

Nourish



Nurture



Energise



**Zydus
Wellness**

Annual Report 2010-11

Bringing Wellness to your Life.



Sugar FreeTM

EverYuthTM
NATURALS

NutraliteTM
Healthier than Butter

IMPORTANT COMMUNICATION TO MEMBERS

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

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Safe Harbour Statement

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

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

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

Corporate Information

BOARD OF DIRECTORS Pankaj R. Patel
Chairman

Anand G. Deo
Managing Director

DIRECTORS H. Dhanrajgir
Mukesh M. Patel
Dr. B. M. Hegde
Prof. Indiraben J. Parikh
Ganesh N. Nayak
Dr. Sharvil P. Patel

CHIEF FINANCIAL OFFICER Amit B. Jain

COMPANY SECRETARY Dhaval N. Soni

BANKERS Bank of Baroda
Ashram Road Branch,
Ahmedabad

AUDITORS M/s. Manubhai & Co.,
Chartered Accountants

**REGISTERED AND
CORPORATE OFFICE** "Zydu Tower",
Satellite Cross Roads,
Sarkhej-Gandhinagar Highway,
Ahmedabad - 380 015

**REGISTRAR &
SHARE TRANSFER AGENT** Link Intime India Pvt. Ltd.
211, Sudarshan Complex,
Nr. Mithakhali Underbridge,
Navrangpura,
Ahmedabad-380009

WORKS 7A, 7B & 8,
Saket Industrial Estate,
Sarkhej Bavla Road,
Village Moraiya,
Taluka Sanand,
Dist. Ahmedabad

Notice

NOTICE is hereby given that **SEVENTEENTH ANNUAL GENERAL MEETING** of the members of **Zydu Wellness Limited** will be held on Thursday, the 30th day of June, 2011 at 10:00 a.m. at J. B. Auditorium, Ahmedabad Management Association [AMA], ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad-380 015 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt audited Balance Sheet as at 31st March, 2011 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 a Director in place of Dr. Sharvil P. Patel, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Mr. H. Dhanrajgir, who retires by rotation and being eligible offers himself for re-appointment.
6. To appoint M/s. Manubhai & Co., (Firm Registration No. 106041W) Chartered Accountants, as Statutory Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

By Order of the Board of Directors

Place : Ahmedabad.
Date : 5th May, 2011.

Registered Office:

“Zydu Tower”,
Satellite Cross Roads,
Sarkhej-Gandhinagar Highway,
Ahmedabad-380 015.

Dhaval N. Soni
Company Secretary

Notice (Contd...)**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 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 later than 48 hours before the Meeting.

2. The Register of Members and Share Transfer Books of the Company will remain closed from 24th June, 2011 to 30th June, 2011 (both days inclusive).

The dividend, if declared, will be paid on 5th July, 2011 to those members entitled thereto whose names appear in the Register of Members of the Company as on 30th June, 2011. With respect to shares held in dematerialized form in the Depository System, dividend thereon will be paid to the beneficial owners as per the data received from the Depositories.

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

- i) Members holding shares in physical form are advised to submit the particulars of their new bank account number after implementation of CBS, along with a photocopy of a cheque pertaining to the concerned account directly to the Company's Registrar and Share Transfer Agents-M/s. Link Intime India Private Limited at 211, Sudarshan Complex, Nr. Mithakhali Underbridge, Navrangpura, Ahmedabad-380 009.

- ii) Members holding shares in demat form are advised to furnish the new bank account number after implementation of CBS, along with a photocopy of a cheque pertaining to the concerned account, to your Depository Participant (DP), at your earliest for direct credit of dividend to your bank account.

Please note that if you do not provide your new bank account number allotted after implementation of CBS by your Bank to your DP, then in that case ECS to your old account may be either rejected or returned. The Company will issue demand draft / MICR warrant to such members whose dividend amount is not credited through NECS / ECS.

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

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

5. Those members who have not encashed their dividend warrants pertaining to the following financial years are requested to approach the Company for the payment thereof as the same will be transferred to Investor

Notice (Contd...)

Education and Protection Fund (IEPF), pursuant to section 205A (5) of the Companies Act, 1956 on respective due dates mentioned there against. Kindly note that after such date, the members will lose their rights to claim such dividend.

Accounting Year ended on	Date of declaration of dividend	Dividend payment %	Expected date of transfer of unpaid dividend to IEPF
31st March, 2004	30th September, 2004	8 %	29th September, 2011
31st March, 2005	29th September, 2005	10 %	28th September, 2012
31st March, 2006	29th September, 2006	10 %	28th September, 2013
31st March, 2007	23rd July, 2007	10 %	22nd July, 2014
31st March, 2008	10th July, 2008	10 %	9th July, 2015
31st March, 2009	28th July, 2009	15 %	27th July, 2016
31st March, 2010	16th July, 2010	30 %	15th July, 2017

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

REQUEST TO THE MEMBERS:

- 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.
- Members are requested to bring their copy of the Annual Report to the Meeting.

Annexure to the Notice dated 5th May, 2011

Details of Directors seeking re-appointment at the forthcoming Annual General Meeting
(Pursuant to Clause 49 of the Listing Agreement)

Name of the Director	Mukesh M. Patel
Age	57 years
Date of Appointment	27th July, 2006
Brief Resume and nature of expertise in functional areas	<p>Mr. Mukesh Patel, an eminent Advocate and International Tax Expert has been in legal practice 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 been actively involved in Legal Education and Tax Journalism for the past over three decades, as a Visiting Faculty with the Gujarat Law Society and the Indian Institute of Management, Ahmedabad and as a Columnist through his popular weekly columns on Direct Taxes with 'Sandesh', 'Gujarat Samachar', 'The Times of India' and 'Ahmedabad Mirror'. He has also authored a number of acclaimed books on Personal Tax & Investment Planning and Self Development and anchored TV Serials 'Tax Free' and 'Money Magic.' In recognition of his noteworthy contribution and achievements as an Eloquent Speaker, he received 'Fellowship of the World Academy of Speakers' in 1981 and 'Outstanding Speaker of the 20th Century Award' in 2000. Widely traveled around the world, he is an ardent photographer. He has served as the President of the Ahmedabad Management Association, Gujarat Chamber of Commerce and Industry, All Gujarat Federation of Tax Consultants, and several other bodies. Currently, he is the President of Indian Red Cross Society, Ahmedabad and the Indo-Japan Friendship Association, Gujarat. He is also a member of the National Executive Committee of FICCI and a Director on the Board of a number of leading public companies.</p>
Directorships held in other public Companies (excluding foreign and private Companies)	<ol style="list-style-type: none"> 1. Cadila Healthcare Limited 2. Sandesh Limited 3. Hitachi Home & Life Solutions (India) Limited 4. BA Research India Limited 5. German Remedies Limited 6. Zydus Pharmaceuticals Limited 7. Desai Brothers Limited 8. Federation of Indian Chambers of Commerce & Industry (FICCI)
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. Cadila Healthcare Limited 2. Sandesh Limited 3. Hitachi Home & Life Solutions (India) Limited 4. Desai Brothers Limited <p>Member <u>Audit Committee:</u></p> <ol style="list-style-type: none"> 1. BA Research India Limited <p><u>Shareholders' / Investors Grievance Committee:</u></p> <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 5th May, 2011 (Contd...)

Name of the Director	Sharvil P. Patel
Age	32 years
Date of Appointment on the Board	28th July, 2009
Brief Resume and nature of expertise in functional areas	Dr. Sharvil Patel is the Deputy Managing Director of Cadila Healthcare Ltd., 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 Business, 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. ADI Finechem Limited 3. Zydus Animal Health Limited 4. Zydus Technologies Limited 5. Dialforhealth India Limited 6. Zydus Pharmaceuticals Limited
Memberships / Chairmanships of Committees of other Public Companies (includes only Audit Committee and Shareholders' / Investors' Grievance Committee.)	<p>Member</p> <p><u>Audit Committee:</u></p> <ol style="list-style-type: none"> 1. Dialforhealth India Limited
Number of shares held in the Company	533

Annexure to the Notice dated 5th May, 2011 (Contd...)

Name of the Director	H. Dhanrajgir
Age	74 years
Date of Appointment on the Board	28th July, 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 globalization plans. He joined Kodak India Ltd as its CEO & Managing Director in October, 1995. He retired after five years term in October, 2000. He was the President of 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. Cherian Artificial Kidney Trust, Trustee of Breach Candy Hospital Trust, Lintas Employees Welfare Trusts. He is on the Indian Advisory Board of U.S. Pharmacopoeia.</p>
Directorships held in other public Companies (excluding foreign and private Companies)	<ol style="list-style-type: none"> 1. Cadila Healthcare Limited 2. HDFC Asset Management Company Limited 3. Neuland Laboratories Limited 4. Emcure Pharmaceuticals Limited 5. Themis Medicare Limited 6. Next Gen Publishing Limited 7. Sami Labs Limited
Memberships / Chairmanships of Committees of other Public Companies (includes only Audit Committee and Shareholders' / Investors' Grievance Committee.)	<p>Chairman <u>Audit Committee:</u> <ol style="list-style-type: none"> 1. Neuland Laboratories Limited Member <u>Audit Committee:</u> <ol style="list-style-type: none"> 1. Cadila Healthcare Limited 2. HDFC Asset Management Company Limited 3. Emcure Pharmaceuticals Limited 4. Themis Medicare Limited 5. Next Gen Publishing Limited </p>
Number of shares held in the Company	Nil

Directors' Report

To,
The Members of
Zydus Wellness Limited

Your directors have pleasure in presenting **SEVENTEENTH** Annual Report of the Company along with the Audited statement of accounts for the year ended 31st March, 2011. The summarised financial results are given below:

Financial Highlights:

For the year ended 31st March	INR - Lacs		Growth (%)
	2011	2010	
Sales and Other Income	34358	27402	25.4
Profit before Interest, Depreciation, Exceptional expenses & Tax (PBIDET)	9161	7319	25.2
Less : Depreciation	149	159	(6.3)
Profit before Interest, Exceptional expenses & Tax (PBIET)	9012	7160	25.9
Less : Interest	16	9	77.8
Expenses incurred on Composite Scheme of Arrangement	0	220	
Profit Before Tax (PBT)	8996	6931	29.8
Less : Provision for Tax	3048	2404	26.8
Profit After Tax (PAT)	5948	4527	31.4
Add : Profit brought forward from the previous year	5196	2491	
Profit available for appropriation, which is appropriated as follows:	11144	7018	
Proposed Dividend	1563	1172	
Corporate Dividend Tax on Proposed Dividend	254	195	
Transferred to General Reserve	645	455	
Balance carried to Balance Sheet	8682	5196	
Total	11144	7018	
Basic and Diluted Earnings per share (EPS of FV Rs. 10/-) [in Rupees]			
- Before Exceptional items	15.22	12.15	
- After Exceptional items	15.22	11.59	

Directors' Report (Contd...)

