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Annual Report 2009-10

Bringing Wellness to your Life.



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Contents

BOARD OF DIRECTORS	Pankaj R. Patel Chairman
	Anand G. Deo* Managing Director
DIRECTORS	Dr. Sharvil P. Patel H. Dhanrajgir Dr. B. M. Hegde** Prof. Indiraben J. Parikh** Mukesh M. Patel Ganesh N. Nayak Jitendra R. Patel***
CHIEF FINANCIAL OFFICER	Amit B. Jain
COMPANY SECRETARY	Dhaval N. Soni
BANKERS	Bank of Baroda Ashram Road Branch, Ahmedabad
AUDITORS	M/s. Mukesh M. Shah & Co., Chartered Accountants
REGISTERED AND CORPORATE OFFICE	"Zydus Tower", Satellite Cross Roads, Sarkhej-Gandhinagar Highway, Ahmedabad - 380 015
REGISTRAR & SHARE TRANSFER AGENT	Link Intime India Pvt. Ltd. 211, Sudarshan Complex, Nr. Mithakhali Underbridge, Navrangpura, Ahmedabad-380009
WORKS	7A, 7B & 8, Saket Industrial Estate, Sarkhej Bavla Road, Gam Moraiya, Taluka Sanand, Dist. Ahmedabad

* w.e.f. 1st August, 2009
 ** w.e.f. 29th July, 2009
 *** ceased w.e.f. 29th July, 2009

02	Notice
13	Directors' Report and Relevant Annexures
19	Management Discussion & Analysis
24	Corporate Governance Report
37	Auditors' Report
40	Balance Sheet
41	Profit and Loss Account
42	Cash Flow Statement
44	Schedules

SAFE HARBOUR STATEMENT

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

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Notice

NOTICE is hereby given that **SIXTEENTH ANNUAL GENERAL MEETING** of the members of **Zydus Wellness Limited** will be held on Friday, the 16th day of July, 2010 at 10:00 a.m. at H.T. Parekh Hall, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad-380015 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt audited Balance Sheet as at 31st March, 2010 and Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Mr. Ganesh N. Nayak, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Pankaj R. Patel, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint M/s. Manubhai & Co., Chartered Accountants as Statutory Auditors in place of M/s. Mukesh M. Shah & Co., Chartered Accountants, who have expressed their unwillingness for re-appointment, to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

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

“RESOLVED THAT Dr. Belle Monappa Hegde, who was appointed by the Board of Directors as an Additional Director of the Company w.e.f. 29th July, 2009 and who holds office up to 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 a 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.”

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

“RESOLVED THAT Prof. Indiraben J. Parikh, who was appointed by the Board of Directors as an Additional Director of the Company w.e.f. 29th July, 2009 and who holds office up to 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 a deposit of Rs. 500/- in cash proposing her 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.”

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

“RESOLVED THAT Mr. Anand G. Deo, who was appointed by the Board of Directors as an Additional Director of the Company w.e.f. 29th July, 2009 and who holds office up to 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 a 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.”

Notice (Contd...)
9. 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 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactments thereof, for the time being in force), the relevant provisions of Articles of Association of the Company, consent of the members be and is hereby accorded for the appointment of Mr. Anand G. Deo as Managing Director of the Company for a period of five years with effect from 1st August, 2009 on a remuneration as may be decided by the Board of Directors within the overall limits of 5% of the net profits of the Company as calculated under the provisions of sections 349 and 350 of the Companies Act, 1956 in any financial year and on the terms and conditions, benefits and perquisites, as set out in the agreement entered into between the Company and the Managing Director.

RESOLVED FURTHER THAT notwithstanding anything to the contrary contained, where in any financial year during the currency of his tenure, the Company has no profits or its profits are inadequate, remuneration by way of salary and perquisites shall not exceed the aggregate of the annual remuneration as provided above or maximum remuneration payable as per the limits set out in Section II of Part II of Schedule XIII of the Companies Act, 1956, whichever is lower, unless otherwise determined by the Board of Directors.

RESOLVED FURTHER THAT in case of no profits or profits of the company in any financial year is inadequate, in addition to the above, Managing Director shall also be entitled to the following perquisites, which shall not be included in the computation of the ceiling on remuneration stated hereinabove:

- (a) Contribution to provident fund to the extent not taxable under the Income Tax Act, 1961,
- (b) Gratuity payable at the rate not exceeding half a month's salary for each completed years of service and
- (c) Encashment of leave at the end of the tenure.

LASTLY RESOLVED THAT for the purpose of giving effect to this resolution the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds, matters and things as they may in their absolute discretion deem necessary, expedient and proper in the best interest of the Company.

10. 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 section 310 and all other applicable provisions if any, of the Companies Act, 1956 or any other law (including any statutory modification or amendment thereto or re-enactment thereof for the time being in force), in terms of Article 138(c) of the Articles of Association of the Company and the provisions of relevant clauses of Listing Agreement, consent of the members be and is hereby accorded for payment of sitting fees to each non-executive Directors (i.e. Directors other than Managing Director) of Rs. 20,000/- (Rupees Twenty Thousands only) for attending each meeting of the Board of Directors or Committee thereof.

11. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of section 309 and all other applicable provisions if any, of the Companies Act, 1956 or any other law for time being in force (including any statutory modification or amendment thereto or re-enactment thereof for the time being in force), a sum not exceeding one percent per annum of the net profits of the Company, subject to maximum of Rs. 10 Mio. in aggregate calculated in accordance with the provisions of sections 198, 349 and 350 of the Act, be paid to and distributed as

Notice (Contd...)

commission, amongst the Directors of the Company or some or any of them (other than Managing Director) in such amounts or proportions and in such manner and in all respects as may be decided by the Board of Directors and such payments shall be made in respect of the profits of the Company for each year for the period for five years commencing 1st April, 2010.

By Order of the Board

Place : Ahmedabad.
Date : 14th June, 2010.

Dhaval N. Soni
Company Secretary

Registered Office:

"Zydus Tower" Satellite Cross Roads,
Sarkhej-Gandhinagar Highway,
Ahmedabad – 380015.

NOTES:

- 1. 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.

- 2. The Register of Members and Share Transfer Books of the Company will remain closed from 10th July, 2010 to 16th July, 2010 (both days inclusive).**

The dividend, if declared, will be paid on or after 22nd July, 2010 but within the statutory time limit of 30 days, to those members entitled thereto whose names appear in the Register of Members of the Company as on 16th July, 2010. With respect to shares held in dematerialized form in the Depository System, dividend thereon will be paid to the beneficial owners as per the list to be provided by the Depositories.

- 3. Payment of Dividend through National ECS (NECS):**

- A. Members holding shares in physical form are advised to submit particulars of the new bank account number allotted by your bank after implementation of CBS, along with a photocopy of a cheque pertaining to the concerned account directly to Company's Registrar and Share Transfer Agent M/s. Link Intime India Pvt. Ltd., 211, Sudarshan Complex, Nr. Mithakhali Underbridge, Navrangpura, Ahmedabad - 380009.
- B. Members holding shares in demat form are advised to furnish the new bank account number allotted by your bank after implementation of CBS, along with a photocopy of a cheque pertaining to the concerned account, to your Depository Participant (DP), at your earliest for direct credit of dividend to your bank account.

Please note that if you do not provide your new bank account number allotted after implementation of CBS by your bank to your DP, please note that ECS to your old account may be either rejected or returned.

- 4. The bank account particulars of the members will be printed on the dividend warrants in respect of shares held in physical form. Shareholders are requested to send their bank account particulars or any change to the Registrar and Share Transfer Agent at the above address.**

Members holding shares in demat form shall provide particulars of their bank account to their Depository Participants. The Company or its Registrar and Share Transfer Agent will not act on any such request received from members for change in their bank particulars. Further, instructions given by members for shares held in physical form would not be applicable to the dividend paid on shares also held in demat form.

Notice (Contd...)

5. Those members who have not encashed their dividend warrants pertaining to the following financial years are requested to approach the Company for the payment thereof as the same will be transferred to Investor Education and Protection Fund (IEPF), pursuant to section 205A (5) of the Companies Act, 1956 on respective due dates mentioned there against. Kindly note that after such date, the members will loose their rights to claim such dividend.

Accounting Year ended on	Date of declaration of dividend	Dividend payment %	Expected date of transfer of unpaid dividend to IEPF
31st March, 2003	27th September, 2003	6 %	26th September, 2010
31st March, 2004	30th September, 2004	8 %	29th September, 2011
31st March, 2005	29th September, 2005	10 %	28th September, 2012
31st March, 2006	29th September, 2006	10 %	28th September, 2013
31st March, 2007	23rd July, 2007	10 %	22nd July, 2014
31st March, 2008	10th July, 2008	10 %	9th July, 2015
31st March, 2009	28th July, 2009	15 %	27th July, 2016

6. Members holding shares in physical form are requested to intimate Registrar and Share Transfer Agent of the Company viz., M/s. Link Intime India Private Limited, Unit: Zydus Wellness Limited, 211 Sudarshan Complex, Near Mithakhali Six Road, Navrangpura, Ahmedabad-380 009, to notify changes, if any, in their registered address along with Pin Code. Members holding shares in electronic form may update such details with their Depository Participant.
7. Pursuant to clause 49 of the Listing Agreement with the Stock Exchanges, where the equity shares of the Company are listed, additional information pertaining to Directors seeking appointment/re-appointment at the Annual General Meeting is attached hereto.

REQUEST TO THE MEMBERS:

1. Members desiring to have any relevant information on the accounts at the Annual General Meeting are requested to write to the Company at least seven days in advance 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 to the Meeting.

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956

Pursuant to section 173(2) of the Companies Act, 1956, the following explanatory statement sets out the material facts relating to business mentioned under item No. 6 to 11 of the accompanying Notice dated 14th June, 2010.

Item No. 6 & 7

The Board of Directors of the Company at their meeting held on 29th July, 2009, appointed Dr. Belle Monappa Hegde and Prof. Indiraben J. Parikh as Additional Directors on the Board of the Company. As per the provisions of section 260 of the Companies Act, 1956 ("the Act") they hold office up to the date of this Annual General Meeting and are eligible for the appointment as Directors of the Company, liable to retire by rotation.

Notice (Contd...)

Details regarding the persons proposed to be appointed as Directors and their brief resume are given in the Annexure attached to the Notice.

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

Keeping in view the experience, expertise and knowledge of Dr. Hegde and Prof. Parikh, the Board recommends their appointment as Directors of the Company.

Both the Directors may be deemed to be interested in the resolution relating to his / her appointment.

Item No. 8 & 9

Mr. Anand G. Deo is associated with Zydus Cadila group since 2000. He was working as a Senior Vice President and looking after Consumer Products Division ("CPD") of the holding Company. Pursuant to demerger of CPD of the holding Company into Zydus Wellness Limited, his services were transferred to the Company on the same terms and conditions. Mr. Deo has contributed a lot in the development of CPD business of the Company. His pioneering efforts and enriched experience will go a long way to the development of the business of the Company. With his broad background in the development of the business of the Company, he was appointed as an Additional Director with effect from 29th July, 2009 and was appointed as Managing Director of the Company with effect from 1st August, 2009.

The appointment of Mr. Deo as Managing Director was in accordance with the relevant provisions of the Companies Act, 1956 read with schedule XIII of the Act. The appointment was made on a remuneration, which shall not exceed the limits of 5% of the net profits calculated in accordance with the provisions of section 349 and 350 of the Act, by way of salary, dearness allowance, perquisites, commission and other allowance. Within the overall limits, the Board shall decide the remuneration of the Managing Director for each of the financial year during his tenure based on his performance evaluation. The Managing Director was paid the remuneration for the current financial year, from the date of his appointment as Managing Director, as under:

I. Basic Salary: Rs. 13,05,000/-

II. House Rent Allowance: Rs. 11,26,364/-

III. Other Allowances, Bonus and Medical Reimbursements: Rs. 5,83,200/-

IV. Variable Pay: Rs. 10,12,183/- as per the Performance Linked Variable Pay Scheme of the Company

V. Provident Fund, Superannuation Fund & Gratuity:

- (a) Contribution to provident fund to the extent not taxable under the Income Tax Act, 1961,
- (b) Gratuity payable at the rate not exceeding half a month's salary for each completed years of service and
- (c) Encashment of leave at the end of the tenure.

Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of tenure of Managing Director, the Company has no profits or has inadequate profits, the Company will pay remuneration by way of salary, perquisites and allowances specified above as minimum remuneration to the said Managing Director subject to minimum remuneration limits prescribed under schedule XIII of the Act or such other limits as may be prescribed by the Government from time to time as Minimum Remuneration.

The terms of appointment and remuneration given herein may be fixed, altered, varied and increased from time to time by the Board of Directors, at its sole discretion deem fit, so as not to exceed the overall limits of 5 % of the net profits as stated above.

Notice (Contd...)

The abstract pursuant to section 302 of the Act was sent to the members of the Company. The copy of such abstract is available for inspection at the Registered Office of the Company during the office hours on any working day up to the date of the Annual General Meeting.

The remuneration payable and the other terms and conditions of the appointment of Mr. Deo as Managing Director including the payment of minimum remuneration to him in the event of absence or inadequacy of profits in any financial year of the Company is set out in the agreement entered into by the Company with him.

None of the Directors of the Company except the appointee is concerned or interested in this resolution.

The Board recommends the resolution to the members for approval for the appointment of Mr. Deo as Managing Director of the Company.

Item No. 10

The Board of Directors has decided to pay sitting fees of Rs. 20,000/- to all Non-Executive Directors for attending each meeting of the Board or Committees thereof. The sitting fee was decided by the Board within the limits of the provisions of section 310 of the Act and rules made there under. Article 138(c) of the Articles of Association of the Company provides for payment of sitting fees to the Directors for attending the meetings of the Board or Committees thereof.

The Board has decided to pay sitting fees to the Non Executive Directors looking to the progress made by the Company year after year and the valuable contributions and time devoted by these Directors.

The Board recommends the resolution for approval by the members by way of an Ordinary Resolution.

Except Mr. Deo, all Non-Executive Directors are concerned or interested in this resolution.

Item No. 11

Taking into account the increase in the Company's activities and the consequent increase in the responsibilities of the Directors, it is proposed that in terms of section 309(4) of the Act, the Directors (other than the Managing Director) be paid, for each of the five financial years of the Company commencing 1st April, 2010, remuneration by way of Commission not exceeding one percent per annum of the net profits of the Company subject to maximum of Rs. 10 Mio. in aggregate computed with the provisions of the Act. This remuneration will be distributed amongst all or some of the said Directors in accordance with the directions given by the Board.

All the Directors of the Company except the Managing Director are concerned or interested in the resolution to the extent of the commission that may be received by them.

The Board recommends the resolution for approval by the members by way of a Special Resolution.

By Order of the Board

Place : Ahmedabad.

Date : 14th June, 2010.

