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August 17, 2017

Listing Department
BOMBAY STOCK EXCHANGE LIMITED
P J Towers, Dalal Street, Fort,
Mumbai-400 001

Code: 532 321

Listing Department
NATIONAL STOCK EXCHANGE OF INDIA LIMITED
Exchange Plaza, Bandra Kurla Complex,
Bandra (E),
Mumbai-400 051

Code: CADILAHC

Re.: Annual Report of the Company for the Financial Year 2016-2017

Ref.: Regulation 34 of the SEBI Listing Regulations

Dear Sir,

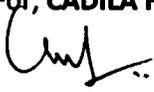
Please find attached the Annual Report of the Company for the Financial Year 2016-2017, along with Form A duly signed by the signatories, pursuant to the provisions of Regulation 34[1] of the SEBI [Listing Obligations and Disclosure Requirements] Regulations, 2015.

Please take the same on record.

Thanking you,

Yours faithfully,

For, **CADILA HEALTHCARE LIMITED**


UPEN H. SHAH
COMPANY SECRETARY



Encl.: As above

Cadila Healthcare Limited
Annual Report 2016-17



People.



Passion.



Purpose.

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Corporate Information

| | | | |
|--|--|--|--|
| Founder Late Ramanbhai B. Patel | Board of Directors Pankaj R. Patel Chairman & Managing Director Dr. Sharvil P. Patel Joint Managing Director | Directors Mukesh M. Patel Humayun R. Dhanrajgir Nitin R. Desai Dharmishta N. Rawal Apurva S. Diwanji* *[w.e.f. May 13, 2016] | Chief Financial Officer Nitin D. Parekh |
| Registered and Corporate Office "Zydus Tower", Satellite Cross Roads, Sarkhej-Gandhinagar Highway, Ahmedabad 380 015. | Statutory Auditors Mukesh M. Shah & Co. Chartered Accountants Ahmedabad | Zydus Research Centre Survey No. 396 / 403, Sarkhej-Bavla N.H. No. 8A, Moraiya, Ahmedabad 382 213. | Company Secretary Open H. Shah |
| Registrar and Share Transfer Agents Link Intime India Private Limited 506-508, Amamath Business Centre-1 (ABC-1), Besides Gala Business Centre, Off. C G Road, Ellisbridge, Ahmedabad 380 006. | Works Formulation Units Survey No. 417, 419 & 420, Sarkhej-Bavla N.H. No. 8A, Village : Moraiya, Taluka : Sanand, District : Ahmedabad 382 210. Plot No.203-213, Kundaim Industrial Estate, Ponda, Goa 403 115. Village : Swaraj Majra, Baddi, District : Solan, Himachal Pradesh 173 205. | API Units Block No. 265/266, Village: Changodar, Sarkhej-Bavla N.H. No. 8A, Ahmedabad 382 210. GIDC Estate, Ankleshwar 393 002, Gujarat Dabhasa, Taluka-Padra 391 440. District : Vadodara. Block No. 162, Ekalbara Umraya Road, Village : Dabhasa Taluka : Padra 391 440. District : Vadodara. | Topical Unit Plot No. 254-255, Opp. Laxmi Narayan Petrol Pump, Sarkhej-Bavla N.H. No. 8A, Changodar Road, Taluka : Sanand, District : Ahmedabad 382 210. Biologics Unit Survey No. 40P, 23, 25P, 42, 37 Opp. Ramdev Masala, Sarkhej-Bavla N.H. No. 8A, Changodar, District : Ahmedabad 382 213. |
| SEZ Unit Plot No. 1 / 1A & 2, "PHARMEZ" (Special Economic Zone) Matoda, Sarkhej-Bavla N.H. No. 8A, Taluka : Sanand, District : Ahmedabad 382 213. | | | Animal Health Unit Plot No. F-1/1, Sector 6B, IIE SIIDCUL, Haridwar 249 403. |



Mr. Ramanbhai B. Patel

Founder Chairman, Zydus Cadila
August 19, 1925 - September 19, 2001

A first-generation pharma entrepreneur, our Founder Chairman, Shri Ramanbhai B. Patel always believed that people are the most essential part of any organisation as they provide the inspiration, creativity, vision and motivation that keep an organisation alive. Shri Ramanbhai Patel said that the workplace is where people spend most of their time in a day and a happy employee would be a catalyst translating the organisation's growth.

He also felt that the bedrock of a pharma enterprise should be, Innovation. His passion for innovation continues to inspire us at Zydus.

It is the collective passion and commitment of over 20,000 Zydans across the globe who work together to bring to fruition the 'purpose' that binds them all - to create healthier communities globally.

And that is how, the visionary's vision lives on.

People. Passion. Purpose.

In most companies, there could be a handful of reasons for success.

At Cadila Healthcare Limited, there are no less than

20,000.

Because each Zydan has been a reason why we have succeeded.

Their passion. Their pride. Their capabilities have fused into the corporate performance.

And that is how it becomes
Our story.









You don't need
thousands of
words to describe
Cadila
Healthcare's
culture.

Two-word
quotables say it
better.



Act now.

Build people.

What's new?

Think big.

Challenge yourself.

Improvement = Betterment

Daro mat.

Speak up.

When a shop floor worker stopped the production line which affected the day's target, he was...
Applauded.

OUR CULTURE IN A STORY





'Daro
mat.
Khul ke
bolo.'

Quality is the
watchword;
process integrity
was strengthened;
productivity
improvement was
a bonus.



- The principle message on the Company's shop floor is - 'Daro mat!' (Do not fear)
- This message is a part of the QUEST programme that sensitises workers in employing the right processes and to speak up and report any deviation so that steps can be immediately initiated to address it
- **The message :** Doing the right thing is acceptable. No short cuts
- Each time workers did so, they became champions
- Cross-functional communication increased; managers began to understand workers better
- Workers suggested process modifications; continuous improvement became a shop floor reality
- Quality processes were strengthened; process integrity was strengthened; productivity improvement was a bonus

When our workers huddled for a morning dialogue at the start of the shift, the supervisor nodded approvingly saying: 'I want to see this kind of behaviour everyday at work.'



- Introduced a break out approach to raise the quality benchmark
- Instituted 30-minute brain storming sessions on quality
- 8,000 people across Zydu's manufacturing locations discuss a specific theme relevant to our quality ethic every morning
- These sessions are conducted at the start of every shift across every plant
- Supervisors turned into speakers and mentors; roles are periodically rotated
- Gradually, change room discussions have begun to revolve around workplace quality
- Workers are a part of the solution. Ideas have begun to flow
- When quality improved in one plant, others immediately replicated it
- Positive change agents are recognised
- Quality culture supports productivity





Challenge
yourself,
surprise
yourself

Quality is about
doing the right
thing, at the
right time in the
right way.



Innovation is about bridging unmet healthcare needs

A new lease of life - that's the outcome of innovation

He now has a new name for Lipaglyn: 'the wonder drug'.

- More than 500,000 patients are currently on Lipaglyn (Saroglitazar Magnesium).
- The novel drug was approved in 2013 in India to treat diabetic dyslipidemia. It's the first novel drug to be developed from the lab to the market by an Indian pharma company.
- The Company is also developing Saroglitazar Magnesium for treating diseases with high unmet medical needs in USA / EU
 - Non-Alcoholic Steato Hepatitis (NASH) – No drug has been approved as yet for treating NASH in USA / EU
 - Primary Biliary Cholangitis (PBC) – Saroglitazar Magnesium has the potential to treat PBC, an autoimmune condition, which affects the liver
 - Has significant effect on reducing triglycerides and could treat severe Hypertriglyceridemia



With a successful career in the aviation industry, he was truly a high flier. But the 54-year-old non-diabetic executive of one of India's largest airlines was extremely worried when his reports showed persistently elevated levels of triglycerides, despite adequate statin therapy and fenofibrate. Unable to find a solution, he reconciled to the fact that he would have to live with this reality.

He then met a medical practitioner who prescribed the novel drug Lipaglyn in addition to statin therapy.

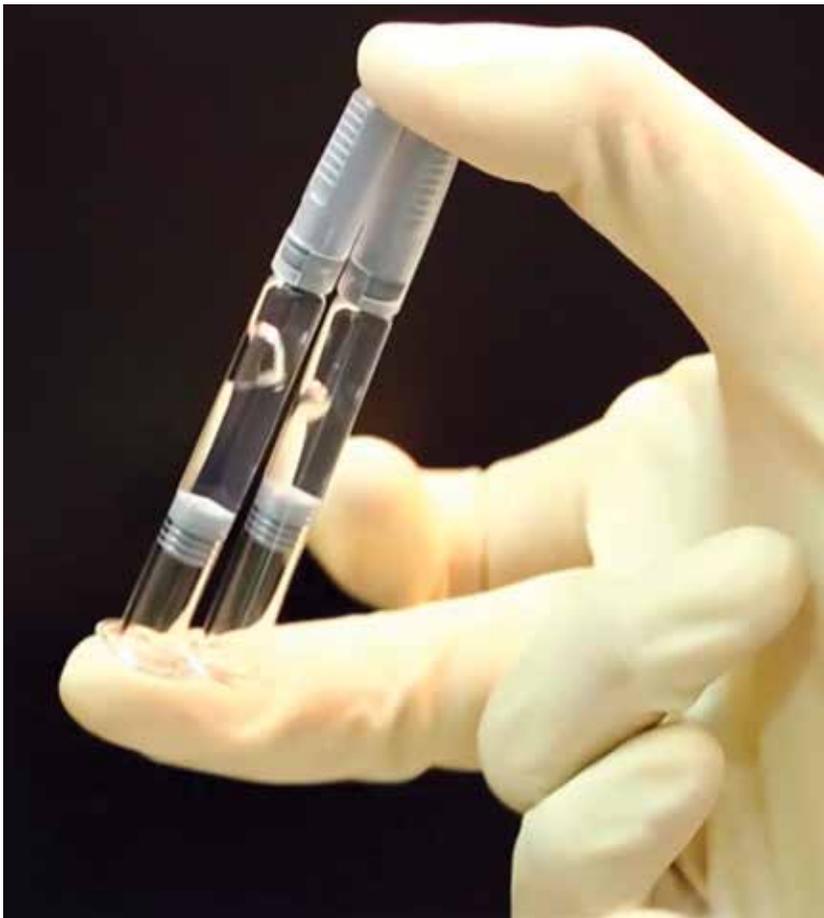
Three months later, much to his surprise, his triglyceride value had declined, without side-effects.

(The identity of the person has not been disclosed to respect his privacy)



When innovation works a miracle in one's life

From being confined to the bed to running a marathon



He has a description for Exemptia: 'Life saver'.

- World's 1st biosimilar of Adalimumab
- India's highest selling biologic in rheumatology (as per IPSOS MAT Dec 2016 data).
- Used to treat Rheumatoid Arthritis, Ankylosing Spondylitis, Psoriatic Arthritis, Juvenile Idiopathic Arthritis, Ulcerative Colitis, Crohn's Disease (Adult and Paediatric), Plaque Psoriasis and Hidradenitis Suppurativa
- More than 7000 patients have been on Exemptia

Constant pain, stiffness, fatigue and inability to carry out simple chores - these are the staples of a patient suffering from Ankylosing Spondylitis.

At 36 years, Swayam Prakash Chaudhary's life came to a grinding halt when he was diagnosed with this disorder. He was unable to sit for more than 30 minutes in office. The outdoor life and sports which were his passion, also stopped because of the chronic pain. When a doctor suggested

that perhaps Exemptia may do the magic, he doubted it. Starting out as a disbeliever, he began to see a glimmer of hope when there were some positive changes.

After six months of Exemptia therapy, he was back on his feet - walking and jogging. And then he did the unimaginable - participating in the 10K Hyderabad Marathon. He stood 441st out of 2700 runners.



