports	2			
C In respect of claims against the Company not acknowledged as debts	91	75		
D In respect of the demands raised by the Central Excise, State Excise and Customs Authorities	54	50		
E In respect of the demands raised by the Ministry of Chemicals & Fertilizers, Govt. of India under Drug Price Control Order, 1979 / 1995 for difference in actual price and price of respective bulk drug allowed while fixing the price of certain life saving formulations.	317	227		
F In respect of Income Tax matters pending before appellate authorities.	80	12	1132	816
G In respect of Sales Tax matters pending before appellate authorities.	114	82		
H In respect of demand raised by the Government of Gujarat on account of stamp duty payable on the trade-marks acquired.	32	32		
I In respect of Custom duty liability which may arise out of non fulfillment of export obligation against import of machinery under EPCG scheme	21	116	1	1
J In respect of arrears of Dividend on Cumulative Preference Shares			1	
K In respect of other matters [Employees Indemnity on retirement / guaranteed severance package]	33	26		
5 Estimated amount of contracts remaining to be executed on capital account and not provided for [Net of Advances]	775	758	38	64

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

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

6 Segment Information :

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

B Secondary Business Segment - By Geographical market :

	INR - Millions					
	Within India		Outside India		Total	
	2011	2010	2011	2010	2011	2010
a Sales revenue by geographical market	22324	18724	22887	17418	45211	36142
b Carrying amount of segment assets	40667	31043	5005	6239	45672	37282
c Additions to fixed assets	2549	2628	404	284	2953	2913

C Notes :

The segment revenue in the geographical segments considered for disclosure are as follows :

- Revenue within India includes sales to customers located within India.
- Revenue outside India includes sales to customers located outside India.

7 Related Party Transactions :

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

a Joint Venture Companies :

Zydus Nycomed Healthcare Private Limited

Zydus Hospira Oncology Private Limited

Zydus BSV Pharma Private Limited

Bayer Zydus Pharma Private Limited

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

Cadmach Machinery Company Private Limited

M/s. CMC Machinery

M/s. Cadam Enterprises

Zydus Infrastructure Private Limited

Cadila Laboratories Private Limited

Zandra Infrastructure LLP

B Transactions with Related Parties :

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

Nature of Transactions	Volume of the Transactions [INR Millions]			
	Joint Venture Companies		Enterprises significantly influenced by Directors and / or their relatives	
	2011	2010	2011	2010
Purchases :				
Goods :				
Zydus BSV Pharma Private Limited	5	3		
Zydus Hospira Oncology Private Limited	2	7		
Cadmach Machinery Company Private Limited			12	
M/s. CMC Machinery			3	4
M/s. Cadam Enterprises			3	0
Others			1	1
Total	7	10	19	5
Fixed Assets :				
Zydus Hospira Oncology Private Limited		1		
Cadmach Machinery Company Private Limited			74	56
Zydus Infrastructure Private Limited			146	70
Zandra Infrastructure LLP			200	0
Others			30	16
Total	0	1	450	142
Reimbursement of Expenses :				
Zydus Infrastructure Private Limited			3	1
Services :				
Zydus Infrastructure Private Limited			11	2
Cadmach Machinery Company Private Limited			1	
Total	0	0	12	2

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

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

Nature of Transactions	Volume of the Transactions [INR Millions]			
	Joint Venture Companies		Enterprises significantly influenced by Directors and / or their relatives	
	Year ended March 31,			
	2011	2010	2011	2010
Sales :				
Goods :				
Zydus Nycomed Healthcare Private Limited	0	1		
Fixed Assets :				
Cadmach Machinery Company Private Limited			3	2
Services :				
Zydus Nycomed Healthcare Private Limited	11	4		
Zydus BSV Pharma Private Limited	1	0		
Total	12	4	0	0
Investments :				
Purchase :				
Zydus BSV Pharma Private Limited	45	16		
Bayer Zydus Pharma Private Limited	250	0		
Total	295	16	0	0
Dividend Received :				
Zydus Nycomed Healthcare Private Limited	250	305		
Outstanding :				
Payable :				
Zydus Infrastructure Private Limited			14	
Cadila Laboratories Private Limited			24	24
Total	0	0	38	24
Receivable :				
Zydus Nycomed Healthcare Private Limited	11	4		

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

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

8 Calculation of Earnings per Share [EPS] :

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

		Year ended	
		31-03-11	31-03-10
A	Profit attributable to Shareholders:		
a	Before Exceptional items	INR - Millions	5097
b	After Exceptional items	INR - Millions	5051
B	Basic & weighted average number of Equity shares outstanding during the year	Numbers	136499013
C	Nominal value of equity share	INR	5
D	Basic & Diluted EPS :		
a	Before Exceptional items	INR	24.89 *
b	After Exceptional items	INR	24.67 *

* Earning per share for the year ended on March 31, 2010 is calculated taking into account the allotment of bonus shares issued by the Company, to make the figures comparable.