Performance Review:

For the year ended on 31st March, 2011, the sales and other income of the Company have increased by 25.4% to Rs. 34358 lacs as compared to Rs. 27402 lacs in the previous year. Profit before Interest, Depreciation, Exceptional items & Tax increased to Rs. 9161 lacs compared to Rs. 7319 lacs in the previous year. The Profit after Tax increased to Rs. 5948 lacs compared to Rs. 4527 lacs in the previous year. The Company achieved EPS (after exceptional items) of Rs. 15.22 compared to Rs. 11.59 in 2009-10. 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:

With the Group celebrating the achievement of crossing the Billion Dollar mark in its revenues, your Directors are pleased to recommend an increased dividend of Rs. 4/- per equity share (40%) compared to Rs. 3/- per equity share in the previous year, on 39,072,089 equity shares of Rs. 10/- each fully paid up for the financial year ended on 31st March, 2011. The dividend, if declared by the shareholders at the ensuing Annual General meeting, will be paid to those shareholders, whose names stand registered in the Register of Members as on 30th June, 2011.

Depository System:

As the members are aware, the Company's shares are compulsorily tradable in electronic form. As on 31st March, 2011, 98.89% of the Company's total paid-up capital representing 38,637,554 equity shares is in dematerialized form. In view of the many advantages offered by the Depository System, members holding shares in physical mode are advised to avail the facility of dematerialization on either of the Depositories.

Awards and Recognition:

Your Company was listed amongst **Asia's 200 Best Under a Billion** Companies by Forbes. The manufacturing plant of the Company at Moraiya has been certified by ISO 22000:2005 for Food Safety Management System and ISO 14001:2004 for Environment Management Safety.

Fixed Deposits:

Your Company does not accept or hold any fixed deposits pursuant to provisions of section 58A of the Companies Act, 1956.

Board of Directors:

In accordance with the provisions of the Companies Act, 1956 ("the Act") read with Articles of Association of the Company, Mr. Mukesh M. Patel, Mr. H. Dhanrajgir and Dr. Sharvil P. Patel, Directors retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment. The Board recommends their re-appointment.

In accordance with the stipulation under clause 49 of the Listing Agreement, brief resume of the Directors seeking 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.

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings & Outgo:

The particulars required to be disclosed pursuant to section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988, are given to the extent applicable in the Annexure-"A", forming part of this Report.

Directors' Report (Contd...)

Auditors:

Yours Company's Statutory Auditors, M/s. Manubhai & Co., Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting. The Statutory Auditors have confirmed their eligibility and willingness to accept the office on re-appointment. The necessary resolution seeking approval of members for re-appointment of Statutory Auditors has been provided in the Notice convening the Annual General Meeting.

Auditors' Report and Notes to Accounts:

The Board has duly reviewed the Statutory Auditors' Report on the Accounts. The Auditors' Report is self-explanatory and do not call for any further explanation / clarification by the Board of Directors under section 217(3) of the Companies Act, 1956.

Internal Audit:

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

Disclosures:

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.

Management Discussion and Analysis (MDA):

The Management Discussion and Analysis Report for the year under review, as stipulated under clause 49 of the Listing Agreement is presented in a separate section forming part of this Annual Report.

Directors' Responsibility Statement:

Your Directors affirm that the audited accounts containing the financial statements for the Financial Year 2010-2011 are in conformity with the requirements of the Companies Act, 1956. They believe that the financial statements reflect fairly the form and substance of transactions carried out during the year and reasonably present the Company's financial conditions and results of operations.

Pursuant to section 217(2AA) of the Companies Act, 1956, the Directors confirm that:

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

Directors' Report (Contd...)

Corporate Governance:

The Company is committed to maintain highest standards of Corporate Governance. Your Directors adhere to the requirements as provided in clause 49 of the Listing Agreement relating to Corporate Governance.

A detailed report on the Corporate Governance, together with a certificate from M/s. Hitesh Buch & Associates, Practicing Company Secretaries, confirming compliance with the conditions of Corporate Governance, forms part of this report.

Personnel:

There was no employee drawing remuneration in excess of limit prescribed under section 217 (2A) of the Companies Act, 1956 and Companies (Particulars of Employees) Rules, 1975 and therefore not applicable to the Company.

Acknowledgement:

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

Place : Ahmedabad.
Date : 5th May, 2011.

Pankaj R. Patel
Chairman

Annexure - A 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

Electricity is mainly used along with Diesel Generating Set for manufacturing the Company's products. The Company regularly reviews the power consumption pattern and implements requisite improvements / changes in order to optimize power consumption and thereby achieve cost savings. Moreover, 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 leading to savings in energy cost.

Form A-Form for disclosure of particulars with respect to conservation of energy

	Unit of Measure	2010-11	2009-10
A Power and Fuel Consumption:			
1. Electricity:			
(a) Purchased:			
Units	Nos.	1589864	1464708
Total Amount	Lac Rs.	84.59	80.09
Rate/Unit	Rs.	5.32	5.46
(b) Own Generation:			
Through Diesel Generator Set:			
Units	Nos.	2772 units (1570 ltr. diesel consumed)	10492 units (4465 ltr. diesel consumed)
Units per ltr. of Diesel oil		1.80	2.35
Cost/Unit	Rs.	23.22	16.59
2. Others/Internal Generation:			
Solid Fuel (wood):			
Quantity	Kgs.	508090	500975
Total Cost	Lac Rs.	19.10	16.42
Rate/Unit	Rs.	3.80	3.28
B. Consumption per unit of production			
Products / unit		Margarine / ton 10361	Margarine / ton 9377
Electricity consumed	Nos.	0.1534 KWH	0.1562 KWH

Annexure - A to the Directors' Report (Contd...)

FORM B – FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION:

(1) Research & Development (R&D)

1. Specific areas in which R&D activities carried out by the Company	Nil
2. Benefits derived as a result of the above R&D	N.A.
3. Future plan of action	Nil
4. Expenditure on R&D	
a. Capital	Nil
b. Recurring	Nil
c. Total	Nil
d. Total R&D expenditure as percentage of total turnover	N.A.

(2) Technology absorption, adaptation and innovation:

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

(3) Foreign exchange earnings and outgo:

Particulars	INR-Lacs	
	2010-11	2009-10
Earnings	0	0
Outgo:		
1. CIF value of imports	551	3
2. Expenditure in foreign currency	1	1

For and on behalf of the Board

Place : Ahmedabad.
Date : 5th May, 2011.

Pankaj R. Patel
Chairman

Overview – Year 2010-11

State of the Economy, Industry and our Business

The fundamentals of the Indian economy remained strong during FY 10-11. The GDP is estimated to have grown by 8.6% in 2010-11 compared to 8% in 2009-10 which is remarkable considering the muted global economic scenario. The growth has been broad-based across the major sub-sectors in the industry and services. The agriculture sector is estimated to have grown relatively faster. The Index of Industrial Production (“IIP”), which is considered to be the growth barometer of the Indian industry, is expected to have grown by ~7.8% in 2010-11. The service sector continued to be the driving force fuelling the economic growth. It registered a growth of 9.6% in 2010-11. Despite the sluggish growth in the global markets, the employment generation continued to show an uptrend in India. The inflationary trends which have been steadily rising are a cause for concern. The financial year 2010-11 started with double digit inflation, which came down in the later part of the year. However, despite a good monsoon season, inflation continued to be high and closed at 8.98% in March 2011. The average Wholesale Price Index (WPI) inflation rate for 2010-11 was 9.4% as compared to 3.6% in 2009-10. (Source: Monthly Economic Report, March 2011 as published by the Ministry of Finance, Govt. of India)

The recent Economic Survey of 2010-11 as published by the Ministry of Finance, Govt. of India suggests that the prospects for the next year seem to be much brighter. This is attributed to a robust performance in terms of key indicators in the telecom services, civil aviation, financial and other services. Over the long term, the report further suggests, that the next two decades should see the Indian economy growing faster than it has done any time in the past.

The Indian FMCG (Fast Moving Consumer Goods) industry is valued at over \$ 30 bn (over Rs. 1300 bn). It reaches out to a large spectrum of consumers and perhaps therefore has the widest reach among all industries in India. The industry has tripled in size over the last decade, growing at a much faster pace as compared to past decades. This is mostly due to the myriad changes in the Indian economic and industrial landscape such as reduced levels of taxation, easier import of materials and technology, reduced entry barriers to trade, influx of foreign companies in the market growing organizational maturity of Indian players, more awareness through the media, and, of course, the growing affluence and higher disposable incomes being some of the reasons. The industry has potential to expand further and register faster growth, given the low penetration across most categories and a galloping demand. Increasing urbanization, increasing income levels and mounting aspirations for a better life are reshaping the Indian consumer market. The result of this flux is a new Indian consumer who is more discerning than ever, keen on seeking quality and convenience and eager to explore and experiment with new product concepts and ideas.

The sector is expected to continue growing at over 13% and reach US\$ 43 billion by 2013 and US\$ 74 billion by 2018. (Source: FMCG Roadmap to 2020, prepared by Booz & Co. for CII, FICCI-Technopak report)

During the year 2010-11, the Company continued to make brisk progress. With all the three pillar brands viz. Sugar Free, EverYuth and Nutralite contributing to its growth, the Company registered sales of Rs. 3335 Mio., up by 25% and net profit of Rs. 595 Mio., up by 31%. All the three brands posted healthy growth, and maintained

their leadership positions in their respective categories. The various initiatives taken by the Company to maintain its leadership position in the participated market segments are detailed below.

Sugar Free – India's largest selling low calorie sweetener

Sugar Free has consolidated its position in the low calorie sugar substitute market at the top with a market share of more than 86%. Both, Sugar Free Gold – the aspartame based sweetener and Sugar Free Natura – the Sucralose based sweetener have maintained the top two slots. With this dominant market share, Sugar Free continues to be one of the driving forces behind the overall category growth in the market place.

The Company recently launched Sugar Free Natura Sweet Drops, making it extremely convenient to be used in beverages and for extended table top applications apart from cooking and baking. Besides this, the Company has also launched other variants of Sugar Free such as Sugar Free TeaLite, a unique concept which offers the goodness of tea without the calories and Sugar Free Mint.

Recently, the Company also launched Sugar Free Herbviva - the first herbal sweetener under the brand Sugar Free. Derived from 'Stevia' – a plant, Sugar Free Herbviva has zero carbohydrates, zero calories and zero glycemic index. It will cater to an untapped consumer segment which is yet to enter the sugar substitute category and help manage calories the herbal way.

Competition is brewing up in the segment with some strong FMCG players, both Indian and MNCs, gearing up themselves to enter the category. Going forward, the Company is planning to continue its focus on brand building initiatives and launch value-added products in this category to maintain its leadership position.

EverYuth – Celebrating Youth!

EverYuth range of skin-care products maintained their leadership positions in the scrubs and peel-offs category, in spite of the stiff competition from big ticket launches by MNCs and other Indian players. The Face wash category continued to witness aggressive competition from both MNCs and domestic players.

The seasonal products – sunblocks, body lotion and cold crèmes made brisk progress this year with a host of packaging revamps and new media campaigns. These products have registered strong growth during the year and the Company is now more confident of consolidating its position in these segments.

The Company continued its thrust on focused creative communication backed by promotional support to ensure good visibility of the brand across media. The new theme communication developed for the EverYuth Golden Glow Peel-Off highlighted a shift in the product's usage. Instead of its usage being limited to a particular season, the product is positioned for multiple uses across seasons. This has resulted into higher volume off-take of the product, bucking the seasonal trend.

The Company is working on several variants with newer concepts in the skincare range, which would soon be launched in the market. This would help the brand to grow at a faster pace. The Company also plans to bring in a new, contemporary look to its entire range to enhance the shelf appeal.