The
Big 'C' at
Zydus
stands
for
Culture.



Friends,

The biggest asset of ours does not figure on the Balance Sheet.

Our Company's 20,000 employees are not listed on the Assets' side of its core financial statement.

But that's exactly who they are... Our most precious assets.

Our people have transformed the Company into a modern innovations-driven institution.

Their passion has transformed us into India's fourth largest pharmaceutical organisation.

At the heart of this distinctive difference is the unmistakable Cadila Healthcare culture.

Our culture,

Our culture is a fusion of a number of things.

The commitment to be ethical in thoughts and deeds - doing things the right way.

The desire to challenge the status-quo.

The confidence to see a challenge right through and not blink.

The resilience to encounter a setback and ensure it never happens again.

The resolution to design solutions that generate more out of less.

The conviction to make continuous everyday improvements in whatever we do.

The empowerment of shopfloor workers to make decisions without fear.

The deep collective conviction that, nothing is impossible.

Our Company's culture compass is about 'doing the right thing', 'the right way' and we believe that this will translate into credible processes, customer well-being and a sustainable way of doing business.

People. Passion. Purpose. We see and experience this each day at work, where more than 20,000 Zydans across geographies are innovating, engaging, creating and delivering therapies that serve patient needs around the world.

How do these three pillars of people, passion and purpose connect to our culture?

It has been said that an organisation's culture is its set of shared values and can be described as the underlying mindset of an organisation. 'Culture' then becomes a driver of our attitudes, beliefs and actions. Our aim is to shape a robust culture which can inspire best practices. We find that this happens in a seamless way when our people live by these shared values and commitment; are driven by a passion to improve, innovate and move on to the next level of excellence and are driven by an overarching purpose to create healthier communities.

Culture is about doing the 'right thing' at the 'right time'

Our Company's culture compass is about 'doing the right thing', 'the right way' and we believe that this will translate into credible processes, customer well-being and a sustainable way of doing business.

In a world where management experts opine that speed is every thing, the need to be process-driven, ethical and sequential might appear as a contradiction.

At Cadila Healthcare, we believe we carry a deep social responsibility. Our products touch and heal human lives. There is a premium in making products of the highest quality. This quality needs to be derived from a consistently high operating benchmark.

It would be too simplistic to believe that process discipline alone would drive operational efficiency. The subject is more holistic than specific; it extends to virtually everything that we do within as opposed to addressing only Quality Assurance; quality is now a, 'through the pipe' commitment than, 'end of the pipe' surveillance; this commitment extends from a function within our working

environmental to the core organisational personality.

Doing things the right way has made it possible to achieve desired results, eliminated re-work, removed mismatches between expectations and reality and made our outcomes more predictable.

In view of this, ethical commitment and compliance are intrinsic to business sustainability.

Culture drives constant improvement and innovation

Since the very inception of our enterprise we have been an innovations-driven, research-based pharmaceutical company.

By creating necessary building blocks, extending from innovation at one end to patient-centricity at the other, we have been able to look at the pharma value chain and bring in exciting possibilities.

We have created centres of excellence in specific business spaces to drive innovations in a sustainable way.

At the core of these successes, lies the ability of Zydans to look at value-accruing improvements and innovations in a differentiated way.

I am optimistic of our continued success for a number of reasons.

We will continue to delve deeper and explore the entire spectrum of research from NMEs to biologics, vaccines and new pharmaceutical technologies to bridge unmet healthcare needs.

By leveraging and optimising all aspects of our extensive value chain, it has been possible for us to respond with speed and flexibility to emerging opportunities.

We have prudently selected to be present in relatively under-crowded therapeutic spaces with high entry barriers, promising attractive long-term returns.

The breadth and depth of our powerful portfolio across brands, therapeutic categories, geographies, supported by strong manufacturing infrastructure and operational excellence is unmatched. We

remain well-positioned to leverage our competitive edge and deliver sustainable and profitable growth.

Even as we continue to focus on the development of products with global relevance, we do so with the objective of affordability and accessibility, which we believe represents the foundation of our enterprise.

We have seeded a culture that continues to build and optimise efficiencies with the objective to enhance our competitiveness.

The big message is, that we are ready to catapult our Company into the next league of growth. Our maturing business model is at the cusp of a new phase where whatever we have achieved in the last two decades can potentially be compressed into next few years, enhancing value for all our stakeholders.

Culture defines the way we adapt to change

In any organization, employees are the key to driving results. We're extremely fortunate, that through our journey of growth, Zydans have demonstrated a strength of character to raise the bar with every new goal set. Their knowledge and expertise, passion for developing new solutions and a commitment to excellence in all they do, have been the game-changers for us. We operate in a knowledge industry where the ability to think differently, bring new ideas to fruition and diversity of culture, experience and thought can drive innovation. Zydans are encouraged to express their diverse opinions, and candidly share their experiences and ideas. It's their passion that helps us deliver value to people across the world. Of course, this also requires a tolerance for failure. That's why we support a culture that encourages collaboration and the sharing of lessons learned.

Moving forward, one of our most pressing challenges and the greatest need will be - inspiring a new generation of leaders, innovators, dreamers and doers. We believe that we will have to adapt and open ourselves up to these new ways of working, collaborating and finding solutions.

Strong leadership is critical to our future. Moving forward, our rich pipeline of talented leaders are preparing to take on higher responsibilities for the future. This is a leadership team completely aligned to driving the growth opportunities, in both our existing business and in new areas that we are exploring. Our story has always been about growth. We have always been future-focussed - the next goal, the next opportunity, the next big leap. As a Company, we have never rested on our laurels. Instead, we are always on the move looking to explore new pathways, expand the market through the right growth accelerators, explore advanced technologies, usher in innovation and create new partnerships.

We are committed to investing in future generations of talent by giving them ample opportunities to learn and grow. As we continue to grow and expand our operations, we will continue to build our people to build our business.

Culture that reflects the spirit of caring

Our Company, through the Ramanbhai Patel Foundation, is engaged in serving the community through initiatives in education, healthcare and research. Our initiatives have been directed at making positive interventions that impact lives in a meaningful way. At Cadila Healthcare, this combination of core businesses and community responsibility makes it possible to touch people's lives in different ways and make the world a better place.

Overview

At Cadila Healthcare, we possess a culture that will heal, enhance, reinforce, energise, protect and transform corporate and sectoral realities.

Our Company has demonstrated an ability to evolve, grow and shape its responses to change in its journey of growth. We are at the cusp of exciting growth and feel compelled to share this optimism with all our stakeholders.

Pankaj R. Patel
Chairman

Our engines are ready to catapult Cadila Healthcare into the next round of growth. Our maturing business model is at the cusp of a new phase where whatever we have achieved in the last two decades can potentially be compressed into the next few years, enhancing value for all our stakeholders.

Highlights of Operations 2016-17



The formulations manufacturing facility at the SEZ 'Pharmez' in Ahmedabad

Formulations Business – Key Markets

US Formulations

- Filed over 45 ANDAs with the USFDA during the year, taking the cumulative ANDA filings to over 305.
- Received approval for over 10 ANDAs during the year, taking the cumulative ANDA approvals to over 110. This includes the first topical product approval which was filed from the formulations facility located in Ahmedabad.
- Launched 15 new products in the US market.
- Acquired 2 ANDAs (including 1 transdermal patch) from Teva Pharmaceutical Industries Ltd.
- Forayed into the specialty pain market in the US with the acquisition of Sentyln Therapeutics Inc., a US based specialty pharmaceutical company.
- Posted sales of Rs. 37,092 Mio., down 8%.

India Formulations

- Ranked amongst the top three players in the promoted covered market of gynecology, respiratory, pain management, cardiovascular, dermatology and gastrointestinal therapeutic areas.
- Launched over 75 new products, including line extensions, of which 17 were first-in-India launches.
- Acquired 6 trademarks from Organon India (Pvt.) Limited and Merck Sharp & Dohme B.V. to strengthen the presence in men's health, women's health, wound management and cardiovascular therapy areas.
- Acquired a few trademarks from AstraZeneca group to strengthen the presence in anesthesia, gynecology and anti-infective therapy areas.
- Posted sales of Rs. 32,442 Mio., up 9%.

Latin America Formulations

- Launched 2 new products in Brazil and 5 new products in Mexico during the year.
- In Brazil, filed 3 new product dossiers and received approval of 7 new product dossiers from the regulatory authority ANVISA during the year.
- In Mexico, filed 1 new product dossier and received approval of 2 new product dossiers from the regulatory authority COFEPRIS during the year.
- Posted sales of Rs. 2,445 Mio., up 12%.

Emerging Markets Formulations

- Launched 9 new products in different markets of Asia Pacific, Africa and Middle East during the year. This included the launch of "Zyrop" (biosimilar of Erythropoietin alfa) in Myanmar, the second biosimilar launch in the emerging markets.
- Posted sales of Rs. 5,056 Mio., up 6%.

Other Businesses and Alliances

Europe Formulations

- Launched 3 new products in France (1 from India) and 5 new products in Spain (4 from India).
- Posted sales of Rs. 2,623 Mio., down 11%.

Consumer Wellness

- All three pillar brands viz. SugarFree™, EverYuth™ and Nutralite™ registered improvement in the growth rates despite various challenges including the demonetization measure announced by the Government of India during the second half of the year.
- SugarFree™ maintained leadership position in the artificial sweetener category with a market share of 94.5%, an increase of 80 basis points over the last year.

- EverYuth™ maintained leadership position in the peel off mask and scrub categories with market shares of 90.3% and 31.6% respectively.

- Posted sales of Rs. 4,593 Mio., up 8% and net profit of Rs. 1,090 Mio., up 5%.

Animal Health

- Commenced export of products from India during the year by supplying the products to seven countries.
- Received "Animal Pharm Award for the best company in India/Africa/Middle East 2016" from the world's leading pharma publication, Animal Pharma, UK and "The Best Animal Pharma Award 2016" from the Indian Poultry Journalist Association.
- Posted sales of Rs. 4,506 Mio., up 42%.

API

- Filed 7 DMFs with the USFDA, taking the cumulative US DMF filings to over 125.
- Posted sales of Rs. 3,795 Mio., up 4%.

JVs and Alliances

- Zydus Takeda JV received the Excellent Energy Conservation and Management Award from Maharashtra Energy Development Agency (MEDA).
- Zydus Hospira JV successfully completed the inspection by MHRA, the regulatory authority of U.K.
- Entered into out-licensing and distribution arrangements for biosimilars in certain emerging markets like Turkey, Russia, Indonesia and Columbia.

Research and Development

NCE Research

- Initiated Phase II clinical trials of Saroglitazar Magnesium (Lipaglyn®) in the US for two indications viz. Non-alcoholic Steatohepatitis (NASH) and Severe Hypertriglyceridemia (TG>500).
- Received approval from the USFDA for conducting Phase II clinical trials of Saroglitazar Magnesium (Lipaglyn®) for Primary Biliary Cholangitis (PBC) indication.
- Signed a collaboration agreement with Medicines for Malaria Venture (MMV) to develop investigational anti-malarial compound.

Biologics

- Completed Phase III clinical trials for one more monoclonal antibody (mAb) and applied for Marketing Authorization in India. Initiated Phase III clinical trials for one more product during the year.
- Continued to file the dossiers of first generation biosimilars and monoclonal antibodies in the emerging markets.
- On the novel biologics front, received regulatory permission to conduct Phase III clinical trials for Rabimabs™.

Vaccines

- Received Marketing Authorization from Drug Controller General of India (DCGI) for seven vaccines and successfully completed clinical trials for one more vaccine.
- Entered into a partnership with Takeda Pharmaceuticals Company Limited for developing the vaccine for Chikungunya.