9 Deferred Tax :

A The Deferred Tax Asset of Rs. 14 [Previous year : Rs. 175] Millions for the year has been recognised in the Profit And Loss Account.

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

		INR - Millions	
		As at	As at
		31-03-11	31-03-10
Deferred Tax Liabilities :			
	Depreciation	1546	1506
	Others	22	46
	Total	1568	1552
Deferred Tax Assets :			
	Retirement benefits	71	74
	Receivables	76	47
	Others	294	290
	Total	441	411
	Net Deferred Tax Liability	1127	1141

Signatures to Schedules 1 to 21

As per our report of even date

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

Pankaj R. Patel
Chairman & Managing Director

Mukesh M. Shah
Partner
Membership Number : 30190
Ahmedabad, Dated : May 6, 2011

Jyotindra B. Gor
Chief Accounts Officer

Upen H. Shah
Company Secretary

Sharvil P. Patel
Deputy Managing Director

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES.

Name of the subsidiary company	Financial year ending of the subsidiary company	Number of equity shares held with its face value	Extent of holding in %	INR-Millions			
				For the financial year of the subsidiary company		For the previous financial years since it become a subsidiary company	
				Profits / (losses) so far as it concerns the members of the holding company and not dealt with in the holding company's accounts	Profits / (losses) so far as it concerns the members of the holding company and dealt with in the holding company's accounts	Profits / (losses) so far as it concerns the members of the holding company and not dealt with in the holding company's accounts	Profits / (losses) so far as it concerns the members of the holding company and dealt with in the holding company's accounts
Zydus Pharmaceuticals Limited	March 31, 2011	950000 Equity Shares of Rs.10/- each	100	0.76	4.75	6.98	4.00
Dialforhealth India Limited	March 31, 2011	5000000 Equity Shares of Rs.10/- each	100	(0.46)	-	(105.42)	-
Dialforhealth Unity Limited+	March 31, 2011	27500 Equity Shares of Rs. 10/- each	55	(0.01)	-	(1.30)	-
Dialforhealth Greencross Limited+	March 31, 2011	250000 Equity Shares of Rs. 10/- each	100	(0.05)	-	(1.21)	-
German Remedies Limited	March 31, 2011	24000 Equity Shares of Rs.100/- each	100	89.32	48.00	55.51	27.00
Zydus Wellness Limited	March 31, 2011	28163755 Equity Shares of Rs. 10/- each	72.08++	428.73	84.46	409.35	49.00
Liva Healthcare Limited	March 31, 2011	90750 Equity Shares of Rs 100/- each	100	89.28	17.24	94.97	-
Zydus Animal Health Limited	March 31, 2011	24000000 Equity Shares of Rs. 10/- each	100	215.90	120.00	171.26	-
Zydus Technologies Limited *	March 31, 2011	42500000 Equity Shares of Rs. 10/- each	85	(0.57)	-	(3.99)	-
Zydus International Private Limited	December 31, 2010	25961500 Equity Shares of Euro 1.462843 each	100	28.59	-	119.89	-
Zydus Healthcare S.A. (Pty) Ltd **	December 31, 2010##	43992229 Ordinary Shares of South African Rand 1/- each	100	0.52	-	(10.72)	-
Zydus Healthcare (USA) LLC **	December 31, 2010	200000 Ordinary Shares of US Dollar 1/- each	100	0.21	-	5.51	-
Zydus Pharmaceuticals (USA) Inc. **	December 31, 2010	2300000 Equity Shares of US Dollar 1/- each	100	253.79	-	118.13	-
Zydus France, SAS **	December 31, 2010	1944134 Equity Shares of Euro 8/- each	100	(109.59)	-	(286.64)	-
Zydus Netherlands B.V. **	December 31, 2010	44820 Common Equity Shares of Euro 100/- each	100	(165.85)	-	(209.51)	-
Zydus Pharma Japan Co. Ltd. [Formerly known as Nippon Univesal Pharmaceutical Co. Ltd.]**	December 31, 2010	28200 Ordinary Shares of Yen 50000/- each 19295 Ordinary Shares of Yen 26976/- each	100	(439.08)	-	(458.52)	-
Etna Biotech S.R.L. **	December 31, 2010	900 Equity Shares of Euro 100/- each	100	0.68	-	9.03	-
Zydus IntRus Limited **	October 22, 2010	NIL ^	100	(22.11)	-	9.64	-
Zydus Pharmaceuticals Mexico SA De CV **	December 31, 2010	2574000 Equity Shares of Mexican Peso 1/- each^^	100	(6.56)	-	-	-
Zydus Pharmaceuticals Mexico Service Company SA De CV **	December 31, 2010	1319390 Equity Shares of Mexican Peso 1/- each^^	100	(6.34)	-	-	-
Zydus Noveltch Inc. ***	December 31, 2010	850 Common Stock Shares of US Dollar 3000/- each	85	15.76	-	(102.15)	-
Zydus Healthcare Brasil Ltda. @	December 31, 2010	57706879 Nominative Shares of Brazilian Real 1/- each	100	43.55	-	(483.03)	-
Laboratorios Combix S.L. @	December 31, 2010	7441806 Common Equity Shares of Euro 1/- each	100	(241.57)	-	(279.22)	-
Quimica e Farmaceutica Nikkho Do, Brasil Ltda. @@	December 31, 2010	350000 Quotas of Brazilian Real 1/- each	100	78.07	-	73.53	-
Simayla Pharmaceuticals (Pty) Ltd #	December 31, 2010 ##	200 Ordinary Shares of South African Rand 1/- each	100	(258.07)	-	(15.83)	-
Script Management Services (Pty) Ltd [Formerly known as ZC Pharma Services (Pty) Ltd] #	December 31, 2010 ###	1 Ordinary Share of South African Rand 1/- each	100	0.24	-	0.06	-

