

Enriching

Life



Zydu
Wellness

Annual Report 2008-09

Zydus Wellness

The world around us is changing fast and so are our lives and our lifestyles. Given the kind of active lifestyles we lead, the concern for health and making healthier choices is critical.

We are looking at newer, healthier and more wholesome options to lead healthier lives. Not because we 'need to' but because 'we want to'. Each new concept, new idea and new approach is going to open up several new opportunities. Zydus Wellness Ltd., aims to make the most of these opportunities.

With the convergence of healthcare, nutrition, wellness and cosmeceuticals, only those companies with the ability to innovate, expand market reach and offer niche products in this domain will have a clear advantage in the marketplace. Zydus Wellness Ltd., has strong credentials and is best placed to make early inroads in this emerging market and add experiences that enrich life.

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.



**Sugar
Free**™

EverYuth™

Nutralite™
Healthier than Butter

Contents

BOARD OF DIRECTORS	Mukesh M. Patel Chairman	02	Notice
MANAGING DIRECTOR	Jitendra R. Patel Managing Director	09	Directors' Report and Relevant Annexures
DIRECTORS	Pankaj R. Patel** H. Dhanrajgir** Dr. Sharvil P. Patel** Ganesh N. Nayak Manubhai K. Patel* Dr. Mukesh R. Patel* (*ceased to be Director w.e.f. 27th April, 2009) (**appointed as Director w.e.f. 27th April, 2009)	15 21 31 34 35 36 38	Management Discussion & Analysis Corporate Governance Report Auditors' Report Balance Sheet Profit and Loss Account Cash Flow Statement Schedules
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. [Formerly known as Intime Spectrum Registry Limited] 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.		

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 realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

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

NOTICE

NOTICE is hereby given that **FIFTEENTH ANNUAL GENERAL MEETING** of the members of **Zydus Wellness Limited** will be held on Tuesday, the 28th day of July 2009 at 3:00 p.m. at Bhaikaka Bhawan, Near Law Garden, Ellisbridge, Ahmedabad – 380 006 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt audited Balance Sheet as at 31st March, 2009 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. Mukesh M. Patel, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint M/s. Mukesh M. Shah & Co., Chartered Accountants, as an auditor, 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:

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

“RESOLVED THAT Mr. Pankaj Ramanbhai Patel, who was appointed by the Board of Director as an Additional Director of the Company w.e.f. 27th April, 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 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.”

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

“RESOLVED THAT Dr. Sharvil P. Patel, who was appointed by the Board of Director as an Additional Director of the Company w.e.f. 27th April, 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 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 Mr. H. Dhanrajgir, who was appointed by the Board of Director as an Additional Director of the Company w.e.f. 27th April, 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 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.”

By Order of the Board

Place : Ahmedabad
Date : 27th April, 2009

Registered Office:

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

Dhaval N. Soni
Company Secretary

NOTICE

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 20th July, 2009 to 28th July, 2009 (both days inclusive).

The dividend, if declared, will be paid on or after 3rd August, 2009 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 28th July, 2009. With respect to shares held in dematerialised 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 ECS:

A Members holding shares in physical form are advised to submit particulars of their bank account, viz., Name and address of the branch of the bank, 9 digit MICR code of the branch, type of account and account number latest by 15th July, 2009 directly to the Company's Registrar and Share Transfer Agent, M/s. Link Intime India Private Limited, 211, Sudarshan Complex, Near Mithakhali Six Roads, Navrangpura, Ahmedabad 380 009.

B Members holding shares in demat form are advised to inform the particulars of their bank account to their respective depository participant.

4. The bank account particulars of the members will be printed on the dividend warrants with respect to shares held in physical form. The bank account particulars should be sent to the Company or to its Registrar and Share Transfer Agent.

Members holding shares in demat form must give 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 account 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.

5. Members holding shares in physical form are requested to intimate Registrar and Share Transfer Agent of the Company viz., Link Intime India Private Limited, 211, Sudarshan Complex, Near Mithakhali Six Roads, Navrangpura, Ahmedabad 380 009, changes, if any, in their registered address alongwith Pin Code. Members holding shares in electronic form may update such details with their respective Depository Participant.

6. Pursuant to clause 49 of the Listing Agreement with the Stock Exchange, 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.

NOTICE**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. 5 to 7 of the accompanying Notice dated 27th April, 2009.

Item Nos. 5, 6 and 7

The Board of Directors of the Company at their meeting held on 27th April, 2009, appointed Mr. Pankaj R. Patel, Dr. Sharvil P. Patel and Mr. H. Dhanrajgir as Additional Directors of the Company. As per the provisions of section 260 of the Act, they hold office up to the date of this Annual General Meeting of the Company and are eligible for the appointment as Directors of the Company.

The Company has received notices under section 257 of the Act alongwith the requisite deposit, proposing their candidatures for the appointment as Director of the Company.

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

Mr. Pankaj R. Patel and Dr. Sharvil P. Patel are the Chairman and Managing Director and Deputy Managing Director of Cadila Healthcare Limited, a holding Company respectively. Mr. Pankaj R. Patel is the father of Dr. Sharvil P. Patel. Keeping in view the experience, expertise and knowledge of these persons, the Board recommends their appointment as Directors of the Company.

Each of the three Directors may be deemed to be interested in the resolution relating to his appointment.

By Order of the Board

Dhaval N. Soni

Company Secretary

Place : Ahmedabad

Date : 27th April, 2009

Registered Office:

"Zydus Tower" Satellite Cross Roads,

Sarkhej-Gandhinagar Highway,

Ahmedabad – 380015.

ANNEXURE TO THE NOTICE DATED 27TH APRIL, 2009

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	Mukesh M. Patel
Age	55 yrs.
Date of Appointment	27th July, 2006
Brief Resume and nature of expertise in functional areas	Practicing as an eminent Advocate and Tax Expert since 1977, with specialization in the fields of Tax Planning, Appellate Matters, International Taxation, Tax and Investment Planning for Non Resident Indians and Foreign Collaborations. He has also been actively associated with the causes of legal education and creating awareness amongst tax payers and investors for the past over 30 years, through his multifarious roles as a Visiting Faculty with the Gujarat Law Society and the IIM, Ahmedabad, as a Columnist of his admired weekly columns on Direct Taxes with leading dailies 'Sandesh' and 'The Times of India' and as an author of the popular book titles 'Practical Tax Planning & Ready Reckoner' and 'Smart Strategies for tax Saving'. A prolific Public Speaker, his articulate addresses on Analysis of the Union Budget, Fiscal Reforms and Tax & Investment Planning Opportunities, both at public forums and on the electronic media are eagerly looked forward to. He is also the recipient of several national and international awards, honours and recognitions. He has rendered highly meaningful contributions serving as the President of numerous leading organizations including the Gujarat Chamber of Commerce & Industry, Ahmedabad Management Association, All Gujarat Federation of Tax Consultants, Indian Red Cross Society, Ahmedabad and the Indo-Japan Friendship Association, Gujarat. He is on the Board of a number of reputed companies.
Directorships held in other public Companies (excluding foreign and private Companies)	<ol style="list-style-type: none"> 1. Cadila Healthcare Limited 2. Hitachi Home and Life Solutions (India) Limited 3. Sandesh Limited 4. Federation of Indian Chambers of Commerce and Industry (FICCI) 5. German Remedies Limited 6. Desai Brothers Limited 7. Zydus Pharmaceuticals Limited 8. BA Research India Limited
Memberships / Chairmanships of Committees of other Public Companies (includes only Audit Committee and Shareholders' / Investors' Grievance Committee.)	Chairman <u>Audit Committee:</u> <ol style="list-style-type: none"> 1. Cadila Healthcare Limited 2. Hitachi Home & Life Solutions (India) Limited 3. Desai Brothers Limited 4. Sandesh Limited
	Member: <u>Audit Committee:</u> BA Research India Limited <u>Shareholders'/Investors' Grievance Committee:</u> <ol style="list-style-type: none"> 1. Cadila Healthcare Limited 2. Hitachi Home & Life Solutions (India) Limited
Number of shares held in the Company	213

ANNEXURE TO THE NOTICE DATED 27TH APRIL, 2009

Name of the Director	Pankaj R. Patel
Age	56 yrs.
Date of Appointment on the Board	27th April, 2009
Brief Resume and nature of expertise in functional areas	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 Zydus Cadila, one of India's leading pharmaceutical groups, Mr. Pankaj 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. Pankaj Patel was declared the 'Pharma Man of the Year' by the Federation of Indian Industry and Economists (FIIE) in 2004. The World Pharmaceutical Frontiers' in their global ranking of the most influential people in the field 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 association 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. Pankaj Patel is also actively involved in various institutions and is on the advisory committees and academic councils of leading pharmaceutical colleges and management institutes.
Directorships held in other public Companies (excluding foreign and private Companies)	<ol style="list-style-type: none"> 1. Cadila Healthcare Limited 2. Dialforhealth India Limited 3. Zydus Pharmaceuticals Limited 4. Nirma Limited 5. BAAP Diagnostics Limited 6. Zydus Animal Health Limited 7. Torrent Power Limited 8. Vadilal Chemicals Limited 9. Karnavati Club Limited 10. Zydus Technologies Limited
Memberships / Chairmanships of Committees of other Public Companies (includes only Audit Committee and Shareholders' / Investors' Grievance Committee.)	<p>Chairman <u>Audit Committee:</u></p> <ol style="list-style-type: none"> 1. Dialforhealth India Limited 2. Zydus Animal Health Limited <p><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 27TH APRIL, 2009

Name of the Director	Dr. Sharvil P. Patel
Age	31 yrs.
Date of Appointment on the Board	27th April, 2009
Brief Resume and nature of expertise in functional areas	Dr. Sharvil Patel is the Deputy Managing Director of Zydus Cadila, one of India's leading healthcare companies and a global healthcare provider. With a specialisation in Chemical and Pharmaceutical Sciences from the University of Sunderland, U.K. and a doctorate also from the same university for his research work in Breast Cancer at John Hopkins, Bayview Medical Centre, USA, Dr. Sharvil Patel combines both pharma and research expertise. This enables him to contribute in aligning the business and research goals of the group. The quest for market leadership is already spurring new initiatives and growth. A case in point is the Consumer Products Divisions, which is spearheaded by Dr. Sharvil Patel. With brands such as Sugar Free - India's largest selling sweetener, Nutralite - a premium table spread and Everyuth - a premium skin care range of products, the division is posting robust growth under his leadership and is exploring new avenues that will consolidate its presence in the fitness and wellness segment. Dr. Sharvil Patel is closely associated with the Yi (Young Indians), a leadership forum initiated by the Confederation of Indian Industry, which integrates young professionals from various walks of life for the developmental initiatives in the areas of economy, education, healthcare and environment.
Directorships held in other public Companies (excluding foreign and private Companies)	<ol style="list-style-type: none"> 1. Cadila Healthcare Limited 2. Dialforhealth India Limited 3. Zydus Pharmaceuticals Limited 4. Zydus Animal Health Limited 5. Zydus Technologies Limited
Memberships / Chairmanships of Committees of other Public Companies (includes only Audit Committee and Shareholders' / Investors' Grievance Committee.)	Member <u>Audit Committee:</u> Dialforhealth India Limited
Number of shares held in the Company	533