Manufacturing Operations

- Moraiya formulations facility successfully completed the USFDA inspection without any 483 observations. Apart from Moraiya, oral solids manufacturing facility in Ahmedabad SEZ, Baddi formulations facility and topical formulations facility

in Ahmedabad also completed USFDA inspections.

- Baddi formulations facility, Sikkim formulations facility and Vatva formulations facility successfully completed the WHO-GMP audit.

- Topical formulations facility received the "Silver Certificate of Merit" from Frost & Sullivan at India Manufacturing Excellence Awards 2016.

Financial Highlights

- Total income from operations was flat y-o-y at Rs. 96.3 bn.
- Earnings before interest, depreciation and tax (EBIDTA) declined by 18% y-o-y to

Rs. 19.0 bn. The EBIDTA margin for the year declined by 440 basis points to 19.8% as against 24.2% registered last year.

- Net profit declined by 23% y-o-y to Rs. 14.9

bn. Net profit margin for the year declined by 460 basis points to 15.5% from 20.1% registered last year.

Management Discussion and Analysis - 2016-17



Global economy

Global economic growth was erratic in 2016 following slower growth in trade, moderated investments and political uncertainty in advanced economies. Global growth was projected to decelerate to 3.1% in 2016 and recover to 3.4% in 2017. This reflected a subdued approach following the Brexit referendum. Long-term prospects of emerging market economies improved following a visible moderating of interest rates in advanced economies and stronger commodity prices.

Asia and India demonstrated robust growth. Among advanced economies, activity rebounded in the US. Long-term nominal and real interest rates strengthened in the UK and the US since the November 2016 American Presidential election. Though the currencies of advanced commodity exporters strengthened commodity prices, several emerging market currencies depreciated (Source : World Bank, Euromonitor, IMF).

US economy

Economic activity rebounded strongly in the United States after a weak first half of

2016. GDP rose at an annual rate of 1.9% in Q4 FY2016-17, as downward revisions to business and government investment offset robust consumer spending. Expectations of moderate growth in the first quarter suggest the Federal Reserve is likely to maintain its gradual pace of interest rate increases. Consumer spending, which accounts for more than two-thirds of US economic activity, was revised sharply higher to a 3% rate of growth in Q4. There is scope for consumer spending to rise further against the backdrop of a tightening labour market and surging confidence among households (Source: Reuters).

Indian economy

The Economic Survey 2015-16 had predicted the Indian economy to register the GDP growth rate in the range of 7 to 7.75 per cent in the year 2016-17. The economy was indeed trading along that path and clocked 7.2 per cent in the first half of the current financial year, as per the estimates released by the Central Statistics Office (CSO). However, consequent upon the radical measures initiated in November

2016 in the form of demonetization of Rs. 1000 and Rs. 500 currency notes, the Indian economy experienced a slowdown in the growth rate that could be lower than the first advance estimates of CSO. The first advance estimates released in early January 2017 were arrived at mainly based on data prior to demonetisation and largely reflect the economic situation prevailing in the first seven to eight months of the financial year. Even the likely reduction in the rate of real GDP growth of 1/4 percentage points to 1/2 percentage points relative to the baseline of about 7 per cent still makes India's growth noteworthy given the weak and unsettled global economy which posted a growth rate of a little over 3 per cent in 2016.

At the sectoral level, growth of agriculture and allied sectors improved significantly in 2016-17 following the normal monsoon. Growth in the industrial sector moderated during 2016-17 while the service sector continued to be the dominant contributor to the overall growth of the economy (Source : Economic Survey 2016-17, January 2017 by Department of Economic Affairs, Ministry of Finance, Government of India).

The pharmaceutical sector

Global pharmaceuticals space

The life sciences sector's growth correlates highly with countries' general economic strength and health care spending levels, and both of these vary widely around the globe. And while spending growth is expected to pick up, the pressure to reduce costs, increase efficiency, and prove value remains intense. Because of these contradictory trends, global health care spending is expected to increase by a low single digit.

Spending growth in pharmaceuticals (pharma), biotechnology (biotech), and medical technologies (medtech) is projected to follow an upward trend due to increasing demand, but pricing challenges would remain a part of the competitive landscape.

Demand for generic drugs should continue to rise as payers pursue avenues to reduce costs. In the United States, generic drugs already comprise about 70% of the pharma market by volume.

Pharma companies are adapting to current market dynamics and positioning themselves for growth through portfolio transformation, targeted deal-making, cost-cutting measures, and sharpened focus on high-performing therapeutic area and geographic markets (Source : *Industry Estimates*).

The US market

The U.S. generics market grew in mid single digit in 2016 and is forecast to average 6–9% through 2021. This decline is a key driver of the overall global slowdown and has similar causes—the end of Hepatitis C-driven growth and the greater impact of patent expiries after a period with fewer brand losses of exclusivity. U.S. growth also was lifted in 2014 and 2015 by historically high price increases for both brands and generics on an invoice-price basis before the impact of off-invoice discounts and rebates. After adjusting for those price concessions by manufacturers, spending growth is estimated to be more than 4 percentage points lower in 2016 and 2 percentage points lower through 2021, growing at a 4–7% CAGR.

The reduction in overall spending as branded medicines lose exclusivity is expected to total US\$143.5 billion in the next five years — more than 1.5 times the impact as in the past five years. This includes the estimated impact of biosimilars, which will contribute between US\$27–58 billion, uncertainty based on multiple issues in litigation with originators, as well as regulatory, pricing and competitive dynamics.

Regardless of the uncertainty, biosimilars are expected to affect spending over the next five years, with 25–35 products in development across biologic molecules with the highest sales levels (Source : *Industry Estimates*).

India market

The year gone by was a challenging one for the Indian Pharmaceutical Industry as it faced couple of challenges during the year impacting its growth. National Pharmaceutical Pricing Authority (NPPA) announced reduction in the prices of more drugs in the beginning of the financial year, affecting the pricing of such drugs adversely. As a result of this, portfolio of products under the National List of Essential Medicines (NLEM) de-grew in value terms though it registered volume growth during the year. Apart from this, Government of India, during the last quarter of the previous financial year 2015-16, banned the sale, manufacture and distribution of a large number of fixed dose combination drugs. Impact of this ban continued during the current year as well although the Delhi High Court quashed the ban in the later part of the year. Sale of fixed dosage combinations drugs de-grew during the year both in the value and volume terms. (Source: *AWACS MAT March 2017*). Apart from the above two factors Central Government's decision to demonetize Rs. 500 and Rs. 1000 currency notes announced on 8th November, 2016 also had an impact on the Indian Pharmaceutical Industry.

Anti-infective was the largest therapeutic area, accounting for around 14% of the market while the anti-diabetic was the fastest growing therapeutic area during the year with the growth of around 19% (Source: *AWACS MAT March 2017*).

Year 2016-17 for the company

The year gone by, though a challenging one on the business front, turned out to be quite an encouraging one on the regulatory front. Two of the Company's largest businesses namely US formulations and India formulations continued to face different challenges.

US business got impacted due to lack of significant new product approvals and a difficult pricing environment. Company's Moraiya formulations facility, the largest manufacturing facility remained under warning letter resulting in non-receipt of new product approvals from that site during the year, though the receipt of new product approvals from other sites continued.

However, in the last quarter of the year, the Company completed USFDA inspection at Moraiya formulations facility without any 483 observations. Apart from Moraiya, oral solids manufacturing facilities in Ahmedabad SEZ and Baddi and topical manufacturing facility in Ahmedabad also completed USFDA inspections. The year also marks Company's foray into the specialty pain market in the US with the acquisition of Sentyln Therapeutics Inc., a US based specialty pharmaceutical company.

Company's India formulations business, the second largest contributor to the consolidated revenues, got impacted primarily on account of

reduction in prices of more drugs announced by National Pharmaceutical Pricing Authority (NPPA) during the year and the government's decision to ban fixed dosage combination drugs.

Overall, the consolidated revenues of the Company was flat y-o-y at Rs. 96.3 bn. However, with the successful completion of regulatory inspections at major formulations manufacturing sites, the Company expects to get back to the growth trajectory. Analysis of the performance of different business verticals is given below.

Formulations Business - Key Markets

US Formulations

US is the world's largest pharmaceutical market, both for branded and generics drugs, accounting for around forty percent of the global market (Source: IMS Market Prognosis, October, 2016). The Company is present in the generic pharmaceuticals market in the US. Zydus Pharmaceuticals (USA) Inc., the wholly-owned subsidiary of the Company spearheads its operations in the US.

The Company is the ninth largest generic player in the US in terms of prescriptions with approximately 3% market share (Source: IMS Health, IMS National Prescription Audit, MAT March 2017, April 2017). The Company is ranked amongst the top 3 players in eight out of top 10 products by prescriptions marketed by it in the US (Source: IMS Health, IMS National Sales Perspective Audit, MAT March 2017, April 2017 and IMS Health, IMS National Prescription Audit, March 2017, April 2017).

The Company launched 15 new products in the US market during the year. New launches include the launch of authorized generic version of Asacol® HD (Mesalamine 800 mg DR tablets). In terms of ANDA filings, over 45 ANDAs were filed with the USFDA during the year, taking the cumulative number of ANDA filings to over 305. In terms of approvals, the Company received approval of over 10 ANDAs during the year, taking the cumulative number of ANDA approvals to over 110. This includes the first topical product approval, which was filed from the formulations facility located in Ahmedabad. In addition to the own filings, the Company acquired 2 ANDAs (including 1 transdermal patch) from Teva Pharmaceutical Industries Limited during the year, which were divested by Teva as a pre-condition to its acquisition of Allergan Plc.'s generic business.

The year gone by marks the entry of the Company into the specialty pain market in the US with the acquisition of Sentyln Therapeutics Inc., a US based specialty pharmaceutical company. With this acquisition, the Company has also gained an access to the specialty distribution network and a large prescriber base.

Overall, the Company's formulations business in the US posted sales of Rs. 37,092 Mio. during the year, down 8%.

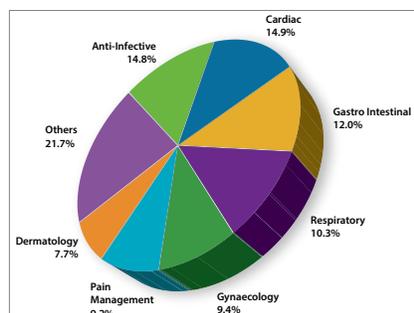
India Formulations

The Company is the fourth largest pharmaceutical company in India with market share of 4.23% and is ranked amongst the top three players in the promoted covered market of gynecology, respiratory, pain management, cardiovascular, dermatology and gastrointestinal therapeutic areas. 17 of the Company's brands feature amongst the top 300 pharmaceutical brands in India with 5 brands having sales of more than Rs. 100 crore (Source: AWACS MAT March 2017).

Company's formulations business in India got impacted during the year primarily on account of reduction in prices of additional products announced by NPPA and the government's decision to ban fixed dosage combination drugs. During the year, the Company launched more than 75 new products, including line extensions, of which 17 were first-in-India launches. The Company acquired 6 trademarks from Organon India (Pvt.) Limited and Merck Sharp & Dohme B.V. to strengthen the presence in men's health, women's health, wound management and cardiovascular therapy areas. The Company also acquired a few trademarks from AstraZeneca group during the year to strengthen the presence in anesthesia, gynecology and anti-infective therapy areas.

Overall, the Company's formulations business in India posted sales of Rs. 32,442 Mio. during the year, up 9%.

Therapeutic area-wise break up of formulations sales in India as per AWACS MAT March 2017 is as under :



Latin America Formulations

The Company's business in Latin America is primarily concentrated in Brazil and Mexico, which are two large pharmaceutical markets in Latin America.