+ Wholly Owned Subsidiary Company of Dialforhealth India Limited.
 ++ Together with the holding of a subsidiary company.
 * 85% held by Cadila Healthcare Limited and 15% held by Mr. Sharad Govil.
 ** Wholly Owned Subsidiary Company of Zydus International Private Limited.
 *** 85% held by Zydus International Private Limited and 15% held by Mr. Sharad Govil.
 @ Wholly Owned Subsidiary Company of Zydus Netherlands B.V.
 @@ Wholly Owned Subsidiary Company of Zydus Healthcare Brasil Ltda.
 # Wholly Owned Subsidiary Company of Zydus Healthcare SA (Pty) Ltd.
 ## Due to change in the accounting year, the figures given are for ten months period ended December 31, 2010.
 ### Due to change in the accounting year, the figures given are for nine months period ended December 31, 2010.
 ^ Operations of the Company wound up on October 22, 2010.
 ^^ Companies were incorporated during the year 2010 and subsequently shares were allotted on January 13, 2011.

A. There has been no change in the Holding Company's interest in the Subsidiary Companies between the end of the financial year of the Subsidiary Companies and the end of the financial year of the Holding Company.
 B. No material changes have occurred between the end of the financial year of the Subsidiary Companies and the Holding Company's financial year in respect of the Subsidiary Companies [a] Fixed Assets [b] Investments [c] Moneys lent [d] Moneys borrowed for.
 C. Previous year's figures are restated/ regrouped wherever necessary.