Registered Office:

"Zydus Tower" Satellite Cross Roads,
Sarkhej-Gandhinagar Highway,
Ahmedabad – 380015.

Dhaval N. Soni
Company Secretary

Annexure to the Notice dated 14th June, 2010

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	Ganesh N. Nayak
Age	55 years
Date of Appointment	27th July, 2006
Brief Resume and nature of expertise in functional areas	Mr. Ganesh Nayak, the Executive Director of Zydus Cadila spearheads the domestic and international operations of the group. He also oversees the Joint Venture companies, API Veterinary and Consumer Products Business. Mr. Nayak joined the group in 1977. With an experience of more than 32 years, he has contributed significantly to the Zydus Cadila's growth over the years. Zydus Cadila has successfully undertaken several expansion plans. With strategic insight and business acumen, Mr. Nayak has played a key role in several M&A deals and alliances. Strategic management skills, long standing expertise in sales and marketing and new insights from the Harvard Business School have catapulted Mr. Nayak to the global league of marketing professionals.
Directorships held in other public Companies (excluding foreign and private Companies)	<ol style="list-style-type: none"> 1. Zydus Animal Health Limited 2. Liva Healthcare Limited
Memberships / Chairmanships of Committees of other Public Companies (includes only Audit Committee and Shareholders' / Investors' Grievance Committee.)	Member: <u>Audit Committee</u> Zydus Animal Health Limited
Number of shares held in the Company	5,213

Annexure to the Notice dated 14th June, 2010 (Contd...)

Name of the Director	Pankaj R. Patel
Age	57 years
Date of Appointment on the Board	27th April, 2009
Brief Resume and nature of expertise in functional areas	<p>Dynamic and farsighted, Mr. Pankaj R. Patel is one of the most successful and highly respected pharma entrepreneurs in India today. With Masters in Pharmaceuticals and Pharmaceutical Technology, Mr. Patel combines both research and techno-commercial expertise. He has published over 50 research papers. As the Chairman and Managing Director of Cadila Healthcare Ltd., flagship Company of the Zydus Cadila Group, one of India's leading pharmaceutical groups, Mr. Patel has been the guiding force behind the group's fast tracked growth. For his innovative business practices that have accelerated Zydus Cadila's growth, Mr. Patel was declared the 'Pharma Man of the Year' by the Federation of Indian Industry and Economists (FIIIE) in 2004. Moreover, Mr. Patel was conferred with the E&Y Entrepreneur of the year 2009 Award in the Healthcare and Life Sciences Category. The World Pharmaceutical Frontiers' in their global ranking of the most influent people in the filed of healthcare had featured Mr. Pankaj Patel in their 'First Pharma 40' list. This list included CEOs, professionals, scientists, entrepreneurs and philanthropists who had made a significant impact in the world of pharmaceuticals and healthcare. Mr. Pankaj Patel is associated with industry associations such as Indian Pharmaceutical Alliance, Indian Drug Manufacturers Association, Federation of Indian Chambers of Commerce & Industry (FICCI), Basic Chemicals, Pharmaceuticals and Cosmetics Export Promotion Council (CHEMEXIL), etc. He also officiated as the President of Gujarat Chamber of Commerce and Industry for the year 2006-07. Mr. Patel is also actively involved in various institutions and is on the advisory committees and academic councils of leading pharmaceutical colleges and management institutes.</p>
Directorships held in other public Companies (excluding foreign and private Companies)	<ol style="list-style-type: none"> 1. Cadila Healthcare Limited 2. Zydus Pharmaceuticals Limited 3. Zydus Animal Health Limited 4. Zydus Technologies Limited 5. Dialforhealth India Limited 6. BAAP Diagnostics Limited 7. Nirma Limited 8. Torrent Power Limited 9. Vadilal Chemicals Limited 10. Karnavati Club Limited
Memberships / Chairmanships of Committees of other Public Companies (includes only Audit Committee and Shareholders' / Investors' Grievance Committee.)	<p>Chairman <u>Audit Committee:</u> <ol style="list-style-type: none"> 1. Dialforhealth India Limited 2. Zydus Animal Health Limited <u>Shareholders'/Investors' Grievance Committee</u> Torrent Power Limited</p> <p>Member: <u>Audit Committee</u> Torrent Power Limited <u>Shareholders'/Investors' Grievance Committee</u> Cadila Healthcare Limited</p>
Number of shares held in the Company	2,665

Annexure to the Notice dated 14th June, 2010 (Contd...)

Name of the Director	Anand G. Deo
Age	52 years
Date of Appointment on the Board	29th July, 2009
Brief Resume and nature of expertise in functional areas	Mr. Anand Deo is B. Tech. in Chemical Engineering from Indian Institute of Technology, Mumbai. Mr. Deo has also done Masters in Management Studies (MMS) from Jamnalal Bajaj Institute of Management Studies, Mumbai. Mr. Deo is associated with Zydus Cadila Group since 2000. Mr. Deo was the Senior Vice President and looked after the entire operations of Consumer Products Division. Mr. Deo was associated with Tata Exports Limited and Corn Products Company India Limited. Mr. Deo was also associated with TTK Group for about 15 years. During his tenure in Zydus Cadila Group, the Company has launched many products.
Directorships held in other public Companies (excluding foreign and private Companies)	Nil
Memberships / Chairmanships of Committees of other Public Companies (includes only Audit Committee and Shareholders' / Investors' Grievance Committee.)	Nil
Number of shares held in the Company	1,300

Annexure to the Notice dated 14th June, 2010 (Contd...)

Name of the Director	Dr. Belle Monappa Hegde
Age	71 years
Date of Appointment on the Board	29th July, 2009
Brief Resume and nature of expertise in functional areas	<p>Dr. Hegde is Padma Bhushan awardee 2010. He is MBBS, MD, FRCP (London), FRCP (Edinburgh), FRCP (Glasgow), FRCPI (Dublin), FACC (USA) and FAMS.</p> <p>Dr. Hegde is:-</p> <ul style="list-style-type: none"> • an affiliate professor of Human health, University of Northern Colorado since 2002. • Chairman of Bihar State health Society's Expert Committee, Patna. • Member of Postgraduate Medical Education Board, Government of India. • Former Chairman, OHIO University Trust, Bangalore. • Chairman, Ganghipathi Engineering College Governing Board, Vellore. • Chairman, Bharatiya Vidya Bhavan, Mangalore Kendra. • Editor in Chief, Journal of the Science of Healing Outcomes, Mangalore and Penn. State University, USA. • Former Vice Chancellor, Manipal University, India. • Former Professor of Cardiology (Visiting) London University since 1982. <p>Dr. Hegde has 45 years of teaching experience to undergraduates and postgraduates. He is a professor of Medicine since 1973. Dr. Hegde has won Dr. B. C. Roy National Award in the category of an Eminent Medical Teacher, Dr. J. C. Bose Award for Life Sciences Research, PRIDE OF INDIA Award from the Pacific Association of Indians in California and many more. Dr. Hegde is also the Chairman of Bharatiya Vidya Bhavan, Mangalore for 35-years.</p>
Directorships held in other public Companies (excluding foreign and private Companies)	<ol style="list-style-type: none"> 1. Manipal Media Network Limited 2. Primacy Industries Limited
Memberships / Chairmanships of Committees of other Public Companies (includes only Audit Committee and Shareholders' / Investors' Grievance Committee.)	Nil
Number of shares held in the Company	Nil

Annexure to the Notice dated 14th June, 2010 (Contd...)

Name of the Director	Prof. Indiraben J. Parikh
Age	66 years
Date of Appointment on the Board	29th July, 2009
Brief Resume and nature of expertise in functional areas	<p>Prof. Indiraben J. Parikh is M. Ed. from Rochester, New York, USA and Ph. D. She was a faculty member at Indian Institute of Management (IIM), Ahmedabad for over 30 years and Dean from 2002 to 2005. She has also taught at INSEAD, Fontainebleau, France and Texas A&M University. Prof. Parikh has been consultant to various national and international organizations. She is the Founder President of Foundation for Liberal and Management Education (FLAME), Pune. She has held the positions of the Chairperson of Organizational Behaviour Area, Fellow Programme in Management (FPM) and more. Prof. Parikh is the Founder Member of Sumedhas, the Academy for Human Context. Prof. Parikh has published books on Profiles in Identity (Co-author), Indian Women–An Inner Dialogue, Young Managers at Cross-Roads (Co-author), Corporate Culture in India (Co-author), Cross Roads of Culture (Co-author) and numerous papers in national and international journals. Prof. Parikh has been awarded:</p> <ol style="list-style-type: none"> Lifetime Achievement Award for Best Teacher in management by Ascent in World HRD Congress, 2001, Lifetime Achievement Award for the contributions to HR by Indira Group of Institutes, Pune, 2003, Lifetime achievement Award by PGP Students, Indian Institute of Management, Ahmedabad (2003-05 Batch), 16th Business School Affaire and Dewang Mehta Business School Award for Lifetime Achievement, Visionary Leader Award by DNA & Stars of the Industry Group.
Directorships held in other public Companies (excluding foreign and private Companies)	<ol style="list-style-type: none"> Indian Oil Corporation Limited Sintex Industries Limited Anil Products Limited Mahindra Gujarat Tractors Limited Marck Bio-Sciences Limited
Memberships / Chairmanships of Committees of other Public Companies (includes only Audit Committee and Shareholders' / Investors' Grievance Committee.)	Nil
Number of shares held in the Company	Nil

Directors' Report

To,
The Members of
Zydus Wellness Limited

Your directors have pleasure in presenting **SIXTEENTH** Annual Report of the Company along with the Audited statement of accounts for the year ended 31st March, 2010. The summarised results are given below:

SUMMARISED FINANCIAL HIGHLIGHTS

For the year ended	INR - Lacs		Growth (%)
	31st March, 2010	31st March, 2009	
Sales and Other Income	27402	19582	39.9
Profit before Interest, Depreciation, Exceptional expenses & Tax (PBIDET)	7319	3981	83.8
Less : Depreciation	159	167	(5.1)
Profit before Interest, Exceptional expenses & Tax (PBIET)	7160	3814	86.7
Less : Interest	9	7	41.7
Expenses incurred on Composite Scheme of Arrangement	220	160	37.0
Profit Before Tax (PBT)	6931	3647	90.0
Less : Provision for Tax	2404	1267	89.8
Profit After Tax (PAT)	4527	2380	90.2
Add : Profit brought forward from the previous year	2491	1097	
Profit available for appropriation, which is appropriated as follows:	7018	3477	
Proposed Dividend	1172	586	100.0
Corporate Dividend Tax on Proposed Dividend	195	100	95.0
Transferred to General Reserve	455	300	
Balance carried to Balance Sheet	5196	2491	
Total	7018	3477	
Basic and Diluted Earnings per share (EPS of FV Rs. 10/-) [in Rupees]			
- Before Exceptional items	12.15	6.50	
- After Exceptional items	11.59	6.09	

Directors' Report (Contd...)

For the year ended on 31st March, 2010, the sales and other income of the Company have increased by 39.9% to Rs. 27402 lacs compared to Rs. 19582 lacs in the previous year. Profit before Interest, Depreciation & Tax increased to Rs. 7319 lacs compared to Rs. 3981 lacs in the previous year. The Profit after Tax increased to Rs. 4527 lacs compared to Rs. 2380 lacs in the previous year. The Company achieved EPS (after exception items) of 11.59 compared to Rs. 6.09 in 2008–09. A detailed analysis of performance for the year has been included in the Management Discussion and Analysis, which forms part of the Annual Report.

DIVIDEND

Your Directors are pleased to recommend a dividend of Rs. 3/- per equity share (30%) (Previous year Rs. 1.5/- per equity share) on 39,072,089 equity shares of Rs. 10/- each fully paid-up for the financial year ended on 31st March 2010.

LISTING OF EQUITY SHARES OF THE COMPANY ON NATIONAL STOCK EXCHANGE OF INDIA LIMITED ("NSE")

The Equity Shares of the Company have been listed and admitted for dealings on National Stock Exchange of India Limited w.e.f. 13th November, 2009.

FIXED DEPOSITS

The Company has not accepted any deposits during the year.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 ("the Act") read with Articles of Association of the Company, Mr. Ganesh N. Nayak and Mr. Pankaj R. Patel, Directors retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment. The Board recommends their re-appointment.

Mr. Jitendra R. Patel ceased to be the Managing Director w.e.f. 29th July, 2009. The Board placed on record the contribution made and the valuable services rendered by him during his association with the Company.

Dr. B. M. Hegde, Prof. Indiraben J. Parikh and Mr. Anand G. Deo were appointed as Additional Directors pursuant to section 260 of the Act w.e.f. 29th July, 2009. They shall hold office up to the date of the ensuing Annual General Meeting. The Company has received notices in writing from the members along with a deposit of Rs. 500/- each pursuant to the provisions of section 257 of the Act, proposing their candidature for the office of Directors liable to retire by rotation. The Board recommends their appointment as Directors.

Mr. Anand G. Deo was appointed as Managing Director of the Company w.e.f. 1st August, 2009, which is subject to approval of shareholders at the ensuing Annual General Meeting on the terms and conditions as contained in the agreement entered between the Company and Managing Director.

In accordance with the stipulation under clause 49 of the Listing Agreement, brief resume of the Directors seeking appointment/re-appointment at the ensuing Annual General Meeting together with the nature of their expertise in specific functional areas and names of companies in which they hold office as Director and/or Chairman/Member of Committees of the Board is annexed to the notice.

AUDITORS

M/s Mukesh M. Shah & Co., Chartered Accountants, the statutory auditors of the Company have expressed their unwillingness for re-appointment at the ensuing Annual General Meeting. The Audit Committee members and the

Directors' Report (Contd...)

Board of Directors have recommended the appointment of M/s Manubhai & Co., Chartered Accountants as the Statutory Auditors of the Company to hold office from the conclusion of the ensuing Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration. The Company has received a letter from M/s Manubhai & Co., Chartered Accountants under the provisions of section 224(1B) of the Companies Act, 1956 expressing their willingness for appointment as Statutory Auditors, if made by the members will be within the statutory limits prescribed.

INTERNAL AUDIT

During the year under review, the Company has engaged the services of M/s. Kantilal Patel & Co., Chartered Accountants, Ahmedabad as Internal Auditors to carry out internal audit on regular basis. The reports of the internal audit were presented for review before the Audit Committee. The Audit Committee also scrutinizes all the programmes and adequacy of the internal audits.

DISCLOSURES

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

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

As required under section 217(2) of the Companies Act, 1956, the Board of Directors informs the members that during the financial year there has been:

- * no change in the nature of the Company's business and
- * no change in the classes of business in which the company has an interest.