ANNEXURE TO THE NOTICE DATED 27TH APRIL, 2009

Name of the Director	H. Dhanrajgir
Age	72 yrs.
Date of Appointment on the Board	27th April, 2009
Brief Resume and nature of expertise in functional areas	<p>He is a B. Tech (Chem. Eng.) from Loughborough University, U.K., M.I. Chem. E (London.), C. Eng (London), AMP (Harvard). He started his carrier in 1960 at British Oxygen Co. Ltd., London. On his return to India, he worked for Burmah Shell, India as a covenanted officer for five years. He joined Glaxo India Ltd., and held several important positions including that of Managing Director in January 1990. He retired as Executive Vice Chairman in August, 1994. Thereafter, he was appointed as Managing Director of Lupin Laboratories in late 1994 helping the Company in its globalisation. He joined Kodak India Ltd as its CEO & Managing Director in October, 1995. He retired after five years term in October, 2000. He was the President of Organisation of Pharmaceutical Producers of India (OPPI) from 1992 to 1994, having served as its Vice President for 2 years prior to that. He also served on the General Committee of the Bombay Chamber of Commerce and Industry (BCCI) for two years and was a past Vice Chairman of the Indo-British Business Committee. He is a member - Global Advisory Board, Asian Centre for Corporate Governance, Trustee of the Dr. P. V. Chierian Artificial Kidney Trust, Trustee of Breach Candy Hospital Trust, Lintas Employees Welfare Trusts, Associate of A. M. Pappas Ventures, Research Triangle Part, North Carolina, U.S.A. He is on the Indian Advisory Board of U.S. Pharmacopoeia. He is also an independent Director on a few Boards such as HDFC Asset Management Co. Limited, Emcure Pharmaceuticals Ltd., Neuland Laboratories Ltd., Sami Labs. Limited, Next Gen Publishing Limited etc.</p>
Directorships held in other public Companies (excluding foreign and private Companies)	<ol style="list-style-type: none"> 1. HDFC Asset Management Company Limited 2. Neuland Laboratories Limited 3. Sami Labs. Limited 4. Emcure Pharmaceuticals Limited 5. Themis Medicare Limited 6. Next Gen Publishing Limited 7. Cadila Healthcare Limited
Memberships / Chairmanships of Committees of other Public Companies (includes only Audit Committee and Shareholders' / Investors' Grievance Committee.)	<p>Chairman</p> <p><u>Audit Committee:</u></p> <ol style="list-style-type: none"> 1. Neuland Laboratories Limited 2. Next Gen Publishing Limited
	<p>Member:</p> <p><u>Audit Committee:</u></p> <ol style="list-style-type: none"> 1. HDFC Asset Management Company Limited 2. Emcure Pharmaceuticals Limited 3. Themis Medicare Limited 4. Cadila Healthcare Limited
Number of Shares held in the Company	Nil

DIRECTORS' REPORT

To,
The Members of
Zydus Wellness Limited

Your directors have pleasure in presenting **FIFTEENTH** Annual Report of the Company along with the Audited statement of accounts for the year ended 31st March, 2009. The summarized results are given below:

SUMMARIZED FINANCIAL HIGHLIGHTS

For the year ended	INR - Mn.		Growth (%)
	31st March, 2009	31st March, 2008	
Sales and Other Income	1958	579	238.17
Profit before Interest, Depreciation, Exceptional expenses & Tax (PBIDET)	398	79	403.80
Less: Depreciation	17	7	142.86
Profit before Interest, Exceptional expenses & Tax (PBIET)	381	72	429.17
Less: Interest	0.2	1.2	(83.33)
Expenses incurred on Composite Scheme of Arrangement	16	—	
Profit Before Tax (PBT)	365	71	414.08
Less: Provision for Tax	127	25	408.00
Profit After Tax (PAT)	238	46	417.39
Add : Profit brought forward from the previous year	110	76	
Profit available for appropriation, which is appropriated as follows:	348	122	
Proposed Dividend	59	6	
Corporate Dividend Tax on Proposed Dividend	10	1	
Transferred to General Reserve	30	5	
Balance carried to Balance Sheet	249	110	
Total	348	122	
Earnings per share (EPS of FV Rs. 10/-) in Rs.	6.09	8.17	

DIRECTORS' REPORT

For the year ended on 31st March, 2009, the sales and other income of the Company have increased by 238.17 % to Rs. 1958 mn. compared to Rs. 579 mn. in the previous year. Profit before Interest, Depreciation & Tax increased to Rs. 398 mn. compared to Rs. 79 mn. in the previous year. The Profit After Tax increased to Rs. 238 mn. compared to Rs. 46 mn. in the previous year. However, the EPS was reduced to Rs. 6.09 as against Rs. 8.17 in the previous year due to increase in Share Capital pursuant to the Composite Scheme of Arrangement ("Scheme"). The figures of the previous year are not comparable with the figures of the current year as pursuant to Scheme, the Consumer Products Division of Cadila Healthcare Limited was demerged and transferred into the Company w.e.f. 1st April, 2008. 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. 1.50 per equity share (15%) (previous year Re.1/- per equity share), on expanded capital of 39,072,089 equity shares of Rs. 10/- each fully paid-up for the financial year ended on 31st March, 2009.

COMPOSITE SCHEME OF ARRANGEMENT

During the year, pursuant to the approval by the Honourable High Court of Gujarat under sections 391-394 of the Companies Act, 1956 to the Composite Scheme of Arrangement ("Scheme"), Cadila Healthcare Limited, the holding Company ("Cadila") has demerged its Consumer Products Division and transferred it to the Company. As a consideration of demerger, the shareholders of Cadila were issued and allotted equity shares of Rs. 10/- each fully paid-up of the Company in the ratio of 4 (Four) equity shares of Rs. 10/- each fully paid-up of the Company for every 15 (Fifteen) equity shares of Rs. 5/- each fully paid-up held in Cadila. As a result, the Company has issued additional 33,496,989 equity shares of Rs. 10/- each and the equity share capital of the Company increased to Rs. 390,720,890/- as on 31st March, 2009.

CHANGE IN NAME OF THE COMPANY

After acquisition of controlling stake by Cadila in the Company, the management of the Company was giving thought to change the name of the company to recognize it as "Zydus Cadila" group Company. Accordingly, the Company has changed its name to **ZYDUS WELLNESS LIMITED** w.e.f. 5th January, 2009.

FIXED DEPOSITS

The Company has not accepted any deposits during the year.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 read with Articles of Association of the Company, Mr. Mukesh M. Patel, Director retires by rotation at the ensuing Annual General Meeting and being eligible offered himself for re-appointment. The Board recommends his re-appointment.

Mr. Manubhai K. Patel and Dr. Mukesh R. Patel ceased to be the Directors w.e.f. 27th April, 2009. The Board places on record the contributions made and the valuable services rendered by them during their association with the Company.

DIRECTORS' REPORT

Mr. Pankaj R. Patel, Dr. Sharvil P. Patel and Mr. H. Dhanrajgir were appointed as Additional Directors pursuant to section 260 of the Companies Act, 1956 w.e.f. 27th April, 2009. They shall hold office upto 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 Companies Act, 1956, proposing their candidature for the office of Directors, liable to retire by rotation. The Board recommends their appointment as Directors.

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 retire as Statutory Auditors of the Company at the ensuing Annual General Meeting. The Audit Committee of the Board of Directors of the Company and Board of Directors have recommended their appointment as auditors to hold office until the conclusion of the next Annual General Meeting. The Company has received a certificate from the statutory auditors that their re-appointment, if made will be within the limits prescribed under section 224 (1B) of the Companies Act, 1956.

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, save and except the transfer of Consumer Products Division of Cadila into the Company pursuant to Scheme 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 2009 are prepared on going concern basis;

DIRECTORS' REPORT

- (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, 2009 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.

CORPORATE GOVERNANCE

In terms of clause 49 of the Listing Agreement with Stock Exchange, 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 M/s. 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 send 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 : 27th April, 2009.

Mukesh M. 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	2008-09	2007-08
A. Power and Fuel Consumption:			
1. Electricity:			
(a) Purchased:			
Units	Nos.	1222544	1001158
Total Amount	Th. Rs.	6762	4805
Rate/Unit	Rs.	5.53	4.79
(b) Own Generation:0			
Through Diesel Generator:			
Units	Nos.	7931 units (3700 ltr. Diesel consumed)	4548 units (1516 ltr. Diesel consumed)
Units per ltr. of Diesel oil		2.14	3.00
Cost/Unit	Rs.	16.35	12.00
2. Others/Internal Generation:			
Solid Fuel (wood):			
Quantity	Kgs.	300000	420378
Total Cost	Th. Rs.	898	841
Rate/Unit	Rs.	2.99	2.00
B. Consumption per unit of production :			
Product / unit		Margarine / ton 7139	Margarine / ton 6349
Electricity consumed	Nos.	0.1723 KWh	0.1577 KWh

ANNEXURE TO THE DIRECTORS' REPORT

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 THOUSANDS	
	2008-09	2007-08
Earnings	Nil	Nil
Outgo	320	91

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Place : Ahmedabad.
Date : 27th April, 2009.

Mukesh M. Patel
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS REPORT 2008-2009

Consumer Healthcare and Wellness – an emerging market

With growing health and wellness consciousness among consumers, and increasing importance of fitness and healthy living, a significant change in consumer preferences and attitudes is being witnessed across India. There is a greater inclination towards 'Self-care' rather than 'Medicare', and greater awareness of the 'functional' benefits of healthy option available for the consumers have made them more empowered. Continuously increasing awareness of healthier lifestyles and willingness to spend more for fitness and well-being has resulted in a considerable rise in demand for products that work as preventive measures against lifestyle related diseases and provide nutritional and health benefits. This has created an emerging market, with health conscious consumers, willing to try better alternatives, and making informed choices.

Overview – Year 2008-09

State of Economy, Industry and our Business

The Indian economy, which got impacted by global economic slowdown caused by the sub-prime housing mortgage crisis in US and other economies in 2008-09, passed through rough weather, with GDP and industrial growth slowing down. The inflation rate measured in terms of Wholesale Price Index (WPI) came down close to less than 1% at the end of the year 2008-09 from over 12% in the middle of the year. Large withdrawals of investments in India by investors across the world have resulted into sharp depreciation of Indian Rupee vis-à-vis other currencies. (Source: Monthly Economic Report, March 2009 as published by Ministry of Finance, Govt. of India)

The economic slowdown also affects consumer spending as the consumer behaviour tends to change towards being more cautious in the recessionary situation. Consumers started spending judiciously and considering every purchase with extra care. Threats of lay-offs and job-cuts coupled with difficulties in getting credits from banks and other sources forced the consumers to restrict their spending. Reduced consumer spending resulted in fall in demand which further worsened the economic scenario.