During the year gone by, the Company's business in Brazil faced several challenges mainly in the form of changing political and recessionary economic situation, impacting the purchasing power of general public as well as trade channels, de-growth of the relevant market where the Company has a presence and the lack of significant new product approvals from the regulatory authority. During the year, the Company launched 2 new products in the market. In terms of approvals, the Company received approval of 7 new products dossiers. 3 new product dossiers were also submitted with the regulatory authority ANVISA during the year.

In Mexico, the branded generics market is undergoing corrections due to the emergence of generic generics market. During the year, the Company launched 5 new products in the Mexican market, taking the cumulative number of launches to 21. The Company filed 1 new product dossier with the regulatory authority COFEPRIS, taking the cumulative number of filings to over 40 and received approval for 2 dossiers, taking the cumulative number of approvals to over 35.

Overall, the Company's formulations business in Latin America posted sales of Rs. 2,445 Mio. during the year, up 12%.

Emerging Markets Formulations

The Company operates in different markets of Asia Pacific, Africa and Middle East with leadership position in several of these markets. The Company continued to focus on brand building initiatives and strengthening the branded generics portfolio in these key markets despite various challenges like price controls, political uncertainty etc. faced by the Company in some of the markets. During the year, the Company launched 9 new products in different markets of Asia Pacific, Africa and the Middle East. New launches include the launch of "Zyrop" (biosimilar of Erythropoietin alfa) in Myanmar, the second biosimilar launched in the emerging markets.

Overall, the Company's business in the emerging markets of Asia Pacific, Africa and the Middle East posted sales of Rs. 5,056 Mio. during the year, up 6%.

Other Businesses and Alliances

Europe Formulations

The Company has business operations in the generics market of France and Spain through its wholly-owned subsidiaries. The year gone by was a challenging one for the Company in both France and Spain. In France, generics market grew in low single digit on account of price cuts imposed by the government. The Spanish generics market, which is highly competitive, grew in mid-single digit during the year.

The Company launched 3 new products in France (1 from India) and 5 new products in Spain (4 from India).

Overall, the Company's business in Europe posted sales of Rs. 2,623 Mio. during the year, down 11%.

Consumer Wellness

Zydu Wellness Limited, a subsidiary of the Company, operates in the consumer wellness space with three established brands viz. Sugar Free™, a low calorie sugar substitute, EverYuth™, a range of skincare products and Nutralite™, a cholesterol free table spread.

The Company witnessed improvement in the growth rates for all three brands during the year despite various challenges including the demonetization measure announced by the Government of India during the second half of the year.

In terms of the performance of the brands, Sugar Free™ maintained its leadership position in the artificial sweetener category with a market share of 94.5%, which is an increase of 80 basis points over the same period last year. EverYuth™ maintained its leadership position in the peel off mask and scrub categories with market shares of 90.3% and 31.6% respectively (Source: A.C. Nielsen MAT March 2017). Nutralite™ witnessed strong volume growth during the year compared to the subdued growth rates witnessed during the last few years. The Company continued its thrust on different kind of marketing initiatives and launch of

new variants within the existing categories of products to grow the categories and increase its market share during the year.

During the year, Zydu Wellness Ltd. registered sales of Rs. 4,593 Mio., up 8% and net profit of Rs. 1,090 Mio., up 5%.

Animal Health

The Company is one of the leading animal healthcare players in India having a portfolio of drugs, vaccines and feed supplements for livestock, poultry and companion animals. During the year, the Company successfully integrated the manufacturing operations and select brands which it acquired from the subsidiary of Zoetis Inc. during the previous financial year. During the year, the Company commenced the exports from India by supplying the products to seven countries. The Company further strengthened its position in the Indian market by launching five new products during the year. The Company received "Animal Pharm Award for the best Company in India/Africa/Middle East 2016" from the world's leading pharma publication Animal Pharma UK and "The Best Animal Pharma Award 2016" from Indian Poultry Journalist Association.

Overall, the Company's animal health business posted sales of Rs. 4,506 Mio. during the year, up 42%.

APIs

The Company's API product offerings cover a variety of therapeutic categories, which are used for manufacturing of own formulations and select API products are sold to third-party customers in India as well as the United States and selected markets in Latin America, the Asia Pacific region and Europe.

During the year, the Company filed 7 more DMFs with the USFDA, taking the cumulative number of filings to over 125. The Company's API business posted sales of Rs. 3,795 Mio. during the year, up 4%.

JVs and Alliances

A. Zydu Takeda Healthcare Pvt. Ltd.

Zydu Takeda is a 50:50 JV between the Company and Takeda Pharmaceuticals Co. Ltd., Japan (Takeda). The JV manufactures a gamut of generic APIs covering various therapeutic categories and exports exclusively to the JV partner for its generic portfolio. During the year, the JV received the Excellent Energy Conservation and Management Award from Maharashtra Energy Development Agency (MEDA). The JV was also awarded first prize by Takeda for achieving zero accident frequency rate in 2016.

B. Zydu Hospira Oncology Pvt. Ltd.

Zydu Hospira is a 50:50 contract manufacturing JV between the Company and Hospira Inc., USA (now part of Pfizer group), which manufactures oncology injectable products for marketing by both the JV partners in the respective markets assigned to them. During the year, the JV successfully completed the inspection by MHRA, the regulatory authority of U.K. and got the renewal of its GMP certificate. The JV received the President's Gold Award for the best site from Pfizer for second year in row. The JV also received Customer Service Excellence Award from Pfizer group for the significant contribution towards making the difference to Pfizer, patients and consumers.

C. Alliances with Partners

During the year, the Company entered into out-licensing and distribution arrangements for biosimilars in certain emerging markets like Turkey, Russia, Indonesia and Columbia.

Manufacturing Operations

Manufacturing capabilities enable the Company to provide high quality products at the most competitive prices and in a timely manner to its customers across the globe, thus ensuring continuous growth and success of the Company. The Company's business operations are supported by modern and cost efficient manufacturing facilities. The Company owns and operates 32 manufacturing facilities across the globe, 27 of them located in India, 3 in the United States and one each in Brazil and Germany. Out of the total 32 manufacturing facilities, 11 have

been inspected by the USFDA.

During the year, the Company's Moraiya formulations facility successfully completed the USFDA inspection without any 483 observations. Apart from Moraiya, oral solids manufacturing facility in Ahmedabad SEZ, Baddi formulations facility and topical manufacturing facility in Ahmedabad also completed USFDA inspections. Baddi formulations facility, Sikkim formulations facility and Vatva formulations facility successfully completed the WHO-GMP audit.

The Company successfully completed the site transfer of 2 products (from Moraiya to Baddi) for US market during the year, taking the cumulative number of such site transferred products to 14.

During the year, the topical formulations facility was awarded "Silver Certificate of Merit" by Frost & Sullivan at India Manufacturing Excellence Awards 2016.

Consolidated Financial Highlights

The financial statements for the current financial year and the comparative financial statements of previous financial year have been prepared in accordance with the Companies (Indian Accounting Standards) Rules, 2015 (Ind AS) prescribed under Section 133 of the Companies Act, 2013 and other recognized accounting practices and policies to the extent applicable. Beginning April 1, 2016, the Company has, for the first time, adopted Ind AS with a transition date of April 1, 2015.

Total operating revenues

The total income from operations was flat y-o-y at Rs. 96,253 Mio.

Profits and margins

The EBIDTA (Earnings before Interest, Depreciation, Taxation and Amortization) declined by 18% to Rs. 19,036 Mio. from Rs. 23,306 Mio., last year. The EBIDTA margin as % to total income from operations declined by 440 basis points to 19.8% from 24.2% last year. Net profit declined by 23% to Rs. 14,877 Mio. from Rs. 19,339 Mio. last year. The net profit margin as % to total income from operations declined by 460 basis points to 15.5% from 20.1% last year.

Equity

Consolidated equity attributable to equity holders of the parent increased to Rs. 69,600 Mio., at the end of March 2017, up by 22% from Rs. 56,992 Mio., at the end of March 2016.

Other equity which comprises of reserves and retained earnings increased by Rs. 12,608 Mio., to Rs. 68,576 Mio., at the end of the year 2016-17 from Rs. 55,968 Mio. last year. Book value per share increased to Rs. 67.99 as on 31st March 2017 from Rs. 55.67 last year.

The return on adjusted equity (ROAE = Net profit excluding exceptional items net of tax / Average equity adjusted for exceptional items) stood at 23.5% for the year.

Debt

The consolidated net debt (adjusted for cash & bank balances and liquid investments) of the Company as on 31st March, 2017 stood at Rs. 36,146 Mio., against Rs. 16,050 Mio. last year. Net debt-equity ratio was 0.51:1 as on March 31, 2017 as against 0.28:1 as on March 31, 2016.

Fixed Assets and Capital Expenditure

The consolidated gross block (including capital work in progress) at the end of the year was Rs. 96.5 bn., up by about Rs. 29.3 bn. from Rs. 67.2 bn. last year. Net capital expenditure including capital work in progress during the year was Rs. 29.3 bn. The capex during the year was incurred mainly for creation of new facilities, up-gradation and capacity expansion of existing facilities, acquisition of Sentyln Therapeutics Inc., a US based specialty pharmaceutical company and acquisition of trademarks in India from Organon India (Pvt.) Ltd. & Merck Sharp & Dohme B.V. and from AstraZeneca group.

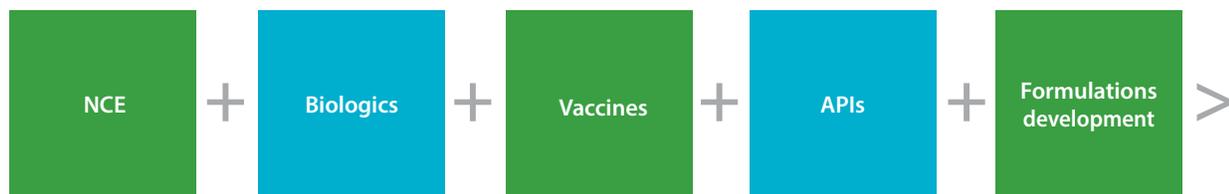
Capital employed and operating efficiency

The total Capital Employed (CE), adjusted for deferred expenses, at the end of the year was Rs. 117.7 bn., up from Rs. 78.2 bn. at the end of the previous year. The increase in capital employed was mainly due to the increase in debt and other equity attributable to the equity shareholders of the parent Company. Return on Capital Employed (ROCE = Adjusted earnings before interest net of tax / Average CE) stood at 15.6% for the year.

Creating sustainable long-term value through research

What we do

Our research emphasis is spread across five broad themes that we feel address unmet needs and will drive sustainable growth. Within these spaces, we have selected to be present in challenging and relatively under-crowded spaces that enhance patient-centric solutions and our holistic sustainability



Research vision

We intend to enhance sustainable long-term value through a robust research-led and innovation-driven strategy

NCE Research

The Company conducts the research activities in novel drug discovery and development at Zydus Research Center (ZRC), which is a state-of-the-art facility having the capability of taking a drug right from the concept stage to human trials. Focused areas of NCE research include cardio-metabolic disorder, inflammation, pain and oncology.

During the year, the Company initiated Phase II clinical trials of Saroglitazar Magnesium (Lipaglyn®) in the US for two indications viz. Non-alcoholic Steatohepatitis (NASH) and Severe Hypertriglyceridemia (TG>500). The company also received an approval from the USFDA for conducting Phase II clinical trials of Saroglitazar Magnesium (Lipaglyn®) for Primary Biliary Cholangitis (PBC) indication. During the year, the Company signed a collaboration agreement with Medicines for Malaria Venture (MMV) to develop the investigational anti-malarial compound.



Biologics

The Company's biologics R&D initiative includes 18 biosimilars (both in pipeline as well as launched) and 7 novel products (all in pipeline).