MANAGEMENT DISCUSSION AND ANALYSIS (MDA)

MDA covering details of operations, markets, opportunities and threats, etc. for the year under review is given as a separate statement, which forms 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:

- (a) the Annual Accounts for the year ended 31st March 2010 are prepared on going concern basis;
- (b) in preparation of the Annual Accounts, all the applicable accounting standards have been followed. Necessary explanations are given for material departures, if any;
- (c) 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, 2010 and of the profit of the Company for the year ended on that date and
- (d) 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.

Directors' Report (Contd...)**CORPORATE GOVERNANCE**

In terms of clause 49 of the Listing Agreement with the Stock Exchanges, Corporate Governance Report is made part of this Annual report.

In compliance of section 292A of the Companies Act, 1956 and Listing Agreement, an Audit Committee has been formed.

A certificate from Hitesh Buch & Associates, Practicing Company Secretaries regarding compliance of the conditions stipulated under clause 49 of the Listing Agreement is attached to the Corporate Governance Report.

PARTICULARS OF EMPLOYEES

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

ACKNOWLEDGMENT

Your Directors wish to place on record their sincere appreciation for significant contribution made by the employees at all levels through their dedication, hard work and commitment, enabling the Company to achieve good performance during the year under review.

Your Directors also take this opportunity to place on record the valuable co-operation and continued support extended by the banks, government, business associates and the shareholders for their continued confidence reposed in the Company and look forward to having the same support in all future endeavors.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Place : Ahmedabad.
Date : 14th June, 2010.

Pankaj R. Patel
Chairman

Annexure to the Directors' Report

Additional information as required under the Companies (Disclosures in the Report of Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY

(a) Energy Conservation measures taken

- Several energy conservation steps were initiated at the manufacturing site such as reduction in lighting load, rationalization in running hours of non-critical equipments, improvement of power factor, etc.
- Noise level at various work places is routinely measured. Necessary noise reduction measures are initiated to keep the noise levels within acceptable limits.

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy: No

(c) Impact of measures taken

The adoption of energy conservation measures indicated above has resulted in awareness amongst the employees. It will have a long term impact on savings of extra costs on energy.

FORM A – FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

	Unit of Measure	2009-10	2008-09
A. Power and Fuel Consumption:			
1. Electricity:			
(a) Purchased:			
Units	Nos.	1464708	1222544
Total Amount	Th. Rs.	8009	6762
Rate/Unit	Rs.	5.46	5.53
(b) Own Generation:			
Through Diesel Generator:			
Units	Nos.	10492 units (4465 ltr. Diesel consumed)	7931 units (3700 ltr. Diesel consumed)
Units per ltr. of Diesel oil		2.35	2.14
Cost/Unit	Rs.	16.59	16.35
2. Others/Internal Generation:			
Solid Fuel (wood):			
Quantity	Kgs.	500975	300000
Total Cost	Th. Rs.	1642	898
Rate/Unit	Rs.	3.28	2.99
B. Consumption per unit of production :			
Product / unit		Margarine / ton 9377	Margarine / ton 7139
Electricity consumed	Nos.	0.1562 KWh	0.1723 KWh

Annexure to the Directors' Report (Contd...)
FORM B - FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION
(1) RESEARCH & DEVELOPMENT (R&D)

Specific areas in which R & D activities carried out by the Company – **NIL**

Benefits derived as a result of the above R & D – **N.A.**

Future plan of action: **N.A.**

Expenditure on R & D:

Capital – **Nil**

Recurring – **Nil**

Total – **Nil**

Total R & D expenditure as a percentage of total turnover – **Nil**

(2) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

The Company has not imported any technology during last five years.

(3) FOREIGN EXCHANGE EARNINGS AND OUTGO

Particulars	RUPEES (in lacs)	
	2009-10	2008-09
Earnings	Nil	Nil
Outgo		
1. CIF value of imports	3	64
2. Expenditure in foreign currency	1	3

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Place : Ahmedabad.
Date : 14th June, 2010.

Pankaj R. Patel
Chairman

Management Discussion and Analysis Report 2009-2010

CONSUMER HEALTHCARE AND WELLNESS – AN EMERGING MARKET

A combination of changing lifestyles, higher disposable income, greater product awareness and affordable pricing have been instrumental in changing the pattern and amount of consumer expenditure leading to strong growth in the consumer wellness segment. With the increasing consciousness of Indian consumers for health and wellness and the rising affordability and willingness to spend more on fitness, the consumer wellness business provides tremendous opportunity for growth. The products which are healthy, nutritious and nourishing will have a tremendous potential in the consumer wellness domain.

OVERVIEW – YEAR 2009-10

State of Economy, Industry and our Business

The Indian economy, as measured by its GDP, is expected to have grown by 7.2% in 2009-10 compared to 6.7% in 2008-09. Though the growth rate has come down from the level of over 9% during 2005 to 2008, it is still remarkable considering the global economic scenario. Moreover, the gradual recovery in the GDP growth was broad based, as seven out of eight sectors have shown the growth rates of over 6.5%. Index of Industrial Production (“IIP”), the barometer of Indian industry, is expected to have grown by nearly 10% in 2009-10 compared to less than 3% in 2008-09, clearly indicating that the Indian industry is back on the growth track. The rise in capital inflows aided by the growth in exports and increasing foreign investments and weak economic conditions in other countries resulted in sharp appreciation in the Indian Rupee vis-à-vis other currencies. The steep rise in inflation has, however, been a major area of concern. The annual inflation rate measured in terms of Wholesale Price Index (WPI), which was 1.2% in the beginning of the year, remained negative in the initial period during the year, but started rising in the second half, and was 9.9% at the end of the year. This has prompted the government to initiate tightening of monetary controls to curb the inflation. (Source: Monthly Economic Report, March 2010 as published by Ministry of Finance, Govt. of India)

According to a study by the McKinsey Global Institute (MGI), ‘Bird of Gold’: The Rise of India’s Consumer Market, Indian incomes are likely to grow three-fold over the next two decades and India will become the world’s fifth largest consumer market by 2025, moving up from its 2007 position as the world’s 12th largest consumer market.

India ranks 2nd in the Nielsen Global Consumer Confidence survey released in January 2010—an indication that recovery from the economic downturn is faster in India with consumers more willing to spend. The survey showed that in addition to the emerging markets of Indonesia and India, eight of the top ten most confident markets in the fourth quarter of 2009 came from the Asia Pacific region.

As socio-economic changes sweep across India, the country is witnessing the creation of many new markets and a further expansion of the existing ones. Pradeep Kashyap, chief executive officer of MART Rural Solutions, speaking at the Calcutta Management Association Rural Marketing Meet, said that over 300 million people would move up from the category of rural poor to rural lower middle class between 2005 and 2025 and rural consumption levels are expected to rise to current urban levels by 2017.

Despite the economic slowdown, India’s fast moving consumer goods (FMCG) sector is poised for a higher growth. The implementation of the proposed Goods and Services Tax (GST) and the opening of Foreign Direct Investment (FDI) are expected to fuel the growth further and raise the industry’s size to US\$ 47 billion by 2013 and US\$ 95 billion by 2018. (Source: FICCI-Technopack Report)

During the year 2009-10, the Company maintained its track record of achieving newer heights with an all-round performance from all the three pillar brands, and registered sales of Rs. 2675 Mio., up by 37% and net profit of Rs. 453 Mio, up by 90%. All of the three brands grew by over 25%, and maintained their leadership position in their respective categories. The significant pull effect generated through focused promotion and advertising helped achieve this performance.

Management Discussion and Analysis Report 2009-2010 (Contd...)

During the year under review, the Company took a number of initiatives to strengthen its position as a leading player as enumerated below:

Sugar Free – India's largest selling low calorie sweetener

Sugar Free has consolidated its position in the low calorie sugar substitute market at the top with a market share of more than 80%. Both Sugar Free Gold and Sugar Free Natura are the top two brands with the overall market share of 65% and 17% respectively. Being the category leader, the brand was instrumental in driving the category growth.

The robust performance of Sugar Free with an acceleration in growth momentum was led by some strong strategic moves in both the variants. Sugar Free Gold, at the commencement of the year, focused on increasing the usage through summer application other than tea and coffee, highlighting a simple message of "Refreshment vs. Calories". It was supported with 360 degree initiatives and sampling of Sugar Free refreshments. Sugar Free Natura also consolidated and improved its market share on the back of continuous support of an effective communication highlighting its usage of cooking and baking through the campaign of Sugar Free Natura—the "Diet Sugar". It was supported through various initiatives of live cooking with Sugar Free Natura to drive home the point of convenience with low calorie sweeteners. With the continuous brand initiatives, the Company has now been able to establish powder application as a subcategory within the low calorie sweetener

The Company also launched Sugar Free Natura Flavored sachets in Lemon Mint and Ginger Masala flavours recently to enhance the consumer experience and offer a wider choice to the customers.

Going forward, the Company is planning to launch various value added products to provide the consumers, the Sugar Free experience in various forms.

EverYuth – niche range of skincare products

The year 2009-10 witnessed the consolidation of the EverYuth portfolio in the market and in the minds of consumers alike. A host of innovative marketing initiatives, trade visibility and sales thrust, helped the robust growth of EverYuth.

The brand EverYuth maintained leadership positions in the scrubs category with 69.5% volume share and Peel-Offs category with 98.6% volume share, growing faster than the category (Source: Nielsen Survey, March 2010). The Face Wash category continued to be the most fiercely fought in skin cleansers with MNCs and domestic companies fighting to gain shares. EverYuth stood at 13% volume share in this category.

The brand EverYuth made a foray into the emerging male grooming segment with EverYuth Menz. The range of basic skincare products like facewash, scrub and moisturizer were launched with 'value for money' pricing. It has been well received by the trade and consumers alike.

A focused creative communication along with good advertising support ensured appropriate visibility of the brand in different mediums. The new theme communication developed for scrub led to a higher volumes of the brand consolidating its position in the market and getting new users into its fold.

The Company has been motivated by its success in these categories to work on several other newer concepts in skincare and consolidate its position further.

To cater to the growing demand of Sugar Free and EverYuth, which are outsourced at present, the Company is setting up a manufacturing facility in Sikkim, which is expected to be commissioned in 2010-11. This state-of-the-art facility will be sufficient to meet the supply requirements for the next five to seven years.

Nutralite – 'Health First, Taste Always'

The food processing industry continues to play an important role providing the much needed growth impetus to the FMCG sector in India. It is one of the sunshine sectors of the growing Indian economy, and is likely to show a robust performance year after year. Much of this growth is fueled by the packaged food products being

Management Discussion and Analysis Report 2009-2010 (Contd...)

launched by numerous players. The innovative products with unique packaging to ensure improved product shelf life and increased acceptance by consumers have facilitated the growth. Apart from the traditional foods, consumers are also switching to the healthier alternatives which are being introduced in the country by established companies within India as well as the developed economies.

Nutralite, since it's re-launch 4 years back, has gained a strong foothold in this sector. It has become a role model for many small and medium sized companies to try their hands on this growing segment. Nutralite enjoys a reputation of being a quality product and is free of trans fats, hydrogenated fats and cholesterol. In order to meet the changing requirements of the consumers, the taste of the product was enhanced during the last year and it has gained better response from all quarters. With this development, Nutralite now offers goodness in both- 'Health' as well as 'Taste'. However, the brand believes in 'Health First' as the right of every Indian, and therefore, would continue its focus on health as an area for further product development in the coming years. These initiatives, coupled with favourable market conditions, have helped Nutralite post a strong growth in 2009-10. Production capacity for Nutralite at the facility based in Ahmedabad is being enhanced to meet the increasing demand. Continuing initiatives taken by the Company during the past few years in distribution, brand building and product development, are expected to lead to similar Sales performance in the coming years.

As in the developed markets, in India too, healthier alternatives to butter have gained acceptance. The products, which are now available to the consumers, are well researched and in line with changing lifestyle and eating habits.

The Company envisions creating newer experiences through products that will nourish, nurture and energise the lives of the consumers and aims at becoming a Rs. 500 crore company by 2013-14. With a continuous thrust on strengthening its brands portfolio through promotion and expansion of reach to more and more consumers, launch of newer variants within existing categories and exploring possibilities of entering newer categories in the wellness domain, the Company is confident of achieving its vision and bringing wellness to the lives of all its stakeholders.

FINANCIAL HIGHLIGHTS

Operating Incomes

Sales

The gross sales revenue grew by 37% to Rs. 2,675 Mio. in 2009-10. The sales growth was driven by higher growth in all the three pillar brands.

Other Incomes

Other incomes, which mainly include interest earned on the fixed deposits, increased six fold to Rs. 65 Mio., on account of increase in the fixed deposits.

Operating expenses

Material Cost

The consumption of materials and finished goods increased by 19% to Rs. 862 Mio. Total consumption as % to gross sales reduced from about 37.3% last year to 32.2% mainly on account of reduced raw material prices, favourable product mix and better realization across all the product categories.

Personnel Costs

The Personnel cost increased by 18.5% y-y to Rs. 93 Mio., both due to the net addition in manpower and an increase in the average cost per employee.

Management Discussion and Analysis Report 2009-2010 (Contd...)

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

The manufacturing, selling, distribution and other general administration expenses increased by 39.6% y-y to Rs. 1053 Mio. This was mainly on account of an increase in the marketing expenses by 40% due to increase in the promotional activities to strengthen our brand equity across all segments. Overall MSGA as % to gross sales were at 39.3% compared to 38.7% last year.

Depreciation and Amortization

Depreciation and amortization expenses reduced by 4% y-y to Rs. 16 Mio. The reduction was mainly on account of full depreciation charge provided on items costing below Rs. 10,000 last year, on which no further depreciation has been provided in 2009-10.

Exceptional Items

Exceptional expenses of Rs. 22 Mio. include expenses incurred on merger of consumer healthcare business of Cadila Healthcare Ltd. under the composite scheme of arrangement with the Company.

Profits and margins

The EBITDA (Earnings before interest, tax, depreciation and amortisation excluding non operating incomes) increased by 73% to Rs. 672 Mio. The EBITDA margin as % to sales increased by 5.2% to 25.1% from 19.9% in the previous year, mainly on account of better gross margins.

The profit before tax and exceptional items increased by 88% y-y to Rs. 715 Mio. As a % to sales, PBT before exceptional items increased to 26.7% as against 19.6% last year.

Net profit after tax grew by 90% y-y to Rs. 453 Mio. from Rs. 238 Mio. last year. The net margin stood at 16.9% vis-à-vis 12.2% last year. However, excluding the impact of exceptional items (net of tax), the net profit grew by 88% to Rs. 467 Mio., and net margin excluding exceptional items was at 17.4% compared to 12.8% last year.

Net Worth

The net worth as at 31st March, 2010 stood at Rs. 1006 Mio., up by 46% from last year. Retained earnings of Rs. 316 Mio. (net profit less dividend) contributed to this rise.

Fixed Assets and Capital Expenditure

The gross block (including capital work in progress and project expenditure pending capitalisation) at the end of 2009-10 was Rs. 508 Mio. Additions to the fixed assets during the year mainly include the expenditure incurred towards creating the new manufacturing facility at Sikkim.