Against this backdrop, we have continued to tread on our growth path at the same pace in 2008-09. 'Nutralite', our premium table spread margarine, which enjoys leading position in the butter substitutes market in India, continued to grow inspite of price pressures from competition and increased its presence in the growing and sustainable retail segment.

Foray into the fast growing sugar substitutes and skincare segments

In a strategic move to strengthen our presence in the consumer health and wellness segment, we forayed into fast growing sugar substitutes and skin care segments by merging consumer healthcare business of Cadila Healthcare Ltd. with us under a composite scheme of arrangement. This brings in an established and very robust business with two strong brands viz. 'Sugar Free', India's largest selling low calorie sweetener and 'EverYuth', a range of specialty skincare products. With a field force of over 225 people and countrywide distribution network covered by over 1 lakh outlets in India, the consumer healthcare business of Cadila Healthcare Ltd. offers tremendous opportunities to expand our presence in the health and wellness segment.

This initiative was taken with a view to leveraging strengths of consumer business of both the entities. The combined business of three brands is expected to generate synergies in terms of focused management attention,

MANAGEMENT DISCUSSION AND ANALYSIS REPORT 2008-2009

strengthened brand building through combined marketing and brand management efforts, enhanced promotional activities with combined field force and availability of more funds for investment in manufacturing and R&D, all of which should help to unlock value and enhance it. The other aspects of this scheme of arrangement are discussed in detail in Note B-1 of Schedule 14 forming part of the financial statements.

Consequent to this arrangement, which was implemented with effect from 1st April, 2008, we renamed our company as Zydus Wellness Limited.

Various initiatives which we took in each of our businesses to grow and establish our position as a dominant consumer healthcare player notwithstanding the economic slowdown are discussed below.

Sugar Free – India’s largest selling low calorie sweetener

India has always been considered as the diabetic capital of the world, and the number of diabetics is growing day by day. Sugar Free was launched in the year 1988 bearing in mind the need for a domestic player for the growing number of diabetics in India. With growing awareness of health consciousness and the increasing acceptance of artificial sweeteners, there exists significant potential for lifestyle management products like Sugar Free and its variants.

Today, Sugar Free has been transformed from only being the need to use category to choose to use category. Sugar Free is the market leader in the artificial sweeteners category in India with over 80% market share (*Source : AC Nielsen*), holds good brand equity and goodwill for its expected health benefits, especially on the diabetes platform and enjoys the ‘top of the mind recall’ in the minds of calorie conscious consumers.

Launched initially in the Aspartame based variant, ‘Sugar Free Gold’, which is the leader in sugar substitute segment with over 60% market share in India, the brand Sugar Free was extended in 2005 with launch of Sucralose based variant, ‘Sugar Free Natura’. While Aspartame is the highest selling sugar substitute molecule across the world, Sucralose is the latest international zero calorie sweetener which is made from sugar, so tastes like sugar, but has no calories. Both are highly accepted and proven safe by US FDA and WHO amongst the various other prestigious organizations. In less than 3 years time, Sugar Free Natura has become the second largest sugar substitute brand in the country after Sugar Free Gold. Apart from these two variants, both of which have been launched in tablet and powder concentrate forms, the ready to drink and powdered soft drink concentrate variant, ‘Sugar Free De’lite’ was also launched in 2005 to give a refreshing alternative to all the health conscious and the diabetics, who were looking for on-the-move drink with very low calorie in-take.

During the year 2008-09, the brand Sugar Free continued robust performance, and crossed sales of Rs. 770 Mio., up by 16% on like-to-like basis. Consumer relevant innovations, marketing initiatives, distribution and outstanding execution were the key drivers for this growth. Relevant product extensions and focused advertising and consumer communication helped the business sustain the momentum across the category. The “My Fitness Secret” campaign launched during the year has been received well and encouraged new trials and better acceptance and percolation in lower towns amongst the diabetics and the health conscious people. Under the Sugar Free Natura portfolio, we also launched a power brand ‘Natura Diet Sugar’ to bring convenience to the consumer.

Going forward, we would continue to differentiate the brand Sugar Free in the marketplace by what we do with ingredients, nutrition science, product packaging and processing, and continue creating points of difference with marketplace solutions in our retail environment, exciting the consumers who ultimately buy our products.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT 2008-2009

EverYuth – niche range of skincare products

The specialty range of skincare products marketed under the umbrella brand EverYuth holds a very strong presence in the advanced segments like soap-free face washes, face masks and scrubs. It enjoys number one position in scrub and peel-off categories in India, and is the second largest face wash Indian brand. Continuous focus on niche categories, improvement in the product offerings and introduction of newer and unique concepts have helped this brand make a significant impact in the skincare segment.

The year 2008-09 saw the rise of EverYuth into the big league of power brands like Sugar Free & Nutralite. A host of marketing initiatives along with greater consumer pull took the brand from over Rs. 300 Mio. in FY 2007-08 to over Rs. 500 Mio. in FY 2008-09. This translates into growth of over 60%.

This growth has been mainly due to product enhancement through various initiatives like change in packaging of the entire range to give it a more contemporary look and feel and consolidation of market share in respective categories of peel-off, face wash and scrub. Focused visibility drive across markets and outlets helped the brand remain in the minds of trade and consumers alike. EverYuth maintained and in fact extended its lead in the peel-off category with a volume market share of 98%. EverYuth Scrub retained leadership position with volume market share of 69% (*Source: AC Nielsen Mar'09*)

The growth witnessed in the last financial year has been the perfect launch pad for propelling us into the future where there are ambitious plans of extending the product portfolio. A number of new projects are in progress involving newer categories that would help us establish a mark in the personal and skincare domain.

Apart from new projects, there is a continuous and conscious drive to increase our width and depth of distribution to strengthen the foundations of this business. A critical area is the contribution from Modern Retail Formats (MRFs) that have been badly affected in the last one-year in the light of the economic slowdown. We are taking all measures to counter MRF related issues so that we are present where the modern Indian consumer goes to pick up his/her favourite brands.

Nutralite – India's Leading Table Spread Margarine

The Indian food processing industry has seen significant growth and changes over the past few years. Changes in demographics and rapid urbanization have given way to value added products through the food processing industry. Influence of media and exposure to overseas markets has an influence on Indian lifestyle and trends. Health foods are bound to play a vital role in the progress of the sector.

The butter substitute market is slowly gaining ground in Indian markets. India is traditionally a high butter consuming market and in the past five years, there is a shift in consumption observed, whereby, consumer acceptance of healthier alternatives is increasing. The health spreads category is expected to see more action with new players entering in the next couple of years, which will help the category grow. A wider range of technologically superior products are expected to cater to a variety of customers.

Nutralite table spread is made from pure refined vegetable fats, which are free from trans fats and also does not contain hydrogenated fats. Nutralite has been developed keeping in mind the fast food culture and lifestyle changes that come with a baggage of health risks like high cholesterol, cardiovascular disorders, etc. It is now available in international style tub packs of 200g and 500g. These reusable tubs are air-tight containers and are microwave safe. Nutralite is also available in 8g single serve packs.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT 2008-2009

Several initiatives taken over last three years to revamp and reposition the brand Nutralite through change in packs and packaging style, special promotional campaigns and shift of focus from bulk to retail segment have fuelled growth of this brand. Continuing its journey on the growth path, Nutralite grew by healthy 19% and crossed sales of Rs. 660 Mio. in 2008-09. The retail segment of Nutralite, comprising of premium carton packs and tubs having sustainable business with steady margins, has increased its contribution in total business to 25%, which was very insignificant three years ago.

Going forward, we expect to continue our efforts to strengthen our position in the retail segment of butter substitute market to ensure growth momentum in this business.

Financial Highlights*

* The consumer healthcare business of Cadila Healthcare Ltd. was merged with our company with effect from 1st April, 2008, and hence numbers of 2008-09 include numbers of this business also, which was not there in 2007-08. To make meaningful and like-to-like comparison, numbers of consumer healthcare business of Cadila Healthcare Ltd. for 2007-08 have been added to the numbers of erstwhile Carnation Nutra-Analogue Foods Ltd. in following part.

Operating Incomes**Sales**

The gross sales revenue grew by 27% to Rs. 1,947 Mio. in 2008-09. Sales growth was driven by higher growth in EverYuth, which grew by over 60%. Sugar Free grew by 16%, while Nutralite grew by 19%.

Other Incomes

Other incomes, which mainly include interest earned on inter corporate deposits reduced by 38% to Rs. 11 Mio., mainly due to repayment of part of the deposits during the year.

Operating expenses**Material Cost**

The consumption of materials and finished goods increased by 19% to Rs. 727 Mio. Total consumption as % to gross sales reduced from about 39.8% last year to 37.3% mainly on account of better realization across all product categories.

Personnel Costs

The Personnel cost increased by 22% y-y to Rs. 79 Mio., both due to net addition in manpower and increase in average cost per employee.

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

The manufacturing, selling, distribution and other general administration expenses increased by 30% y-y to Rs. 755 Mio. This was mainly on account of increase in marketing expenses by over 40% due to increase in promotional activities to strengthen our brand equity across all segments. Overall MSGA as % to gross sales were at 38.7% compared to 37.6% last year.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT 2008-2009

Depreciation and Amortization

Since majority of capital expenditure of over Rs. 110 Mio. of 2007-08 was capitalized in January 2008, last year's depreciation charge included only a part of the depreciation on this addition, on which full year's depreciation charge has been provided for in 2008-09. Due to this, depreciation and amortization expenses in 2008-09 were up by over 120% y-y to Rs. 17 Mio.

Exceptional Items

Exceptional expenses of Rs. 16 Mio. include expenses incurred on merger of consumer healthcare business of Cadila Healthcare Ltd. under the composite scheme of arrangement.

Profits and margins

The EBITDA (Earnings before interest, tax, depreciation and amortisation excluding non operating incomes) increased by 37% to Rs. 387 Mio. The EBITDA margin as % to sales increased by 1.5% to 19.9% from 18.4% in the previous year, mainly on account of better gross margins.

The profit before tax and exceptional items increased by 31% y-y to Rs. 381 Mio. As a % to sales, PBT before exceptional items increased to 19.6% as against 18.9% last year.

Net profit after tax grew by 25% y-y to Rs. 238 Mio. The net margin stood at 12.2% vis-à-vis 12.3% last year. However, excluding the impact of exceptional items (net of tax), the net profit grew by 31% to Rs. 249 Mio., and net margin excluding exceptional items was at 12.8% compared to 12.3% last year.

Net Worth

The net worth as at 31st March, 2009 stood at Rs. 690 Mio. Equity share capital increased by Rs. 335 Mio. to Rs. 391 Mio. after issuance of additional 33.5 Mio. equity shares under the composite scheme of arrangement to merge consumer healthcare business of Cadila Healthcare Ltd.

Fixed Assets and Capital Expenditure

The gross block at the end of 2008-09 was Rs. 444 Mio. Additions to fixed assets during the year include goodwill of Rs. 288 Mio. arising on merger of consumer healthcare business of Cadila Healthcare Ltd. under the composite scheme of arrangement, which was adjusted to the extent of Rs. 59 Mio. against Capital Reserves and Share Premium Account.