During the year, the Company completed Phase III clinical trials for one more monoclonal antibody (mAb) and applied for the Marketing Authorization in India. The Company initiated Phase III clinical trials for one more product during the year. The Company continued to file the dossiers of first generation biosimilars and monoclonal antibodies in the emerging markets. On the novel biologics front, the Company received regulatory permission to conduct Phase III clinical trials for Rabimabs™.

During the year, the Company received WHO-GMP certificate from the regulatory authorities of Columbia, Philippines and Uganda for its newly commissioned finished product manufacturing facility.

Research governance

We possess approach clarity in how we will work and maximise our effectiveness cum efficiency



Vaccines

During the year, the Company received Marketing Authorization for seven additional vaccines from Drug Controller General of India (DCGI) and successfully completed clinical trials for one more vaccine. The Company entered into a partnership with Takeda Pharmaceuticals Company Limited for developing the vaccine for Chikungunya during the year.



Intellectual Property Rights

The Company's efforts in the development of new molecules, newer delivery systems, processes and technologies result into filing of product and process patents in different countries across the globe. So far, the Company has been granted more than 440 patents worldwide.

Environment Management



The Company's environment management protocol is adhered to by dedicated environment management cells.

All 17 units of the Company in India are ISO: 14001 and OHSAS 18000-certified.

Cadila Healthcare is completely compliant with the laws and regulations of the land. No stone has been left unturned to make sure that emission norms stay well below the stipulated guidelines. The Company's environment management protocol is adhered to by dedicated environment management cells. These cells are managed by unit heads who report directly to the environment cell at the corporate level which, in turn, reports to the CMD and the Board. Daily and monthly reports are submitted to the CMD office.

All 17 units of the Company in India are ISO:14001 and OHSAS 18000-certified. The Company created an EHS portal for sharing knowledge, counseling employees and communicating with all plants. The portal provides all forms and documents, policies and guidelines pertaining to environmental management, training material and monthly environment quizzes which are conducted through the portal.

Keeping pollution at bay

Our plants have achieved zero-liquid discharge status via the installation of ETP systems. Treated effluents in the ETP were directly reused or made to undergo reverse osmosis and reused. The rejects were put through the multi-effect evaporator to recover water and discard salts. All air pollution emission control systems are in place.

Safety

During the fiscal gone by, the Company institutionalised root cause analyses for accidents, held monthly 'near-miss' campaigns to create awareness, celebrated monthly action days by selecting one critical operational area, institutionalised best-in-class practices across all plants and created cross-functional teams for undertaking these activities. The Company also circulated a newsletter titled Green Impact to list the plant-level activities undertaken to comply with EHS norms and raise awareness.



Human Resources

As a responsive organisation, the company has been shaping responses to change in a rapidly evolving global environment. Some of these include strategic transformation related to its people initiatives.

Collaborating with business partners, Team HR undertook an HR transformation initiative to actively support a culture of performance and readiness quotient for the ZyNext 2020 goals. The future-ready spectrum of initiatives also includes aligning HR processes with the Zydus Neev competency framework to create an enterprise mindset, partnering with global management consultants on talent management to build the leadership bench strength and engaging with a diverse group of multi-generational Zydans across geographies through greater convergence.

To address the growth ambition and mark mission-critical roles, a talent management framework has been launched. The Company aims to shift gears in terms of internal v/s external deployment. The focus is to build managerial and leadership talent pool by creating a fair mix of (70:30) 70%

from within and 30% from outside. In line with this, 77 young and prospective leaders were taken through a structured leadership development program called LEAP where business objectives were linked to their individual roles and career development. Business projects were linked to their individual development based on our leadership competencies.

An organization-specific performance scorecard initiative has been launched in which collaboration and outcome-based contributions at a granular level are mapped.

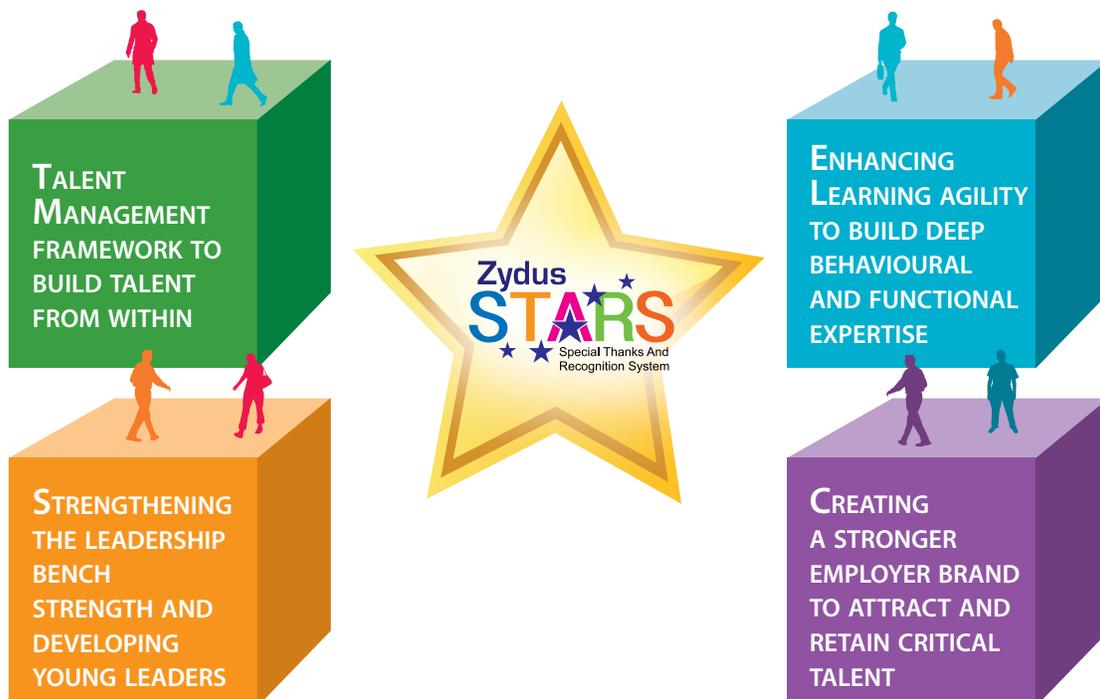
Structured and thematic learning development programs are being rolled out based on the leadership competency framework wherein the Company's internal leaders are conducting the workshops. The aim is to build and maintain the cultural context and internalise learning agility.

A targeted Reward and Recognition programme 'STAR' has been created to drive the right approaches and behaviours towards growth.

The company's culture over the years has emerged as a distinctive one. It's about being passionate with a strong bias for action, collaborative, youthful and having a sense of emotional ownership. With the average age of the company being below 35 years, our people strategy is to ensure that legacy and culture continue to find a contemporaneous voice and meaning.

Team HR is also creating a stronger employer brand that will enable the Company to attract and retain critical talent. A stronger Employer Value Proposition (EVP), an organisation-wide employee engagement strategy, a talent framework that attracts, engages and provides rewarding careers, a fertile ground for leadership aspirations, ample opportunities to learn and grow and an inclusive organisation that celebrates diversity - these are the building blocks for the future-focussed organisation that Zydus aspires to be in the years ahead.

HR building blocks for future readiness



Corporate Social Responsibility

The Company has been engaging and reaching out to the community in the areas of education, healthcare and research. In the education spectrum, the Company supports the cause of education in the entire spectrum right from kindergarten to higher education and specialised skill building courses.



Inauguration of GCS Medical College, Hospital and Research Centre in 2011 by the then Chief Minister of Gujarat, Hon'ble Shri Narendra Modi.



- GCS Medical College, Hospital and Research Centre at the new campus at Naroda, Ahmedabad, is a unique model of public-private partnership and people's participation in public health.
- The institute was dedicated to the people of Gujarat by the Hon'ble Chief Minister, Shri Narendra Modi in 2011
- Spread over 25 acres of land donated by the Government of Gujarat, the campus has a multi-speciality hospital and medical college.
- GCSMCH is 600 bed hospital offering comprehensive services
- The General OPD wing of the GCS Medical College, Hospital and Research Centre crossed a milestone of 5 lakh new registrations since inception.



- The Government of Gujarat has been initiating various steps to improve the public health infrastructure in the State and address the needs of the underprivileged and less disadvantaged sections of the society.
- Trained human resource is one of the critical components of a robust healthcare delivery system and would contribute significantly to the growing dearth of medical professionals in the country.
- The medical college provides quality education of international standards. The first batch of students completed their internship in 2017.
- Out of the top 10 university rank holders in the M.B.B.S. exams, 5 students were from GCS Medical College.



- Ranked in the 1st position of the Progressive Rank Division of the Private Medical College sector in Gujarat in the India's Most Progressive Brands in Medical Education survey published by eHealth (Asia's first monthly healthcare magazine)
- The institution was also ranked 7th among leading hospitals in India by medifee.com.
- GCSMCH has a proven track record in public health services with more than 80% of the patients being treated coming from disadvantaged backgrounds.

Education



For the past 15 years, the Company has supported the Zydus School for Excellence which aims at providing all-round development for the child in a highly affordable way. Besides academics, the school nurtures the children's talent and potential in diverse fields such as photography, pottery, film making, robotics, creative and performing arts. Life skills such as carpentry and non-fire cooking also find avid takers with students donning the chef's apron with aplomb.



Academic excellence has become a hallmark of the school with the students being ranked amongst the toppers not just in the city of Ahmedabad but also at the national level. Ahan Kayastha who completed his XII in March 2017 from the school, interestingly was featured in our Company's annual report in 2005. A highly versatile and creative student, Ahan, a theatre enthusiast secured the 5th rank nationally in the ISC exams. He now goes on to pursue medicine in the US.



ICSE (Class X) State Topper Sanjana Shah secured 97.5%. She is an avid reader, is fond of literature and loves to write. Sanjana wants to pursue genetic research.



What started as a casual interest for young Muskaan Mansuri has now become a calling. Her culinary skills have already become the talk of the town with Muskaan topping the city of Ahmedabad in the Young Chef India Schools which is being broadcast by NDTV.



Not everyone is blessed with the 'inner eye', a must for all photographers. When we introduced professional photography course in the school, Samyak Sheth was amongst the first to gingerly hold the expensive DSLR camera. His photographs today are the most evocative and spellbinding. The school has nurtured 75 amateur photographers and the number is increasing each year.



Education



Spread across an area of 9 acres of verdant surroundings, the second campus affiliated to CBSE was inaugurated by the Former President of India, Dr. APJ Abdul Kalam. With a skating rink, a cricket field and open spaces for experiential learning, Zydus School for Excellence at Godhavi, Ahmedabad, places the right emphasis on sports, life skills, value education and co-curricular activities.



Aman Shah of Class VII secured the 7th position at the World Robotics Olympiad. Total 50 countries represented at the competition.



Chitrax Bhatt of Class VIII won the title for the fourth consecutive time in Gujarat State Table Tennis Association (GSTTA) affiliated to Table Tennis Federation of India. He led team Gujarat in Nationals in under-14 category for National Table Tennis championship at Siliguri.

The signature events of the schools which are open to students of the school and across Gujarat are Zysports – an annual sports meet, Zyfest – a creative fest to showcase young talent and Amogh – an annual art exhibition at Huteesingh Art Gallery in Ahmedabad.

Research



Under the area of research, the Company organised The Ramanbhai Foundation 8th International Symposium on 'Advances in New Drug Discovery' at Ahmedabad on 2nd and 4th February, 2017 where internationally acclaimed scientists, researchers and academicians from India and across the globe converged to address the various aspects related to New Drug Discovery.

The keynote address was delivered by Dr. Jeff Filer, M.D HMS Dean (2007-2016) Harvard Medical School, Harvard University.

The symposium which provided an insight into various aspects of drug discovery had an eminent panel of speakers and nearly 500 delegates from India and abroad participated in the Symposium.