Pankaj R. Patel
 Chairman & Managing Director

Jyotindra B. Gor
 Chief Accounts Officer
 Ahmedabad, Dated : May 6, 2011

Upen H. Shah
 Company Secretary

Sharvil P. Patel
 Deputy Managing Director

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

Sr. No.	Name of the Subsidiary Company	Country	Reporting Currency	Exchange Rate	INR - Millions									
					Capital	Reserves	Total Assets	Total Liabilities	Investment other than investment in subsidiary company	Sales and Income from operations	Profit / (Loss) before Taxation	Provision for Taxation	Profit / (Loss) after Taxation	Proposed Dividend
1	Zydus Pharmaceuticals Limited	India	INR	1.00	9.50	7.19	19.25	2.57	0.93	-	1.11	0.35	0.76	0.48
2	Dialforhealth India Limited	India	INR	1.00	50.00	(105.88)	80.00	135.89	-	156.49	(0.46)	(0.003)	(0.46)	-
3	Dialforhealth Unity Limited	India	INR	1.00	0.50	(2.38)	0.07	1.96	-	-	(0.02)	-	(0.02)	-
4	Dialforhealth Greencross Limited	India	INR	1.00	2.50	(1.82)	0.70	0.02	-	-	(0.05)	-	(0.05)	-
5	German Remedies Limited	India	INR	1.00	2.40	75.10	147.26	69.76	9.59	89.27	90.94	1.61	89.32	60.00
6	Zydus Wellness Limited	India	INR	1.00	390.70	1028.20	2069.00	650.10	-	3363.70	899.60	304.80	594.80	156.30
7	Liva Healthcare Limited	India	INR	1.00	9.08	60.51	294.72	225.13	1.20	649.51	137.91	48.62	89.28	63.53
8	Zydus Animal Health Limited	India	INR	1.00	240.00	92.70	706.81	374.11	-	1364.12	337.79	121.89	215.90	144.00
9	Zydus Technologies Limited	India	INR	1.00	590.00	(5.36)	1750.97	1166.33	-	-	(0.67)	-	(0.67)	-
10	Zydus International Private Limited @	Ireland	Euro	63.23	2401.32	141.96	4209.80	1666.52	-	96.74	28.59	-	28.59	-
11	Zydus Healthcare SA (Pty) Ltd @	South Africa	SA Rand	6.61	290.79	(10.20)	777.27	496.68	-	465.72	0.52	-	0.52	-
12	Zydus Healthcare (USA) LLC @	USA	US Dollar	44.62	8.92	5.72	137.77	123.12	-	78.95	0.50	0.29	0.21	-
13	Zydus Pharmaceuticals (USA) Inc. @	USA	US Dollar	44.62	133.86	424.51	4382.47	3824.10	-	8498.07	429.55	175.76	253.79	-
14	Zydus France, SAS @	France	Euro	63.23	983.42	(533.35)	1773.16	1322.96	-	2489.87	(109.59)	-	(109.59)	-
15	Zydus Netherlands B.V. @	The Netherlands	Euro	63.23	283.40	(375.36)	2078.11	2170.07	-	0.05	(165.85)	-	(165.85)	-
16	Zydus Pharma Japan Co. Ltd. @	Japan	Yen	0.54	938.79	(770.61)	738.69	570.51	-	393.09	(439.08)	-	(439.08)	-
17	Etna Biotech S.R.L. @	Italy	Euro	63.23	5.69	14.66	50.08	29.73	-	42.29	0.68	-	0.68	-
18	Zydus IntRus Limited @@	Russia	Ruble	1.59	-	-	-	-	-	20.63	(20.55)	1.56	(22.11)	-
19	Zydus Pharmaceuticals Mexico SA De CV @	Mexico	Mexican Peso	3.77	10.43	(6.56)	10.06	6.19	6.42	-	(6.56)	-	(6.56)	-
20	Zydus Pharmaceuticals Mexico Service Company SA De CV @	Mexico	Mexican Peso	3.77	4.79	(6.34)	0.18	1.73	-	-	(6.34)	-	(6.34)	-
21	Zydus Noveltech Inc. @	USA	US Dollar	44.62	223.10	(101.65)	125.23	3.78	-	-	18.54	-	18.54	-
22	Zydus Healthcare Brazil Ltda. @	Brazil	Brazilian Real	27.36	1578.86	(480.88)	1882.72	784.75	-	571.11	55.62	12.07	43.55	-
23	Laboratorios Combix S.L. @	Spain	Euro	63.23	470.55	(493.36)	300.23	323.04	-	270.87	(241.57)	-	(241.57)	-
24	Quimica e Pharmaceutica Nikkho Do, Brazil Ltda @	Brazil	Brazilian Real	27.36	9.58	181.28	1222.53	1031.67	-	1688.10	122.64	44.57	78.07	-
25	Simayla Pharmaceutical (Pty) Ltd @	South Africa	SA Rand	6.61	0.001	(235.89)	338.25	574.14	-	593.98	(262.65)	4.58	(258.07)	-
26	Script Management Services (Pty) Ltd @	South Africa	SA Rand	6.61	-	2.29	7.67	5.38	-	20.76	0.33	0.09	0.24	-

The figures given in Indian Rupee is equivalent of the figures given in foreign currencies appearing in the accounts of subsidiary companies at the exchange rate as at March 31, 2011.

@ The financial year of these companies ended on December 31, 2010.

@@ Operations of the Company wound up on October 22, 2010.

CADILA HEALTHCARE LIMITED

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

Notice

Notice is hereby given that the Sixteenth Annual General Meeting of the members of the Company will be held on Tuesday, the 19th day of July, 2011 at 10.00 a.m. at J. B. Auditorium, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad – 380 015 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at and the Profit and Loss Account of the Company for the year ended on 31st March, 2011 and the Reports of the Directors and Auditors thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Mr. Humayun Dhanrajgir, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Statutory Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

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

“RESOLVED THAT pursuant to the provisions of sections 198, 269, 309 and 310 read with Schedule-XIII and other applicable provisions, if any, of the Companies Act, 1956 [the Act], including any statutory modifications or re-enactment thereof, consent of the members be and is hereby accorded to the re-appointment of Mr. Pankaj R. Patel as Managing Director of the Company for a period of five years with effect from 1st September, 2011 on a remuneration upto 5% of the net profits of the Company computed in the manner laid down in sections 349 and 350 of the Act during any financial year or such other limits as may be prescribed by Central Government from time to time and on other terms and conditions as set out in the draft agreement.