Working capital and liquidity

Working capital level at the end of 2008-09 was of Rs. 301 Mio., which increased by Rs. 163 Mio. from last year. This was mainly due to increase in cash balance by Rs. 437 Mio., which stood at Rs. 507 Mio. at the end of the year. Overall current ratio at the end of the year 2008-09 stood at 1.71.

Accounts Receivables balance of Rs. 62 Mio. mainly includes sales made in the last week of March-09. Average inventory levels of input materials (raw and packing materials) remained at same level of last year of about 10 days of consumption, while average levels of finished goods inventories reduced to below 35 days of cost of goods sold from about 40 days last year.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT 2008-2009

Risk Identification, Risk Mitigation and Internal Controls

Our business comprises of marketing of sugar substitutes and skincare products and manufacturing and marketing of butter substitutes in India. Our presence in these segments exposes us 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 government price control mechanisms. The prices have already peaked during 2008-09 and are likely to stabilize sometime during mid-2009. Though we do not manufacture Sugar Free and EverYuth variants, any fluctuation in prices of Aspartame, key ingredient of Sugar Free Gold and key inputs of some of the variants of EverYuth, which are imported by our suppliers, or any fluctuation in foreign exchange rates affects the prices at which we source these products from our suppliers. We have entered into long term contracts with our suppliers to minimize the risk of fluctuations in the input prices on our margins.

Risk of competition and price pressure

Though our products enjoy a leading position in their respective categories, there always exists risk of entry of newer players in the market. However, our strength in the market place, coupled with our continuous thrust on improving quality of our products and offering newer products in the healthcare segment provide us an edge over competition.

Since a bulk of the butter substitute business and a portion of sugar substitutes and skincare business comes from institutional segment and large retail outlets, value erosion is expected due to heavy price undercutting by new small time players in the market and commanding pricing power enjoyed by large retail outlets. We take a balanced approach in handling such a situation and are confident of meeting the challenge of competition.

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

Being in consumer healthcare and wellness segment, our products and their manufacturing and supply chain processes are supposed 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 litigation from our customers. We also face risk of litigation from our competitors or customers on claims we make for values which our products offer. We always strive to ensure highest standards of quality of our products and processes, and continuously work on improving the quality. We also remain extra cautious while making any claims on our product offerings.

Having strong brand equity in each of the segments, we face risk of unauthorized and illegitimate use of our brand name, packing style, and other intellectual properties related to our products. We ensure protection of our intellectual property through appropriate registrations and other legal means.

Risk Management and Internal Control Systems

We have well defined process of risk identification, risk analysis and risk assessment, defining risk mitigation actions and proper execution thereof. We have also established requisite internal control systems on various activities like procurement of materials, services and assets and payments thereof, manufacturing of products and sale of finished products and services and collections thereof. We regularly review such control systems and continuously improve upon them.

CORPORATE GOVERNANCE REPORT

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Zydus Wellness Limited believes in continuous good corporate governance and always strives to improve performance at all levels by adhering to corporate governance practices, such as managing its affairs with diligence, transparency, responsibility and accountability. We have, therefore, designed our systems and action plans to enhance performance and stakeholders' value in the long run. To create a culture of good governance, your Company has adopted practices that comprise of performance accountability, effective management control, constitution of Board Committees as a part of the internal control system, fair representation of professionally qualified, non-executive and independent Directors on the Board, adequate and timely compliance, disclosure of information on performance, ownership and governance of the Company and discharge of statutory dues.

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 date, the Board of your Company comprises of six directors. The Board represents an optimum mix of professionalism, knowledge and expertise.

During the financial year 2008-09, 9 meetings of the Board of Directors were held on 28th April, 2008, 17th June, 2008, 4th July, 2008, 30th July, 2008, 26th September, 2008, 20th October, 2008, 27th November, 2008, 17th January, 2009 and 23rd January, 2009. The maximum time gap between two meetings was not more than 4 months.

The complete details regarding the directors, position held, attendance record and other directorships (excluding private, foreign and alternative directorships) and the membership of Board committees other than your Company (committee includes Audit Committee and Shareholders'/Investors' Grievance Committee) is provided in the following table.

Name of Director	Position	Attendance at the last AGM	No. of Board Meetings Attended	Member of other Board Committees	Number of Other Directorship held
Mr. Mukesh M. Patel	Chairman, Non Executive and Independent Director	Yes	7	7	8
Mr. Jitendra R. Patel	Managing Director	Yes	8	Nil	Nil
Mr. Ganesh N. Nayak	Non Executive Director	Yes	5	1	2
Dr. Mukesh R. Patel *	Non Executive Director	No	9	Nil	1
Mr. Manubhai K. Patel *	Non Executive Director	Yes	9	Nil	2
Mr. Pankaj R. Patel **	Non Executive Director	N.A.	N.A.	5	10
Dr. Sharvil P. Patel **	Non Executive Director	N.A.	N.A.	1	5
Mr. H. Dhanrajgir **	Non Executive & Independent Director	N.A.	N.A.	6	7

* Ceased to be Director w.e.f. 27th April, 2009.

** Appointed as Director w.e.f. 27th April, 2009.

b) Remuneration to the Directors

Directors of the Company are not being paid any sitting fees or commission. Managing Director was paid contractual remuneration by way of salary, dearness allowance, perquisites and other allowances or combination thereof in aggregate of Rs. 9 lacs for the year ended on 31st March, 2009, which is as per the approval accorded by the shareholders.

CORPORATE GOVERNANCE REPORT
c) Information placed before the Board

The information generally provided to the Board for its consideration and approval is as specified in clause 49 of the Listing Agreement, whenever applicable and materially significant. Such information is submitted well in advance with the agenda papers.

3. COMMITTEES OF THE BOARD
a) Audit Committee
Terms of Reference

The Audit Committee was formed on 25th March, 2003 and was lastly reconstituted on 27th April, 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/reappointment 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.

Composition, Name of Members and Chairman

Audit Committee was reconstituted on 27th April, 2009. Dr. Mukesh R. Patel ceased to be a member and in his place Mr. H. Dhanrajgir was appointed as the member of the committee.

Mr. Mukesh M. Patel is the Chairman of the Committee. The Chairman 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:

28th April, 2008, 30th July, 2008, 20th October, 2008 and 23rd January, 2009.

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

Sr. No.	Name of the Member	Position	Meetings Attended
1.	Mr. Mukesh M. Patel	Chairman	4
2.	Mr. Ganesh N. Nayak	Member	2
3.	Dr. Mukesh R. Patel*	Member	4
4.	Mr. H. Dhanrajgir**	Member	N.A.

* Ceased to be a member w.e.f. 27th April, 2009

** Appointed as member w.e.f. 27th April, 2009

Mr. Dhaval N. Soni, Company Secretary acts as secretary to the Committee.

CORPORATE GOVERNANCE REPORT
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, dematerialization, rematerialisation and issue of duplicate share certificates, splitting and consolidation of shares issued by the Company.

The Share Transfer Committee comprises the following members:

Mr. Mukesh M. Patel

Mr. Ganesh N. Nayak

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 2008 – 09. There were no transfers/complained pending or unattended as on 31st March, 2009.

Meetings and Attendance during the year

During the year, four meetings were held on 28th April, 2008, 30th July, 2008, 20th October, 2008 and 23rd January, 2009. The details of attendance of committee members at the meetings are provided in the following table.

Name of the Member	Category	Committee Meetings Attended
Dr. Mukesh R. Patel*	Chairman	4
Mr. Mukesh M. Patel	Member	4
Mr. Ganesh N. Nayak**	Member	2
Mr. H. Dhanrajgir***	Member	N.A.

* Ceased to be a member w.e.f. 27th April, 2009

** Appointed as Chairman w.e.f. 27th April, 2009

*** Appointed as member w.e.f. 27th April, 2009

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.

As on 31st March, 2009, 40432 Equity Share 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 (Formerly known as Carnation Nutra-Analogue Foods Limited)

Registered Office : "Zydus Tower", Satellite Cross Roads, Sarkhej Gandhinagar Highway, Ahmedabad – 380015.

dhavalsoni@zyduscadila.com

4. CEO / CFO CERTIFICATION

As the operations of the Company do not require the appointment of the Chief Financial Officer, in order to comply with the requirements of clause – 49 of the Listing Agreement, the compliance certificate required under clause 49(V) has been signed jointly by the Managing Director and the Group CFO.

CORPORATE GOVERNANCE REPORT

5. GENERAL BODY MEETINGS

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

Financial Year	Date & Time	Venue	Details of Special Resolutions	Resolution(s) passed through postal ballot
2007-2008	10.7.2008 10.00 a.m.	Seminar Hall, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad- 380 015.	Nil	No
2006-2007	23.7.2007 10.00 a.m.	Seminar Hall, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad- 380 015.	Nil	No
2005-2006	29.9.2006 10.00 a.m.	Seminar Hall, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad- 380 015.	Nil	No

Postal Ballot

The Board of Directors of the Company had passed resolution on 4th July, 2008 for obtaining approval of shareholders by way of a Special Resolution by means of Postal Ballot for the following item:

- Alteration in the object clause of the Memorandum of Association pursuant to section 17 of the Companies Act, 1956.

The notice of the Postal Ballot dated 4th July, 2008 containing the Special Resolution, the relevant explanatory statement and the postal ballot form were sent to all the shareholders of the Company and they had to return duly completed postal ballot forms to the Company not later than 12th September, 2008.

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:

Number of valid postal ballot forms received	130
Votes in favour of Resolution	3,460,631
Votes against the Resolution	52,899
Number of invalid Postal Ballot forms received	1

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

Extra-Ordinary General Meeting

An Extra-Ordinary General Meeting of the Members of the Company was held during the year, the details of which are as follow:

Date	Time	Venue	Purpose
30.12.2008	10.00 a.m.	Seminar Hall, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad- 380 015.	To change the name of the Company from "Carnation Nutra – Analogue Foods Limited" to "Zydus Wellness Limited"

6. DISCLOSURES

- a) There were no materially significant related party transactions that may have potential conflict with the interests of the Company at large.

CORPORATE GOVERNANCE REPORT

- b) 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 Exchange or SEBI or any statutory authority on any matter related to capital markets,
- c) 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.
- d) 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, 2009. 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.

Shares held by the Directors as at 31st March, 2009

Name of the Director	No. of shares held*	Details of shares bought / sold during 2008 - 09
Mr. Mukesh M. Patel	213	Nil
Mr. Jitendra R. Patel	1,066	Nil
Mr. Ganesh N. Nayak	4,213	Nil
Mr. Manubhai K. Patel	5,910	Nil
Dr. Mukesh R. Patel	53,333	Nil
Mr. Pankaj R. Patel	2,665	Nil
Dr. Sharvil P. Patel	533	Nil
Mr. H. Dhanrajgir	0	Nil

* These shares were received pursuant to Composite Scheme of Arrangement, as they were the shareholders of Cadila Healthcare Limited on the Record Date.