For more than a decade, the Ramanbhai Foundation International Symposium has been bringing together experts from both the academia and industry across the world to share their insights on the latest developments in pharmaceutical research.



Launched a first-of-its-kind initiative introduced in the pharma industry called i-KVK (Industrial Kaushalya Vardhan Kendra). An MoU signed by the Company with the Government of Gujarat has been generating trained and skilled workforce for the pharmaceutical industry

Skilling India

Underlining the importance of skill development, the Government of India launched the National Skills Development Mission on the occasion of the World Youth Skills Day in 2015 to create convergence across sectors and states in terms of skill training activities.

Supporting the vision of 'Skilled India' and employment generation, the Company initiated a programme called Institute to Industry. Partnering with various academic institutions in Gujarat to promote skill and application based learning amongst life sciences and pharmacy graduates, this initiative looks at the 'employability' factor of graduates. It also makes candidates more ready for the work environment as they are exposed to regulatory requirements,

quality protocols, technical understanding, high cost equipment, data management – through professionals and subject experts who are highly proficient. The Company also imparts training on additional curriculum for the final year students to make it more contemporary.

The Company approached the Government of Gujarat for a skill development programme for the rural youth and launched a first-of-its-kind initiative introduced in the pharma industry called i-KVK (Industrial Kaushalya Vardhan Kendra). An MoU signed by the Zydus group with the Government of Gujarat in 2014 has been generating trained and skilled workforce for the pharmaceutical industry.

The uniqueness of this course is that it nurtures a skilled workforce that bridges pharma and engineering, to meet quality compliance and regulatory requirements. The course curriculum has been developed in-house by our pharma experts and has been approved by the Gujarat Council of Vocational Training (GCVT).

A simulation centre has also been created for pharma technicians to train these students on machines and impart various technical and behavioural trainings to groom them as professionals. To motivate these young aspirants, in addition to the exposure and learning, they also receive a stipend, regular rewards for quick learning and punctuality, basic facilities like subsidised food, free transportation etc.

In the community

The Company also helped in the construction of a water reservoir at village Baghey Khola in East Sikkim, where the Company's plant is located. This will help supply water to 1200 villagers for personal and farming applications.

The Company also partnered with the Government of Sikkim to catalyse community development.

As a part of its community outreach programmes, the Company has always extended a helping hand

to the communities of which it forms a part. Zydans volunteered in community development programmes at the villages in and around Dabhasa, the group's API manufacturing facility. Through the year, the volunteers worked with the villagers on various programmes like training on modern animal husbandry practices, seed distribution for farmers for plantations, de-addiction drives, cleanliness and hygiene campaigns, health check-up camps etc.



Risk Identification, Risk Mitigation and Internal Controls

The Company is one of the leading pharmaceutical companies in India with presence across the pharmaceutical value chain of research, development, manufacturing, marketing and selling of finished dosage human formulations (generics, branded generics and specialty formulations, including biosimilars and vaccines), active pharmaceutical ingredients ("APIs"), animal healthcare products and consumer wellness products. The Company has a global presence and sells its products in the United States, India, Europe and Emerging Markets including countries in Latin America, Asia Pacific region and Africa. The variety of business activities being performed and the geographies being served by the Company poses various risks and challenges, which are explained below.

Economic risk

Risk related to economic and political environment across the world

The Company operates in various developed and emerging markets across the world. As a result, general global economic and political conditions can affect the business of the Company. Slower global economic growth, credit market crisis, high levels of unemployment, reduced levels of capital expenditure, government deficit reduction

and other challenges affecting the global economy can affect the operations of the Company adversely. The Company periodically evaluates the various developments happening across the globe to identify the risk, if any, arising from such developments.

Market risk

Risk of competition, price pressure and Government controls on prices

The Company is a generic pharmaceutical player operating in different countries across the globe. Unlike the branded innovator products segment, generics business is characterized by the presence of a large number of players in the market who compete with each other to increase their respective market shares. This competition constantly puts the pressure on the prices of the generic products which the Company charges to the customers. Apart from this, there is always a possibility of new player entering the market and thereby, bringing the incremental

competition resulting in both further price erosion and volume loss. Governments in some countries by law mandate the pharmaceutical companies to reduce the prices of the products periodically they charge to the customers, which also adversely affect the pricing of the products. Recently, the regulations related to writing of prescription of pharmaceutical products by doctors in India have been amended by Indian Medical Council to require that doctors provide prescriptions to patients in terms of generic pharmaceutical names of the medicines.

Regulatory risk

Risk of regulatory actions due to non-compliance of quality standards

Pharmaceutical industry is a highly regulated industry and the Company's operations are subject to extensive regulations in different markets in which the Company does the business. In the markets where the Company supplies the products, the regulatory authorities of those markets must first approve the product including the manufacturing facility where the product will be manufactured before the Company can sell the products in those markets. Applicable regulations are

increasingly becoming stringent and the penalties for non-compliance with these regulations can be severe, including the revocation or suspension of licenses and imposition of fines apart from loss of reputation.

The Company continuously evaluates the quality of its products, their manufacturing and supply chain processes to ensure that all the applicable regulations are complied with at all times.

Growth risk

Risk of delays in approval of new product registrations in various markets

In a generic pharmaceutical industry, the Companies need to keep on launching new products to ensure continued growth in the business. Non-receipt/ significant delay in receipt of approvals for new products from the regulatory authorities can severely affect the growth of the business of the Company.

The Company has established a stringent mechanism to review the new product dossiers submitted with the regulatory authorities to ensure quality of such dossiers. The Company has also established a system of providing speedy response to the queries raised by the regulatory authorities on the product dossiers so as to expedite the approvals.

The Company has established a stringent mechanism to review the new

Litigation risk

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

The Company is required to meet stringent quality standards and specifications for manufacturing and storage of the products. The Company is liable for the quality of the products for the entire duration of shelf life of the products and is exposed to claims resulting from the quality control issues, which may lead to the deterioration of the products. To mitigate the risk of litigation which may arise due to the product quality, the Company takes 'Product Liability Insurance' as a

safeguard against the potential claims regarding quality of the products.

Litigation may also arise if the Company's products and processes infringe upon the products and processes of the patent holders. To mitigate this risk, the Company has put in place a review mechanism to check for the possible infringement of intellectual property rights of the patent holders before developing and filing product dossiers for global markets.

Financial risk

Risk of international operations including foreign exchange risk

Indian Rupee is the reporting currency of the Company. However, the Company's net revenue from operations for the international business and a portion of the expenditure are denominated in foreign currencies. While, as a result of portions of both expenditures and net revenues from operations being denominated in foreign currencies, the Company has a natural hedge against exchange rate risks, the balance

of expenses and revenues is still affected by fluctuations in exchange rates. Exchange rate fluctuations could affect the amount of income and expenditure that can be recognized and the Company's ability to service the debt obligations denominated in foreign currencies and the value of the investments in subsidiaries, associates and joint ventures.

Risk management

Risk Management and Internal Control Systems

Though it is not possible to completely eliminate various risks associated with the business of the Company, efforts are made to minimize the impact of such risks on the operations of the Company. For this, the Company has established a well-defined process of risk management which includes identification, analysis and assessment of various risks, measurement of probable impact of such risks, formulation of the risk mitigation strategies and implementation of the same so as to minimize the impact of such risks on the operations of the Company. An enterprise wide risk evaluation and validation process is carried out regularly and the review of the risk management policy is also carried out at regular intervals by the Risk Management Committee and the Board of Directors so as to ensure that the new risks which

might have arisen or the impact of the existing risks which might have increased are identified and a proper strategy is put in place for mitigating such risks. The Company has put in place various internal controls for different activities so as to minimize the impact of various risks. Also, as mandated by the Companies Act, 2013, the Company has implemented the Internal Financial Control (IFC) framework to ensure proper internal controls over financial reporting. Apart from this, a well-defined system of internal audit is in place so as to independently review and strengthen these internal controls. The Audit Committee of the Company regularly reviews the reports of the internal auditors and recommends actions for further improvement of the internal controls.

Business Responsibility Report

The Directors present the Business Responsibility Report of the Company for the financial year ended on March 31, 2017.

SECTION A

General Information about the Company

| | | | | |
|-----|---|--|-------------|--------------|
| 1. | Corporate Identification Number (CIN) of the Company: | L24230GJ1995PLC025878 | | |
| 2. | Name of the Company: | Cadila Healthcare Limited | | |
| 3. | Address of the Registered Office of the Company: | Zydus Tower, Satellite Cross Roads, Sarkhej Gandhinagar Highway, Ahmedabad – 380 015 | | |
| 4. | Website: | www.zyduscadila.com | | |
| 5. | Email id: | upen.shah@zyduscadila.com | | |
| 6. | Financial year reported: | 2016–2017 | | |
| 7. | Sector(s) that the Company is engaged in (industrial activity code-wise): | | | |
| | | Group | Class | Sub Class |
| | | 210 | 2100 | 21001 |
| | | Drugs and Pharmaceuticals | | |
| 8. | Key products / Services: | The Company manufactures and markets a wide range of healthcare products. | | |
| 9. | Locations where business activity is undertaken by the Company: | The Company's businesses and operations are spread across different geographies. There are more than 20 locations in India, where the manufacturing and research and development activities are carried out, details whereof are provided in this annual report. Details of business performance in Indian markets as well as international markets are reported as a part of the Management Discussion and Analysis Report, which forms a part of this Annual Report. | | |
| 10. | Markets served by the Company—Local/State/National/International: | As a global healthcare provider, the Company has a significant presence nationally and globally. | | |

SECTION B

Financial Details of the Company

| | |
|--|-----------------|
| Paid-up Capital (INR): | 1,024 millions |
| Total turnover (sale of products) (INR): | 30,890 millions |
| Total profit after taxes (INR): | 6,619 millions |

SECTION C

Other Details

List of activities in which expenditure on CSR has been incurred and total spending as a percentage of profits after tax:

The Company has spent Rs. 291.72 mio towards Corporate Social Responsibility [CSR], being 2% of average net profit for previous three years, computed as prescribed under the Companies Act, 2013 on education and healthcare, including preventive healthcare. Annual Report on CSR activities is attached to the Directors' Report.

The Company is a global pharmaceutical Company with subsidiaries in India and across the world. The Company has 33 subsidiary Companies, including 25 subsidiaries outside India. Name of the subsidiary Companies are provided in the statement of salient features of the subsidiary Companies under section 129[3] of the Companies Act, 2013 and Rules made thereunder, which is a part of this Annual Report. Each of the Company's subsidiaries abides by the law of the respective land, where it operates in a responsible manner. The subsidiary companies' Business Responsibility [BR] initiatives are aligned with those of the Company.