Nutralite – ‘Health First, Taste Always’

Maintaining its strong position in the market, Nutralite consolidated its business in terms of distribution and capacity expansion. Nutralite continues to enjoy a premium image and in spite of several me-too products being introduced in the market, remains virtually unaffected. Looking at the current as well as future potential, the production capacity has been enhanced with investments in superior technology to offer best quality products. The manufacturing facility at Ahmedabad is now ISO 22000:2005 standards certified, thereby, assuring the Company's valued customers about both food safety and superior quality of products. Several initiatives have also been taken to increase the reach in terms of distribution and tapping new accounts to widen the customer base.

The increase in raw material prices during the year has been one of the factors affecting the margins adversely. The Company has taken several strategic initiatives to reduce the pressure on margins.

During the year, the demand continued to be buoyant and is expected to remain encouraging in the coming years. This is supported by the fact that Indian consumers are adopting healthier lifestyles and are looking at healthier dietary choices. With a plethora of health foods available on the shelves, Nutralite enjoys a distinct position of being a 'Good for the heart and health' brand.

ActiLife – Nutrition for adults

The Company also made its foray in nutraceuticals space by launching ActiLife, a nutritional milk additive for adults. The formulation is based on the guidelines of the National Institute of Nutrition, ICMR for Adults (men and women above 18 years of age). ActiLife is low on fat and is enriched with prebiotic Actifibres that improve digestion, reduce cholesterol and improve overall immunity. It has stress busters such as 100% RDA of Vitamin C and Vitamin B complex to keep a person active throughout the day. The product has been test launched in Tamil Nadu this year. In the coming fiscal, the Company is planning a nation-wide launch of this brand.

The Company is well on track of achieving its vision of Rs. 500 crores revenues by 2013-14 by creating newer experiences through its products that nourish, nurture and energise the lives of the consumers. With an emphasis on strengthening the existing brand portfolio through promotion, expanding its reach, launching newer ideas within existing categories and exploring newer concepts in the wellness domain, the Company is confident of achieving its vision.

FINANCIAL HIGHLIGHTS**Operating Incomes****Sales**

The gross sales revenue grew by 25.4% to Rs. 3355 Mio. in 2010-11. Sales growth was driven by a strong growth in all the three pillar brands.

Other Incomes

Other incomes, which mainly include interest earned on fixed deposits, grew by 21.3% to Rs. 72 Mio., on account of higher interest rates on fixed deposits.

Operating expenses**Material Cost**

The consumption of materials and finished goods increased by 39.4% to Rs. 1202 Mio. Total consumption as % to net sales increased to 35.8% from about 32.2% last year. This was mainly on account of increased raw material prices, particularly the oil prices. As mentioned earlier, the Company increased the prices of the finished goods to partially offset the impact of increased material costs.

Personnel Costs

The Personnel cost increased by 58.5% y-y to Rs. 148 Mio., due to net addition in manpower and increase in average cost per employee. The Zydus group, of which the Company forms a part, crossed total revenues of \$ 1 bn in 2010-11, which was a major milestone envisaged by the group four years ago. On this important achievement, all the employees of Zydus group, including those of the Company, were given a one-time special bonus. The cost of this bonus has been included in the staff cost, the impact of which is Rs. 16 Mio. Growth in personnel cost, excluding this impact, has been 41.3% over last year.

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

The manufacturing, selling, distribution and other general administration expenses increased by 11.1% y-y to Rs. 1172 Mio. Overall MSGA as % to net sales were at 34.9% compared to 39.4% last year. The reduction is mainly on account of certain measures implemented during the year to compensate the increase in raw material prices.

Depreciation and Amortization

Depreciation and amortization expenses reduced by 6.5% y-y to Rs. 15 Mio. The reduction was mainly on account of full depreciation charge provided on items costing below Rs. 10,000 last year, on which no further depreciation has been provided in 2010-11.

Profits and margins

The EBITDA (Earnings before interest, tax, depreciation and amortisation excluding non operating incomes) increased by 25.5% to Rs. 842 Mio. The EBITDA margin as % to total operating income has been maintained at previous year's level of 25.1%.

The profit before tax and exceptional items increased by 25.8% y-y to Rs. 900 Mio. PBT margin before exceptional items as % to total operating income has also been maintained at previous year's level of 26.7%.

Management Discussion and Analysis Report 2010-2011 (Contd...)

Net profit after tax grew by 31.4% y-y to Rs. 595 Mio. from Rs. 453 Mio. last year. The net profit margin, as a % to total operating income, increased to 17.7% from 16.9% last year.

Net Worth

The net worth as at 31st March, 2011 stood at Rs. 1419 Mio., up by 41.1% from last year. Retained earnings of Rs. 413 Mio. (net profit less dividend) contributed to this rise.

The book value per share increased to Rs. 36.3 as at 31st March 2011 from Rs.26.1 last year. The return on adjusted net worth (RONW = Net Profit excluding exceptional items of tax / Average net worth adjusted for deferred expenses and exceptional items) stood at 48.8% for 2010-11.

Fixed Assets and Capital Expenditure

The gross block (including capital work in progress) at the end of 2010-11 was Rs. 535 Mio. Net capital expenditure during the year 2010-11 was Rs. 107 Mio., which was incurred for expansion of existing manufacturing facility for Nutralite.

Investment

During the year, the Company invested Rs. 397 Mio. in the capital of a partnership firm, M/s. Zydus Wellness, Sikkim which is in the process of setting up a manufacturing facility in Sikkim for manufacturing consumer products.

Working capital and liquidity

Working capital level at the end of 2010-11 was of Rs. 498 Mio., a reduction of Rs. 64 Mio. compared to previous year. Overall current ratio at the end of the year 2010-11 stood at 1.78 vis-à-vis 1.73 at the end of last year. Excluding cash and bank balance, the working capital remained negative, as was in the last year, and the current ratio stood at 0.43.

Risk Identification, Risk Mitigation and Internal Controls

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

Risk of fluctuations in prices of key inputs

Prices of the key ingredients used in the products marketed by the Company remain volatile due to several market factors, including changes in government policies and fluctuations in the foreign exchange rates. The

Company has entered into long term contracts with the suppliers of these inputs to minimize the risk of fluctuations in the input prices on its margins.

Risk of competition and price pressure

Though the Company's products enjoy a leading position in their respective categories, the risk of entry of newer players in the market always exists. The Company's strength in the market place, coupled with its continuous thrust on improving quality of its products and offering newer products in the wellness segment, gives it an edge over the competition. The company has presence in both retail as well as institutional segments. Both segments have their own nuances in terms of customer expectations, competition and pricing. However, the company is well focused in increasing its share in all segments through balanced approach.

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

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 its customers against the Company. The Company always strives to ensure highest standards of quality of its products and processes. The Company also faces a risk of unauthorized and illegitimate use of its brand name, packing style, and other intellectual properties related to its products. The Company ensures protection of its intellectual property through appropriate registrations and other legal means.

Risk Management and Internal Control Systems

The Company has established a well defined process of risk management, wherein the identification, analysis and assessment of the various risks, measuring of the probable impact of such risks, formulation of risk mitigation strategy and implementation of the same takes place in a structured manner. Necessary internal control systems have also put in place by the Company on various activities across the board to minimize the impact of various risks. A well-defined and established system of internal audit is also in place to independently review and strengthen these control measures, which is carried out by a reputed firm of Chartered Accountants. The Audit Committee of the Company regularly reviews the reports of the internal auditors and recommends actions for further improvement of the internal controls and remedy for any weakness in the systems.

Corporate Governance Report

In accordance with clause 49 of the Listing Agreements, the report containing the details of governance systems and processes at Zydus Wellness Limited (“Zydus Wellness”) is as under:

1. Corporate Governance Philosophy:

At Zydus Wellness, we strongly believe that corporate governance accompanies our long-term business success. The Corporate Governance Structure in the Company assigns responsibilities and entrusts authority among different participants in the organization viz., the Board of Directors, the senior management, employees etc.

Zydus Wellness has set the vision to bring wellness to people’s life and the Company will create new experience by its products that will nourish, nurture and energise life and shall lead the way through innovation. As a part of Company’s growth strategy, the company believes in adopting the best practices that are followed in the area of Corporate Governance. The Company emphasizes on full transparency and accountability in all its transactions, in order to protect the interests of all stakeholders. Requirements of compliance are mandated to ensure effective process is in place to exercise management and internal controls.

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

2. Board of Directors:

a) Composition of the Board:

The composition of the Board of Directors, with reference to the number of Executive and Non Executive Directors meets with the requirements of Code of Corporate Governance. As on 31st March, 2011, out of the Board composition of 8 Directors, 7 are Non Executive Directors. The Company has a Non Executive Chairman, who is from the holding Company and the number of Independent Directors are four, which is half of the total strength of the Board as required by the provisions of the Listing Agreement. All the Independent Directors have confirmed that they meet with the ‘independence’ criteria as mentioned under clause 49 of the Listing Agreement. The Independent Directors have expert knowledge of finance, taxation and industry, thus the Board represents a balanced mix of professionals, their knowledge and expertise.

Board Meetings / Director’s Particulars:

During the financial year 2010–11, 4 meetings of the Board of Directors were held on 28th April, 2010, 16th July, 2010, 18th October, 2010 and 17th January, 2011. The Company has complied with the provisions of clause 49 of the Listing Agreement and the requirements under the Companies Act, 1956 for holding a Board Meeting at least once in each quarter and the maximum time gap between two meetings was not more than 4 months.

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

Agenda papers for Board Meetings containing all necessary documents / information, as specified in clause 49 of the Listing Agreement, wherever applicable and materially significant, are made available to the Board well in advance. In very exceptional and urgent cases, some issues are tabled during the Board Meeting. In case of business exigencies or urgency some resolutions are also passed by circulation.

The draft minutes of the meeting are approved by the Chairman and thereafter circulated to all the Directors.

The annual calendar of Board Meetings is decided by the Board of Directors in advance. The Meetings of the Board are generally held at the Registered Office of the Company in Ahmedabad.

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

Corporate Governance Report (Contd...)

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

Name of Directors	Category and Position	No. of Board Meeting		Whether attended last AGM	Member (Chairman)* of Board Committees **	Number of other Directorships held
		Held	Attended			
Mr. Pankaj R. Patel	Non Executive Chairman	4	4	Yes	4 (3)	10
Mr. H. Dhanrajgir	Non Executive and Independent	4	2	No	8 (1)	7
Mr. Mukesh M. Patel	Non Executive and Independent	4	4	Yes	9 (5)	8
Dr. B. M. Hegde	Non Executive and Independent	4	4	Yes	1	2
Prof. Indiraben J. Parikh	Non Executive and Independent	4	2	Yes	1	4
Mr. Ganesh N. Nayak	Non Executive	4	4	Yes	3 (1)	2
Mr. Anand G. Deo	Managing Director	4	4	Yes	0	0
Dr. Sharvil P. Patel***	Non Executive	4	4	Yes	1	6

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

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

*** Son of Mr. Pankaj R. Patel

Review of compliance reports by the Board of Directors

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

b) Non Executive Directors' Compensation and Disclosures:

Non-Executive Directors are paid sitting fees and commission as recommended by the Board of Directors and within the limits approved by the Members. The shareholders have approved the payment of sitting fees and commission to non-executive directors at the Annual General Meeting held on 16th July, 2010.

Apart from the above, there are no material significant related party transactions, pecuniary transaction or relationship between the Company and its Directors except those disclosed in the financial statements for the year ended on 31st March, 2011.