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 "The Hindu Business Line" and "Jansatta", in English and Gujarati respectively. The same were sent to the Stock Exchange and posted on the Company's website.

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 15th AGM	: 28th July, 2009 at 3:00 p.m.
Venue	: Bhaikaka Bhawan, Law College Road, Ahmedabad – 380 006
Financial year	: 1st April, 2008 to 31st March, 2009
Date of Book Closure	: 20th July, 2009 to 28th July, 2009 (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 Address	: www.zyduswellness.in

CORPORATE GOVERNANCE REPORT
b) Financial Calendar

Key financial reporting dates for the financial year 2009 – 2010 (tentative)

First quarter Results : Before 31st July, 2009

Half yearly Results : Before 31st October, 2009

Third quarter Results : Before 31st January, 2010

Audited results for the year 2009-10 : Before 30th June, 2010

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 3rd August, 2009.

d) Listing on Stock Exchanges

The Equity Shares of the Company are listed only on the Bombay Stock Exchange Limited (BSE). The stock code is 531335.

The Company has paid annual listing fees for the year 2009-10.

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

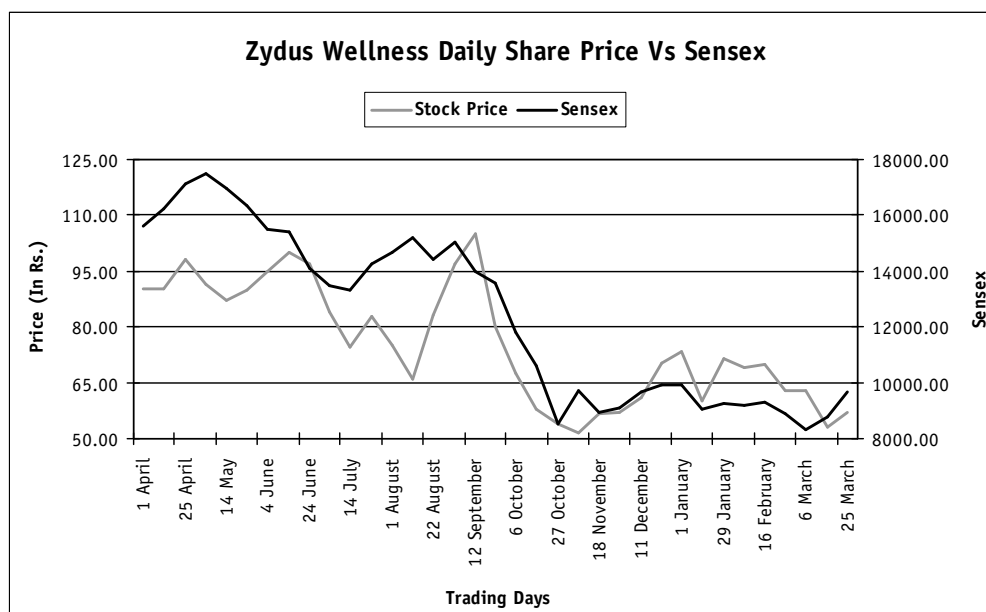
e) Market Price Data: High, Low during each month in last financial year and its comparison to broad- base index BSE Sensex.

MONTH	Rupees		BSE SENSEX
	HIGH	LOW	
April – 08	103.00	82.55	17287.31
May	106.00	86.75	16415.57
June	112.60	91.00	13461.60
July	102.00	68.50	14355.75
August	105.00	70.55	14564.53
September	119.40	78.30	12860.43
October	80.00	54.00	9788.06
November	62.80	46.00	9092.72
December	82.00	57.00	9647.31
January – 09	79.70	60.05	9424.24
February	80.00	62.80	8891.61
March	76.00	52.00	9708.50

Source: Official website of Bombay Stock Exchange Limited - viz. www.bseindia.com

CORPORATE GOVERNANCE REPORT

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 Share Transfer Agent at the following address:

Link Intime India Private Limited
(Formerly known as Intime Spectrum Registry Limited)

211, Sudarshan Complex, Mithakhali Six Roads, Navrangpura, Ahmedabad – 380 009
e-mail : ahmedabad@linkintime.co.in. Phone: 079 – 26465179 Fax: 079 – 26465179

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 two weeks.

h) Secretarial Audit

A Practicing Company Secretary carried out secretarial audit in each of the quarter in the financial year 2008 – 09, 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 dematerialized shares held with depositories.

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 dematerialized 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, 2009, 38,561,935 Equity Shares of the Company, representing 98.69% of the Share Capital of the Company are held by the members in electronic form.

CORPORATE GOVERNANCE REPORT
j) Distribution of Shareholding as on 31st March, 2009

No. of Equity Shares	Shareholders		Shares	
	Numbers	% of Total	Number	% of Total
1 to 500	38981	98.2730	1763482	4.5130
501 to 1000	304	0.7660	221742	0.5680
1001 to 2000	149	0.3760	216616	0.5540
2001 to 3000	67	0.1690	170102	0.4350
3001 to 4000	29	0.0730	102453	0.2620
4001 to 5000	22	0.0550	99465	0.2550
5001 to 10000	41	0.1030	287171	0.7350
10001 & above	73	0.1840	36211058	92.6780
TOTAL	39666	100	39072089	100

k) Shareholding Pattern as on 31st March, 2009

Category	No. of Shares held			% of shareholding
	Physical	Electronic	Total	
Promoter's holding	640	28228578	28229218	72.2491
Mutual Funds and UTI	626	2492014	2492640	6.3796
Banks, FI and Insurance Companies	296	3024771	3025067	7.7423
Foreign Institutional Investors	66	1168537	1168603	2.9909
NRI's / OCBs	86490	78690	165180	0.4228
Other Corporate Bodies	11306	961635	972941	2.4901
Indian Public	410730	2606479	3017209	7.7222
Others (Govt. & other trusts)	0	1231	1231	0.003
TOTAL	510154	38561935	39072089	100 %

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 communications to the Company's Registrar and Share Transfer Agent at the address mentioned in this report.

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

e-mail id: dhavalsoni@zyduscadila.com

CORPORATE GOVERNANCE REPORT

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 has not been any non-compliance by the Company and no penalties or strictures were imposed on the Company by the Stock Exchange 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.

12. Non-mandatory Requirements

The Company has dissolved Remuneration Committee w.e.f. 27th April, 2009.

DECLARATION

All Board Members and Senior Management personnel have affirmed compliance with the Code of Conduct for Directors and Senior Management, as approved by the Board.

Place: Ahmedabad.

Date : 27th April, 2009.

MUKESH M. PATEL

Chairman

CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

To
**The Members of
Zydus Wellness Limited**
(Formerly known as Carnation Nutra – Analogue Foods Limited)

We have examined the compliance of conditions of Corporate Governance by Zydus Wellness Limited (Formerly known as Carnation Nutra – Analogue Foods Limited) [“The Company”] for the year ended 31st March, 2009 as stipulated in clause 49 of the Listing Agreement of the Company with the Bombay Stock Exchange.

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 the Directors and the Management, we certify that the Company has complied with the conditions of the Corporate Governance as stipulated in the above mentioned Listing Agreement.

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 : 27th April, 2009.

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 2009 and 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 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 sub-section (3C) of section 211 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 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 and
- (f) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts subject to 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, 2009;
 - (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

Membership No. 42132

Place: Ahmedabad.
Date : 27th April, 2009.

ANNEXURE TO THE AUDITORS' REPORT

With reference to the Annexure referred to in above paragraph of the report of the Auditors' to the Members of ZYDUS WELLNESS LIMITED on the accounts for the year ended 31st March 2009, we report that:

1. (a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) Some of the fixed assets were physically verified during the year by the management in accordance with programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us no material discrepancies were noticed on such verification.
 - (c) Fixed assets disposed off during the year were not substantial and therefore do not affect the going concern assumption.
2. (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.
 - (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 31.03.2009 (Rs.)
Liva Healthcare Ltd.	25,00,000	6,00,00,000	6,75,00,000

- (b) The rate of interest and other terms and conditions on which the loan has been 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. (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.
6. 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.
7. The Company has an internal audit system, which, in our opinion, is commensurate with its size and the nature of its business.
8. 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.

ANNEXURE TO THE AUDITORS' REPORT

9. (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 2009, 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.
10. The company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
11. Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of dues to a bank.
12. The company has not granted any loans and advances on the basis of security by way pledge of shares.
13. The company is not a chit fund / nidhi / mutual benefit fund / society.
14. According to the information and explanations given to us, the company is not dealing or trading in shares, securities, debentures and other investments.
15. 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.
16. The Company has not taken any term loans from any Bank or financial institution during the current year.
17. According to the information and explanations given to us and on an overall examination of the Cash Flow Statement and other records examined by us, we report that no funds raised on short term basis have prima facie, been used during the year for long term investment.
18. The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
19. The Company has not issued any debentures hence; question of creating securities does not arise.
20. The company has not raised any money by public issues during the year.
21. To the best of our knowledge and belief, and according to the information and explanations given to us, no fraud on or by the company was noticed or reported during the year.

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

Chandresh S. Shah
Partner
Membership No. 42132

Place: Ahmedabad.
Date : 27th April, 2009.

BALANCE SHEET AS AT MARCH 31, 2009

	Schedule No.	INR - Thousands	
		As at March 31,	
		2009	2008
SOURCES OF FUNDS :			
Shareholders' Funds :			
Share Capital	1	390721	55751
Reserves and Surplus	2	299057	189033
		689778	244784
Deferred Tax Liability [Net]	14[B-12]	7456	16053
Total		697234	260837
APPLICATION OF FUNDS :			
Fixed Assets :	3		
Gross Block		444468	200574
Less : Depreciation and Amortisation		48288	31222
Net Block		396180	169352
Net Current Assets :			
Current Assets, Loans and Advances :			
Inventories	4	81387	24975
Sundry Debtors	5	61830	12444
Cash and Bank Balances	6	507031	3285
Loans and Advances	7	86498	130635
		736746	171339
Less : Current Liabilities & Provisions :			
Current Liabilities	8	359456	72100
Provisions	9	76236	7754
		435692	79854
		301054	91485
Total		697234	260837
Significant Accounting Policies and Notes on Accounts	14		
As per our attached report of even date		For and on Behalf of the Board,	
For Mukesh M. Shah & Co., Chartered Accountants		Mukesh M. Patel Chairman	
Chandresh S. Shah Partner Membership No. 42132 Place: Ahmedabad. Date : 27th April, 2009.	Dhaval N. Soni Company Secretary	Pankaj R. Patel Director	Jitendra R. Patel Managing Director Place : Ahmedabad. Date : 27th April, 2009.