Working capital and liquidity

Working capital level at the end of 2009-10 was of Rs. 562 Mio., which increased by Rs. 261 Mio. from the last year. This was mainly due to increase in cash and bank balance by Rs. 498 Mio., which stood at Rs. 1005 Mio. at the end of the year. The overall current ratio at the end of the year 2009-10 stood at 1.73. Excluding cash and bank balance, the working capital remained negative, as was in the last year, and the current ratio stood at 0.43.

Accounts Receivables balance of Rs. 14 Mio. mainly includes sales made in the last week of March-10. The average inventory levels of input materials (raw and packing materials) reduced to below 10 days of consumption from about 10 days in the last year, while the average levels of finished goods inventories increased to 36 days of cost of goods sold from about 33 days in the last year.

Management Discussion and Analysis Report 2009-2010 (Contd...)

Risk Identification, Risk Mitigation and Internal Controls

The Company's business comprises of marketing of sugar substitutes and skincare products and manufacturing and marketing of butter substitutes in India. Its presence in these segments exposes it to various risks which are explained below.

Risk of fluctuations in prices of key inputs

Refined vegetable oil is the major input for manufacturing of table spread butter substitutes and its prices are pegged to international prices as well as the government price control mechanisms. The prices remain volatile depending upon the production and supplies of the vegetable oil. Though the Company does not manufacture Sugar Free and EverYuth variants, any fluctuation in prices of Aspartame, the key ingredient of Sugar Free Gold and the key inputs of some of the variants of EverYuth, which are imported by its suppliers, or any fluctuation in the foreign exchange rates affects the prices at which these products are sourced from the suppliers. The Company has entered into long term contracts with its suppliers to minimize the risk of fluctuations in the input prices on its margins.

Risk of competition and price pressure

Though the Company's products enjoy a leading position in their respective categories, the risk of entry of newer players in the market always exists. However, the Company's strength in the market place, coupled with its continuous thrust on improving quality of its products and offering newer products in the wellness segment provide it an edge over the competition.

Since a bulk of the margarine business and a portion of sugar substitutes and skincare business come from institutional segment and large retail outlets, value erosion is expected due to heavy price undercutting by the new players in the market and purchasing clout enjoyed by large retail outlets. The Company is confident of meeting the challenge of competition.

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

Being in the consumer healthcare and wellness segment, the Company's products and their manufacturing and supply chain processes are required to maintain certain 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 complaints from its customers.. The Company always strives to ensure highest standards of quality of its products and processes, and continuously works on improving the quality.

Having strong brand equity in each of the segments, the Company faces the risk of unauthorized and illegitimate use of its brand name, packing style, and other intellectual properties related to its products. The Company ensures protection of its intellectual property through appropriate registrations and other legal measures.

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 strategy and implementation of the same takes place in a structured manner. Though the various risks associated with the business cannot be eliminated completely, all the efforts are made to minimize the impact of such risks on the operations of the Company. The necessary internal control systems have also been put in place by the Company on various activities across the board to ensure that business operations are directed towards attaining the stated organisational objectives with optimum utilization of the resources. Apart from these internal control procedures, a welldefined and established system of internal audit is in place to independently review and strengthen these control measures, which is carried out by a reputed firm of Chartered Accountants. The Audit Committee of the Company regularly reviews the reports of the internal auditors and recommends actions for further improvement of the internal controls and remedy for any weakness in the systems. The Audit Committee also co-ordinates with the external auditors to ensure compliances with the accounting standards.

Corporate Governance Report

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company follows fair, ethical and transparent governance practices by adopting high standard of professionalism, honesty, integrity and ethical behaviour. The company strongly believes in value creation and sustainable growth for the stakeholders viz. customers, creditors, employees, vendors etc. The Company has a defined set of guidelines for its internal governance based on business ethics, legal compliance and professional conduct. The Company is committed to strive for satisfaction of all stakeholders in a balanced manner through sustainable growth and profitability. The Company has an adequate internal control system.

The Company has complied with the provisions of clause 49 of the Listing Agreement with the Stock Exchanges, which deals with the compliance of Corporate Governance requirements as detailed below:

2. BOARD OF DIRECTORS:

a) Composition of the Board:

The composition of the Board of Directors, with reference to the number of Executive and Non Executive Directors meets with the requirements of Code of Corporate Governance. As on 31st March, 2010, out of the Board composition of 8 Directors, 7 are Non Executive Directors. The Company has a Non Executive Chairman, who is from the holding Company and the number of Independent Directors are four, which is half of the total strength of the Board as required by the provisions of the Listing Agreement. All the Independent Directors have confirmed that they meet with the 'independence' criteria as mentioned under clause 49 of the Listing Agreement. The Independent Directors have expert knowledge of finance, taxation and industry, thus the Board represents a balanced mix of professionals, their knowledge and expertise.

Board Meetings / Director's Particulars:

During the financial year 2009-10, 4 meetings of the Board of Directors were held on 27th April, 2009, 29th July, 2009, 14th October, 2009 and 25th January, 2010. The Company has complied with the provisions of clause 49 of the Listing Agreement and the requirements under the Companies Act, 1956 for holding a Board Meeting at least once in each quarter and the maximum time gap between two meetings was not more than 4 months.

The Board Agenda papers are prepared by the Company Secretary in consultation with the Chairman. The Directors may bring up any matter for discussion at the Board Meeting with the permission of the Chair.

Agenda papers for Board Meetings containing all necessary documents / information, as specified in clause 49 of the Listing Agreement, whenever applicable and materially significant, are made available to the Board well in advance. In very exceptional and urgent cases, some issues are tabled during the Board Meeting. The draft minutes of the meeting are approved by the Chairman and thereafter circulated to all the Directors. The annual calendar of Board Meetings is decided by the Board of Directors during the meeting in advance.

None of the Directors on the Company's Board is a Member of more than 10 Committees and Chairman of more than 5 Committees (Committees being, Audit Committee and Investors' Grievance Committee) across all companies in which he is Director.

The following table gives the attendance of the Directors at the Board Meetings of the Company and also the number of other Directorship other than the Company and Chairmanship / membership in Board Committees of public limited companies.

Corporate Governance Report (Contd...)

Name of Directors	Category and Position	No. of Board Meeting		Whether attended last AGM	Member (Chairman)* of other Board Committees **	Number of other Directorships held
		Held	Attended			
Mr. Pankaj R. Patel	Chairman and Non Executive	4	4	Yes	5 (3)	10
Dr. Sharvil P. Patel***	Non Executive	4	3	Yes	1	5
Mr. H. Dhanrajgir	Non Executive and Independent	4	3	Yes	8 (2)	7
Dr. B. M. Hegde****	Non Executive and Independent	4	3	N.A.	1	2
Prof. Indiraben J. Parikh *****	Non Executive and Independent	4	2	N.A.	1	5
Mr. Mukesh M. Patel	Non Executive and Independent	4	4	Yes	9 (5)	8
Mr. Ganesh N. Nayak	Non Executive	4	3	No	3 (1)	2
Mr. Anand G. Deo****	Managing Director	4	3	N.A.	0	0
Mr. Jitendra R. Patel *****	Managing Director	4	2	Yes	0	0

* Figures in () indicate the number of Board Committees of which Director is Chairman

** Other Committees means Audit Committee and Shareholders' / Investors' Grievance Committee

*** Son of Mr. Pankaj R. Patel

**** Appointed as Director w.e.f. 29th July, 2009

***** Ceased to be Managing Director w.e.f. 29th July, 2009

Number, day, date and venue of Board Meetings held during the year

The Board meeting dates were normally determined in advance. During the year, the Board met four times, the details of which are as follows:

Number	Day	Date	Venue
1.	Monday	27th April, 2009	Ahmedabad
2.	Wednesday	29th July, 2009	Ahmedabad
3.	Wednesday	14th October, 2009	Ahmedabad
4.	Monday	25th January, 2010	Mumbai

Review of compliance reports by the Board of Directors

Compliance certificates confirming the due compliance with the statutory requirements are placed at the Board Meeting for review by the Directors. A system of ensuring material compliance with the laws, orders, regulations and business and affairs of the Company is in place. Instances of non-compliance, if any, are also separately reported to the Board and subsequently rectified.

b) Non Executive Directors' Compensation and Disclosures:

Non Executive Directors are paid sitting fees of Rs. 5,500/- for attending each Board Meeting and Audit Committee Meeting w.e.f. 1st July, 2009. As required under the Listing Agreement, payment of sitting fees is proposed for the approval of the members at the ensuing Annual General Meeting of the Company scheduled to be held on 16th July, 2010.

Apart from the above, there are no materially significant related party transactions, pecuniary transaction or relationship between the Company and its Directors except those disclosed in the financial statements for the year ended on 31st March, 2010.

3. COMMITTEES OF THE BOARD

At present, the Company has the following Board level Committees, namely:

- A Audit Committee
- B Share Transfer Committee
- C Shareholders' / Investors' Grievance Committee
- D Committee of Directors

a) Audit Committee
Terms of Reference

The Audit Committee was formed on 25th March, 2003 and was lastly reconstituted on 29th July, 2009, consequent upon the change in the Board of Directors.

The composition and terms of reference of the Audit Committee meet with the requirements specified under clause 49 of the Listing Agreement and section 292A of the Companies Act, 1956.

The role of the Audit Committee, amongst others, includes the following:

- Supervision 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,
- Reviewing the observations of statutory auditors about the findings during the audit of the Company,
- Keeping watch on timely payment to shareholders and creditors,
- Reviewing the performance of statutory auditors and recommending to the Board, the appointment/ re-appointment of the Statutory Auditors,
- Reviewing management discussion and analysis of financial condition and result of operations,
- Reviewing of significant related party transactions.

The Company continued to benefit from the deliberations in the Audit committee meetings, as members are experienced in the areas of finance, accounts, taxation, corporate laws, marketing and the industry. It ensures accurate and timely disclosures that maintain the transparency, integrity and quality of financial control and reporting.

Corporate Governance Report (Contd...)

Composition, Name of Members and Chairman

Audit Committee was lastly reconstituted on 29th July, 2009. Dr. B. M. Hegde and Prof. Indiraben J. Parikh were inducted as the members of the Committee. Members of the committee have accounting, financial and management knowledge, whereas few members have financial and management expertise.

Mr. Mukesh M. Patel is the Chairman of the Committee and he was present at the last Annual General Meeting.

Meetings and Attendance during the year

During the year, four Audit Committee Meetings were held on the following dates: 27th April, 2009, 29th July, 2009, 14th October, 2009 and 25th January, 2010.

The details of attendance of committee members at the meetings are provided in the following table:

Sr. No.	Name of the Member	No. of Meetings	
		Held	Attended
1.	Mr. Mukesh M. Patel	4	4
2.	Mr. H. Dhanrajgir	4	3
3.	Dr. B. M. Hegde *	4	3
4.	Prof. Indiraben J. Parikh *	4	2
5.	Mr. Ganesh N. Nayak	4	3

* Appointed as member w.e.f. 29th July, 2009.

The Chairman, Managing Director, Chief Financial Officer, Statutory Auditors and Internal Auditors are invited to the meetings of the Audit Committee. The Company Secretary acts as a secretary to the Committee.

b) Share Transfer Committee

The Board re-constituted the Share Transfer Committee on 27th July, 2006. The Committee is empowered to perform all the functions of the Board in relation to approval and monitoring transfers, transmission, dematerialisation, rematerialisation and issue of duplicate share certificates, splitting and consolidation of shares issued by the Company.

The Share Transfer Committee comprises of the following members:

Mr. Mukesh M. Patel – Chairman

Mr. Ganesh N. Nayak – Member

The Committee meets on a need basis at least twice a month to ensure the regular process of transfers / transmission and Dematerialisation / Rematerialisation of shares and issuance of duplicate share certificates.

c) Shareholders'/Investors' Grievance Committee

The Board reconstituted Shareholders' / Investors' Grievances Committee on 27th April, 2009, which is empowered to perform all functions of the Board in relation to handling Shareholders'/Investors' grievances. The Committee primarily focuses on redressal of shareholders / investors complaints received by the Company and their resolution. The Committee also oversees the performance of the Registrar and Share Transfer Agent as well as recommends suggestions to improve services to the investors.

The Company has acted upon all valid share transfers received during the year 2009-10. There were no transfers and complaints pending / unattended as on 31st March, 2010.

Corporate Governance Report (Contd...)

Meetings and Attendance during the year

During the year, four meetings were held on 27th April, 2009, 29th July, 2009, 14th October, 2009 and 25th January, 2010. The details of attendance of committee members at the meetings are provided in the following table.

Sr. No.	Name of the Member	No. of Meetings	
		Held	Attended
1.	Mr. Ganesh N. Nayak - Chairman	4	3
2.	Mr. H. Dhanrajgir	4	2
3.	Mr. Mukesh M. Patel	4	4

The Committee ensures that communications received from shareholders / investors pertaining to dividend warrants, transfer of physical shares/change of address/bank mandates/revalidation of dividend warrants/split/consolidation/remat, etc. have been answered and redressed to the satisfaction of the shareholders.

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

As on 31st March, 2010, 64,479 Equity Shares remained in the in-transit account with National Securities Depository Limited and Central Depository Services (India) Limited.

Investors may send their query to the Company Secretary at the following address.

Mr. Dhaval N. Soni

Company Secretary

Zydus Wellness Limited

Registered Office: "Zydus Tower", Satellite Cross Roads, Sarkhej Gandhinagar Highway, Ahmedabad-380 015.

dhavalsoni@zyduscadila.com

d) Committee of Directors

The Committee of Directors comprises of four Directors namely, (1) Mr. Pankaj R. Patel-Chairman, (2) Dr. Sharvil P. Patel, (3) Mr. Mukesh M. Patel and (4) Mr. Anand G. Deo. The Committee looks after the businesses, which are administrative in nature within Board approved direction/framework. The Committee met once during the year. The Chief Financial Officer and the Company Secretary remain present at the meeting. The concerned officers, whenever require also remain present at the meeting. The Company Secretary acts as a secretary to the Committee. Minutes of the Committee are placed before the Board for its information.

4. CEO/CFO CERTIFICATION

The requisite certification from the Managing Director and Chief Financial Officer required to be given under clause 49(v) of the Listing Agreement was placed before the Board of Directors of the Company.

5. GENERAL BODY MEETINGS

Details of last three Annual General Meetings held are mentioned below:

Financial Year	Date & Time	Venue
2008-2009	28.07.2009 3.00 p.m.	Bhaikaka Bhavan, Near Law Garden, Ellisbridge, Ahmedabad-380006.
2007-2008	10.07.2008 10.00 a.m.	Seminar Hall, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad- 380015.
2006-2007	23.07.2007 10.00 a.m.	Seminar Hall, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad- 380015.

Corporate Governance Report (Contd...)