RESOLVED FURTHER THAT notwithstanding anything to the contrary herein contained, wherein in any financial year during the currency of his tenure, the Company has no profits or inadequate profits, Mr. Pankaj R. Patel will be paid remuneration within the ceiling limit prescribed under section II of part II of Schedule-XIII of the Companies Act, 1956 or any modification or re-enactment thereof.

RESOLVED FURTHER THAT in addition to the above, the Managing Director shall also be entitled to the following perquisites, which shall not be included in the computation of the ceiling of minimum remuneration stated hereinabove;

- (a) Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961,
- (b) Gratuity payable at the rate not exceeding half a month’s salary for each completed year of service and
- (c) Encashment of leave at the end of tenure of appointment of Managing Director.

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds, matters and things as the Board may, in its absolute discretion, consider necessary, expedient or desirable in order to give effect to this resolution or otherwise considered by the Board to be in the best interest of the Company, as it may deem fit.”

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

“RESOLVED THAT Mr. Nitin Raojibhai Desai, who was appointed by the Board of Directors as an Additional Director of the Company with effect from 6th May, 2011 and who holds office upto the date of this Annual General Meeting of the Company in terms of section 260 of the Companies Act, 1956 [‘the Act’] and in respect of whom the Company has received a notice in writing from a member under section 257 of the Act together with deposit of Rs. 500/- in cash proposing his candidature for the office of the Director of the Company be and is hereby appointed as a Director of the Company liable to retire by rotation.”

Place : Ahmedabad

Date : 6th May, 2011**By order of the Board of Directors****Upen H. Shah
Company Secretary****NOTES :**

- The Explanatory Statement, pursuant to section 173 (2) of the Companies Act, 1956, in respect of the business under item No. 5 and 6 of the notice are annexed hereto.
- A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF ON A POLL ONLY AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.** However, proxy form(s) duly stamped, completed and signed should be deposited at the Registered Office of the Company not less than 48 hours before the Meeting.
- The Register of Members and Share Transfer Books of the Company will remain closed from 11th July, 2011 to 19th July, 2011. [both days inclusive]

The dividend, if declared, will be paid on 25th July, 2011 to those members entitled thereto whose names appear in the Register of Members of the Company as on 19th July, 2011. In respect of shares held in dematerialised form, dividend thereon will be paid to the beneficial owners as per the data of beneficiaries provided by the Depositories.

- Payment of Dividend through ECS:
 - Members holding shares in physical form are advised to submit particulars of their bank account, viz., name and address of the bank and branch, 9 digit MICR code of the branch, type of account and account number latest by 9th July, 2011 directly to the Company’s Registrar and Share Transfer Agents - M/s. Sharepro Services India Private Limited [Unit : Cadila Healthcare Limited], 416-420, 4th Floor, Devnandan Mall, Opp. Sanyash Ashram, Nr. M.J. Library, Ellisbridge, Ahmedabad – 380 006.
 - Members holding shares in demat form are requested to update the particulars of bank account to their respective depository participant.
- The bank account particulars of the members will be printed on the dividend warrants for such members, whose dividend are paid through a warrant.
- Those members who have not encashed their dividend warrants pertaining to the following financial years are requested to claim the dividend, otherwise, the unclaimed dividend will be transferred to the Investors’ Education and Protection Fund [IEPF] pursuant to provisions of section 205A[5] of the Companies Act, 1956 on the respective dates mentioned there against. After the amount is transferred to IEPF, the members will not be able to claim such dividend.

Accounting Year ended on	Date of declaration of dividend	Dividend payment %	Expected date of transfer of unpaid dividend to IEPF Account
31 st March, 2004	20 th July, 2004	120%	26 th July, 2011
31 st March, 2005	26 th July, 2005	120%	1 st August, 2012
31 st March, 2006	28 th July, 2006	120%	1 st August, 2013
31 st March, 2007	31 st July, 2007	80%	1 st August, 2014
31 st March, 2008	29 th July, 2008	90%	4 th August, 2015
31 st March, 2009	29 th July, 2009	90%	4 th August, 2016
31 st March, 2010	27 th July, 2010	100%	2 nd August, 2017

7. Members holding shares in physical form are requested to intimate the Company's Registrar and Transfer Agents - M/s. Sharepro Services (India) Private Limited [Unit: Cadila Healthcare Limited] at 416-420, 4th Floor, Devnandan Mall, Opp. Sanyash Ashram, Nr. M. J. Library, Ellisbridge, Ahmedabad – 380 006, the changes, if any, in their registered address along with Pin Code number. Please provide a self attested copy of new address proof. However, members holding shares in electronic form may update such changes with their respective Depository Participant.
8. The information required to be provided under the Listing Agreement entered into with the Stock Exchanges, where the equity shares of the Company are listed regarding the Directors who are proposed to be appointed / re-appointed are annexed hereto.