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009

	Schedule No.	INR - Thousands	
		Year ended March 31,	
		2009	2008
INCOME :			
Sales		1947408	563329
Other Income	10	10752	15712
		1958160	579041
EXPENDITURE :			
Consumption of Materials and Finished Goods	11	727270	306746
General Expenses	12	833399	194719
Depreciation, Amortisation	3	16727	7258
		1577396	508723
Profit before tax and exceptional items		380764	70318
Less : Exceptional Expenses :			
Expenses incurred on Composite Scheme of Arrangement	14[B-1]	16029	0
Profit before Tax		364735	70318
Less : Provision for Taxation	13	126720	24770
Profit after Tax		238015	45548
Add : Balance brought forward		109610	76084
PROFIT AVAILABLE FOR APPROPRIATIONS		347625	121632
Appropriations :			
Dividend :			
Proposed Dividend		58608	5575
Corporate Dividend Tax on Proposed Dividend		9960	947
		68568	6522
Transfer to General Reserve		30000	5500
		98568	12022
Balance carried to Balance Sheet		249057	109610
Basic and Diluted E P S [in Rupees]	14[B-13]	6.09	8.17
Significant Accounting Policies and Notes on Accounts	14		
As per our attached report of even date		For and on Behalf of the Board,	
For Mukesh M. Shah & Co., Chartered Accountants		Mukesh M. Patel Chairman	
Chandresh S. Shah Partner Membership No. 42132 Place: Ahmedabad. Date : 27th April, 2009.	Dhaval N. Soni Company Secretary	Pankaj R. Patel Director	Jitendra R. Patel Managing Director Place : Ahmedabad. Date : 27th April, 2009.

CASHFLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009

	INR - Thousands	
	Year ended March 31,	
	2009	2008
A Cash Flows from Operating Activities :		
Net Profit before Tax and Exceptional item	380764	70318
Adjustments for :		
Depreciation, Amortisation	16727	7258
Profit on sale of assets [net]	0	307
Interest income	(2524)	(12924)
Interest expenses	200	1200
Provision for claims for Product Warranties & Return of Goods	2519	0
Provisions for retirement benefits	3885	0
Provision for Bad and Doubtful Debts	2152	0
Total	22959	(4159)
Operating profit before working capital changes	403723	66159
Adjustments for :		
[Increase] / Decrease in trade receivables	(4668)	(1695)
[Increase] / Decrease in other receivables	71785	(111296)
[Increase] / Decrease in inventories	(5144)	395
Increase / [Decrease] in trade payables & other liabilities	143128	38784
Total	205101	(73812)
Cash generated from operations	608824	(7653)
Interest paid	(200)	(1200)
Direct taxes paid [Net of refunds]	(135102)	(19871)
Total	(135302)	(21071)
Cash flow before extraordinary items	473522	(28724)
Exceptional items	(16029)	0
Net cash from operating activities	457493	(28724)

CASHFLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009

	INR - Thousands	
	Year ended March 31,	
	2009	2008
B Cash flows from investing activities :		
Purchase of fixed assets	(14246)	(113484)
Proceeds from sale of fixed assets	0	2297
Interest received	1552	12924
Net cash from investing activities	(12694)	(98263)
C Cash flows from financing activities :		
Loans Repaid [Taken over under the Scheme of Amalgamation]	(1112)	0
Dividends paid	(5519)	(5575)
Tax on dividends paid	(947)	(947)
Net cash used in financing activities	(7578)	(6522)
Net increase/[decrease] in cash and cash equivalents	437221	(133509)
Add : Received under the Scheme	66524	0
Cash and cash equivalents at the beginning of the year	3286	136795
Cash and cash equivalents at the close of the year	507031	3286
Notes to the cash flow statement		
1 All figures in brackets are outflow.		
2 Previous year's figures have been regrouped wherever necessary.		
3 The merger of Consumer Products Division of Cadila Healthcare Limited with the Company during the year is considered as Non-Cash adjustments except transactions settled through actual receipt/payments.		
As per our attached report of even date		For and on Behalf of the Board,
For Mukesh M. Shah & Co., Chartered Accountants		Mukesh M. Patel Chairman
Chandresh S. Shah Partner Membership No. 42132	Dhaval N. Soni Company Secretary	Pankaj R. Patel Director
Place: Ahmedabad. Date : 27th April, 2009.		Jitendra R. Patel Managing Director Place : Ahmedabad. Date : 27th April, 2009.

SCHEDULES FORMING PART OF THE BALANCE SHEET

	INR - Thousands	
	As at March 31,	
	2009	2008
Schedule : 1 - Share Capital :		
Authorised :		
4,50,00,000 [As at 31-03-08 : 60,00,000] Equity Shares of Rs.10/- each	450000	60000
Note : The Authorised Share Capital was increased to 4,50,00,000 equity shares of Rs. 10/- each pursuant to the Composite Scheme of Arrangement.		
	<u>450000</u>	<u>60000</u>
Issued, Subscribed and Paid-up :		
3,90,72,089 [As at 31-03-08 : 55,75,100] Equity Shares of Rs.10/- each fully paid-up	390721	55751
Notes : Of the above Shares,		
[1] 2,74,32,138 [As at 31-03-08 : 34,32,138] equity shares of Rs. 10/- each, fully paid up are held by Cadila Healthcare Ltd., a holding company.		
[2] 3,34,96,989 [As at 31-03-08 : Nil] Equity Shares were allotted during the year as fully paid up pursuant to the Composite Scheme of Arrangement without payment being received in cash. [Refer note no. B-1 of Sch. 14]		
Total	<u>390721</u>	<u>55751</u>
Schedule : 2 - Reserves & Surplus :		
Capital Reserve Account :		
Balance as per last Balance Sheet	4571	4571
Less : Adjusted against Goodwill arisen pursuant to the Composite Scheme of Arrangement [Refer Note No. B -1 of Schedule 14]	<u>4571</u>	<u>0</u>
	0	4571
Share Premium Account :		
Balance as per last Balance Sheet	54852	54852
Less : Adjusted against Goodwill arisen pursuant to the Composite Scheme of Arrangement [Refer Note No. B -1 of Schedule 14]	<u>54852</u>	<u>0</u>
	0	54852
General Reserve :		
Balance as per last Balance Sheet	20000	14500
Add : Transfer from Profit and Loss Account	<u>30000</u>	<u>5500</u>
	50000	20000
Balance in Profit and Loss Account	<u>249057</u>	<u>109610</u>
Total	<u>299057</u>	<u>189033</u>

SCHEDULES FORMING PART OF THE BALANCE SHEET

Schedule : 3 - Fixed Assets :												
Particulars	INR - Thousands											
	Gross Block				Depreciation/Amortisation					Net Block		
	As at 31.03.08	During the year			As at 31.03.09	Up to 31.03.08	During the year			Up to 31.03.09	As at 31.03.09	As at 31.03.08
		Acquired under the scheme	Additions	Sales and/or adj.			Acquired under the scheme	For the year	Sales and/or adj.			
Tangible Assets :												
Freehold Land	477	0	4354	0	4831	0	0	0	0	0	4831	477
Buildings	31081	0	2051	0	33132	5083	0	1060	0	6143	26989	25998
Plant & Machinery	162567	1348	4189	0	168104	25248	320	12104	0	37672	130432	137319
Furniture Fixtures & Office equipments	2121	144	5552	0	7817	541	19	3326	0	3886	3931	1580
Vehicles	701	0	0	0	701	80	0	67	0	147	554	621
Intangible Assets :												
Goodwill	0	0	287606	59423	228183	0	0	0	0	0	228183	0
Technical Know-how	200	0	0	0	200	32	0	20	0	52	148	168
Trademarks	500	0	0	0	500	79	0	50	0	129	371	421
Non-Compete Fees	1000	0	0	0	1000	159	0	100	0	259	741	841
Capital Work under Process :	1927	0	0	1927	0	0	0	0	0	0	0	1927
Total	200574	1492	303752	61350	444468	31222	339	16727	0	48288	396180	169352
2007-08	90514	0	113484	3424	200574	24783	0	7258	819	31222	169352	
										INR - Thousands		
										As at March 31,		
										2009		2008
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												
										6644	6230	
Packing Materials												
										4014	1949	
Finished Goods												
										70729	16796	
Total												
										81387	24975	
Schedule : 5 - Sundry Debtors [Unsecured] :												
Debts outstanding for a period exceeding six months :												
Considered good												
										21983	149	
Considered doubtful												
										2152	0	
Total												
										24135	149	
Less : Provision for doubtful debts												
										2152	0	
										21983	149	
Other debts												
										39847	12295	
Total												
										61830	12444	

SCHEDULES FORMING PART OF THE BALANCE SHEET

	INR - Thousands	
	As at March 31,	
	2009	2008
Schedule : 6 - Cash and Bank Balances :		
Cash Balance	134	116
Bank Balances :		
With Scheduled Banks :		
In Current Accounts [Including Rs. 448 {as at 31-03-08 : Rs. 392} thousands in Unclaimed Dividend accounts with banks]	156797	3169
In Fixed Deposit Accounts [Out of these, Fixed Deposits of Rs. 100 {as at 31-03-08 : Rs. Nil } thousands have been pledged with a bank as margin money for Guarantees issued]	350100	0
	<u>506897</u>	<u>3169</u>
Total	<u>507031</u>	<u>3285</u>
Schedule : 7 - Loans and Advances [Considered Good, unsecured] :		
Advances recoverable in cash or in kind or for value to be received	5213	5581
Due from Liva Healthcare Ltd., a company under the same management [Maximum amount outstanding at any time during the year- Rs. 125000 {Previous year - Rs. 145000} thousands]	67500	125000
Advance payment of direct taxes [Net of provision for taxation]	4304	0
Balances with Sales Tax Authorities	326	0
Interest receivable	972	0
Advances to creditors	8183	54
	<u>86498</u>	<u>130635</u>
Total	<u>86498</u>	<u>130635</u>

SCHEDULES FORMING PART OF THE BALANCE SHEET

	INR - Thousands	
	As at March 31,	
	2009	2008
Schedule : 8 - Current Liabilities :		
Sundry Creditors other than Micro, Small and Medium Enterprises : [Refer Note No. B-7 of Sch. No. 14]		
For Capital Goods	61	0
Others	316923	69731
	<hr/>	<hr/>
	316984	69731
Trade Deposits	556	1180
Investor Education and Protection Fund :		
Unclaimed Dividend [There are no amounts due and outstanding to be credited to Investor Education and Protection Fund]	448	392
Advances from Customers	41468	797
	<hr/>	<hr/>
Total	359456	72100
	<hr/> <hr/>	<hr/> <hr/>
Schedule : 9 - Provisions :		
Proposed dividend	58608	5575
Corporate Dividend Tax on Proposed Dividend	9960	947
Provision for Income Tax [Net of Advance Tax]	0	885
Provision for retirement benefits	4446	347
Provision for claims for product warranties and return of goods [Refer Note No. B-10 of Sch. No. 14]	3222	0
	<hr/>	<hr/>
Total	76236	7754
	<hr/> <hr/>	<hr/> <hr/>