Postal Ballot

During the year, the Company sought the approval of shareholders by way of Postal Ballot for passing a resolution for alteration in the object clause of the Memorandum of Association pursuant to section 17 of the Companies Act, 1956.

Mr. Dhirajlal Sanghavi, Practicing Company Secretary was appointed as scrutinizer for conducting the postal ballot process.

The details of voting pattern of the Special Resolution passed by way of Postal Ballot are as under:

No. and percentage of votes casted in			
Favour		Against	
No. of Votes	% votes	No. of Votes	% votes
28406887	99.31 %	197473	0.69 %

The resolution was passed with requisite majority.

The Company has complied with all the procedural formalities for the conduct of Postal Ballot.

6. DISCLOSURES

a) Related Party Transactions:

The Company has not entered into any transaction of material nature with related parties i.e. Directors or their relatives, which may conflict with the interest of the Company at large. The Register of Contracts containing transactions in which Directors are interested pursuant to the provisions of the Companies Act, 1956 was placed before the Board regularly for its approval. The details of related party transactions are disclosed in the financial section of this Annual Report also.

b) Remuneration of Directors:

The Board of Directors at their meeting held on 29th July, 2009 appointed Mr. Anand G. Deo as Managing Director of the Company for a period of five years with effect from 1st August, 2009 on remuneration as may be decided by the Board of Directors from time to time within the overall limits of 5 % of the net profits of the Company in any financial year calculated in the manner laid down in section 198, 349 and 350 read with Schedule XIII of the Companies Act, 1956 and shall be subject to the approval of the shareholders at the ensuing Annual General Meeting. As per the terms of the agreement, the Managing Director can resign from his office by giving three calendar months notice in writing to the Company and the Board may appoint any other person to be Managing Director at any time. If the office of the Managing Director is determined before the expiry of his term of office, the Managing Director shall not be entitled to any compensation for loss of office except the notice period payment.

The remuneration paid to Mr. Anand G. Deo for the year ended on 31st March, 2010 from the date of his appointment as Managing Director was as under:

Name	INR—lacs				Service Tenure	Notice Period (months)
	Salary & Allowance	Commission	Perquisites	Retiral Benefits		
Anand G. Deo	41.99	0	0	0	5 yrs. from 1st August, 2009	3

Non-Executive Directors were paid sitting fees of Rs. 5,500/- per Board and Audit Committee meeting attended by them with effect from 1st July, 2009. The Directors are also reimbursed the traveling and out-of-pocket expenses for attending such meetings. No commission was paid to any Non-Executive

Corporate Governance Report (Contd...)

Directors of the Company. The details of sitting fees paid to the Non-Executive Directors for the year 2009-10 are given below:

Name of the Non-Executive Director	Rupees in lacs		Total Amount
	Sitting fees		
	Board Meetings	Audit Committee Meetings	
Mr. Pankaj R. Patel	0.17	—	0.17
Dr. Sharvil P. Patel	0.11	—	0.11
Mr. H. Dhanrajgir	0.11	0.11	0.22
Dr. B. M. Hegde	0.17	0.17	0.34
Prof. Indiraben J. Parikh	0.11	0.11	0.22
Mr. Mukesh M. Patel	0.17	0.17	0.34
Mr. Ganesh N. Nayak	0.11	0.11	0.22

c) Appointment / Re-appointment of Directors

Mr. Ganesh N. Nayak and Mr. Pankaj R. Patel are liable to retire by rotation at the ensuing Annual General Meeting scheduled to be held on 16th July, 2010 and being eligible have offered themselves for re-appointment. Mr. Jitendra R. Patel ceased to be the Managing Director w.e.f. 29th July, 2009. Further, Dr. Belle Monappa Hegde, Prof. Indiraben J. Parikh and Mr. Anand G. Deo were appointed as Additional Directors w.e.f. 29th July, 2009. Mr. Deo was further appointed as Managing Director for a period of five years w.e.f. 1st August, 2009. The information as required under clause 49 of the Listing Agreement for the Directors seeking appointment / re-appointment at the ensuing Annual General Meeting is annexed to the notice of Annual General Meeting.

- d) There were no cases of non-compliance by the Company. During last three years, no penalties, strictures were imposed on the Company by the Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets.
- e) No treatment different from the Accounting Standards, prescribed by the Institute of Chartered Accountants of India, has been followed in the preparation of financial statements.
- f) The Company has complied with all mandatory requirements of clause 49 of the Listing Agreement.

7. CODE OF CONDUCT

All Board and Senior Management personnel have affirmed compliance with the Code of Conduct for the year ended 31st March, 2010. The said code is posted on the website of the Company www.zyduswellness.in.

8. PROHIBITION OF INSIDER TRADING

In compliance with the SEBI Regulations on Prevention of Insider Trading, the Company has framed a Code of Conduct for insider trading regulations, which is applicable to all Directors and Officers of the Company, who are expected to have access to unpublished price sensitive information relating to the Company. The Code lays down guidelines which advises them on procedure to be followed and disclosures to be made, while dealing with the shares of the Company.

Corporate Governance Report (Contd...)

Shares held by the Directors as at 31st March, 2010

Name of the Director	No. of shares held	Details of shares bought / sold during 2009 - 10
Mr. Pankaj R. Patel	2,665	NIL
Dr. Sharvil P. Patel	533	NIL
Mr. H. Dhanrajgir	0	NIL
Dr. B. M. Hegde	0	NIL
Prof. Indiraben J. Parikh	0	NIL
Mr. Mukesh M. Patel	213	NIL
Mr. Ganesh N. Nayak	5,213	1,000
Mr. Anand G. Deo	1,300	1,000

9. MEANS OF COMMUNICATION

The quarterly, half-yearly and annual results of the Company's performance are published in widely circulated national and local dailies such as "Business Standard" and "Jansatta", in English and Gujarati respectively. The same were sent to the Stock Exchanges and posted on the Company's website.

The Company has 38,650 shareholders as on 31st March, 2010. The company mainly communicates with its shareholders through annual report, which includes the Directors' Report, Management Discussion and Analysis Report, Report on Corporate Governance and Audited Financial results.

Management Discussion and Analysis Report

The Management Discussion and Analysis Report (MDA) forms part of the Annual Report.

10. GENERAL SHAREHOLDER'S INFORMATION

a) Annual General Meeting

Date and time of 16th AGM	: 16th July, 2010 at 10:00 a.m.
Venue	: H.T. Parekh Hall, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad - 380015.
Financial Year	: 1st April, 2009 to 31st March, 2010
Date of Book Closure	: 10th July, 2010 to 16th July, 2010 (both days inclusive)
Registered Office	: "Zydus Tower", Satellite Cross Roads, Sarkhej - Gandhinagar Highway, Ahmedabad - 380 015
Compliance Officer	: Mr. Dhaval N. Soni, Company Secretary is the Compliance Officer of the Company.
Website	: www.zyduswellness.in

b) Financial Calendar

Key financial reporting dates for the financial year 2010-2011 (tentative)

First quarter Results	: Before 31st July, 2010
Half yearly Results	: Before 31st October, 2010
Third quarter Results	: Before 31st January, 2011
Audited results for the year 2010-11	: Before 31st May, 2011

Corporate Governance Report (Contd...)
c) Dividend Payment Date

The dividend, if any, declared at the ensuing Annual General Meeting will be paid to the members eligible for it on or after 22nd July, 2010.

d) Listing on Stock Exchanges

The Equity Shares of the Company are listed on the following Stock Exchanges:

Name and Address of the Stock Exchange
Bombay Stock Exchange Limited

1st Floor, New Trading Building Ring, Rotunda Building, P. J. Towers, Dalal Street, Fort, Mumbai-400 001.

National Stock Exchange of India Limited

Exchange Plaza, Bandra-Kurla Complex, Bandra (E), Mumbai-400 051.

Listing Fees

The Company has paid annual listing fees for the financial year 2010-11 to both the Stock Exchanges, where its securities are listed.

Stock Code

Name of the Stock Exchange	Stock Code No.	Closing Price as on 31st March, 2010 (Rs.)
Bombay Stock Exchange Limited	531335	381.70
National Stock Exchange of India Limited	ZYDUSWELL	383.95

ISIN Code

The ISIN Number of the Company on both the depositories, NSDL and CDSL is INE768C01010.

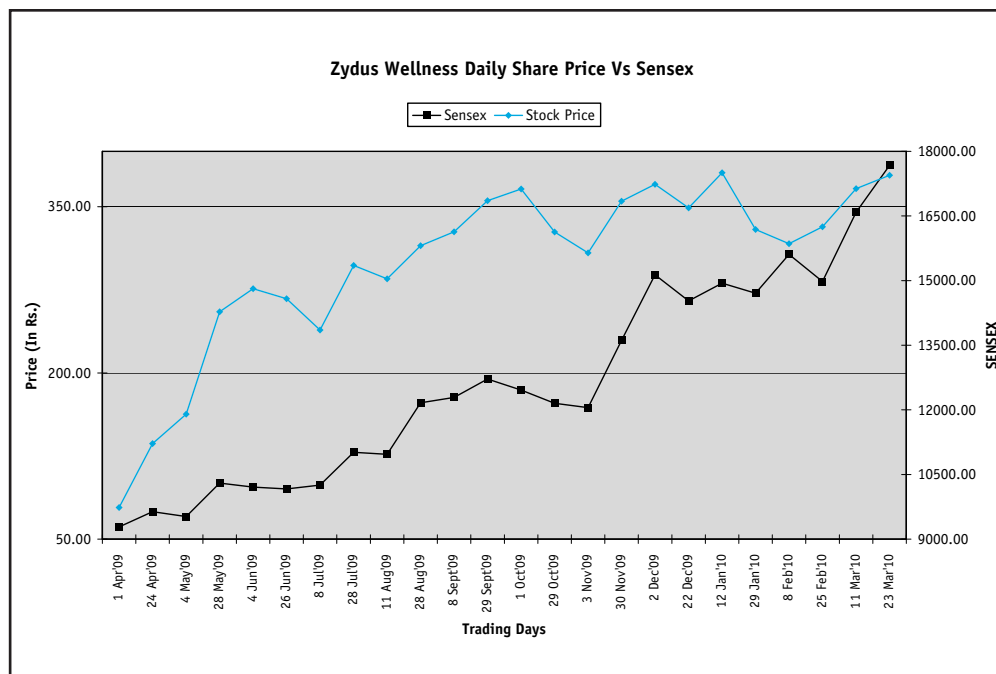
e) Market Price Data: High, Low during each month in last financial year and its comparison to broad-base index BSE Sensex.

Month	BSE Sensex	Bombay Stock Exchange Limited			National Stock Exchange of India Limited		
		High [Rs.]	Low [Rs.]	Av. Volume [in. Nos.]	High [Rs.]	Low [Rs.]	Av. Volume [in. Nos.]
April, 09	11,403.25	84.75	59.00	27,486	N.A.	N.A.	N.A.
May, 09	14,625.25	114.00	65.55	41,395	N.A.	N.A.	N.A.
June, 09	14,493.84	110.20	86.00	15,562	N.A.	N.A.	N.A.
July, 09	15,670.31	133.40	93.25	30,486	N.A.	N.A.	N.A.
Aug., 09	15,666.64	182.00	110.00	91,835	N.A.	N.A.	N.A.
Sept., 09	17,126.84	201.80	165.00	51,343	N.A.	N.A.	N.A.
Oct., 09	15,896.28	202.00	161.00	71,491	N.A.	N.A.	N.A.
Nov., 09	16,926.22	237.70	164.00	152,095	236.00	195.10	58,632
Dec., 09	17,464.81	301.65	235.10	146,074	302.00	235.00	132,648
Jan., 10	16,357.96	300.00	253.20	54,836	292.90	248.00	70,263
Feb., 10	16,429.55	335.00	270.00	104,562	334.50	272.00	134,940
March, 10	17,527.77	399.00	290.55	93,051	398.50	283.00	147,685

Note : The Equity Shares of the Company were admitted to dealings on NSE w.e.f. 13th November, 2009.
Source: Official website of Bombay Stock Exchange Limited-viz. www.bseindia.com and National Stock Exchange of India Limited-viz. www.nseindia.com

Corporate Governance Report (Contd...)

The following chart gives the indication of performance of the Company's script viz-a-viz BSE sensex.



f) Registrar and Transfer Agent

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

Link Intime India Private Limited

211, Sudarshan Complex, Mithakhali Six Roads, Navrangpura, Ahmedabad-380 009
E-mail: ahmedabad@linkintime.co.in Phone: 079-2646 5179 Fax: 079-2646 5179

g) Share Transfer System

The Board of Directors of the Company has delegated the powers of share transfers, splitting/consolidation of share certificates and issue of duplicate shares, rematerialisation of shares, etc. to Share Transfer Committee. The committee attends the share transfer formalities at least once in a fortnight. The Registrar and Share Transfer Agents register the shares received for transfer in physical mode, within 30 days from the date of lodgement, if documents are complete in all respects. Share transfers under objection are returned within three weeks.

As per the requirements of clause 47 (c) of the Listing Agreement with the Stock Exchanges, the Company has obtained the half yearly certificates from a Company Secretary in Practice for due compliance of share transfer formalities.

h) Secretarial Audit

A practicing Company Secretary carried out secretarial audit in each of the quarter in the financial year 2009-10, 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.

Corporate Governance Report (Contd...)
i) Dematerialisation of Shares and Liquidity

With effect from 26th June, 2000, trading in Equity Shares of the Company at the Stock Exchange is permitted only in dematerialised form. The Company's shares are available for trading in the depository systems with National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL).

As on 31st March, 2010, 98.78 % of the Share Capital of the Company are held by the members in electronic form.

j) Distribution of Shareholding as on 31st March, 2010

No. of Equity Shares	Shareholders		Shares	
	Numbers	% of Total	Number	% of Total
1 to 500	37808	97.8210	1926571	4.9310
501 to 1000	413	1.0690	311825	0.7980
1001 to 2000	197	0.5100	292122	0.7480
2001 to 3000	75	0.1940	189137	0.4840
3001 to 4000	32	0.0830	110550	0.2830
4001 to 5000	25	0.0650	119585	0.3060
5001 to 10000	42	0.1090	306533	0.7850
10001 & above	58	0.1500	35815766	91.6660
TOTAL	38650	100.00	39072089	100.00

k) Shareholding Pattern as on 31st March, 2010

Category	No. of Shares held			% of shareholding
	Physical	Electronic	Total	
Promoter's holding	640	28331911	28332551	72.5135
Mutual Funds and UTI	626	3398269	3398895	8.6990
Banks, FI and Insurance Companies	296	3027981	3028277	7.7505
Foreign Institutional Investors	66	169892	169958	0.4350
NRIs / OCBs	86490	138259	224749	0.5752
Other Corporate Bodies	5463	549151	554614	1.4195
Indian Public	381322	2978597	3359919	8.5993
Others (Govt.& other trusts)	0	3126	3126	0.0080
TOTAL	474903	38597186	39072089	100.00

Corporate Governance Report (Contd...)

l) Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity

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

m) Plant Locations

The Company's Plant is located at 7A / 7B Saket Industrial Estate, Sarkhej – Bavla Highway, Moraiya, Tal: Sanand, Dist.: Ahmedabad.

n) Address for correspondence

Shareholders should send all communication to the Company's Registrar and Transfer Agent at the address mentioned in this report.