3. Committees of the Board

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

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

While constituting the Committee of Directors, the requirements of clause 49 of the Listing Agreement that a Director shall not be a member of more than 10 committees and Chairman of more than 5 committees as provided in that clause have been complied with.

a) Audit Committee:

Terms of Reference:

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

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

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

- Supervision of the Company's financial reporting process,
- Reviewing with the Management, the financial results before placing them to the Board with a special emphasis on accounting policies and practices, internal controls, compliance with the accounting standards and other legal requirements concerning financial statements,
- Reviewing the adequacy of the audit and compliance function, including their policies, procedures, techniques and other regulatory requirements with the statutory auditors,
- Reviewing the observations of statutory auditors about the findings during the audit of the Company,
- Keeping watch on timely payment to shareholders and creditors,
- Reviewing the performance of statutory auditors and recommending to the Board, the appointment/ re-appointment of the Statutory Auditors,
- Reviewing management discussion and analysis of financial condition and result of operations,
- Reviewing the findings and observations of Internal Auditors and follow up thereon,
- Reviewing of significant related party transactions.

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

Composition, Name of Members and Chairman:

As on 31st March, 2011, the Audit Committee comprises of 4 Independent and 1 Non-Executive Director. Mr. Mukesh M. Patel is the Chairman of the Committee and he was present at the last Annual General Meeting.

Meetings and Attendance during the year:

During the year, four Audit Committee Meetings were held on 28th April, 2010, 16th July, 2010, 18th October, 2010 and 17th January, 2011.

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

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

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

b) Share Transfer Committee:

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

The Share Transfer Committee comprises of the following members:

Mr. Mukesh M. Patel – Chairman

Mr. Ganesh N. Nayak – Member

The Committee meets on a need basis 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' Grievance 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 2010-11. There were no transfers and complaints pending / unattended as on 31st March, 2011.

Corporate Governance Report (Contd...)

Meetings and Attendance during the year:

During the year, four meetings were held on 28th April, 2010, 16th July, 2010, 18th October, 2010 and 17th January, 2011. The details of attendance of committee members at the meetings are provided in the following table.

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

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

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

As on 31st March, 2011, 31,656 Equity Shares remained in the in-transit account with National Securities Depository Limited and Central Depository Services (India) Limited.

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

Mr. Dhaval N. Soni

Company Secretary
Zydus Wellness Limited

Registered Office : “Zydus Tower”, Satellite Cross Roads, Sarkhej Gandhinagar Highway, Ahmedabad–380 015.

dhavalsoni@zyduscadila.com

d) Committee of Directors:

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

Meetings and Attendance during the year:

During the year, five meetings were held on 15th April, 2010, 9th September, 2010, 24th November, 2010, 23rd December, 2010 and 11th March, 2011. The details of attendance of committee members at the meetings are provided in the following table.

Sr. No.	Name of the Member	No. of Meetings	
		Held	Attended
1.	Mr. Pankaj R. Patel–Chairman	5	5
2.	Mr. Mukesh M. Patel	5	5
3.	Mr. Anand G. Deo	5	4
4.	Dr. Sharvil P. Patel	5	3

Corporate Governance Report (Contd...)

4. CEO / CFO Certification:

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

5. General Body Meetings:

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

Financial Year	Date & Time	Venue
2009-2010	16.07.2010 10:00 a.m.	H. T. Parekh Hall, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad-380015.
2008-2009	28.07.2009 3.00 p.m.	Bhaikaka Bhavan, Near Law Garden, Ellisbridge, Ahmedabad-380006.
2007-2008	10.07.2008 10.00 a.m.	Seminar Hall, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad- 380015.

6. Disclosures:

a) Related Party Transactions:

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

b) Remuneration of Directors:

Mr. Anand G. Deo, is the Executive Director on the Board. The Board of Directors decides the remuneration of Mr. Anand G. Deo within the ceiling limit fixed by shareholders as per the resolution passed at the Annual General Meeting held on 16th July, 2010. The remuneration paid to Mr. Anand G. Deo for the year ended on 31st March, 2011 was as under:

Name	INR-lacs				Service Tenure	Notice Period (months)
	Salary & Allowance	Commission	Perquisites	Retiral Benefits		
Anand G. Deo	76	0	0	4	5 yrs. from 1st August, 2009	3

Mr. Anand G. Deo was appointed as Managing Director of the Company for a period of five years from 1st August, 2009, on remuneration permissible under section 198 and 309, read with Schedule XIII of the Companies Act, 1956. As per the terms of the agreement, the Managing Director can resign from his office by giving three calendar months notice in writing to the Company and the Board may appoint any other person(s) to be Managing Director(s) at any time. If the office of the Managing Director is determined before the expiry of his term of office, the Managing Director shall not be entitled to any compensation for loss of office except the notice period payment.

Corporate Governance Report (Contd...)

Non-Executive Directors were paid sitting fees of Rs. 20,000/- per Board and Audit Committee meeting attended by them with effect from 1st May, 2010. Non-Executive Directors other than Mr. Pankaj R. Patel, Dr. Sharvil P. Patel & Mr. Ganesh N. Nayak were also paid Commission within the limits approved by the shareholders, which did not exceed one per cent per annum of net profits of the Company, subject to maximum of Rs. 10 mio. in aggregate. The commission to these Directors was paid based on the performance of the Company. The Directors are also reimbursed the traveling and out-of-pocket expenses for attending such meetings. The details of commission / sitting fees paid to the Non-Executive Directors for the year 2010-11 are given below:

(INR-lacs)

Name of the Non-Executive Director	Commission	Sitting fees		Total Amount
		Board Meetings	Audit Committee Meetings	
Mr. Pankaj R. Patel	-	0.66	-	0.66
Mr. H. Dhanrajgir	2.00	0.26	0.26	2.52
Mr. Mukesh M. Patel	2.00	0.66	0.66	3.32
Dr. B. M. Hegde	2.00	0.66	0.66	3.32
Prof. Indiraben J. Parikh	2.00	0.40	0.40	2.80
Mr. Ganesh N. Nayak	-	0.66	0.66	1.32
Dr. Sharvil P. Patel	-	0.66	-	0.66

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

c) Appointment / Re-appointment of Directors:

Mr. Mukesh M. Patel, Mr. H. Dhanrajgir and Dr. Sharvil P. Patel are liable to retire by rotation at the ensuing Annual General Meeting scheduled to be held on 30th June, 2011 and being eligible have offered themselves for re-appointment. The information as required under clause 49 of the Listing Agreement for the Directors seeking re-appointment at the ensuing Annual General Meeting is annexed to the notice of Annual General Meeting.

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

7. Code of Conduct:

The Board of Directors has adopted the Code of Conduct for Directors and Senior Management and the same has been posted on the Company's website (www.zyduswellness.in). All Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct for the year under review.

Corporate Governance Report (Contd...)

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, 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 advise 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, 2011

Name of the Director	No. of shares held	Details of shares bought / (sold) during 2010 - 11
Mr. Pankaj R. Patel *	2,665	Nil
Mr. H. Dhanrajgir	0	Nil
Mr. Mukesh M. Patel	213	Nil
Dr. B. M. Hegde	100	100
Prof. Indiraben J. Parikh	0	Nil
Mr. Ganesh N. Nayak	5,213	Nil
Mr. Anand G. Deo	1,300	Nil
Dr. Sharvil P. Patel	533	Nil

* Also holds 1,74,495 equity shares as a Trustee of Zydus Family Trust.

9. Means of Communication:

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

The Company has 37,425 shareholders as on 31st March, 2011. The company mainly communicates with its shareholders through annual report, which includes the Directors' Report, Management Discussion and Analysis Report, Report on Corporate Governance and Audited Financial results.

Management Discussion and Analysis Report

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

10. General Shareholder's Information:

a) Annual General Meeting:

Date and time of 17th AGM	: 30th June, 2011 at 10:00 a.m.
Venue	: J. B. Auditorium, Ahmedabad Management Association [AMA], ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad-380015.
Financial Year	: 1st April, 2010 to 31st March, 2011.
Date of Book Closure	: 24th June, 2011 to 30th June, 2011 (both days inclusive).
Registered Office	: "Zydus Tower", Satellite Cross Roads, Sarkhej-Gandhinagar Highway, Ahmedabad-380 015.

Corporate Governance Report (Contd...)

Compliance Officer : Mr. Dhaval N. Soni, Company Secretary is the Compliance Officer of the Company.

Website : www.zyduswellness.in

b) Financial Calendar :

Key financial reporting dates for the financial year 2011–2012 (tentative)

First quarter Results : Before 31st July, 2011

Half yearly Results : Before 31st October, 2011

Third quarter Results : Before 31st January, 2012

Audited results for the year 2011–12 : Before 30th May, 2012

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 5th July, 2011.

d) Listing on Stock Exchanges:

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

Name and Address of the Stock Exchange

Bombay Stock Exchange Limited

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

National Stock Exchange of India Limited

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

Listing Fees:

The Company has paid annual listing fees for the financial year 2011–12 to both the Stock Exchanges.

Stock Code:

Name of the Stock Exchange	Stock Code No.	Closing Price as on 31st March, 2011 (Rs.)
Bombay Stock Exchange Limited	531335	597.25
National Stock Exchange of India Limited	ZYDUSWELL	573.85

ISIN Code:

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

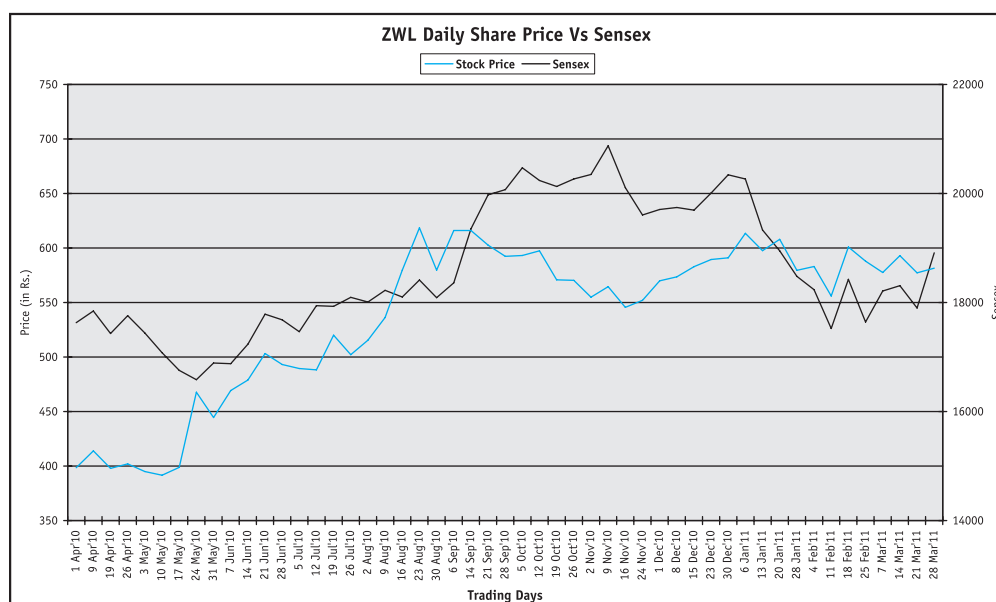
Corporate Governance Report (Contd...)