SECTION D

BR Information

1. Details of Director responsible for BR:

- a) Details of the Director responsible for implementation of the BR Policy / Policies:

| Sr. No. | Particulars | Details |
|---------|---------------------|--------------------------------|
| 1 | DIN (if applicable) | 00131852 |
| 2 | Name | Mr. Pankaj R. Patel |
| 3 | Designation | Chairman and Managing Director |

- b) Details of the BR head:

| Sr. No. | Particulars | Details |
|---------|---------------------|--|
| 1. | DIN (if applicable) | Not Applicable |
| 2. | Name | Mr. Upen H. Shah |
| 3. | Designation | Company Secretary and Compliance Officer |
| 4. | Telephone Number | 079-268 68 100 |
| 5. | E-mail ID | upen.shah@zyduscadila.com |

2. Principle-wise (as per NVGs) BR Policy / Policies:

Alignment to National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs)

| NVG Principle | Chapter in BR Report | Page No. | Details in Annual Report |
|---|---|----------|--------------------------|
| Business should conduct and govern themselves with Ethics, Transparency and Accountability. | Corporate Governance Structure | 36 | Yes |
| Business should provide goods and services that are safe and contribute to sustainability throughout their life cycle. | Quality Principles and Credo for Value Creation | 37 | Yes |
| Businesses should promote the well-being of all employees. | Building people to build our business | 37 | Yes |
| Businesses should respect the interest of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized. | Zydus' Corporate Social Responsibility | 37-38 | Yes |

| NVG Principle | Chapter in BR Report | Page No. | Details in Annual Report |
|---|--|----------|--------------------------|
| Businesses should respect and promote human rights. | Human Rights | 38 | Yes |
| Businesses should respect, protect, and make efforts to restore the environment. | Green Impact | 38 | Yes |
| Business, when engaged in influencing public and regulatory policy, should do so in a responsible manner. | Policy advocacy | 38-39 | Yes |
| Business should support inclusive growth and equitable development. | ZyduS Shrishti | 39 | Yes |
| Business should engage with and provide value to their customers and consumers in a responsible manner. | The ZyduS Way of manufacturing and marketing healthcare products | 39 | Yes |

3. Principle-wise [as per NVGs] BR Policy / Policies:

a) Details of compliance [Reply in Y/N]:

| Sr. No. | Questions | Business Ethics | Product Responsibility | Wellbeing of Employees | Stakeholder Engagement & CSR | Human Rights | Environment | Public Policy | CSR | Customer Relations |
|--|---|--|------------------------|------------------------|------------------------------|----------------|-------------|---------------|-----|--------------------|
| | | P1 | P2 | P3 | P4 | P5 | P6 | P7 | P8 | P9 |
| 1 | Do you have a policy / policies for? | Y | Y | Y | Y | Y ¹ | Y | N | Y | Y |
| 2 | Has the policy been formulated in consultation with the relevant stakeholders? | Y | Y | Y | Y | Y | Y | - | Y | Y |
| 3 | Does the policy confirm to any national / international standards? | The Company is abiding by the various laws and while framing the policies, the Company takes into account the best practices and national and international standards. | | | | | | | | |
| 4 | Has the policy been approved by the Board? If yes, has it been signed by MD / Owner / CEO / appropriate Board Director? | Y | Y ² | Y ³ | Y | N | Y | N | Y | Y ⁴ |
| All statutory policies are approved by the Board of Directors, whereas other policies are signed by the Chairman and Managing Director or the respective business / unit head. | | | | | | | | | | |
| 5 | Does the Company have a specified committee of the Board / Director / Official to oversee the implementation of the policy? | Y | Y | Y | Y | Y | Y | N | Y | Y |
| The policies are implemented and being reviewed regularly by the respective business / unit head | | | | | | | | | | |
| 6 | Indicate the link for the policy to be viewed online? | www.zyduScadila.com http://zydusehs | | | | | | | | |

| Sr. No. | Questions | Business Ethics | Product Responsibility | Wellbeing of Employees | Stakeholder Engagement & CSR | Human Rights | Environment | Public Policy | CSR | Customer Relations |
|---------|--|---|------------------------|------------------------|------------------------------|--------------|-------------|---------------|-----|--------------------|
| | | P1 | P2 | P3 | P4 | P5 | P6 | P7 | P8 | P9 |
| 7 | Has the policy been formally communicated to all relevant internal and external stakeholders? | Yes, all the policies are communicated to the employees via internal portal, where each employee has an access and the external stakeholders through Company's website. www.zyduscadila.com | | | | | | | | |
| 8 | Does the Company have in-house structure to implement the policy / policies? | Y | Y | Y | Y | Y | Y | - | Y | Y |
| 9 | Does the Company have a grievance Redressal mechanism related to the policy / policies to address stakeholders' grievances related to the policy / policies? | Yes, respective business / unit heads attend to any grievances pertaining to their department and address the grievances. The Company has formed a Stakeholders' / Investors' Relationship Committee to redress any grievances of shareholders and investors. Product related grievances are also resolved by the respective business heads to which the product pertains to. | | | | | | | | |
| 10 | Has the Company carried out independent audit / evaluation of the working of this policy by an internal or external agency? | The Company regularly carries out an independent audit on working of policy on environment. CSR expenditure is also audited by the Company's statutory auditors. | | | | | | | | |

- The Policy is embedded in the Company's Code of Conduct, HR policies and various other HR practices.
- The Policy is embedded in the Company's Quality and Environmental Policies, which inter alia relate to safe and sustainable products.
- The policies for the wellbeing of employees are for internal circulation to the employees and approved by the Managing Director.
- The Company fulfills the requirements by introducing innovative products and services. The Company has a customer complaint redressal system.

b) If answer to the questions at serial number 1 against any principle, is "No", please explain why:

In the table under [a] above, the Company does not have a policy under Principle 7 with respect to public policy, though the Company understands the principle, but the Company indirectly raises its voice through Chamber of Commerce, FICCI, ASSOCHEM, Industry Associations, etc.

4. Governance related to BR:

a) Indicate the frequency with which the Board of Directors, Committee of the Board or CEO assesses the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year.

The BR performance of the Company is regularly monitored by the Company and reviewed by the Chairman and Managing Director and respective departmental heads.

b) Does the Company publish BR or sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?

The Company publishes BR Report as a part of Annual Report. The Company publishes BR report annually. Report is posted on the Company's website-www.zyduscadila.com

SECTION E
Principle-wise Performance

Principle 1:
Business should conduct and govern themselves with Ethics, Transparency and Accountability

The Company firmly believes and adheres to transparent, fair and ethical governance practices.

The Board of Directors have approved a Code of Business Conduct and Ethics, which is applicable to all Board Members and employees of the Company. This is reviewed and reported annually. The company also has a Whistle Blower Policy approved by the Board and is applicable to all employees of the Company. Further, our major suppliers are also required to agree and to confirm to the code of responsible business conduct. The Company has also

prescribed a very detailed Code of Ethics for its employees and every employee has to sign and affirm its compliance. Though the Code of Business Conduct and Ethics for Directors and Senior Management Personnel is posted on the Company's website, the internal code of conduct is available on a portal, which is accessible to all employees.

Details relating to shareholders' complaints are provided in Corporate Governance Report, which is a part of this Annual Report. However, there was no stakeholder complaint in the reporting period with regard to ethics, bribery and corruption.

Principle 2:

Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle

All our manufacturing facilities are inspected / approved by the leading regulatory agencies of US, Brazil, India, etc. The approvals are given after a thorough audit of standard operating procedures and protocols. Hence utmost care is taken to ensure that products confirm to stringent quality standards and bio-stability of products is also submitted during the periodic audits. All these manufacturing plants also have received environment audit certifications from ISO and OHSAS.

The Company produces large number of diverse formulations and Active Pharmaceutical Ingredients (APIs) at various manufacturing sites and therefore ascertaining consumption of energy, water and raw material, etc. on per unit of product basis is not possible.

The Company has identified approved vendors for procuring materials and a Standard Operating Procedure is in place for sourcing raw materials. This includes sample approvals, performance trials, plant audit and regulatory clearances. Majority of procurement of materials is from the approved manufacturers.

The Company procures goods and services from the local and small producers for its manufacturing premises and offices. It improves operational efficiency and helps save on transportation costs, inventory management and helps in risk mitigation. Adequate guidance and counseling are also provided to them about system and procedures for regulated markets.

The waste generated in the Company's operations is either recycled or disposed off safely. Every manufacturing facility has its own Effluent Treatment Plant, which ensures discharge of waste below the norms prescribed by respective pollution control boards.

Important raw materials and solvents are recovered and recycled. It is a part of operational management. Full-fledged Solvent Recovery Plant at our API manufacturing sites recovers solvents generated during the process of manufacturing. The Company reuses appx. 50% of solvents generated in the manufacturing process.

Principle 3:

Businesses should promote the well-being of all employees

1. Please indicate the total number of employees and the number of contractual employees, woman employees and permanent employees with disabilities:

The Company does not discriminate among existing employees or during the process of recruitment on the grounds of religion, race, color, gender and disability. The Company provides equal opportunities to all employees. Key employee data as on March 31, 2017 is provided in the below table.

| Sr. No. | Category of Employees | No. of Employees |
|---------|---------------------------------------|------------------|
| 1. | Management staff | 6372 |
| 2. | Marketing field staff | 7199 |
| 3. | Others | 3284 |
| 4. | Total | 16855 |
| 5. | Contractual employees | 3569 |
| 6. | Permanent Woman employees | 665 |
| 7. | Permanent employees with disabilities | 28 |

2. The Company has a recognised employees association and 7.39% of our permanent employees are members of this association. The Company has not received any complaint relating to child labour, forced labour, involuntary labour and sexual harassment in the last financial year.
3. The permanent and contractual employees at the Company's manufacturing site, Research and Development Centre and other corporate offices are provided training on relevant Environment, Health and Safety aspects. Further all other employees are given soft skill up-gradation training to improve their skills as may be relevant to the respective functions. 50.85% employees were imparted training for skill development, EHS, etc. from the total strength.

Principle 4:

Business should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized

The Company has mapped its internal and external stakeholders. We recognize employees, business associates, joint venture partners, suppliers, vendors, NGOs, communities, shareholders / investors, regulatory authorities and other governmental bodies and intermediaries as our key stakeholders.

The Company has also identified disadvantaged, vulnerable

and marginalized stakeholders. The Senior Management of the Company also devotes their time and resources to various agencies involved in education and health arena as a part of its Corporate Social Responsibility. The Company works actively to enhance the employability of youth, leading to income generation and economic empowerment in the marginalized section of the communities.

The shop floor workers in our manufacturing premises are from the economically disadvantaged groups and local communities. The company invests in their skill development and upgradation, health check-ups and ensures other quality of life parameters. We have processes in place to ensure upholding of the rights of our employees and protect them against any form of discrimination.

Principle 5:

Businesses should respect and promote human rights

The Company is committed to promotion of human rights and is adhered to in spirit and deed. This extends to all areas of business operations and various stakeholder groups. The Company is also committed to provide equal opportunities at all levels, safe and healthy workplaces and protecting human health and environment. The Company strives to provide a non-discriminatory and harassment-free workplace for all its employees and contract staff. The Factories Act, 1948 provides the overarching framework for the Company's policy on human rights for the employees working at different factories. The Company provides equal opportunities to all its employees to improve their skills and capabilities. The company also has a policy in place to foster a professional, open and trusting workplace and safeguard the interests of its women employees. The Company provides help to its neighbouring communities to improve their education, cultural, economic and social well-being.

There were no stakeholder complaints in the reporting period pertaining to human rights.

Principle 6:

Business should respect, protect, and make efforts to restore environment

The Company is committed towards conservation of the environment and compliance with all requirements related to Environment, Health and Safety [EHS]. We have been looking at these initiatives beyond statutory compliance with a focus on the 4 Rs—Reduce, Reuse, Recycle and Recover for valuable resources. The Company has been engaging and involving every stakeholder across the Company in creating a unique culture in Environment, Health and Safety.

The Company continues to invest substantial resources towards

sustaining and continuously improving standards of environment, occupational health and safety. Competent EHS cell has been instituted at each facility to cater to the day to day EHS related activities.

To gratify the EHS as a whole with systematic approach, 17 company units are accredited for ISO 14001 and 17 company units are accredited for OHSAS 18001.

Towards green initiatives, the Company is reusing the hazardous waste by the activity of co-processing, water conservation, solvent recovery, using energy efficient techniques, developing green belt, etc. The Company also circulated a newsletter titled Green Impact to list the plant-level activities undertaken to comply with EHS norms and raise awareness.

To develop safety at work place, the Company has implemented Process Safety Management (PSM) and Behavior Based Safety Management tools across the units and as a part of Environment Management System and stringent monitoring, the Company has installed TOC monitoring system at its API units.