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	INR - Thousands	
	Year ended March 31,	
	2009	2008
Schedule : 10 - Other Income :		
Interest on Fixed Deposits with Banks [Gross] [TDS Rs. 577 {previous year : Rs. 739} thousands]	2524	3357
Interest on Inter corporate Loans [Gross] [TDS Rs. 1696 {previous year : Rs. 2167} thousands]	7484	9567
Miscellaneous Income	744	2788
Total	10752	15712
Schedule : 11 - Consumption of Materials and Finished Goods :		
Raw Materials :		
Stock at commencement	6230	6046
Add : Purchases	302389	273921
	308619	279967
Less : Stock at close	6644	6230
	301975	273737
Packing Materials Consumed	48536	33619
Purchase of Finished Goods	376875	0
[Increase] in Stock of Finished Goods and Works in Progress :		
Stock at close : Finished Goods	70729	16796
Less : Stock at commencement :		
Finished Goods	16796	16111
Works in Progress	0	75
	16796	16186
Less : Stock at commencement acquired under the scheme :		
Finished Goods	53817	0
	70613	16186
	(116)	(610)
Total	727270	306746

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	INR - Thousands	
	Year ended March 31,	
	2009	2008
Schedule : 12 - General Expenses :		
Personnel expenses :		
Salaries, wages and bonus	72171	27108
Company's contribution to provident & other funds	4985	849
Staff welfare expenses	1473	422
	<u>78629</u>	<u>28379</u>
Stores & Spare parts consumed	2957	446
Power & fuel	7891	5730
Insurance	390	431
Repairs :		
Buildings	692	384
Plant and Machinery	2327	1962
Others	687	29
	<u>3706</u>	<u>2375</u>
Rent	7204	3115
Rates and Taxes	1159	1340
Managing Director's Remuneration	900	825
Travelling Expenses	14926	1139
Legal & Professional Expenses	12274	624
Miscellaneous Expenses	17702	2661
Selling & Distribution Expenses :		
Commission on sales	29963	8241
Freight and forwarding on sales	57727	36755
Advertisement expenses	435633	87462
Sales promotion expenses	33363	11974
Provision for Bad and doubtful debts	2152	0
Other marketing expenses	126186	923
	<u>685024</u>	<u>145355</u>
Interest Paid to :		
Banks	0	757
Others	200	443
	<u>200</u>	<u>1200</u>
Loss on sale of Assets	0	307
Loss on account of fluctuations in foreign exchange rates	66	379
Prior Period expenses	371	413
Total	<u><u>833399</u></u>	<u><u>194719</u></u>
Schedule : 13 - Provision for Taxation :		
Current Tax	132500	19200
Fringe Benefit Tax	2100	670
Deferred Tax [Assets]/Liability	(7880)	4900
Total	<u><u>126720</u></u>	<u><u>24770</u></u>

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

Schedule : 14 - 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 Goodwill arising on amalgamation is assessed at each balance sheet date for any impairment loss.

F 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 Inventories :

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

B Cost 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.

6 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.

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

Schedule : 14 - Significant Accounting Policies & Notes forming part of Accounts :

7 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.
- C** The foreign currency assets and liabilities are restated at the prevailing exchange rates at the year end.

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

9 Taxes on Income :

- A** Tax expense comprises current, deferred and fringe benefit tax.
- B** Current tax and fringe benefit 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.

10 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.

11 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 Merger of Consumer Products Division [CPD] :

- A** During the year, Composite Scheme of Arrangement ["the Scheme"], which inter-alia provides demerger of "Consumer Products Division ["CPD"] of Cadila Healthcare Limited ["CHL"], and its transfer into the Company, was approved by the shareholders of both the companies and the Hon' able High Court of Gujarat on 23rd October, 2008.
- B** The Scheme envisaged Merger of Consumer Products Division ["CPD"] of CHL with the Company and related accounting treatment of the scheme.
- C** The demerger is accounted under the " Amalgamation in the nature of merger" in terms of Accounting Standard [AS-14] on "Accounting for Amalgamation".

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

Schedule : 14 - Significant Accounting Policies & Notes forming part of Accounts :		
D	CPD includes all the business undertakings, properties & liabilities of whatsoever nature and kind and wherever situate of CHL pertaining to CPD on a going concern basis together with all respective assets and liabilities.	
E	Demerger appointed date was 1st April, 2008, while the effective date was 30th November, 2008.	
F	All the assets & liabilities, pertaining to CPD were transferred to the company at the respective book values as appearing in the books of CHL as on the appointed date on a going concern basis.	
G	In consideration the company allotted 3,34,96,989 Equity Shares of Rs. 10/- each fully paid up to the shareholders of CHL in the ratio of 4 equity shares of the company of Rs. 10/- each credited as fully paid up for every 15 Equity Shares of Rs. 5/- each fully paid up held by such shareholders in CHL.	
H	The excess of the aggregate face value of the equity shares issued as referred to in "G" above over the excess of the book value of assets over the liabilities taken over as referred to "F" above is debited to "Goodwill Account" amounting to Rs. 287606 thousands.	
I	Such goodwill is adjusted first against the credit balance of "Capital Reserve Account" and then against the balance in "Share Premium Account." The balance amount is carried under the head "Goodwill" in the account.	
J	To the extent Goodwill is adjusted against the balance in the Share Premium Account, there shall be a reduction of the Share Premium account, which is effected as an integral part of the scheme itself and as the same does not involve either diminution of liability in respect of unpaid share capital or payment to any shareholder of any paid up share capital.	
K	The Authorised Share Capital was increased to 4,50,00,000 equity shares of Rs. 10/- each pursuant to Composite Scheme of Arrangement.	
L	Due to the above, the previous year's figures are not comparable with those of the current year.	
2	Previous year's figures have been regrouped and rearranged wherever necessary.	
	INR - Thousands	
	Year ended March 31,	
	2009	2008
3	Remuneration to a Managing Director :	
	Salary	825
	Total	825
4	Remuneration to Auditors :	
	Audit Fees	112
	Tax Audit Fees	85
	Other Services	10
	Total	207
5	Contingent Liabilities not provided for:	
	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 \$2433 thousands { equivalent to Rs. 99264 thousands approx.} [Previous Year US \$ 2433 thousands {Equivalent to Rs.99264 thousands}] 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, 2009 of Rs.12408 thousands [as at 31-03-08 : Rs. 12408 thousands] is not provided for as the time has yet to expire for fulfilling such export obligation.	

Schedules forming part of the Balance Sheet and Profit & Loss Account
Schedule : 14 - Significant Accounting Polices & Notes forming part of Accounts :
6 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.

7 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 - Thousands	
	Year ended March 31,	
	2009	2008
- Principal amount remaining unpaid to any supplier as at the year end	0	0
- Interest due thereon	0	0
- Amount of interest paid by the Company in terms of section 16 of the MSMED, along with the amount of the payment made to the supplier beyond the appointed day during the accounting year	63	5
- Amount of interest due and payable for the period of delay in making payment [which have been paid but beyond the appointed day during the year] but without adding the interest specified under the MSMED	0	0
- Amount of interest accrued and remaining unpaid at the end of the accounting year	0	0

B The above information has been compiled in respect of parties to the extent to which they could be identified as Micro, Small and Medium Enterprises on the basis of information available with the Company.

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

c Directors and their relatives :

Shri Jitendra R. Patel	Managing Director
------------------------	-------------------

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

Schedule : 14 - Significant Accounting Policies & Notes forming part of Accounts :				
B Transactions with Related Parties :				
The following transactions were carried out with the related parties in the ordinary course of business.				
a Details relating to parties referred to in items 8-A [a & b]				
		Volume of Transaction [INR - Thousands]		
		<u>Holding Company</u>	<u>Fellow Subsidiaries</u>	
		<u>Year ended March 31,</u>		
<u>Nature of transactions</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Purchase:				
Goods		23		
Services			482	
Sales:				
Goods			555	
Finance:				
Inter Corporate Loans given			2500	145000
Loans Recovered			60000	20000
Interest Received			7484	9567
Outstanding at year end:				
Receivables			67500	125000
			INR - Thousands	
			Year ended March 31,	
			<u>2009</u>	<u>2008</u>
b Details relating to persons referred to in item 8-A [c] above :				
Remuneration			900	825
9 The basis of ascertaining the cost of closing stock has been changed from " FIFO " method to "Moving Average " method from the current year due to implementation of " SAP " software. It is not possible to ascertain the effect in the value of the closing stock and on profit due to this change.				
10 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 :				
			INR - Thousands	
			Year ended March 31,	
			<u>2009</u>	<u>2008</u>
<u>Particulars</u>				
a Carrying amount at the beginning of the year			0	0
b Additional provision made during the year			3222	0
c Amount used			0	0
d Unused amount reversed during the year			0	0
e Carrying amount at the end of the year			3222	0
11 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				

Schedules forming part of the Balance Sheet and Profit & Loss Account
Schedule : 14 - Significant Accounting Policies & Notes forming part of Accounts :

[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 wages are payable to all eligible employees at the rate of daily salary for each day of accumulated leave on death or on resignation or upon retirement on attaining superannuation age.

	INR - Thousands					
	Year ended March 31,					
	2009			2008		
	Sick Leave	Privilege Leave	Gratuity	Sick Leave	Privilege Leave	Gratuity
b Change in the present value of the defined benefit obligation :						
Opening defined benefit obligation	30	1648	3427	0	535	703
Interest cost	2	131	272	0	15	57
Current service cost	22	610	730	0	159	139
Benefits paid	0	0	(336)	0	(56)	(364)
Actuarial [gain] / losses on obligation	(16)	1037	(206)	0	(306)	67
Closing defined benefit obligation	38	3426	3887	0	347	602
c Change in the fair value of plan assets :						
Opening fair value of plan assets	0	0	2682	0	0	876
Expected return on plan assets	0	0	251	0	0	80
Contributions by employer	0	0	322	0	0	326
Benefits paid	0	0	(336)	0	0	(364)
Actuarial gains / [losses]	0	0	(14)	2919	0	(3)
Closing fair value of plan assets	0	0	2905	0	0	(915)
Total actuarial gain [loss] to be recognized	(16)	1037	(192)	(2919)	0	70
d Actual return on plan assets :						
Expected return on plan assets	0	0	251	0	0	80
Actuarial gain / [loss] on plan assets	0	0	(14)	0	0	(3)
Actual return on plan assets	0	0	237	0	0	77
e Amount recognized in the balance sheet :						
Assets / [Liability] at the end of the year	(38)	(3426)	(3887)	0	(347)	(602)
Fair value of plan Assets at the end of the year	0	0	2905	0	0	915
Difference	(38)	(3426)	(982)	0	(347)	313
Unrecognised past service cost	0	0	0	0	0	0
Assets / [Liability] recognized in the Balance Sheet	(38)	(3426)	(982)	0	(347)	313