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

Month	BSE Sensex	Bombay Stock Exchange Limited			National Stock Exchange of India Limited		
		High [Rs.]	Low [Rs.]	Av. Volume [in. Nos.]	High [Rs.]	Low [Rs.]	Av. Volume [in. Nos.]
April, 10	17558.71	425.95	382.05	44660	424.70	380.10	67565
May, 10	16944.63	500.60	369.00	77361	500.00	368.00	111436
June, 10	17700.90	514.30	462.00	31413	514.00	458.20	49930
July, 10	17868.29	573.95	475.00	69827	573.90	480.05	119321
Aug., 10	17971.12	639.35	509.90	70430	640.80	510.00	107198
Sept., 10	20069.12	636.80	570.10	26139	636.70	562.55	46652
Oct., 10	20032.34	621.00	532.00	14648	622.00	533.05	22244
Nov., 10	19521.25	577.75	521.50	6502	584.00	519.50	13924
Dec., 10	20509.09	617.80	549.00	4909	615.00	546.65	10561
Jan., 11	18327.76	661.40	565.55	15387	661.70	535.00	28765
Feb., 11	17823.40	626.00	525.25	7382	648.00	527.00	17242
March, 11	19445.22	624.40	566.80	4405	623.00	561.55	9682

Source: Official website of Bombay Stock Exchange Limited–viz.www.bseindia.com and National Stock Exchange of India Limited–viz. www.nseindia.com

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



f) Registrar and Transfer Agent:

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

Link Intime India Private Limited

211, Sudarshan Complex, Nr. Mithakhali Underbridge, Navrangpura, Ahmedabad-380 009

E-mail: ahmedabad@linkintime.co.in Phone: 079-2646 5179 Fax: 079-2646 5179

g) Share Transfer System:

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

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

h) Unclaimed Suspense Account:

Pursuant to amendment in clause 5A of the Listing Agreement with the Stock Exchanges, the Registrar and Share Transfer Agent has sent two reminders to the shareholders of the Company, whose equity shares are lying with the Company undelivered. The Registrar and Share Transfer Agent will send a third and last reminder to such shareholders to claim their undelivered shares and if the shareholders do not claim, such equity shares will be transferred to "Unclaimed Suspense Account" and all corporate benefits which will accrue to these shares shall also be credited to that account. The shareholders are requested to claim their shares, which were sent to them but returned undelivered for some reasons. The Company will disclose the requisite information as provided in that clause after transferring these shares to Unclaimed Suspense Account.

i) Reconciliation of Share Capital Audit:

The Reconciliation of Share Capital Audit was carried out by Practicing Company Secretary for each of the quarters in the financial year 2010-11, to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and total issued and listed capital. The audit reports confirm that the total issued / paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with depositories.

j) Dematerialisation of Shares and Liquidity:

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

As on 31st March, 2011, 98.89 % of the Share Capital of the Company is held by the members in electronic form.

Corporate Governance Report (Contd...)
k) Distribution of Shareholding as on 31st March, 2011:

No. of Equity Shares	Shareholders		Shares	
	Numbers	% of Total	Number	% of Total
1 to 500	36672	97.9880	1878842	4.8090
501 to 1000	373	0.9970	275225	0.7040
1001 to 2000	164	0.4380	240374	0.6150
2001 to 3000	70	0.1870	177544	0.4540
3001 to 4000	32	0.0860	111466	0.2850
4001 to 5000	25	0.0670	118098	0.3020
5001 to 10000	30	0.0800	215881	0.5530
10001 & above	59	0.1570	36054659	92.2780
TOTAL	37425	100	39072089	100

l) Shareholding Pattern as on 31st March, 2011:

Category	No. of Shares held			% of shareholding
	Physical	Electronic	Total	
Promoter's holding	0	28343687	28343687	72.5420
Mutual Funds and UTI	626	3089472	3090098	7.9087
Banks, FI and Insurance Companies	296	2879923	2880219	7.3716
Foreign Institutional Investors	66	821313	821379	2.1022
NRIs / OCBs	82124	164324	246448	0.6307
Other Corporate Bodies	5247	420841	426088	1.0906
Indian Public	346176	2914634	3260810	8.3456
Others (Govt.& other trusts)	0	3360	3360	0.0086
TOTAL	434535	38637554	39072089	100

m) 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.

n) Plant Locations:

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

Corporate Governance Report (Contd...)**o) Address for correspondence:**

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

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

e-mail id: dhavalsoni@zyduscadila.com

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

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

11. Certificate on Corporate Governance:

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

DECLARATION

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

Place : Ahmedabad.
Date : 5th May, 2011.

ANAND G. DEO
MANAGING DIRECTOR

Corporate Governance Compliance Certificate

**To
The Members of
Zydus Wellness Limited**

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

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

In our opinion and to the best of our information and 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 state that in respect of the investor grievances received during the year ended on 31st March, 2011, no such investor grievances remained unattended / pending for more than 30 days.

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

For, **HITESH BUCH & ASSOCIATES,**
COMPANY SECRETARIES

HITESH BUCH
Proprietor
CP No. 8195

Place : Ahmedabad.
Date : 5th May, 2011.

Auditors' Report**To the Members of
ZYDUS WELLNESS LIMITED**

1. We have audited the attached Balance Sheet of Zydus Wellness Limited ('the Company') as at 31st March, 2011, and also the Profit and Loss Account for the year ended on that date annexed thereto 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.
2. 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 used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (Order) and related amendments issued by the Central Government of India in terms of sub Section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 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 accounts as required by law, have been kept by the Company so far as appears from our examination of those books;
 - c) The Balance Sheet, the Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with books of account;
 - d) In our opinion, the Balance Sheet, the Profit & 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 written representations received from the directors as on 31st March, 2011 and taken on record by the Board of Directors, we report that none of directors is disqualified as on 31st March, 2011 from being appointed as a director in terms of Clause (g) of sub section (1) of Section 274 of the Companies Act, 1956;
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies and other notes thereon give the information required by the Companies Act, 1956, in the manner so required, and present a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. in so far as it relates to Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;
 - ii. in so far as it relates to the Profit and Loss Account, of the Profit of the Company for the year ended on that date; and
 - iii. in so far as it relates to the Cash Flow Statement, of the Cash Flow of the Company for the year ended on that date.

**For Manubhai & Co.,
Chartered Accountants**
Registration No. 106041W

(Kaushik C Patel)
Partner
Membership No.: 30083

Place : Ahmedabad.
Date : May 05, 2011.

Annexure to the Auditors' Report

[Referred to paragraph 3 of our report of even date]

1. In respect of its fixed assets:

- a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b. As explained to us, during the year the fixed assets have been physically verified by the management as per phased programme of verification during the year, which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. As informed to us, no material discrepancies were noticed on such physical verification as compared to the records maintained by the Company.
- c. In our opinion, the Company has not disposed of any substantial part of fixed assets during the year so as to affect going concern status.

2. In respect of its inventories:

- a. As explained to us, inventories have been physically verified by the management at regular intervals during the year.
- b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are 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 inventories. As explained to us, there was no material discrepancies noticed on physical verification of inventories as compared to the book records.

3. (i) In respect of loans granted to parties covered in the register maintained u/s 301 of the Companies Act, 1956.

The Company has not granted any loan, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly clauses (iii) (a) to (iii) (d) of paragraph 4 of order are not applicable to the company for the current year.

(ii) In respect of loans taken from parties covered in the register maintained u/s 301 of the Companies Act, 1956.

The Company has not taken any loans or advances in the nature of loans, secured or unsecured from parties covered in the register maintained under section 301 of the Companies Act, 1956. Consequently, reporting requirements as per clauses (iii) (e) to (iii) (g) of paragraph 4 of the Order are not applicable in case of the Company.

4. In respect of internal control

In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and for sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.

5. In respect of transactions need to be entered into a register maintained u/s 301 of the Companies Act, 1956.

- a) Based on the audit procedures applied by us and according to the information and explanations, the transactions that need to be entered into 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.

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

6. In respect of deposits from public

According to the information and explanation given to us, the Company has not accepted any deposits from the public within the meaning of the provisions of sections 58A and 58AA of the Companies Act, 1956 and the Rules framed thereunder. Further, we are informed that no Order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.

7. In respect of internal audit system

The Company has an internal audit system, which in our opinion is commensurate with its size and the nature of its business.

8. In respect of maintenance of cost records

According to information and explanation given to us, neither order has been passed by Central Government nor have cost records been prescribed under section 209(1) (d) of the Companies Act, 1956 in respect of products manufactured by the Company.

9. In respect of statutory dues:

- a) In our opinion and according to the information and explanation given to us, the company has been generally regular in depositing undisputed statutory dues including Provident Fund, Income Tax, Wealth Tax, Investor Education and Protection Fund, Custom duty, Excise duty, Service tax, Employees' State Insurance, Income Tax, Sales Tax, Professional tax and other statutory dues as may be applicable to the company.

Further, since the Central Government has till date has not prescribed the amount of cess payable under section 441A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same.

According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, sales tax, wealth tax, service tax, custom duty and excise duty were in arrears, as at 31st March, 2011 for a period of more than six months from the date they become payable.

- b) According to the information and explanations given to us, the particulars of dues of Income Tax and Sales Tax as at March 31,2011, which have not been deposited on account of any dispute, are as follows:

Name of the Statute	Nature of Dues	Amount involved (Rs. In Lacs)	Period to which the amount relates	Forum where the dispute is pending
The Income Tax Act, 1961	Income Tax	118.52	2009-10	Assessing Officer
Andhra Pradesh Sales Tax Act	Sales Tax	19.40	2009-10	High Court Andhra Pradesh
		13.72	2008-09	
		10.43	2007-08	
		7.06	2006-07	
		4.42	2005-06	
		3.69	2004-05	
		2.26	2003-04	

10. In respect of accumulated losses and cash losses

The Company does not have accumulated losses and has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.

Annexure to the Auditors' Report (Contd...)**11. In respect of dues to financial institution / banks / debentures**

The Company has not made any borrowings from any financial institution/banks/ issued debentures. Hence, reporting requirement relating to default in repayment of dues is not applicable as per clause 4(xi) of the Order.

12. In respect of loans and advances granted on the basis of security.

In our opinion and according to the information and explanation given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.

13. In respect of provisions applicable to Chit fund

In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society as per the Chit Fund Act, 1982 and other state legislations. Therefore reporting requirements as per clause 4(xiii) of the Order is not applicable.

14. In respect of dealing or trading in shares, securities, debentures and other investment

According to the information and explanations given to us, the company is not dealing or trading in shares, securities, debentures and other investments. Therefore, reporting requirement as per clause 4(xiv) of the Order is not applicable.

15. In respect of guarantee given for loans taken by others

According to the information and explanation 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 institution.

16. In respect of application of term loans

The company has not taken any term loans from any bank or Financial Institution during the current year.

17. In respect of fund used

According to the information and explanations given to us and on an overall examination of the balance sheet of the company, funds raised on short-term basis have, prima facie, not been used for long-term purpose.

18. In respect of preferential allotment of shares

During the year, 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. In respect of securities created for debentures

The Company has not issued any debentures during the year therefore paragraph 4(xix) of the Order is not applicable.

20. In respect of end use of money raised by public issues

The company has not raised any money by public issue during the year.

21. In respect of fraud

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 Manubhai & Co.,
Chartered Accountants
Registration No. 106041W**

**(Kaushik C Patel)
Partner
Membership No.: 30083**

Place : Ahmedabad.
Date : May 05, 2011.