REQUEST TO THE MEMBERS:

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

CADILA HEALTHCARE LIMITED

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

Explanatory Statement under section 173[2] of the Companies Act, 1956.

In respect of item no. 5:

Mr. Pankaj R. Patel and his family are the promoters of the Company. His present five years term as the Managing Director of the Company expires on 31st August, 2011. Mr. Patel has been in the office as the Managing Director since 1st September, 1996. During his tenure, the Company has made remarkable progress in all the spheres of business, both in domestic and international markets. He comes out as force to reckon within pharmaceutical industry. The image of the Company in the global market as well as to all stakeholders has multiplied many folds over his fifteen years leadership. The Zydus Cadila group has crossed total revenues of the billion dollar mark in the FY 2010-11 from mere INR 2,211 millions in 1995-96, whereas the net profit has increased from INR 42.93 millions in 1995-96 to INR 6,104 millions for the year ended on 31st March, 2011. The Company has reported all around progress year after year under the leadership of Mr. Patel. The presence of the Company, which was limited to domestic markets only, has now spread in the regulated developed markets like US, Europe, Japan and Brazil apart from other semi regulated markets like Asia Pacific, Africa and Middle East regions. Such remarkable progress is achieved only because of his vision and foresight. He has led the Company to accomplish all visionary statements, time and again. Under his leadership, the group has achieved a milestone of becoming a billion dollar organisation, which was conceived in the year 2007. It is a matter of pride for all shareholders that the Company has joined the league of billion dollars during the year under report.

His able leadership was recognised by Country's leading financial daily news paper – "The Economic Times" by awarding "the Emerging Company of the Year". Also in business magazine – "Business India" he appeared on the Front Page of November, 2010 issue. He was also awarded the E&Y Entrepreneur of the Year – Life Sciences Award for the year 2009.

The Company will continue availing the benefits of the able, experienced and visionary Managing Director to achieve new heights of success in the years to come. It is therefore proposed to re-appoint Mr. Patel as the Managing Director of the Company for a further period of five years from 1st September, 2011 on the prevailing terms and conditions, including payment of remuneration as set out in the resolution and draft agreement.

An abstract pursuant to provisions of section 302 of the Act has already been sent to the members of the Company.

The draft of an agreement proposed to be entered between the Company and Managing Director is available for inspection by the members of the Company at the Registered Office between 11.00 a.m. to 1.00 p.m. on any working days upto the date of Annual General Meeting. It will also be available at the venue of the meeting for inspection by any member. Mr. Patel satisfies all the conditions as set out in Part – I of schedule XIII to the Companies Act, 1956.

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

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

In respect of item no. 6:

The Board of Directors of the Company at its meeting held on 6th May, 2011 appointed Mr. Nitin Raojibhai Desai as an Additional Director on the Board of the Company. As per the provisions of section 260 of the Companies Act, 1956 ['the Act'], he holds office upto the date of this Annual General Meeting and is eligible for re-appointment as Director of the Company, liable to retire by rotation.

Details regarding the person proposed to be appointed as Director and his brief resume is given in the annexure attached to the notice.

The Company has received a notice from a member proposing his candidature for the appointment as the Director liable to retire by rotation along with deposit of Rs. 500/- in cash.

Keeping in view of the experience, expertise and knowledge of Mr. Desai, the Board recommends his appointment as the Director of the Company.

Mr. Desai may be deemed to be interested in the resolution relating to his appointment.

By order of the Board of Directors

Place : Ahmedabad
Date : 6th May, 2011

Upen H. Shah
Company Secretary

[Annexure to the Notice dated 6th May, 2011]Details of Directors seeking appointment / re-appointment at the forthcoming Annual General Meeting
[Pursuant to clause 49 of the Listing Agreement]