Shareholders may also contact Mr. Dhaval N. Soni, Company Secretary at the Registered Office address for any assistance.

e-mail id: dhavalsoni@zyduscadila.com

Investors can also send their complaints at investor.grievance@zyduswellness.in, 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.

o) Details of Non-Compliance:

There was no non-compliance during the year and no penalties or strictures were imposed on the Company by the Stock Exchanges or SEBI or any statutory authority.

11. CERTIFICATE ON CORPORATE GOVERNANCE

As stipulated in clause 49 of the Listing Agreement, the certificate from a Practicing Company Secretary regarding compliance of conditions of corporate governance is annexed herewith. The said certificate shall be sent to the concerned Stock Exchanges along with the annual reports filed by the Company.

12. NON-MANDATORY REQUIREMENTS

- A. The quarterly / half-yearly / annual results, after they are taken on record by the Board of Directors, are sent forth with to the Stock Exchanges where the Company's shares are listed. The results in the prescribed proforma are published in leading Gujarati and English dailies. These results are also made available on Company's website: www.zyduswellness.in.
- B. Information on postal ballot during the year ended on 31st March, 2010 is provided in this report.

DECLARATION

I hereby declare that all the Board Members and Senior Management Personnel of the Company have affirmed to the compliance with the provisions of the code of conduct for the year ended on 31st March, 2010.

Place : Ahmedabad.
Date : 28th April, 2010.

PANKAJ R. PATEL
CHAIRMAN

Corporate Governance Compliance Certificate**To The Members of
ZYDUS WELLNESS LIMITED**

We have examined the compliance of conditions of Corporate Governance by Zydus Wellness Limited for the year ended on 31st March, 2010 as stipulated in clause 49 of the Listing Agreement of the said Company with the concerned Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by Directors and Management, we certify that the Company has complied with the conditions of the Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that in respect of the investor grievances received during the year ended on 31st March, 2010, no such investor grievances remained unattended / pending for more than 30 days.

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

For, **HITESH BUCH ASSOCIATES**
COMPANY SECRETARIES

Place : Ahmedabad.
Date : 28th April, 2010.

HITESH BUCH
Proprietor
CP No. 8195

Auditors' Report

To The Members of ZYDUS WELLNESS LIMITED

We have audited the attached Balance Sheet of ZYDUS WELLNESS LIMITED as at 31st March 2010, the Profit and Loss Account of the Company for the year ended on that date and the cash flow statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 applied and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 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 paragraph 4 and 5 of the said Order.

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 it appears from our examination of the 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 of the Company and taken on record by the Board of Directors, we report that, no director is disqualified as on 31st March 2010 from being appointed as a director in terms of provisions of section 274(1)(g) of the Companies Act, 1956; and
- (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 2010;
 - (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

Chandresh S. Shah
Partner

Place: Ahmedabad.
Date : 28th April, 2010.

Membership No. 42132
Firm Registration No. 106625W

Annexure to the Auditors' Report

With reference to the Annexure referred to in above paragraph of our report to the Members of ZYDUS WELLNESS LIMITED on the financial statements for the year ended on 31st March 2010, 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 the 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) There are no disposals of any items of fixed assets during the year.
2. (a) The inventories have 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 procedure for physical verification of inventory followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company has maintained proper records of the inventory. As informed to us, no material discrepancy was noticed on physical verification of the inventory.
3. (a) The Company has granted an unsecured loan to a fellow subsidiary Company as detailed below:

Name of the Company	Amount given during the year (Rs.)	Amount recovered during the year (Rs.)	Amount outstanding as at 31.03.2010 (Rs.)
Liva Healthcare Ltd.	Nil	6,75,00,000	Nil

- (b) The rate of interest and other terms and conditions on which the loan was granted, are not prima facie prejudicial to the interest of the Company.
- (c) There is no stipulation about the repayment of the said loan.
4. The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, clause (iii) (f) and (iii) (g) of paragraph 4 of the Order are not applicable to the Company for the current year.
5. 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. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal control systems.
6. (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, the transactions that need to be entered into a register in pursuance of Section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements have been made at prices, which are reasonable having regard to prevailing market prices at the relevant time.
7. In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from the Public within the meaning of the provisions of section 58A and 58AA of the Companies Act, 1956 and the rules framed there under. Further, we are informed that no order has been passed by the Company Law Board.
8. The Company has an internal audit system, which, in our opinion, is commensurate with its size and the nature of its business.

Annexure to the Auditors' Report (Contd...)

9. As per the information and explanations given to us, the Central Government has not prescribed for maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 for any of the products of the Company.
10. (a) In our opinion and according to the information and explanations given to us and on the basis of our examination of the books of account, the company has generally been regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance Income-tax, Sales-tax, Wealth tax, Custom duty, Excise duty, Service Tax, Cess and any other dues during the year with the appropriate authorities. As at 31st March 2010, there are no 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, there are no cases of non-deposit with appropriate authorities of disputed dues of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Excise Duty and Cess and other Statutory Dues.
11. 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.
12. The Company has not made any borrowings from any Bank or financial institutions during the year. Hence, there is no question of any default in repayment of such borrowings.
13. The company has not granted any loans and advances on the basis of security by way of pledge of shares.
14. The company is not a chit fund company/ nidhi / mutual benefit fund / society.
15. According to the information and explanations given to us, the company is not dealing or trading in shares, securities, debentures and other investments.
16. According to the information and explanations given to us, the Company has not given any guarantees or provided any security in respect of borrowings taken by others from banks and financial institutions.
17. The Company has not taken any term loans from any Bank or financial institution during the current year.
18. According to the information and explanations given to us and on an overall examination of the Cash Flow Statement and other records examined by us, we report that no funds raised on short term basis have prima facie, been used during the year for long term investment.
19. 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.
20. The Company has not issued any debentures hence; question of creating securities does not arise.
21. The company has not raised any money by public issues during the year.
22. 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

Chandresh S. Shah
Partner

Place: Ahmedabad.
Date : 28th April, 2010.

Membership No. 42132
Firm Registration No. 106625W

Balance Sheet as at March 31, 2010

	Schedule No.	INR - Lacs	
		As at March 31,	
		2010	2009
SOURCES OF FUNDS :			
Shareholders' Funds :			
Share Capital	1	3907	3907
Reserves and Surplus	2	6151	2991
		<u>10058</u>	<u>6898</u>
Deferred Tax Liability [Net]		0	74
Total		<u>10058</u>	<u>6972</u>
APPLICATION OF FUNDS :			
Fixed Assets :	3		
Gross Block		4874	4445
Less : Depreciation and Amortisation		645	483
Net Block		<u>4229</u>	<u>3962</u>
Capital Work in progress		183	0
Pre-operative and Project expenditure pending capitalisation	15-B[6]	20	0
Deferred Tax Assets [Net]	15-B[12]	2	0
Net Current Assets :			
Current Assets, Loans and Advances :			
Inventories	4	1288	814
Sundry Debtors	5	137	618
Cash and Bank Balances	6	10048	5070
Loans and Advances	7	1859	865
		<u>13332</u>	<u>7367</u>
Less : Current Liabilities & Provisions :			
Current Liabilities	8	5925	3595
Provisions	9	1783	762
		<u>7708</u>	<u>4357</u>
		<u>5624</u>	<u>3010</u>
Total		<u>10058</u>	<u>6972</u>
Significant Accounting Policies and Notes on Accounts	15		

As per our report of even date

 For Mukesh M. Shah & Co.,
Chartered Accountants

 Chandresh S. Shah
Partner
Membership No. 42132

 Place : Ahmedabad.
Date : 28th April, 2010.

 Amit B. Jain
Chief Financial Officer

 Dhaval N. Soni
Company Secretary

For and on Behalf of the Board,

 Pankaj R. Patel
Chairman

 Anand G. Deo
Managing Director

 Place : Ahmedabad.
Date : 28th April, 2010.

Profit & Loss Account for the Year ended March 31, 2010

	Schedule No.	INR - Lacs	
		Year ended March 31,	
		2010	2009
INCOME :			
Sales and Income from Operation :			
Sales		26752	19474
Other Income from Operations	10	55	8
Total		26807	19482
Other Income	11	595	100
		27402	19582
EXPENDITURE :			
Consumption of Materials and Finished Goods	12	8622	7274
General Expenses	13	11470	8334
Depreciation and Amortisation	3 & 15-B[6]	159	167
		20251	15775
Profit before Exceptional items and Tax		7151	3807
Less : Exceptional items :			
Expenses incurred on account under Composite Scheme of Arrangement.		220	160
Profit before Tax and after Exceptional item		6931	3647
Less: Provision for Taxation	14	2404	1267
Profit after Tax		4527	2380
Add : Balance brought forward		2491	1097
PROFIT AVAILABLE FOR APPROPRIATIONS :		7018	3477
Appropriations :			
Dividends :			
Proposed Dividend on Equity Shares		1172	586
Corporate Dividend Tax on Proposed Dividend		195	100
		1367	686
Transfer to General Reserve		455	300
		1822	986
Balance carried to Balance Sheet		5196	2491
Basic and Diluted E P S [in Rupees] before Exceptional Items		12.15	6.50
Basic and Diluted E P S [in Rupees] after Exceptional Items		11.59	6.09
Significant Accounting Policies and Notes on Accounts	15		

As per our report of even date

For Mukesh M. Shah & Co.,
Chartered Accountants

Chandresh S. Shah
Partner
Membership No. 42132

Place : Ahmedabad.
Date : 28th April, 2010.

Amit B. Jain
Chief Financial Officer

Dhaval N. Soni
Company Secretary

For and on Behalf of the Board,

Pankaj R. Patel
Chairman

Anand G. Deo
Managing Director

Place : Ahmedabad.
Date : 28th April, 2010.

Cashflow Statement for the Year ended March 31, 2010

Particulars	INR - Lacs	
	Year ended March 31,	
	2010	2009
A Cash Flows from Operating Activities :		
Net Profit before Tax and Exceptional item	7151	3807
Adjustments for :-		
Depreciation	159	167
Interest income	(595)	(25)
Interest expenses	10	2
Bad debts written off	36	0
Provision for claims for Product Warranties & Return of Goods [Net]	24	25
Provisions for retirement benefits	27	39
Provision for Bad and Doubtful Debts	96	22
	<hr/>	<hr/>
Total	(243)	230
	<hr/>	<hr/>
Operating profit before working capital changes	6908	4037
Adjustments for :-		
[Increase] / Decrease in trade receivables	213	(47)
[Increase] / Decrease in other receivables	(475)	718
[Increase] / Decrease in inventories	(474)	(51)
Increase / [Decrease] in trade payables & other liabilities	1855	1430
	<hr/>	<hr/>
Total	1119	2050
	<hr/>	<hr/>
Cash generated from operations	8027	6087
Interest paid	(9)	(2)
Direct taxes paid (Net of refunds)	(2120)	(1351)
	<hr/>	<hr/>
Total	(2129)	(1353)
	<hr/>	<hr/>
Cash flow before extraordinary items	5898	4734
Extraordinary items	(220)	(160)
	<hr/>	<hr/>
Net cash from operating activities	5678	4574
	<hr/>	<hr/>

Cashflow Statement for the Year ended March 31, 2010 (Contd...)

Particulars	INR - Lacs	
	Year ended March 31,	
	2010	2009
B Cash flows from investing activities :		
Purchase of fixed assets	(354)	(143)
Pre-operative & Project expenses	(17)	0
Interest received	354	16
	<hr/>	<hr/>
Net cash from investing activities	(17)	(127)
C Cash flows from financing activities :		
Loans Repaid (Taken over under the scheme of Amalgamation)	0	(11)
Dividends paid	(584)	(55)
Tax on dividends paid	(99)	(9)
	<hr/>	<hr/>
Net cash used in financing activities	(683)	(75)
	<hr/>	<hr/>
Net increase / (-) decrease in cash and cash equivalents	4978	4372
Add : received under the Scheme	0	665
Cash and cash equivalents at the beginning of the year	5070	33
	<hr/>	<hr/>
Cash and cash equivalents at the close of the year	10048	5070
<u>Notes to the cash flow statement</u>		
1 All figures in brackets are outflow.		
2 Previous year's figures have been regrouped wherever necessary.		
3 Cash and cash equivalent at the close [beginning] of the year includes Rs.1 [Rs. 1] Lacs not available for immediate use.		
<u>As per our report of even date</u>		
For Mukesh M. Shah & Co., Chartered Accountants		For and on Behalf of the Board,
Chandresh S. Shah Partner Membership No. 42132 Place : Ahmedabad. Date : 28th April, 2010.	Amit B. Jain Chief Financial Officer	Pankaj R. Patel Chairman Anand G. Deo Managing Director Place : Ahmedabad. Date : 28th April, 2010.
	Dhaval N. Soni Company Secretary	

Schedules forming part of the Balance Sheet

	INR - Lacs	
	As at March 31,	
	2010	2009
Schedule : 1 - Share Capital :		
Authorised :		
4,50,00,000 [As at 31-03-09 : 4,50,00,000] Equity Shares of Rs.10/- each	4500	4500
Total	4500	4500
Issued, Subscribed and Paid-up :		
3,90,72,089 [As at 31-03-09 : 3,90,72,089] Equity Shares of Rs.10/- each fully paid-up	3907	3907
Total	3907	3907
Notes : Of the above Shares, [1] 2,74,32,138 [As at 31-03-09 : 2,74,32,138] equity shares of Rs. 10/- each, fully paid up are held by Cadila Healthcare Ltd., its holding company. [2] 3,34,96,989 [As at 31-03-09 : 3,34,96,989] Equity Shares were allotted as fully paid up pursuant to the Composite Scheme of Arrangement without payment being received in cash.		
Schedule : 2 - Reserves & Surplus :		
Capital Reserve Account :		
Balance as per last Balance Sheet	0	46
Less : Adjusted against Goodwill arising due to amalgamation in terms of Composite Scheme of Arrangement	0	46
	0	0
Share Premium Account :		
Balance as per last Balance Sheet	0	549
Less : Adjusted against Goodwill arising due to amalgamation in terms of Composite Scheme of Arrangement	0	549
	0	0
General Reserve :		
Balance as per last Balance Sheet	500	200
Add : Transfer from Profit and Loss Account	455	300
	955	500
Balance in Profit and Loss Account	5196	2491
Total	6151	2991

Schedules forming part of the Balance Sheet (Contd...)
Schedule : 3 - Fixed Assets :

Nature of Fixed Assets	INR - Lacs											
	Gross Block					Depreciation/Amortisation					Net Block	
	As at 31.03.09	Acquired under the scheme	Additions during the year	Sales and / or adj. during the year	As at 31.03.10	Up to 31.03.09	Acquired under the scheme	For the year	On Sales and/or adj. during the year	Up to 31.03.10	As at 31.03.10	As at 31.03.09
<u>Tangible Assets</u>												
Freehold Land	48	0	0	0	48	0	0	0	0	0	48	48
Leasehold Land		0	408	0	408	0	0	3	0	3	405	0
Buildings	332	0	0	2	330	61	0	11	0	72	258	271
Plant & Machinery	1681	0	15	0	1696	377	0	123	0	500	1196	1304
Furniture, Fixtures & Office equipments	78	0	2	0	80	39	0	22	0	61	19	39
Vehicles	7	0	6	0	13	1	0	1	0	2	11	6
<u>Intangible Assets</u>												
Goodwill	2282	0	0	0	2282	0	0	0	0	0	2282	2282
Technical Know-how	2	0	0	0	2	1	0	0	0	1	1	1
Trademarks	5	0	0	0	5	1	0	1	0	2	3	4
Non-Compete Fees	10	0	0	0	10	3	0	1	0	4	6	7
Total	4445	0	431	2	4874	483	0	162	0	645	4229	3962
2008-09	2006	15	3038	614	4445	313	3	167	0	483	3962	-

INR - Lacs											
As at March 31,											
										2010	2009

Schedule : 4 - Inventories :

[As taken, valued and certified by the management]
[Valued at lower of cost and net realisable value]

Stock-in-Trade :

Raw Materials

38 66

Packing Materials

33 41

Finished Goods

1217 707

Total

1288 814

Schedule : 5 - Sundry Debtors [Unsecured] :

Debts outstanding for a period exceeding six months :

Considered good

0 220

Considered doubtful

99 22

Total

99 242

Less : Provision for doubtful debts

99 22

0 220

Other debts - Considered Good

137 398

Total

137 618

Schedules forming part of the Balance Sheet (Contd...)