Balance Sheet as at March 31, 2011

	Schedule No.	INR - Lacs	
		As at March 31,	
		2011	2010
SOURCES OF FUNDS :			
Shareholders' Funds :			
Share Capital	1	3907	3907
Reserves and Surplus	2	10282	6151
		14189	10058
Deferred Tax Liability [Net]	16[B-14]	111	0
Total		14300	10058
APPLICATION OF FUNDS :			
Fixed Assets :	3		
Gross Block		6114	4874
Less : Depreciation and Amortisation		794	645
Net Block		5320	4229
Capital works-in-progress including pre-operative and project expenditure pending capitalisation		31	203
		5351	4432
Investments	4	3970	0
Deferred Tax Assets [Net]		0	2
Net Current Assets :			
Current Assets, Loans and Advances :			
Inventories	5	1749	1288
Sundry Debtors	6	117	137
Cash and Bank Balances	7	8645	10048
Loans and Advances	8	858	1859
		11369	13332
Less : Current Liabilities & Provisions :			
Current Liabilities	9	4428	5925
Provisions	10	1962	1783
		6390	7708
		4979	5624
Total		14300	10058
Significant Accounting Policies and Notes on Accounts	16		

As per our report of even date

For Manubhai & Co.,
Chartered Accountants
Registration No. 106041W

Kaushik C. Patel
Partner
Membership No. 30083
Place : Ahmedabad.
Date : May 5, 2011.

Amit B. Jain
Chief Financial Officer

Dhaval N. Soni
Company Secretary

Pankaj R. Patel
Chairman

Anand G. Deo
Managing Director

Place : Ahmedabad.
Date : May 5, 2011.

Profit & Loss Account for the Year ended March 31, 2011

	Schedule No.	INR - Lacs	
		Year ended March 31,	
		2011	2010
INCOME :			
Sales and Income from Operations :			
Gross Sales		33550	26752
Less : Excise Duty		9	0
Net Sales		<u>33541</u>	<u>26752</u>
Other Income from Operations	11	96	55
Total		<u>33637</u>	<u>26807</u>
Other Income	12	721	595
		<u>34358</u>	<u>27402</u>
EXPENDITURE :			
Consumption of Materials and Finished Goods	13	12020	8622
General Expenses	14	13193	11470
Depreciation and Amortisation	3	149	159
		<u>25362</u>	<u>20251</u>
Profit before Exceptional items and Tax		8996	7151
Less : Exceptional items :			
Expenses incurred on account of Composite Scheme of Arrangement		0	220
Profit before Tax and after Exceptional items		8996	6931
Less : Provision for Taxation	15	3048	2404
Profit after Tax		5948	4527
Add : Balance brought forward		5196	2491
PROFIT AVAILABLE FOR APPROPRIATIONS		11144	7018
Appropriations :			
Dividends :			
Proposed Dividend		1563	1172
Corporate Dividend Tax on Proposed Dividend		254	195
		<u>1817</u>	<u>1367</u>
Transfer to General Reserve		645	455
		<u>2462</u>	<u>1822</u>
Balance carried to Balance Sheet		<u>8682</u>	<u>5196</u>
Basic & Diluted E P S [in Rupees] :	16[B-15]		
Before Exceptional Items		15.22	12.15
After Exceptional Items		15.22	11.59
Significant Accounting Policies and Notes on Accounts	16		

As per our report of even date

For Manubhai & Co.,
Chartered Accountants
Registration No. 106041W

Kaushik C. Patel
Partner
Membership No. 30083
Place : Ahmedabad.
Date : May 5, 2011.

Amit B. Jain
Chief Financial Officer

Dhaval N. Soni
Company Secretary

Pankaj R. Patel
Chairman

Anand G. Deo
Managing Director

Place : Ahmedabad.
Date : May 5, 2011.

Cashflow Statement for the Year ended March 31, 2011

Particulars	INR - Lacs	
	Year Ended March 31,	
	2011	2010
A Cash Flows from Operating Activities :		
Profit before Tax and Exceptional item	8996	7151
Adjustments for :-		
Depreciation	149	159
Interest income	(622)	(595)
Interest expenses	16	10
Bad debts written off	39	36
Provision for claims for Product Warranties & Return of Goods [Net]	0	24
Provisions for retirement benefits	57	27
Provision for Bad and Doubtful Debts	(99)	96
Total	(460)	(243)
Operating profit before working capital changes	8536	6908
Adjustments for :-		
[Increase] / Decrease in trade receivables	18	213
[Increase] / Decrease in other receivables	983	(475)
[Increase] / Decrease in inventories	(461)	(474)
Increase / [Decrease] in trade payables & other liabilities	(1273)	1855
Total	(733)	1119
Cash generated from operations	7803	8027
Direct taxes paid [Net of refunds]	(3290)	(2120)
Total	(3290)	(2120)
Cash flow before extraordinary items	4513	5907
Exceptional items	0	(220)
Net cash from operating activities	4513	5687

Cashflow Statement for the Year ended March 31, 2011 (Contd...)

Particulars	INR - Lacs	
	Year Ended March 31,	
	2011	2010
B Cash flows from investing activities :		
Purchase of fixed assets	(1698)	(354)
Pre-operative & Project expenses	(3)	(17)
Sale of Fixed Assets	392	0
Investment in Partnership Firm [Net]	(3970)	0
Interest received	741	354
	_____	_____
Net cash used in investing activities	(4538)	(17)
C Cash flows from financing activities :-		
Interest paid	(16)	(9)
Dividends paid	(1167)	(584)
Tax on dividends paid	(195)	(99)
	_____	_____
Net cash used in financing activities	(1378)	(692)
	_____	_____
Net increase / [decrease] in cash and cash equivalents	(1403)	4978
Cash and cash equivalents at the beginning of the year	10048	5070
	_____	_____
Cash and cash equivalents at the close of the year	8645	10048

Notes to the cash flow statement

- 1 Figures in bracket indicates outflow.
- 2 Previous year's figures have been regrouped wherever necessary.
- 3 Cash and cash equivalent at the close [beginning] of the year includes Rs. 2 [Rs. 1] lacs not available for immediate use.

As per our report of even date

For Manubhai & Co.,
Chartered Accountants
Registration No. 106041W

Kaushik C. Patel
Partner
Membership No. 30083
Place : Ahmedabad.
Date : May 5, 2011.

Amit B. Jain
Chief Financial Officer

Dhaval N. Soni
Company Secretary

Pankaj R. Patel
Chairman

Anand G. Deo
Managing Director

Place : Ahmedabad.
Date : May 5, 2011.

Schedules forming part of the Balance Sheet

	INR - Lacs	
	As at March 31,	
	2011	2010
Schedule : 1 - Share Capital :		
Authorised :		
4,50,00,000 [As at 31-03-10 : 4,50,00,000] Equity Shares of Rs.10/- each	4500	4500
	_____	_____
	4500	4500
	=====	=====
Issued, Subscribed and Paid-up :		
3,90,72,089 [As at 31-03-10 : 3,90,72,089] Equity Shares of Rs.10/- each fully paid-up	3907	3907
	_____	_____
Total	3907	3907
	=====	=====
Notes : Of the above shares,		
[1] 2,74,43,274 [As at 31-03-10 : 2,74,32,138] equity shares of Rs. 10/- each, fully paid up, are held by Cadila Healthcare Limited, Holding Company.		
[2] 3,34,96,989 [As at 31-03-10 : 3,34,96,989] Equity Shares were allotted as fully paid up pursuant to the Composite Scheme of Arrangement without payment being received in cash.		
Schedule : 2 - Reserves & Surplus :		
General Reserve :		
Balance as per last Balance Sheet	955	500
Add : Transfer from Profit and Loss Account	645	455
	_____	_____
	1600	955
Balance in Profit and Loss Account	8682	5196
	_____	_____
Total	10282	6151
	=====	=====

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

Nature of Fixed Assets	INR - Lacs									
	Gross Block				Depreciation/Amortisation				Net Block	
	As at 31.03.10	Additions during the year	Sales and / or adj. during the year	As at 31.03.11	Up to 31.03.10	For the year	On Sales and/or adj. during the year	Up to 31.03.11	As at 31.03.11	As at 31.03.10
Tangible Assets :										
Freehold Land	48	530	0	578	0	0	0	0	578	48
Leasehold Land	408	0	405	3	3	0	0	3	0	405
Buildings	330	157	0	487	72	14	0	86	401	258
Plant & Machinery	1696	926	0	2622	500	130	0	630	1992	1196
Furnitures, Fixtures & Office Equipments	80	11	0	91	61	2	0	63	28	19
Vehicles	13	21	0	34	2	2	0	4	30	11
Intangible Assets :										
Goodwill	2282	0	0	2282	0	0	0	0	2282	2282
Technical Know-how	2	0	0	2	1	0	0	1	1	1
Trademarks	5	0	0	5	2	0	0	2	3	3
Non-Compete Fees	10	0	0	10	4	1	0	5	5	6
Total	4874	1645	405	6114	645	149	0	794	5320	4229
2009-10	4445	431	2	4874	483	162	0	645	4229	—

INR - Lacs	
As at March 31,	
2011	2010

Schedule : 4 - Investments :

In the capital of a partnership firm :		
Fixed capital	245	—
Current capital	3725	—
Total	<u>3970</u>	<u>—</u>
Note :		
Name of Firm : M/s. Zydu Wellness - Sikkim		
Total capital of the Firm :	3975	—
Name of Partners and their Profit Sharing Ratio :		
Zydu Wellness Limited	98%	—
Zydu Wellness Staff Welfare Trust	2%	—

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

	INR - Lacs	
	As at March 31,	
	2011	2010
Schedule : 5 - Inventories :		
[As taken, valued and certified by the Management] [Valued at lower of cost and net realisable value]		
Stock-in-Trade :		
Raw Materials	42	38
Packing Materials	32	33
Finished Goods	1675	1217
Total	<u>1749</u>	<u>1288</u>
Schedule : 6 - Sundry Debtors [Unsecured] :		
Debts outstanding for a period exceeding six months :		
Considered good	12	0
Considered doubtful	0	99
Total	<u>12</u>	<u>99</u>
Less : Provision for doubtful debts	0	99
	<u>12</u>	<u>0</u>
Other debts - Considered Good	105	137
Total	<u>117</u>	<u>137</u>
Schedule : 7 - Cash and Bank Balances :		
Cash Balance on hand	2	4
Bank Balances :		
With Scheduled Banks :		
In Current Accounts [Including Rs. 12 {as at 31-03-10 : Rs. 7} Lacs in Unclaimed Dividend Accounts]	778	7
In Fixed Deposit Accounts	7865	10037
	<u>8643</u>	<u>10044</u>
Total	<u>8645</u>	<u>10048</u>