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

Schedule : 14 - Significant Accounting Policies & Notes forming part of Accounts :						
INR - Thousands						
Year ended March 31,						
	2009			2008		
	<u>Sick</u>	<u>Privilege</u>	<u>Gratuity</u>	<u>Sick</u>	<u>Privilege</u>	<u>Gratuity</u>
	<u>Leave</u>	<u>Leave</u>		<u>Leave</u>	<u>Leave</u>	
f [Income] / Expenses recognized in the Profit & Loss Account statement :						
Current service cost	22	610	730	0	159	139
Interest cost on benefit obligation	2	131	272	0	15	57
Expected return on plan assets	0	0	(251)	0	0	(80)
Net actuarial [gain] / loss in the period	(16)	1037	(192)	0	(306)	70
	<u>8</u>	<u>1778</u>	<u>559</u>	<u>0</u>	<u>(132)</u>	<u>186</u>
g Movement in net liability recognised in Balance Sheet :						
Opening net liability	29	1648	745	0	535	(172)
Expenses as above [P & L Charge]	8	1778	559	0	(132)	186
Employers contribution	0	0	(322)	0	(56)	(326)
Amount recognized in the balance sheet	<u>38</u>	<u>3426</u>	<u>982</u>	<u>0</u>	<u>347</u>	<u>(312)</u>
h Principal actuarial assumptions as at Balance sheet date :						
Discount rate	7.94%	7.94%	7.94%	-	7.94%	8.10%
[The rate of discount is considered based on market yield on Government Bonds having currency and terms consistence with the currency and terms of the post employment benefit obligations]						
Expected rate of return on plan Assets	0.00%	0.00%	9.00%	-	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						
[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%	0.00%	100.00%	-	0.00%	100.00%

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

Schedule : 14 - Significant Accounting Polices & Notes forming part of Accounts :					
12 Deferred Tax :					
A The Net Deferred tax Assets of Rs. 7880 [Previous Year - Liabilities of Rs. 4900] thousands for the year has been reversed in the Profit and Loss Account.					
B Break up of Deferred Tax Liabilities into major components of the respective balances are as under :					
INR - Thousands					
		As on	Charge for		As on
		<u>31-03-08</u>	the year to	<u>Profit &</u>	<u>31-03-09</u>
			Loss A/c.		
Deferred Tax Liabilities :					
Depreciation		16232	255		16487
Total		16232	255		16487
Deferred Tax Assets :					
Retirement benefits		179	1949		2128
Amalgamation Expenses		0	4359		4359
Provision for Bad and Doubtful debts		0	732		732
Provision for Expiry and Breakages		0	1095		1095
Total		179	8135		8314
Net Total		16053	(7880)		8173
Net Deferred Tax Asset acquired under Composite Scheme of Arrangement		717	0		717
Net Deferred Tax Liability		15336	(7880)		7456
13 Calculation of Earnings per Share [EPS] :					
The numerators and denominators used to calculate the basic and diluted EPS are as follows:					
Year ended March 31,					
2009					
2008					
A	Profit after tax attributable to Shareholders	INR - Thousands	238015		45548
B	Basic and weighted average number of Equity Shares outstanding during the year	Nos.	39072089		5575100
C	Nominal value of equity share	INR	10		10
D	Basic and Diluted EPS	INR	6.09		8.17
14 Quantitative and value analysis of sales turnover :					
Year ended March 31,					
2009					
2008					
Class of Goods	Units of Measure	Qty.	Th. Rs.	Qty.	Th. Rs.
Nutraceuticals	Tonnes	7260	818374	6343	563329
	ML. Nos.	2278	611801	0	0
	K. Ltrs.	501	16149	0	0
Dermaceuticals	Tonnes	522	334905	0	0
	K. Ltrs.	551	166179	0	0
Total			1947408		563329

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

Schedule : 14 - Significant Accounting Policies & Notes forming part of Accounts :							
15 Quantitative and Value analysis of Opening/Closing stock of finished Goods :							
As at March 31,							
<u>Class of Goods</u>	<u>Units of Measure</u>	<u>2009</u>		<u>2008</u>		<u>2007</u>	
		<u>Qty.</u>	<u>Th. Rs.</u>	<u>Qty.</u>	<u>Th. Rs.</u>	<u>Qty.</u>	<u>Th. Rs.</u>
Nutraceuticals	Tonnes	369	17772	289	16796	293	16111
Total			<u>17772</u>		<u>16796</u>		<u>16111</u>
16 Quantitative information in respect of each class of goods manufactured by the company : [as certified by the management]							
<u>Class of Goods</u>	<u>Unit of Measure</u>	<u>Installed capacity</u> <u>As at March 31,</u>		<u>Actual Production</u> <u>Year ended March 31,</u>			
		<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>		
Nutraceuticals	Tonnes	14600	8500	7139	6349		
Note : In view of delicensing, information of licensed capacity of production are not applicable.							
17 Quantitative and Value Analysis of goods traded in :							
<u>Class of Goods</u>	<u>Units of Measure</u>	<u>Year ended March 31,</u>					
		<u>2009</u>		<u>2008</u>			
		<u>Qty.</u>	<u>Th. Rs.</u>	<u>Qty.</u>	<u>Th. Rs.</u>		
A Stock acquired under Composite Scheme of Arrangement :							
a	Nutraceuticals	ML. Nos.	266	16528	0	0	
		Tonnes	40	13218	0	0	
		K. Ltrs.	72	1526	0	0	
b	Dermaceuticals	Tonnes	59	12435	0	0	
		K. Ltrs.	75	10110	0	0	
	Total		<u>53817</u>		<u>0</u>		
B Purchases:							
a	Nutraceuticals	ML. Nos.	2231	129460	0	0	
		Tonnes	188	60897	0	0	
		K. Ltrs.	519	11178	0	0	
b	Dermaceuticals	Tonnes	535	115788	0	0	
		K. Ltrs.	570	59552	0	0	
	Total		<u>376875</u>		<u>0</u>		
C Stock at Close :							
a	Nutraceuticals	ML. Nos.	219	12874	0	0	
		Tonnes	27	11134	0	0	
		K. Ltrs.	90	1897	0	0	
b	Dermaceuticals	Tonnes	72	13597	0	0	
		K. Ltrs.	94	13455	0	0	
	Total		<u>52957</u>		<u>0</u>		

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

Schedule : 14 - Significant Accounting Policies & Notes forming part of Accounts :					
18	Consumption of Raw Materials :		<u>Year ended March 31,</u>		
		<u>Units of Measure</u>	<u>2009</u>		<u>2008</u>
			<u>Qty.</u>	<u>Th. Rs.</u>	<u>Qty.</u> <u>Th. Rs.</u>
	Oil	Tonnes	4968	264399	5040 260701
	Others			37576	13036
	Total			301975	273737
			<u>Year ended March 31,</u>		
			<u>2009</u>		<u>2008</u>
			<u>Th. Rs.</u>	<u>% to total</u>	<u>Th. Rs.</u> <u>% to total</u>
19	Value of Raw Material Consumed :				
	Imported		0	0	0 0
	Indigenous		301975	100	273737 100
	Total		301975	100	273737 100
20	Value of Stores & Spares Consumed :				
	Imported		2482	84%	23 5%
	Indigenous		475	16%	423 95%
	Total		2957	100	446 100
					<u>INR - Thousands</u>
					<u>Year ended March 31,</u>
					<u>2009</u> <u>2008</u>
21	Value of imports calculated on CIF basis :				
	Capital Goods			3888	50809
	Stores & Spares			2482	23
22	Expenditure in foreign currency :				
	Traveling			320	91
23	Remittances made on account of dividends in foreign currency			88	39

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

Schedule : 14 - Significant Accounting Policies & Notes forming part of Accounts :	
Balance Sheet Abstract and Company's General Business Profile :	
I. Registration Details :	
Registration No.	L15201GJ1994PLC023490
State Code	4
Balance Sheet Date	31-03-09
	INR - Thousands
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	334970
III Position of Mobilisation and Deployment of Funds :	
Total Liabilities	1132926
Total Assets	1132926
Sources of Funds :	
Paid Up Capital	390721
Reserves and Surplus	299057
Deferred Tax Liabilities	7456
Applications of Funds :	
Net Fixed Assets	396180
Net Current Assets	301054
IV Performance of the Company :	
Total Turnover [Including Other Income]	1958160
Total Expenditure [Including Exceptional Item]	1593425
Profit before Tax and after Exceptional item	364735
Profit after Tax	238015
Earning per Share [Rupees]	6.09
Dividend Rate [%]	15%
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 attached report of even date	For and on Behalf of the Board,
For Mukesh M. Shah & Co., Chartered Accountants	Mukesh M. Patel Chairman
Chandresh S. Shah Partner Membership No. 42132	Dhaval N. Soni Company Secretary
Place: Ahmedabad. Date : 27th April, 2009.	Pankaj R. Patel Director Jitendra R. Patel Managing Director Place : Ahmedabad. Date : 27th April, 2009.

ZYDUS WELLNESS LIMITED

Formerly known as "Carnation Nutra-Analogue Foods Limited"

A Subsidiary of Cadila Healthcare 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 [Formerly known as "Carnation Nutra-Analogue Foods Limited"]

hereby appoint _____ of _____ or failing him/her _____ of _____ as my/our proxy

to vote for me/us on my/our behalf at the FIFTEENTH ANNUAL GENERAL MEETING of the company scheduled to be held on Tuesday, the 28th day of July 2009 at 3.00 P.M. at Bhaikaka Bhawan, Near Law Garden, Ellisbridge, Ahmedabad - 380 006, and at any adjournment thereof.

Ledger Folio No./ Client ID No. _____

No. of shares _____

Signed this _____ day of _____ 2009

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. Revenue stamp of Re.1 is to be affixed on this form.
- 3. A proxy need not be a member.

ZYDUS WELLNESS LIMITED

Formerly known as "Carnation Nutra-Analogue Foods Limited"

A Subsidiary of Cadila Healthcare 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 Fifteenth Annual General Meeting of the Company on Tuesday, the 28th day of July 2009 at 3.00 P.M. at Bhaikaka Bhawan, Near Law Garden, Ellisbridge, Ahmedabad - 380 006.

Signature of Shareholder / Proxy

THE SWEETNESS OF SUGAR MINUS THE CALORIES.

Made from the latest international sweetener, sucralose, Sugar Free Natura tastes just like sugar, but has no calories. Being completely heat-stable, it can be used to bake as well as cook your favourite desserts. So, heat out the true taste on the cover and discover a whole new way of healthy living.

Available in sachet, packet and powder pack.

Contains artificial sweetener and is calorie-free. Not recommended for children. www.zyduswellness.com

Sugar Free Natura

It's better than butter.
And a lot healthier.

Nutralite

Cholesterol FREE

Butter is Better

Kisao Debaakar.

- Cholesterol Free
- Low in Saturated Fats
- No Trans Fats
- Rich in Vitamin A, D & E
- No Hydrogenated Fats
- Rich in HDL & PUFA

Available in packs of 10 pcs, 100 gms, 1 kg & institutional pack. www.nutralite.com

Get Fresh Anytime. Anywhere.

Face Wash with Active Mill Capsules

Only Sunfall Derma Care Light & Clear Face Wash has Active Mill Capsules that contain Natural Activin and Salfron for effective cleansing and lightening of the skin.

So carry it with you and stay a glow. Anytime, anywhere.

www.everyuth.com

Enriching Life



**Zydus
Wellness**

BOOK-POST

To,

Zydus
Wellness

If undelivered, please return to:

Zydu Wellness Limited

(Formerly known as Carnation Nutra-Analogue Foods Ltd.)

A subsidiary of Cadila Healthcare Ltd.

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

www.zyduwellness.in