	INR - Lacs	
	As at March 31,	
	2010	2009
Schedule : 6 - Cash and Bank Balances :		
Cash Balance on hand	4	1
Bank Balances :		
With Scheduled Banks :		
In Current Accounts [Including Rs. 7 {as at 31-03-09 : Rs. 4} Lacs in Unclaimed Dividend Accounts]	7	1568
In Fixed Deposit Accounts [Out of these, Fixed Deposits of Rs. 1 {as at 31-03-09 : Rs. 1 } Lacs have been pledged with a bank as margin money for Guarantees issued]	10037	3501
	<u>10044</u>	<u>5069</u>
Total	<u>10048</u>	<u>5070</u>
Schedule : 7 - Loans and Advances [Unsecured, Considered Good] :		
Advances recoverable in cash or in kind or for value to be received	1603	134
Due from Liva Healthcare Ltd., a company under the same management [Maximum amount outstanding at any time during the year- Rs. 675 {Previous year - Rs. 1250} Lacs]	0	675
Advance payment of direct taxes [Net of provision for taxation]	0	43
Balances with Sales Tax Authorities	5	3
Interest receivable	251	10
	<u>1859</u>	<u>865</u>
Total	<u>1859</u>	<u>865</u>

Schedules forming part of the Balance Sheet (Contd...)

	INR - Lacs	
	As at March 31,	
	2010	2009
Schedule : 8 - Current Liabilities :		
Sundry Creditors :		
Other than Micro, Small and Medium Enterprises : [Refer Note No. B-8 of Sch. No. 15]		
For Capital Goods	259	1
Others	5201	3150
	<u>5460</u>	<u>3151</u>
Trade Deposits	28	24
Investor Education and Protection Fund :		
Unclaimed Dividend [There are no amounts due and outstanding to be credited to Investor Education and Protection Fund]	7	5
Advances from Debtors	279	415
Bank Book Overdraft	151	0
	<u>5925</u>	<u>3595</u>
Total	<u><u>5925</u></u>	<u><u>3595</u></u>
Schedule : 9 - Provisions :		
Proposed dividend	1172	586
Corporate Dividend Tax on Proposed Dividend	195	100
Provision for Income Tax [Net of Advance Tax]	317	0
Provision for retirement benefits	43	44
Provision for claims for product warranties and return of goods	56	32
	<u>1783</u>	<u>762</u>
Total	<u><u>1783</u></u>	<u><u>762</u></u>

Schedules forming part of the Profit & Loss Account

	INR - Lacs	
	Year ended March 31,	
	2010	2009
Schedule : 10 - Other Income from Operations :		
Miscellaneous Income	25	8
Prior year income (Net)	30	0
	<u> </u>	<u> </u>
Total	55	8
	<u> </u>	<u> </u>
Schedule : 11 - Other Income :		
Interest on Deposits [Gross] [TDS Rs. 84 {previous year : Rs. 6} Lacs]	560	25
Interest on Inter corporate Loans [Gross] [TDS Rs. 6 {previous year : Rs. 17} Lacs]	35	75
	<u> </u>	<u> </u>
Total	595	100
	<u> </u>	<u> </u>
Schedule : 12 - Consumption of Materials and Finished Goods :		
Raw Materials :		
Stock at commencement	66	62
Add : Purchases	3111	3024
	<u> </u>	<u> </u>
	3177	3086
Less : Stock at close	38	66
	<u> </u>	<u> </u>
	3139	3020
Packing Materials Consumed	596	485
Purchase of Finished Goods	5397	3769
[Increase] / Decrease in Stock of Finished Goods :		
Stock at close :	1217	707
Less : Stock at commencement	707	168
Less : Stock at commencement acquired under the scheme	0	539
	<u> </u>	<u> </u>
	707	707
	<u> </u>	<u> </u>
	(510)	0
	<u> </u>	<u> </u>
Total	8622	7274
	<u> </u>	<u> </u>

Schedules forming part of the Profit & Loss Account (Contd...)

	INR - Lacs	
	Year ended March 31,	
	2010	2009
Schedule : 13 - General Expenses :		
Personnel expenses :		
Salaries, wages and bonus	871	722
Company's contribution to provident & other funds	43	50
Staff welfare expenses	17	14
	<u>931</u>	<u>786</u>
Stores & Spare parts consumed	13	29
Power & fuel	95	79
Insurance	10	4
Repairs :		
Buildings	3	7
Plant and Machinery	30	23
Others	13	7
	<u>46</u>	<u>37</u>
Rent	88	72
Rates and Taxes	20	12
Managing Director's Remuneration	45	9
Travelling Expenses	127	149
Legal & Professional Expenses	92	123
Miscellaneous Expenses	270	172
Marketing, Selling & Distribution Expenses :		
Commission on sales	406	300
Freight and forwarding on sales	789	577
Advertisement expenses	6095	4356
Sales promotion expenses	410	334
Provision for doubtful debts	96	21
Bad Debts Written Off	36	0
Other marketing expenses	1892	1262
	<u>9724</u>	<u>6850</u>
Bank Commission	7	5
Interest to Other	2	2
Loss on account of fluctuations in foreign exchange rates (Net)	0	1
Prior Period expenses	0	4
Total	<u><u>11470</u></u>	<u><u>8334</u></u>
Schedule : 14 - Provision for Taxation :		
Current Tax	2475	1325
Deferred Tax Liability/[Assets]	(76)	(79)
Fringe Benefit Tax	0	21
	<u>2399</u>	<u>1267</u>
Total	2399	1267
Add : Prior year's tax adjustment	5	0
Total	<u><u>2404</u></u>	<u><u>1267</u></u>

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

Schedule : 15 - Significant Accounting Policies & Notes forming part of Accounts :

A Significant Accounting Policies :

1 Basis of Accounting :

The financial statements are prepared under the historical cost convention on the "Accrual Concept" of accountancy in accordance with the accounting principles generally accepted in India and comply with 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 in respect of certain items like provision for doubtful debts, provision for product warranty claims, provision for employee benefits etc., 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 recognized 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. Cost includes related expenditure and pre - operative & project expenses for the period up to completion of construction / assets are put to use.
- B Depreciation is provided on "straight line method" as per Section 205 (2) (b) of the Companies Act, 1956 at the rates prescribed in Schedule XIV thereto.
- C 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.
- D Trade Mark, Technical Know How and similar rights are amortised over its estimated economic life of ten years.
- E Leasehold land is amortized over the period of the lease.
- F Goodwill arising on amalgamation is assessed at each balance sheet date for any impairment loss
- G 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 Expenditure during Construction Period :

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

6 Inventories :

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

Schedules forming part of the Balance Sheet and Profit & Loss Account (Contd...)
Schedule : 15 - Significant Accounting Policies & Notes forming part of Accounts : (Contd...)

- B** Cost of Raw Materials, Packing Materials & Finished Goods is determined on Moving Average Method.
- C** Cost of Finished Goods and Work-in-process is determined by taking material cost, labour and relevant appropriate overheads.

7 Revenue Recognition :

- A** Sales of products in domestic market are recognised when they are dispatched to customers at invoice value and are reported net of trade discounts and VAT / sales tax collected.
- B** Interest income is recognised on time proportionate method.
- C** Revenue in respect of other income is recognized when no significant uncertainty as to its determination or realisation exists.

8 Foreign Currency Transactions :

- A** The transactions in foreign currencies on revenue accounts are stated at the rates of exchange prevailing on the date of transaction.
- B** The net gain or loss on account of exchange differences either on settlement or on translation are recognised in the Profit and Loss Account except in cases where they relate to acquisition of fixed assets from a country outside India, the same are adjusted to the carrying amount of the respective fixed assets.
- C** The foreign currency assets and liabilities are restated at the prevailing exchange rates at the year end.

9 Retirement Benefits :
A Defined Contribution Plans :

The Company contributes on a defined contribution basis to Employee's 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 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 [Long Term Employee 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 the accumulated leave as on last day of the accounting year is recognised (net of the fair value of planned assets as at the balance sheet date) at the 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.

10 Taxes on Income :

- A** Tax expense comprises current and deferred tax.

Schedules forming part of the Balance Sheet and Profit & Loss Account (Contd...)
Schedule : 15 - Significant Accounting Policies & Notes forming part of Accounts : (Contd...)

B Current tax is measured at the amount expected to be paid in accordance with the provisions of the Income Tax Act, 1961.

C Deferred tax reflects the impact of current year's timing differences between book and tax profits 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.

11 Provision for Product Warranties :

Estimated Warranty claims in respect of products sold during the year are provided based on the management's estimates of probable claims of customers.

12 Provision for Bad and doubtful debts/Advance :

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

B Notes on Accounts :

1 Previous year's figures have been regrouped and rearranged wherever necessary.

2 During February, 2010, a fire broke out at one of the warehouse of the company. The company is in the process of lodging a claim with the Insurance company, amounting to Rs. 46.42 lacs as estimated by the company. Pending the final settlement, this has been shown as an "Insurance Claim Receivable" under "Loans & Advances". The difference, if any, on settlement of claim will be effected in Profit and Loss account.

3 Details of remuneration paid / payable to the Managing Directors :

[Excluding contribution to the gratuity fund and provision for leave encashment entitlement, since they are determined for the company as a whole]

		INR - Lacs	
		Year ended March 31,	
		2010	2009
A	Remuneration	43	9
B	Contribution to Provident and other Funds	2	0
C	Total	45	9
4	Remuneration to Auditors :		
	Audit Fees	3	3
	Tax Audit Fees	1	1
	Other Services	1	1
	Total	5	5

Schedules forming part of the Balance Sheet and Profit & Loss Account (Contd...)
Schedule : 15 - Significant Accounting Policies & Notes forming part of Accounts : (Contd...)
5 Contingent Liabilities not provided for:

INR - Lacs	
Year ended March 31,	
2010	2009
A Claim against the Company not acknowledged as debts	
28	0
B The company has imported certain capital equipments at concessional rate of custom duty under "Export Promotion Capital Goods scheme" of the Central Government. The Company has undertaken an incremental export obligation to the extent of US\$24.33 Lacs { equivalent to Rs. 992.64 Lacs approx.} [Previous Year US \$ 24.33 Lacs { Equivalent to Rs.992.64 Lacs } 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 obligation as on 31st March,2010 of Rs.124.08 Lacs [as at 31-03-09- Rs.124.08 Lacs] is not provided for as the time has yet to expire for fulfilling such export obligation.	
124	124
152	124

6 Break-up of pre-operative and project expenses pending capitalisation :

INR - Lacs	
Year ended March 31,	
2010	2009
A General Expenses :	
a Traveling, Conveyance & Vehicle Expenses	10 0
b Professional Fees & Consultation Charges	0 0
c Others	7 0
Total	17 0
B Depreciation	3
Net Pre-operative & Project Expenses carried to Balance Sheet	20 0
7 Estimated amount of contracts remaining to be executed on capital account and not provided for [Net of Advances]	
830	0

8 Segment Information :

The company operates in one segment only, namely "Consumer Products." The Company has only one plant located in Gujarat and the company sells its products in India. Hence, there is no geographical segment also. Therefore, the segment reporting is not applicable.

Schedules forming part of the Balance Sheet and Profit & Loss Account (Contd...)
Schedule : 15 - Significant Accounting Policies & Notes forming part of Accounts : (Contd...)
9 Micro, Small and Medium Enterprises :

- A** Under the Micro, Small and Medium Enterprises Development Act, 2006, [MSMED] which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises.

INR - Lacs	
Year ended March 31,	
2010	2009
- Principal amount remaining unpaid to any supplier as at the year end	0
- Interest due thereon	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 accounting year	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
- Amount of interest accrued and remaining unpaid at the end of the accounting year	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.