Name of the Director	Mr. Humayun Dhanrajgir	Mr. Pankaj R. Patel	Mr. Nitin Raojibhai Desai
Age	74 years	58 years	67 years
Date of Appointment on the Board	16 th August, 2003	15 th May, 1995	6 th May, 2011
Brief resume and nature of expertise in functional areas.	<p>Mr. Dhanrajgir is a B. Tech (Chem. Eng.) from Loughborough University, U.K., M.I. Chem. E (London.), C. Eng (London), AMP (Harvard). He started his carrier in 1960 at British Oxygen Co. Ltd., London. On his return to India, he worked for Burmah Shell, India as a covenanted officer for five years. He joined Glaxo India Ltd., and held several important positions including that of Managing Director in January 1990. He retired as Executive Vice Chairman in August, 1994. Thereafter, he was appointed as Managing Director of Lupin Laboratories in late 1994 helping the Company in its globalization plans. He joined Kodak India Ltd., as its CEO & Managing Director in October, 1995. He retired after five years term in October, 2000. He was the President of Organization of Pharmaceutical Producers of India (OPPI) from 1992 to 1994, having served as its Vice President for 2 years prior to that. He also served on the General Committee of the Bombay Chamber of Commerce and Industry (BCCI) for two years and was a past Vice Chairman of the Indo-British Business Committee.</p> <p>Mr. Dhanrajgir is a member - Global Advisory Board, Asian Centre for Corporate Governance, Trustee of the Dr. P. V. Cherian Artificial Kidney Trust, Trustee of Breach Candy Hospital Trust and Lintas Employees Welfare Trusts. He is on the Indian Advisory Board of U.S. Pharmacopoeia.</p>	<p>Mr. Pankaj Patel, M. Pharm., spearheads Zydus Cadila, one of India's leading pharmaceutical groups and a global healthcare provider. With an experience spanning over 30 years in the Indian Pharmaceuticals industry, Mr. Patel combines both research and techno-commercial expertise.</p> <p>Mr. Patel has been the guiding force behind Company's fast tracked growth. Under his leadership, recently, the Company was declared as the "Emerging Company of the Year" by the Economic Times for Corporate Excellence in 2010.</p> <p>Mr. Patel is on the governing councils of many national industry associations. Mr. Patel is the President of the Indian Pharmaceutical Alliance and the Chairman of FICCI, Gujarat State Council. He is the Executive Chairman, Vice President and Trustee of Gujarat Cancer Society and Chairman of Gujarat Cancer and Research Institute. He is also on the Governing Board of the Ahmedabad University and the President of the Ahmedabad Management Association.</p> <p>Mr. Patel was awarded the E&Y Entrepreneur of the Year – Life Sciences Award for the year 2009, the M. L. Schroff Memorial Award in 2009 and "Baroda Sun Lifetime Achievement Award" for the year 2010 by the Bank of Baroda. Mr. Patel was declared "Pharma Man of the Year" in 2004 by the Federation of Indian Industry and Economists [FIIIE] for contributing to the growth of the Indian Pharma Industry. Recently, Mr. Patel was conferred the Indian Pharmaceutical Association's "Special Recognition Award 2010" in recognition of his contributions to the growth of the Pharmaceutical Industry, Research and the Profession of Pharmacy.</p>	<p>Mr. Nitin Raojibhai Desai is a Graduate in Civil Engineering and Masters in Environmental Engineering from the University of Michigan, Ann Arbor, USA.</p> <p>He is presently Chairman and Managing Director of Desai Brothers Limited, Pune, a leading Corporate in the multifold business of manufacturing Bidis and Food Products, Finance and Investments, Real Estate and Wind Power Generation.</p> <p>Desai Group diversified in Indian Ethnic Food business under the famous "Mother's Recipe" brand, dealing in wide range of food products like Pickles, Pastee, Papads, Fruit Pulps, Frozen Foods, Ready to Eat and Ready to Cook Products, which are exported to over 40 countries. During his entrepreneurial tenure, the business turnover of the Desai Group has grown from Rs. 6 Crores in 1974-75 to around Rs. 675 Crores in 2010-11.</p> <p>Actively associated with the Health Care Industry, he is one of the Promoter Directors of the fast expanding "Sahyadri Group of Hospitals". He is actively involved with diverse social activities, mainly in the spheres of Eye Care, support of the disabled and Education.</p> <p>Mr. Desai is the Chairman of Poona Blind Mens' Association and H. V. Desai Eye Hospital. In recognition of his leading role in providing comprehensive eye care, he was felicitated by the former President of India, Dr. A.P.J. Abdul Kalam.</p> <p>Mr. Desai is the President of Shri Poona Gujarati Bandhu Samaj. He has been a Trustee of Poona Gujarat Kelvani Mandal, Pune for the past several years. He is also a Trustee of Vanarai, headed by Shri Mohan Dhariya, former Vice Chairman of the Planning Commission.</p>