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

	INR - Lacs	
	As at March 31,	
	2011	2010
Schedule : 8 - Loans and Advances [Unsecured, Considered Good] :		
Advances recoverable in cash or in kind or for value to be received	688	1603
Advance payment of direct taxes [Net of provision for taxation of Rs. 6732 { as at 31-03-10 : Rs. 4020 } Lacs]	38	0
Balances with Sales Tax Authorities	0	5
Interest receivable	132	251
Total	858	1859
Schedule : 9 - Current Liabilities :		
Sundry Creditors other than Micro, Small and Medium Enterprises [Refer Note No. B-8 of Sch. No. 16]	4201	5460
Trade Deposits	35	28
Investor Education and Protection Fund :		
Unclaimed Dividends [There are no amounts due and outstanding to be credited to Investor Education and Protection Fund]	12	7
Advances from Debtors	180	279
Book Overdraft	0	151
Total	4428	5925
Schedule : 10 - Provisions :		
Proposed Dividend	1563	1172
Corporate Dividend Tax on Proposed Dividend	254	195
Provision for taxation [Net of advance payment of tax of Rs. 6770 { as at 31-03-10 : Rs. 3703 } Lacs]	0	317
Provision for retirement benefits	89	43
Provision for claims for product expiry and return of goods	56	56
Total	1962	1783

Schedules forming part of the Profit & Loss Account

	INR - Lacs	
	Year ended March 31,	
	2011	2010
Schedule : 11 - Other Income from Operations :		
Prior years' income [Net]	0	30
Miscellaneous Income	96	25
Total	<u>96</u>	<u>55</u>
Schedule : 12 - Other Income :		
Interest earned - others [Gross] [Tax deducted at source Rs. 62 { Previous year - Rs. 90 } Lacs]	622	595
Provision for doubtful debts written back	99	0
Total	<u>721</u>	<u>595</u>
Schedule : 13 - Consumption of Materials and Finished Goods :		
Raw Materials :		
Stock at commencement	38	66
Add : Purchases	4285	3111
	<u>4323</u>	<u>3177</u>
Less : Stock at close	42	38
	<u>4281</u>	<u>3139</u>
Packing Materials Consumed	704	596
Purchases of Finished Goods	7493	5397
[Increase] in Closing Stock of Finished Goods :		
Stock at close	1675	1217
Less : Stock at commencement	1217	707
	<u>(458)</u>	<u>(510)</u>
Total	<u>12020</u>	<u>8622</u>

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

	INR - Lacs	
	Year ended March 31,	
	2011	2010
Schedule : 14 - General Expenses :		
Personnel expenses :		
Salaries, wages and bonus	1395	871
Company's contribution to provident & other funds	60	43
Staff welfare expenses	21	17
	<u>1476</u>	<u>931</u>
Stores and Spare parts consumed	12	13
Power & fuel	106	95
Insurance	21	10
Repairs :		
Buildings	4	3
Plant and Machinery	24	30
Others	31	13
	<u>59</u>	<u>46</u>
Rent	116	88
Rates and Taxes	42	20
Managing Director's Remuneration	80	45
Commission to Directors	8	0
Marketing, Selling & Distribution Expenses :		
Commission on sales	688	406
Freight and forwarding on sales	935	789
Advertisement & Sales Promotion expenses	5916	6505
Provision for doubtful debts	0	96
Bad Debts Written Off	39	36
Other marketing expenses	2610	1892
	<u>10188</u>	<u>9724</u>
Directors' fees	7	2
Bank Commission	13	7
Interest to Others	3	2
Donations	290	0
Loss on account of fluctuations in foreign exchange rates [Net]	3	0
Miscellaneous Expenses	769	487
Total	<u><u>13193</u></u>	<u><u>11470</u></u>
Schedule : 15 - Provision for Taxation :		
Current Tax	2911	2475
Deferred Tax	113	(76)
Total	<u>3024</u>	<u>2399</u>
Prior year's tax adjustments	24	5
Total	<u><u>3048</u></u>	<u><u>2404</u></u>

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

Schedule : 16 - Significant Accounting Policies & Notes on Accounts :

A Significant Accounting Policies :

1 Basis of Accounting :

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

3 Fixed Assets and Depreciation / Amortisation :

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 amortized over its estimated economic life of ten years.

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

F Goodwill arising on amalgamation is assessed at each balance sheet date for any impairment loss.

G Where the actual cost of purchase of an asset does not exceed Rs.10,000/-, the depreciation is provided @ 100%.

4 Impairment of Assets :

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

5 Expenditure during Construction Period :

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

6 Investments :

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

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

Schedule : 16 - Significant Accounting Policies & Notes on Accounts : (Contd...)

7 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 Works-in-progress includes material cost, labour and relevant appropriate overheads.

8 Revenue Recognition :

- A** Revenue from Sale of goods is recognised when significant risks and rewards of ownership of the goods have been passed to the buyer.
- B** Interest income is recognised on time proportionate method.
- C** Revenue in respect of other income is recognised when no significant uncertainty as to its determination or realisation exists.

9 Foreign Currency Transactions :

- A** The transactions in foreign currencies on revenue accounts are stated at the rates of exchange prevailing on the dates of transactions.
- B** The net gain or loss on account of exchange differences either on settlement or on translation 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.

10 Retirement Benefits :

A Defined Contribution Plans :

The Company contributes on a defined contribution basis to Employee's Provident Fund & Pension 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 actuarial valuation at the year end, which is calculated using projected unit credit method. Actuarial gains and losses which comprise experience adjustment and the effect of changes in actuarial assumptions are recognised in the Profit and Loss Account.

C Leave Liability [Long Term Employee Benefit] :

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

11 Taxes on Income :

- A** Tax expense comprise of current and deferred tax.

Schedules forming part of the Balance Sheet and Profit & Loss Account (Contd...)
Schedule : 16 - Significant Accounting Policies & Notes on Accounts : (Contd...)

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

12 Provision for Product Expiry Claims :

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

13 Provision for Bad and Doubtful Debts / Advances :

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

14 Leases :

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

B Notes on Accounts :

- 1 Previous year's figures have been regrouped and rearranged wherever necessary to make it comparable with the current year's figures.
- 2 The company has taken various office premises / godowns under operating lease or leave and license agreement. The lease terms in respect of such premises are on the basis of individual agreements entered into with the respective landlords. The company has given refundable interest free security deposits in accordance with the agreed terms. The lease payments are recognised in the Profit & Loss Account under " Rent " in Schedule -14.
- 3 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 export obligation to the extent of US \$ 30.29 Lacs [equivalent to Rs. 1350 Lacs approx. { Previous Year US \$ 30.29 Lacs (Equivalent to Rs.1360 Lacs) }] to be fulfilled during a specified period as applicable from the date of imports. The liability towards customs duty payable thereon in respect of unfulfilled export obligation as on March 31, 2011 of Rs. 155 Lacs [as at 31-03-10 : Rs.155 Lacs] is not provided for.
- 4 Details of remuneration paid / payable to a Managing Director :
[Excluding contribution to the gratuity fund and provision for leave encashment entitlement, since they are determined for the company as a whole]

- a** Remuneration
- b** Contribution to Provident and other Funds
- c** Total

INR - Lacs	
Year ended March 31,	
2011	2010
75	43
5	2
80	45

Schedules forming part of the Balance Sheet and Profit & Loss Account (Contd...)
Schedule : 16 - Significant Accounting Policies & Notes on Accounts : (Contd...)
5 Details of commission payable to the Directors :

	INR - Lacs	
	Year ended March 31,	
	2011	2010
A Computation of Net Profit as per section 198 read with section 309, 349 & 350 of the companies Act,1956 :		
a Net Profit after Tax as per Profit & Loss Account	5948	-
b Add : Depreciation provided in Accounts	149	-
Provision for Taxation - Current, Deferred		
& Prior year tax adjustments	3048	-
Managing Directors' Remuneration	80	-
Commission to other directors	8	-
Directors' fees	7	-
	3292	-
c Total [a + b]	9240	-
d Less : Depreciation as per section 350	149	-
e Net Profit as per section 198 [c - d]	9091	-
B Commission payable to Directors :		
Maximum allowable as per Companies Act, 1956 [1% of net profit]	91	-
Maximum approved by Shareholders	100	-
Commission approved by the Board	8	-
Note : This being the first year of provision of commission payable to Directors, the computation of net profit for the previous year is not given.		
6 Remuneration to Auditors :		
Audit Fees	3	3
Tax Audit Fees	1	1
Other Services	0	1
Total	4	5
7 Contingent Liabilities not provided for in respect of :		
A Claims against the Company not acknowledged as debts	20	22
B Sales Tax matters pending in appeals	61	6
C Income Tax matters pending in appeals	119	0
D Guarantees given by a bank and counter guarantees given by the company	2	0
8 Estimated amount of contracts remaining to be executed on capital account and not provided for [Net of Advances]	83	830

9 During the Year, the Company has paid to Bharatiya Janta Party, Contribution of Rs. 100 lacs, pursuant to provision of Section 293A of the Companies Act, 1956.

10 Segment Information :

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

Schedules forming part of the Balance Sheet and Profit & Loss Account (Contd...)
Schedule : 16 - Significant Accounting Policies & Notes on Accounts : (Contd...)
11 Micro, Small and Medium Enterprises :

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

	INR - Lacs	
	Year ended March 31,	
	2011	2010
- 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	0	0
- 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 which could be identified as Micro, Small and Medium Enterprises on the basis of information available with the Company.

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

a Holding Company : Cadila Healthcare Limited [CHL]

b Partnership Firm : M/s. Zydus Wellness - Sikkim - a Partnership Firm [ZWS]

c Fellow Subsidiaries :

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

Schedules forming part of the Balance Sheet and Profit & Loss Account (Contd...)
Schedule : 16 - Significant Accounting Policies & Notes on Accounts : (Contd...)
d Key Management Personnel :

Mr. Anand Deo - Managing Director

B Transactions with Related Parties :

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

Nature of transactions	Volume of Transaction [INR - Lacs]			
	Holding Company		Fellow Subsidiaries/ Enterprises in which Company holds controlling interest	
	Year ended March 31,			
	2011	2010	2011	2010
Purchases :				
Goods :				
Dialforhealth India Limited	-	-	28	20
Services :				
Cadila Healthcare Limited	10	8	-	-
Sales :				
Goods :				
Cadila Healthcare Limited	60	23	-	-
Zydus Animal Health Limited	-	-	12	5
Liva Healthcare Limited	-	-	0.04	-
Investments :				
Capital Contribution in the Partnership Firm :				
M/s. Zydus Wellness - Sikkim	-	-	3970	-
Finance :				
Loans Recovered :				
Liva Healthcare Limited	-	-	0	675
Interest Received :				
Liva Healthcare Limited	-	-	0	35
Dividend Paid :				
Cadila Healthcare Limited	822	411	-	-
Zydus Animal Health Limited	-	-	22	11
Remuneration to Key Management Personnel	-	-	80	45

- 13 A** Provision for product expiry claims in respect of products sold during the year is made based on the management's estimates considering the estimated stock lying with retailers. The company does not expect any reimbursement of such claim in future. As the provision made in previous year is considered adequate, no further provision has been made in current year.