10 Related Party Transactions :
A Name of the Related Party and Nature of the Related Party Relationship :
a Holding Company : Cadila Healthcare Limited
b Fellow Subsidiaries :

Liva Healthcare Limited	Zydus Healthcare S. A. [Pty] Limited. [South Africa]
German Remedies Limited	Zydus International Pvt. Limited. [Ireland]
Zydus Technologies Limited	Nippon Universal Pharmaceutical Company Limited [Japan]
Dialforhealth India Limited	Zydus Healthcare (USA) LLC [USA]
Dialforhealth Unity Limited	Zydus France SAS [France]
Dialforhealth Greencross Limited	Zydus Novelttech Inc. [USA]
Zydus Pharmaceuticals Limited	Zydus IntRus Limited, [Russia]
Zydus Animal Health Limited	Quimica E Pharmaceutica Nikkho Do, Brasil Ltda. [Brazil]
M/s Zydus Healthcare, Sikkim - a Partnership Firm	Zydus Netherlands B. V. [The Netherlands]
Zydus Healthcare Brasil Ltda [Brazil]	Laboratorios Combix S.L. [Spain]
Zydus Pharmaceuticals USA Inc. [USA]	Etna Biotech S.R.L., [Italy]
Simayla Pharmaceuticals (Pty.) Limited, [South Africa]	ZC Pharma Services Pty. Ltd. South Africa

Schedules forming part of the Balance Sheet and Profit & Loss Account (Contd...)
Schedule : 15 - Significant Accounting Policies & Notes forming part of Accounts : (Contd...)
c Directors and their relatives :

Mr. Anand Deo	Managing Director	w.e.f. 01.08.2009
Mr. J. R. Patel	Managing Director	Upto 29.07.2009

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 10-A [a & b]

<u>Nature of transactions</u>	Volume of Transaction [INR - Lacs]			
	Holding Company		Fellow Subsidiaries	
	Year ended March 31,			
	2010	2009	2010	2009
Purchase :				
Services	8	0	20	5
Sales :				
Goods	23	0	5	6
Finance :				
Inter Corporate Loans given	0	0	0	25
Loans Recovered	0	0	675	600
Interest Received	0	0	35	75
Outstanding :				
Receivable	0	0	0	675
Dividend Paid	411	0	11	0

b Details relating to persons referred to in item 10-A [c] above :

	INR - Lacs	
	Year ended March 31,	
	2010	2009
	45	9
Remuneration		

- 11 A** Provision for product warranty claims in respect of products sold during the year is made on the basis of management's estimations of probable claims of customers in respect thereof considering the estimated stock lying with retailers. The company does not expect any reimbursement of such claim in future.

B The movement in such provision is stated as under :

Particulars	INR - Lacs	
	Year ended March 31,	
	2010	2009
	32	0
a Carrying amount at the beginning of the year	56	32
b Additional provision made during the year	32	0
c Amount used	0	0
d Unused amount reversed during the year	56	32
e Carrying amount at the end of the year		

Schedules forming part of the Balance Sheet and Profit & Loss Account (Contd...)
Schedule : 15 - Significant Accounting Policies & Notes forming part of Accounts : (Contd...)
12 Deferred Tax :

- A** The Net Deferred tax Assets of Rs. 76 [Previous Year - Liabilities of Rs. 79] Lacs for the year has been reversed in the Profit and Loss Account.
- B** Break up of Deferred Tax Assets and Liabilities into major components of the respective balances are as under :

	INR - Lacs		
	As on 31-03-09	Charge for the year to Profit & Loss A/c.	As on 31-03-10
Deferred Tax Liabilities :			
Depreciation	165	2	167
Total	165	2	167
Deferred Tax Assets :			
Retirement benefits	21	3	24
Amalgamation Expenses	44	48	92
Provision for Bad and Doubtful debts	7	27	34
Provision for Expiry and Breakages	11	8	19
Net Deferred Tax Asset acquired under Composite Scheme of Arrangement	7	(7)	0
Total	90	79	169
Net Deferred Tax Assets	75	(77)	(2)

13 Calculation of Earnings per Share [EPS] :

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

Particulars		INR - Lacs	
		Year ended March 31,	
		2010	2009
A Profit after tax attributable to Shareholders:			
a Before Exceptional items	INR - Lacs	4747	2540
b After Exceptional items	INR - Lacs	4527	2380
B Basic and weighted average number of Equity Shares outstanding during the year	Nos.	39072089	39072089
C Nominal value of equity share	Rs.	10	10
D Basic and Diluted EPS			
a Before Exceptional items	Rs.	12.15	6.50
b After Exceptional items	Rs.	11.59	6.09

Schedules forming part of the Balance Sheet and Profit & Loss Account (Contd...)
Schedule : 15 - Significant Accounting Policies & Notes forming part of Accounts : (Contd...)
14 Disclosure pursuant to Accounting Standard - 15 [Revised] 'Employee Benefits' :
A 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

Privilege Leave [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 the accumulated leave as on last day of the accounting year is recognised (net of the fair value of planned assets as at the balance sheet date) at the 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.

b Change in the present value of the defined benefit obligation :

Opening defined benefit obligation
Interest cost
Current service cost
Benefits paid
Actuarial [gain] / losses on obligation

Closing defined benefit obligation

c Change in the fair value of plan assets :

Opening fair value of plan assets
Expected return on plan assets
Contributions by employer
Benefits paid
Actuarial gains / [losses]
Closing fair value of plan assets

Total actuarial gain [loss] to be recognized

INR - Lacs					
Year ended March 31,					
2010			2009		
Sick Leave	Privilege Leave	Gratuity	Sick Leave	Privilege Leave	Gratuity
0	34	39	0	17	34
0	3	3	0	1	3
0	9	8	0	6	7
0	(1)	0	0	0	(3)
1	(3)	1	0	10	(2)
1	42	51	0	34	39
0	0	29	0	0	27
0	2	5	0	0	3
0	45	41	0	0	3
0	(1)	0	0	0	(3)
0	(1)	0	0	0	0
0	44	75	0	0	29
1	(2)	1	0	10	(2)

Schedules forming part of the Balance Sheet and Profit & Loss Account (Contd...)
Schedule : 15 - Significant Accounting Policies & Notes forming part of Accounts : (Contd...)

INR - Lacs						
Year ended March 31,						
2010			2009			
Sick Leave	Privilege Leave	Gratuity	Sick Leave	Privilege Leave	Gratuity	
d Actual return on plan assets :						
Expected return on plan assets	0	2	5	0	0	3
Actuarial gain / [loss] on plan assets	0	(1)	0	0	0	0
Actual return on plan assets	0	1	5	0	0	2
e Amount recognized in the balance sheet :						
Assets / [Liability] at the end of the year	(1)	(42)	(51)	0	(34)	(39)
Fair value of plan Assets at the end of the year	0	44	75	0	0	29
Difference	(1)	2	24	0	(34)	(10)
Unrecognised past service cost	0	0	0	0	0	0
Assets / [Liability] recognized in the Balance Sheet	(1)	2	24	0	(34)	(10)
f [Income] / Expenses recognized in the Profit & Loss Account statement :						
Current service cost	0	9	8	0	6	7
Interest cost on benefit obligation	0	3	3	0	2	3
Expected return on plan assets	0	(2)	(5)	0	0	(3)
Net actuarial [gain] / loss in the period	1	(2)	1	0	10	(2)
Net [benefit] / expense	1	8	7	0	18	6
g Movement in net liability recognised in Balance Sheet :						
Opening net liability	0	34	10	0	16	7
Expenses as above [P & L Charge]	1	8	7	0	18	6
Employers contribution	0	(45)	(41)	0	0	(3)
Amount recognized in the balance sheet -Liability/(Asset)	1	(3)	(23)	0	34	10

Schedules forming part of the Balance Sheet and Profit & Loss Account (Contd...)
Schedule : 15 - Significant Accounting Policies & Notes forming part of Accounts : (Contd...)

		INR - Lacs					
		Year ended March 31,					
		2010			2009		
		Sick Leave	Privilege Leave	Gratuity	Sick Leave	Privilege Leave	Gratuity
h Principal actuarial assumptions as at Balance sheet date :							
Discount rate		8.25%	8.25%	8.25%	7.94%	7.94%	7.94%
[The rate of discount is considered based on market yield on Government Bonds having currency and terms consistence with the currency and terms of the post employment benefit obligations]							
Expected rate of return on plan Assets		0.00%	9.00%	9.00%	0.00%	0.00%	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		5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
[The estimates of future salary increases considered in actuarial valuation, take account of Inflation, Seniority, Promotion and other relevant factors such as supply and demand in the employment market]							
i The category of plan assets as a % of total plan assets are :							
Insurance Company		0.00%	100.00%	100.00%	0.00%	0.00%	100.00%

15 Quantitative and value analysis of sales turnover :

		Year ended March 31,			
		2010		2009	
Class of Goods	Units of Measure	*Qty.	INR-Lacs	Qty.	INR-Lacs
Consumer Products	Tons	10210	16447	7982	11533
	K. Ltrs.	1226	2170	1052	1823
	ML. Nos.	2844	8135	2278	6118
Total			26752		19474

* Sales quantity includes quantity distributed as a sample and issued for breakage and expiry.

Schedules forming part of the Balance Sheet and Profit & Loss Account (Contd...)
Schedule : 15 - Significant Accounting Policies & Notes forming part of Accounts : (Contd...)
16 Quantitative and Value analysis of Opening/Closing stock of finished Goods :

Class of Goods	Units of Measure	As at March 31,					
		2010		2009		2008	
		Qty.	INR-Lacs	Qty.	INR-Lacs	Qty.	INR-Lacs
Consumer Products	Tons	572	266	369	177	289	168
Total			266		177		168

17 Quantitative information in respect of each class of goods manufactured by the company : [as certified by the management]

Class of Goods	Unit of Measure	Installed capacity		Actual Production	
		As at March 31,		Year ended March 31,	
		2010	2009	2010	2009
Consumer Products	Tons	14600	14600	9377	7139

Note : In view of delicensing, information of licensed capacity of production are not applicable.

18 Quantitative and Value Analysis of goods traded in :

Class of Goods	Units of Measure	Year ended March 31,			
		2010		2009	
		Qty.	INR-Lacs	Qty.	INR-Lacs
A Opening Stock :					
Consumer Products	Tons	99	247	99	256
	K. Ltrs.	184	154	147	116
	ML. Nos.	219	129	266	166
Total			530		538
B Purchases:					
Consumer Products	Tons	1243	2794	723	1767
	K. Ltrs.	1269	860	1089	707
	ML. Nos.	3130	1743	2231	1295
Total			5397		3769
C Stock at Close :					
Consumer Products	Tons	252	556	99	247
	K. Ltrs.	227	125	184	154
	ML. Nos.	505	270	219	129
Total			951		530

Schedules forming part of the Balance Sheet and Profit & Loss Account (Contd...)
Schedule : 15 - Significant Accounting Policies & Notes forming part of Accounts : (Contd...)
19 Consumption of Raw Materials :

	Units of Measure	Year ended March 31,			
		2010		2009	
		Qty.	INR-Lacs	Qty.	INR-Lacs
Oil	Tons	6368	2547	4968	2644
Others			592		376
Total			3139		3020

20 Value of Raw Material Consumed :

	Year ended March 31,			
	2010		2009	
	INR-Lacs	% to total	INR-Lacs	% to total
Imported	0	0	0	0
Indigenous	3139	100	3020	100
Total	3139	100	3020	100

21 Value of Stores & Spares Consumed :

Imported	3	26	25	85
Indigenous	10	74	4	15
Total	13	100	29	100

22 Value of imports calculated on CIF basis :

Particulars	INR - Lacs	
	Year ended March 31,	
	2010	2009
Capital Goods	0	39
Stores & Spares	3	25
23 Expenditure in foreign currency :		
Traveling	1	3
24 Remittances made on account of dividend in foreign currency [Rs. 19103/-]:	0	1

Balance Sheet Abstract and Company's General Business Profile

Schedule : 15 - Significant Accounting Policies & Notes forming part of Accounts : (Contd...)

Balance Sheet Abstract and Company's General Business Profile :

I. Registration Details :

Registration No. [CIN No.]	L15201GJ1994PLC023490
State Code	4
Balance Sheet Date	31-03-10
	INR - Lacs

II. Capital Raised During the year :

Public Issue	0
Right Issue	0
Bonus Issue	0
Private Placement	0
New Shares issued pursuant to Composite Scheme of Arrangement	0

III Position of Mobilisation and Deployment of Funds :

Total Liabilities 17766

Total Assets 17766

Sources of Funds :

Paid Up Capital	3907
Reserves and Surplus	6151
Deferred Tax Liabilities	0

Applications of Funds :

Net Fixed Assets	4432
Deferred Tax Assets	2
Net Current Assets	5624

IV Performance of the Company :

Total Turnover [Including Other Income]	27402
Total Expenditure [Including Exceptional Item]	20471
Profit before Tax and after Exceptional item	6931
Profit after Tax	4527
Earning per Share [Rupees]	11.59
Dividend Rate [%]	30%

V Generic Names of three Principal Products of Company [As per Monetary Terms] :

Product Description	Item Code No.
Table Margarine and Spreads	15171000
Cosmeceuticals	33070000
Others [Sweet meat]	21069099

As per our report of even date

For Mukesh M. Shah & Co.,
Chartered Accountants

Chandresh S. Shah
Partner
Membership No. 42132

Place : Ahmedabad.
Date : 28th April, 2010.

Amit B. Jain
Chief Financial Officer

Dhaval N. Soni
Company Secretary

For and on Behalf of the Board,

Pankaj R. Patel
Chairman

Anand G. Deo
Managing Director

Place : Ahmedabad.
Date : 28th April, 2010.

Proxy & Attendance Slip

ZYDUS WELLNESS LIMITED

Registered Office: "Zydus Tower", Satellite Cross Roads,
Sarkhej-Gandhinagar Highway, Ahmedabad- 380 015

FORM OF PROXY

I/We _____ of _____ being a
member/ members of ZYDUS WELLNESS LIMITED hereby appoint _____ of
_____ or failing him/her _____ of
_____ as my/our proxy to vote for me/us on my/our behalf at the
SIXTEENTH ANNUAL GENERAL MEETING of the company scheduled to be held on Friday, the 16th day of July 2010
at 10.00 A.M. at H.T. Parekh Hall, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai
Marg, Ahmedabad - 380015 and at any adjournment thereof.

Ledger Folio No./ Client ID No. _____

No. of shares _____

Signed this _____ day of _____ 2010

Signature

Affix
revenue
stamp of
requisite
Value

IMPORTANT

1. This form duly completed and signed across the stamp as per the specimen signature registered with the Company should be deposited at the registered office of the Company not less than 48 hrs before the time fixed for the commencement of the meeting.
2. A proxy need not be a member.

ZYDUS WELLNESS LIMITED

Registered Office: "Zydus Tower", Satellite Cross Roads,
Sarkhej-Gandhinagar Highway, Ahmedabad- 380 015

ATTENDANCE SLIP

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL. JOINT SHAREHOLDERS MAY OBTAIN ADDITIONAL ATTENDANCE SLIP ON REQUEST.

NAME _____

REG FOLIO NO. / CLIENT ID NO. _____

NO OF SHARES HELD _____

I hereby record my presence at the Sixteenth Annual General Meeting of the Company on Friday, the 16th day of July 2010 at 10.00 A.M. at H.T. Parekh Hall, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad - 380015.

Signature of Shareholder / Proxy



Our Vision

We bring Wellness to your Life...

We will create new experiences by our products
that will nourish, nurture and energise your life.

We shall lead the way through innovation
and be a Rs. 500 crore company by 2013.

BOOK-POST

To,



If undelivered, please return to:

Zydus Wellness Limited

A subsidiary of Cadila Healthcare Ltd.

Regd. Office: Zydus Tower, Satellite Crossroads,
Ahmedabad-380 015, Gujarat.

www.zyduswellness.in