Name of the Director	Mr. Humayun Dhanrajgir	Mr. Pankaj R. Patel	Mr. Nitin Raojibhai Desai
			<p>Mr. Desai has served as President of the prestigious Poona Club. He was also President of Poona Junior Chamber and Vice – President of Indian Jaycees.</p> <p>In appreciation of his multifarious achievements and noteworthy contribution in the fields of business and social work, the Poona Merchants Chambers awarded Mr. Desai "the Adarsh Vayapari – Uttam Puraskar" in 2004.</p>
Directorships held in other public Companies (excluding foreign and private Companies)	<p>Other Directorships:</p> <ol style="list-style-type: none"> Zydus Wellness Limited HDFC Asset Management Company Limited Neuland Laboratories Limited Emcure Pharmaceuticals Limited Themis Medicare Limited Next Gen Publishing Limited Sami Labs Limited 	<p>Other Directorships:</p> <ol style="list-style-type: none"> Zydus Wellness Limited Torrent Power Limited Nirma Limited Vadilal Chemicals Limited Zydus Technologies Limited Zydus Animal Health Limited Karnavati Club Limited Zydus Pharmaceuticals Limited BAAP Diagnostics Limited Dialforhealth India Limited 	<p>Other Directorships:</p> <ol style="list-style-type: none"> Desai Brothers Limited Sahayadri Hospitals Limited
Memberships / Chairmanships of Committees across public Companies	<p>Committee Memberships:</p> <p>Audit Committee:</p> <ol style="list-style-type: none"> Cadila Healthcare Limited Zydus Wellness Limited HDFC Asset Management Company Limited Neuland Laboratories Limited * Emcure Pharmaceuticals Limited Themis Medicare Limited Next Gen Publishing Limited <p>Shareholders' / Investors' Grievance Committee:</p> <ol style="list-style-type: none"> Zydus Wellness Limited 	<p>Committee Memberships:</p> <p>Audit Committee:</p> <ol style="list-style-type: none"> Zydus Animal Health Limited * Dialforhealth India Limited * <p>Shareholders' / Investors' Grievance Committee:</p> <ol style="list-style-type: none"> Torrent Power Limited * 	<p>Committee Memberships:</p> <p>Audit Committee:</p> <ol style="list-style-type: none"> Desai Brothers Limited

* Committees of which he is the Chairman

Consolidated Financial Data For Last Five Years

(Rs. in Millions)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	5 Year CAGR%
1 Profit & Financials :						
Gross Sales	18747	23638	29171	36142	45211	24.6%
Total Income from Operations	18288	23229	29275	36868	46302	25.5%
EBIDT	3521	4582	6058	8086	10262	29.0%
EBIT	2698	3613	4940	6747	8993	33.8%
PBT	2739	3234	3698	6039	8425	36.7%
Net Profit before Exceptional Items (net of tax)	2102	2633	3234	5092	7110	34.4%
Net Profit	2338	2576	3031	5051	7110	36.1%
EPS *	12.41	13.67	14.80	24.67	34.73	33.8%
DPS (FV Rs 5 each) Rs *	2.67	3.00	3.00	5.00	6.25	
2 R&D Spends :						
Revenue	1344	1336	1564	1660	2502	25.7%
Capital	269	268	313	415	474	
Total R&D Spends	1613	1604	1877	2075	2976	20.6%
Total R&D Spends as % to Operating Income	8.8%	6.9%	6.4%	5.6%	6.4%	
3 Balance Sheet Abstracts						
Total Assets	19915	25478	33485	37435	45672	24.1%
Net Worth	8655	10622	12352	16285	21715	25.4%
Total debt (incl. Buyers' Credit)	4934	8612	12673	10905	10973	18.9%
Book value per share (Rs) *	44.68	56.68	59.18	79.24	106.06	23.0%
4 Key Ratios:						
Growth ratios (Y-Y)						
Sales Growth	24.3%	26.1%	23.4%	23.9%	25.1%	
Operating Income Growth	23.2%	27.0%	26.0%	25.9%	25.6%	
EBIDT Growth	22.4%	30.1%	32.2%	33.5%	26.9%	
EBIT Growth	28.6%	33.9%	36.7%	36.6%	33.3%	
Net Profit before Exceptional Items Growth	29.4%	25.3%	22.8%	57.5%	39.6%	
Net Profit Growth	53.4%	10.2%	17.7%	66.6%	40.8%	
Net Worth Growth	23.8%	22.7%	16.3%	31.8%	33.3%	
Total Assets Growth	28.2%	27.9%	31.4%	11.8%	22.0%	
Performance ratios						
EBIDT margin (% to Operating Income)	19.3%	19.7%	20.7%	21.9%	22.2%	
PBT (excl. exceptional items) margin	13.5%	14.2%	13.5%	16.5%	18.2%	
Net profit (excl. exceptional items) margin	11.5%	11.3%	11.0%	13.8%	15.4%	
Current ratio	1.96	2.33	2.26	2.04	2.04	
Total assets turnover	1.03	1.02	0.99	1.04	1.11	
Return on equity	27.1%	27.6%	28.4%	35.9%	37.5%	
Return on capital employed	17.1%	16.7%	17.8%	21.1%	24.5%	
Net Debt / Equity Ratio	0.46	0.72	0.85	0.52	0.37	

Notes: * Per share values of earlier years (from 2006-07 to 2009-10) have been adjusted for the bonus shares issued in the ratio of 1:1 in 2006-07 and 1:2 in 2009-10