- B** The movement in such provision is stated as under :

Particulars	INR - Lacs	
	Year ended March 31,	
	2011	2010
a Carrying amount at the beginning of the year	56	32
b Additional provision made during the year	0	56
c Amount used	0	32
d Carrying amount at the end of the year	56	56

Schedules forming part of the Balance Sheet and Profit & Loss Account (Contd...)
Schedule : 16 - Significant Accounting Policies & Notes on Accounts : (Contd...)
14 Deferred Tax :

- A** The Net Deferred tax Liability of Rs. 113 [Previous Year : Rs. (76)] lacs for the year has been provided in the Profit and Loss Account.
- B** Break up of Deferred Tax Liabilities and Assets into major components of the respective balances are as under :

	INR - Lacs		
	As on 31-03-10	Charge for the year to Profit & Loss A/c.	As on 31-03-11
Deferred Tax Liabilities :			
Depreciation	167	51	218
Total	167	51	218
Deferred Tax Assets :			
Retirement benefits	24	1	25
Amalgamation Expenses	92	(28)	64
Provision for Bad and Doubtful debts	34	(34)	0
Provision for Expiry and Breakages	19	(1)	18
Total	169	(62)	107
Net Deferred Tax [Assets] / Liability	(2)	113	111

15 Calculation of Earnings per Share [EPS] :

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

		Year ended March 31,		
		2011	2010	
A	Profit after tax attributable to Shareholders:			
a	Before Exceptional items	INR - Lacs	5948	4747
b	After Exceptional items	INR - Lacs	5948	4527
B	Basic and weighted average number of Equity Shares outstanding during the year	Nos.	39072089	39072089
C	Nominal value of equity share	INR	10	10
D	Basic and Diluted EPS:			
a	Before Exceptional items	INR	15.22	12.15
b	After Exceptional items	INR	15.22	11.59

Schedules forming part of the Balance Sheet and Profit & Loss Account (Contd...)
Schedule : 16 - Significant Accounting Policies & Notes on Accounts : (Contd...)
16 Disclosure pursuant to Accounting Standard - 15 [Revised] 'Employee Benefits' :
A Defined benefit plan and long term employment benefit :
a General description :
Gratuity [Defined benefit plan] :

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

Privilege Leave [Long term employment benefit] :

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

	INR - Lacs					
	Year ended March 31,					
	2011			2010		
	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	1	42	51	0	34	39
Interest cost	0	4	4	0	3	3
Current service cost	1	28	16	0	9	8
Benefits paid	0	(7)	(5)	0	(1)	(0)
Actuarial [gain] / losses on obligation	0	14	31	1	(3)	1
Closing defined benefit obligation	2	81	97	1	42	51
c Change in the fair value of plan assets :						
Opening fair value of plan assets	0	45	75	0	0	29
Expected return on plan assets	0	4	8	0	2	5
Contributions by employer	0	7	14	0	45	41
Benefits paid	0	(7)	(5)	0	(1)	(0)
Actuarial gains / [losses]	0	(1)	(1)	0	(1)	0
Closing fair value of plan assets	0	48	91	0	45	75
Total actuarial gain [loss] to be recognised	0	15	32	1	(2)	1

Schedules forming part of the Balance Sheet and Profit & Loss Account (Contd...)
Schedule : 16 - Significant Accounting Policies & Notes on Accounts : (Contd...)

	INR - Lacs					
	Year ended March 31,					
	2011			2010		
	Sick Leave	Privilege Leave	Gratuity	Sick Leave	Privilege Leave	Gratuity
d Actual return on plan assets :						
Expected return on plan assets	0	4	8	0	2	5
Actuarial gain / [loss] on plan assets	0	(1)	(1)	0	(1)	0
Actual return on plan assets	0	3	7	0	1	5
e Amount recognised in the balance sheet :						
Assets / [Liability] at the end of the year	(2)	(81)	(97)	(1)	(42)	(51)
Fair value of plan Assets at the end of the year	0	48	91	0	44	75
Difference	(2)	(33)	(6)	(1)	2	24
Unrecognised past service cost	0	0	0	0	0	0
Assets / [Liability] recognised in the Balance Sheet	(2)	(33)	(6)	(1)	2	24
f [Income] / Expenses recognised in the Profit & Loss Account statement :						
Current service cost	1	28	16	0	9	8
Interest cost on benefit obligation	0	4	4	0	3	3
Expected return on plan assets	0	(4)	(8)	0	(2)	(5)
Net actuarial [gain] / loss in the period	0	15	32	1	(2)	1
Net [benefit] / expense	1	43	44	1	8	7
g Movement in net liability recognised in Balance Sheet :						
Opening net liability	1	(3)	(24)	0	34	10
Expenses as above [P & L Charge]	1	43	44	1	8	7
Employers contribution	0	(7)	(14)	0	(45)	(41)
Amount recognised in the balance sheet - Liability / [Asset]	2	33	6	1	(3)	(23)

Schedules forming part of the Balance Sheet and Profit & Loss Account (Contd...)
Schedule : 16 - Significant Accounting Policies & Notes on Accounts : (Contd...)

		INR - Lacs					
		Year ended March 31,					
		2011			2010		
		Sick Leave	Privilege Leave	Gratuity	Sick Leave	Privilege Leave	Gratuity
h	Principal actuarial assumptions :						
	Discount rate	8.35%	8.35%	8.35%	8.25%	8.25%	8.25%
	[The rate of discount is considered based on market yield on Government Bonds having currency and terms consistent with the currency and terms of the post employment benefit obligations]						
	Expected rate of return on plan Assets	0.00%	9.25%	9.25%	0.00%	9.00%	9.00%
	[The expected rate of return assumed by the Insurance company is generally based on their Investment patterns as stipulated by the Government of India]						
	Annual increase in salary cost	7.50%	7.50%	7.50%	5.00%	5.00%	5.00%
	[The estimates of future salary increases considered in actuarial valuation, taking 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 Policy	0.00%	100.00%	100.00%	0.00%	100.00%	100.00%

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

Class of Goods	Unit of Measure	Installed capacity		Actual Production	
		As at March 31,		Year ended March 31,	
		2011	2010	2011	2010
Consumer Products	Tonnes	20400	14600	10361	9377

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

Schedules forming part of the Balance Sheet and Profit & Loss Account (Contd...)
Schedule : 16 - Significant Accounting Policies & Notes on Accounts : (Contd...)
18 Quantitative and value analysis of sales turnover :

Class of Goods	Units of Measure	Year ended March 31,			
		2011		2010	
		*Qty.	INR-Lacs	*Qty.	INR-Lacs
Consumer Products	Tonnes	12052	20089	10264	16447
	Kilo Litres	2226	3320	1226	2170
	Million Numbers	3588	10141	2844	8135
Total			33550		26752

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

19 Quantitative and Value analysis of Opening/Closing stock of finished Goods :

Class of Goods	Units of Measure	As at March 31,					
		2011		2010		2009	
		Qty.	INR-Lacs	Qty.	INR-Lacs	Qty.	INR-Lacs
Consumer Products	Tonnes	273	172	572	266	369	177
Total			172		266		177

20 Quantitative and Value Analysis of goods traded in :

Class of Goods	Units of Measure	As at March 31,					
		2011		2010		2009	
		Qty.	INR-Lacs	Qty.	INR-Lacs	Qty.	INR-Lacs
A Opening / Closing Stock :							
Consumer Products	Tonnes	364	804	252	556	99	247
	Kilo Litres	660	374	227	125	184	154
	Million Numbers	516	325	505	270	219	129
Total			1503		951		530
B Purchases:							
Consumer Products	Tonnes	1505	3547	1243	2794		
	Kilo Litres	2659	1706	1269	860		
	Million Numbers	3599	2240	3130	1743		
Total			7493		5397		

Schedules forming part of the Balance Sheet and Profit & Loss Account (Contd...)
Schedule : 16 - Significant Accounting Polices & Notes forming part of Accounts : (Contd...)
21 Consumption of Raw Materials :

	Units of Measure	Year ended March 31,			
		2011		2010	
		Qty.	INR-Lacs	Qty.	INR-Lacs
Oil	Tonnes	7066	3707	6368	2547
Others			574		592
Total			4281		3139

22 Value of Raw Materials Consumed :

	Year ended March 31,			
	2011		2010	
	INR-Lacs	% to total	INR-Lacs	% to total
Indigenous	4281	100	3139	100
Total	4281	100	3139	100

23 Value of Stores & Spares Consumed :

Imported	4	31%	3	26%
Indigenous	8	69%	10	74%
Total	12	100%	13	100%

24 Value of imports calculated on CIF basis :

Particulars	INR - Lacs	
	Year ended March 31,	
	2011	2010
Capital Goods	547	0
Stores & Spares	4	3

25 Expenditure in foreign currency :

Traveling	1	1
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26 Remittances made on account of dividend in foreign currency [P.Y. Rs. 0.19 Lacs] :

a Number of Non Resident Shareholders to whom dividend was paid in foreign currency	4	-
b Number of shares held by these Shareholders	66535	-
c Year to which dividend relates	2008-09 and 2009-10	-

Balance Sheet Abstract and Company's General Business Profile
Schedule : 16 - Significant Accounting Policies & Notes on Accounts : (Contd...)
C Balance Sheet Abstract and Company's General Business Profile :
I. Registration Details :

Registration No. [CIN No.]	L15201GJ1994PLC023490
State Code	4
Balance Sheet Date	31-03-11

INR-Thousands
II. Capital Raised During the year :

Public Issue	0
Right Issue	0
Bonus Issue	0
Private Placement	0

III Position of Mobilisation and Deployment of Funds :

Total Liabilities	2069070
Total Assets	2069070
Sources of Funds :	
Paid Up Capital	390721
Reserves and Surplus	1028170
Deferred Tax Liabilities	11149
Applications of Funds :	
Net Fixed Assets	535122
Investments	397017
Net Current Assets	497901

IV Performance of the Company :

Total Turnover [Including Other Income]	3435801
Total Expenditure	2536217
Profit before Tax	899584
Profit after Tax	594750
Basic & Diluted E P S [in Rupees]	15.22
Dividend Rate [%]	40%

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

Item Code Number (ITC Code)	15171000
Product Description	Table Margarine and Spreads
Item Code Number (ITC Code)	33070000
Product Description	Cosmeceuticals
Item Code Number (ITC Code)	21069099
Product Description	Sweet meat

As per our report of even date

For Manubhai & Co.,

Chartered Accountants

Registration No. 106041W

 Kaushik C. Patel
Partner

Membership No. 30083

Place : Ahmedabad.

Date : May 5, 2011.

 Pankaj R. Patel
Chairman

 Dhaval N. Soni
Company Secretary

 Anand G. Deo
Managing Director

Place : Ahmedabad.

Date : May 5, 2011.

Proxy & Attendance Slip

ZYDUS WELLNESS LIMITED

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

FORM OF PROXY

I/We _____ of _____ being a member/members of ZYDUS WELLNESS LIMITED hereby appoint _____ of _____ or failing him/her _____ of _____ as my/our proxy to vote for me/us on my/our behalf at the SEVENTEENTH ANNUAL GENERAL MEETING of the company scheduled to be held on Thursday, the 30th day of June 2011 at 10.00 A.M. at J. B. Auditorium, , Ahmedabad Management Association [AMA], ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad-380 015 and at any adjournment thereof.

Ledger Folio No./ Client ID No. _____

No. of shares _____

Signed this _____ day of _____ 2011

Signature

Affix
revenue
stamp of
requisite
value

IMPORTANT

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



ZYDUS WELLNESS LIMITED

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

ATTENDANCE SLIP

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

NAME _____

REG FOLIO NO. / CLIENT ID NO. _____

NO OF SHARES HELD _____

I hereby record my presence at the Seventeenth Annual General Meeting of the Company on Thursday, the 30th day of June 2011 at 10.00 A.M. at J. B. Auditorium, Ahmedabad Management Association [AMA], ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad-380 015.

Signature of Shareholder / Proxy

Our Vision

We bring Wellness to your Life...

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

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



BOOK-POST

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Zydus Wellness Limited

A subsidiary of Cadila Healthcare Ltd.

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