To bring the information asymmetry amongst the EHS group members, the Company has a dedicated EHS portal and from time to time documents are posted for internal review and compliance, which include EHS management, SOPs, guidelines, checklists, etc. The Company also organizes EHS group discussions as a part of awareness and updation on regular basis.

The Company is committed to achieve all the norms within the limits for emission and discharge of air and water, as may be laid down by the regulators. The Company complies with pollution and environmental laws.

Principle 7:

Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner

The Company is a member of following Chambers and Associations:

- A. Indian Pharmaceutical Alliance,
- B. Federation of Indian Chambers of Commerce and Industry (FICCI),
- C. The Indian Drug Manufacturers Association,
- D. Pharmexcil, Hyderabad, and
- E. Gujarat Chamber of Commerce & Industry.

The Company interacts with Government / Regulatory Authorities on any public policy framework through apex industry institutions, like Indian Pharmaceutical Alliance, Federation of Indian Chambers of Commerce and Industry, The Indian Drug Manufacturers Association, Pharmexcil and Gujarat Chamber of Commerce and

Industry. The Company puts forth its views on new standards or regulatory developments pertaining to the pharmaceutical manufacturing industry, broadly in the areas concerning access to medicines, best practices, corporate governance, corporate social responsibility, etc.

Principle 8:

Businesses should support inclusive growth and equitable development

The Company's CSR initiatives are spearheaded by Ramanbhai Foundation. Zydus Shrishti encourages employee volunteerism and is completely an in-house effort. The team carries out initiatives in the field of education, health and research. The focus through these programs is to develop communities which we are a part of, inclusive education and creating knowledge platforms for the research community.

In line with its policy, the Company has contributed towards education, healthcare and social outreach programs and a majority of its CSR spending in the previous financial year has been in these areas. The Company has contributed to the Gujarat Cancer Society (GCS). GCS has set-up a GCS Medical College, Hospital and Research Centre (GCSMCH) in public private partnership by the GCS and the Government of Gujarat. GCS has been providing comprehensive cancer care and treatment over the last five decades to the less privileged and economically disadvantaged sections of the society.

During the year, the hospital crossed the milestone of 5 lakh new registration at General OPD since the inception of GCS Medical College, Hospital and Research Centre. GCSMCH was ranked 7th amongst the leading hospitals of India which offer the best research facilities by Medifee.com, during the year. Medifee is a medical search engine which helps people make informed decisions in health/medical issues. The MRI machine was inaugurated by the Honorable Governor of Gujarat, Mr. O.P. Kohli on July 30, 2016.

The pioneer batch's journey of the GCS Medical College completed its internship, during the year and a grand graduation ceremony was organised for this batch at Gujarat University Convention Centre on March 25, 2017.

A report in the prescribed format on CSR activities carried out by the Company forms a part of this Annual Report.

Principle 9:

Businesses should engage with and provide value to their customers and consumers in a responsible manner

All the customer complaints which were received in the reporting period have been resolved and there are no complaints or consumer cases pending as on the end of the financial year. There are no cases filed by any customer or consumer against the Company as at the end of Financial Year 2016–2017.

The Company displays all product information on the product label, which is mandatory and as may be required for the use of the products by the consumers.

The Company shall never engage in any unfair trading practices, irresponsible advertising or anti-competitive behaviour. The Company has various checks and balances to ensure that the business of the Company is done in a fair and responsible manner. This is the Zydus Way of manufacturing and marketing healthcare products.

The Company carries out the consumer satisfaction survey to measure the satisfaction among its consumers. A full-fledged Pharmacovigilance cell has been set up to track, review and act on any adverse event complaints. Post marketing surveillance is also carried out by the marketing team to track and monitor the efficacy and safety of the products.

FINANCIAL SECTION 2016-2017



Directors' Report

Your Directors are pleased to present the Twenty Second Annual Report and the Financial Statements for the financial year ended on March 31, 2017.

Financial Results:

The financial statements of the Company have been prepared in accordance with the Indian Accounting Standards (Ind AS) notified under section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014. The financial statements for the Financial Year ended on March 31, 2017 are the Company's first Ind AS compliant annual financial statements with comparative figures for the year ended March 31 2016 also under Ind AS. The transition date of Ind AS is April 1, 2015.

The disclosure and effects of first time adoption of Ind AS are provided in Note 46 and Note 47 of the standalone financial statements and Note 52 and Note 53 of the consolidated financial statements.

The standalone and consolidated financial performance of the Company, for the Financial Year ended on March 31, 2017 is summarized below:

(INR-Millions)

| Particulars | Standalone | | Consolidated | |
|--|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | For the year ended on March 31, 2017 | For the year ended on March 31, 2016 | For the year ended on March 31, 2017 | For the year ended on March 31, 2016 |
| Revenue from Operations and other Income | 38,576 | 73,033 | 97,539 | 97,326 |
| Profit before Interest, Depreciation, Amortisation and Impairment Expenses & Tax [PBIDT] | 9,042 | 27,515 | 20,319 | 24,436 |
| Less: Finance Cost | 111 | 265 | 450 | 528 |
| Less: Depreciation, Amortisation and Impairment Expenses | 2,509 | 2,212 | 3,750 | 2,921 |
| Profit Before Tax [PBT] | 6,422 | 25,038 | 16,119 | 20,987 |
| Less: Tax Expenses | (197) | 4,663 | 1,289 | 1,774 |
| Profit After Tax [PAT] | 6,619 | 20,375 | 14,830 | 19,213 |
| Share of Profit of Joint Venture (Net of Tax) | -- | -- | 338 | 430 |
| Profit After Tax including share of Joint Venture | 6,619 | 20,375 | 15,168 | 19,643 |
| Attributable to: | | | | |
| Owners of the Parent | 6,619 | 20,375 | 14,877 | 19,339 |
| Non-Controlling Interests | -- | -- | 291 | 304 |
| Other Comprehensive Income/(Loss) (Net of Tax) | 57 | (392) | 51 | (522) |
| Total Comprehensive Income | 6,676 | 19,983 | 15,219 | 19,121 |
| Attributable to: | | | | |
| Owners of the Parent | 6,676 | 19,983 | 14,928 | 18,817 |
| Non-Controlling Interests | -- | -- | 291 | 304 |
| Opening balance in Retained Earnings | 44,072 | 30,658 | 38,132 | 25,878 |
| Amount available for appropriation | 50,610 | 50,863 | 54,406 | 45,032 |
| Dividend: | | | | |
| Interim - FY 2016-17 | 3,276 | -- | 3,276 | -- |
| Interim - FY 2015-16 | -- | 3,276 | -- | 3,276 |
| Final - FY 2014-15 | -- | 2,457 | -- | 2,457 |
| Corporate Dividend Tax on Interim Dividend (Net of CDT Credit) | 19 | 1,058 | 667 | 1,167 |
| Closing Balance in Retained Earnings | 47,315 | 44,072 | 50,463 | 38,132 |
| Earnings Per Share [EPS] [Face Value of shares of Re. 1/- each] | 6.47 | 19.90 | 14.82 | 19.19 |

The Company proposes to retain an amount of Rs. 47,315 mio in the Statement of Profit and Loss.

Results of Operations

During the year under review, the consolidated revenue from operations and other income was Rs. 97,539 mio. The company has achieved consolidated Profit Before Tax of Rs. 16,119 mio and Profit After Tax of Rs. 14,830 mio. The Company achieved a consolidated Total Comprehensive Income of Rs. 15,219 mio. The EPS on consolidated financials for the year ended on March 31, 2017 was Rs. 14.82.

Interim Dividend

During the year under review, your Directors had declared and paid an interim dividend of Rs. 3.20 per equity share of face value Re. 1 each to the shareholders holding shares in physical form and whose names were listed on the Register of Members of the Company as on March 17, 2017, being the Record Date fixed for the purpose. Those shareholders holding shares in electronic form were paid dividend as per the beneficiary data provided by the Depositories. Your Directors did not recommend final dividend. The dividend payout ratio for the current year [inclusive of corporate dividend tax on dividend distribution] is 16.08%.

During the year, the unclaimed dividend pertaining to the dividend for the year ended March 31, 2009 was transferred to Investors Education and Protection Fund after giving notice to the members to claim their unpaid / unclaimed dividend.

As per SEBI Notification, the Company has formulated Dividend Distribution Policy, which is approved by the Board of Directors and is uploaded on Company's website www.zyduscadila.com. The link for the same is <https://zyduscadila.com/wp-content/uploads/2017/05/Dividend-Distribution-Policy-CHL.pdf>.

Scheme of Arrangement between Company and Zydus Healthcare Limited

In order to bring more focused and concentrated efforts, the management has decided to consolidate India Human Formulation Business of Zydus Group in one entity. To achieve this objective, during the year Biochem Pharmaceutical Industries Limited, a wholly owned subsidiary Company was amalgamated with Zydus Healthcare Limited, another wholly owned subsidiary Company. As a part of the consolidation, pursuant to order dated May 18, 2017 passed by the Hon'ble National Company Law Tribunal, Bench at Ahmedabad [NCLT], the India Human Formulations Undertaking [as defined in the Scheme of Arrangement] was transferred and merged into Zydus Healthcare Limited, on a cash consideration, pursuant to approval of the Scheme of Arrangement between the Company and Zydus Healthcare Limited and their respective

shareholders and creditors sanctioned by the NCLT.

Management Discussion and Analysis (MDA)

MDA, for the year under review, as stipulated under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 [Listing Regulations] is presented in a separate section, which forms a part of the Annual Report.

Consolidated Financial Statements

In accordance with the Ind AS-110 on Consolidation of Financial Statements read with Ind AS-28 on Accounting for Investments in Associates and Joint Ventures and as provided under the provisions of the Companies Act, 2013 [hereinafter referred to as "Act"] read with Schedule III to the Act and Rules made thereunder and the Listing Regulations, the Audited Consolidated Financial Statements are provided in the Annual Report, which show the financial resources, assets, liabilities, income, profits and other details of the Company, its associate companies and its subsidiaries after elimination of minority interest, as a single entity.

Subsidiary Companies

As provided in section 136 of the Act, the Balance Sheet, Statement of Profit and Loss and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. The Company will make available free of cost the Audited Financial Statements of the subsidiary companies and the related detailed information to any member of the Company who may be interested in obtaining the same. The Financial Statements of the subsidiary companies will also be kept open for inspection at the Registered Office of the Company and that of the respective subsidiary companies. The Consolidated Financial Statements presented by the Company include financial results of its subsidiary companies.

During the year, Biochem Pharmaceutical Industries Limited merged with Zydus Healthcare Limited [formerly known as German Remedies Limited], both wholly owned subsidiary Companies pursuant to Scheme of Amalgamation approved by the Hon'ble National Company Law Tribunal, Bench at Ahmedabad vide its final order dated March 15, 2017.

During the year, the Company has incorporated Zydus Holdings Inc., USA, which has acquired 100% shareholding of US specialty Company-Sentynl Therapeutics Inc., USA ("Sentynl"). After acquisition, Zydus Holdings Inc., USA was merged with Sentynl. Sentynl is now a wholly owned subsidiary Company.

During the year, the Company has acquired all shares held by its subsidiary companies in (1) Zydus Pharmaceuticals USA Inc., USA, (ZPUI), (2) Zydus Healthcare USA LLC, USA, (ZHUL), (3) Zydus

Noveltech Inc., USA (ZNI) and (4) Bremer Pharma GmbH, Germany (Bremer) and therefore these four entities have become direct overseas subsidiary companies.

As provided under section 129[3] of the Act and Rules made thereunder a statement containing the salient features of the financial statements of its subsidiaries in the format prescribed under the rules is attached to the financial statements. The policy relating to material subsidiaries as approved by the Board may be accessed on the Company's website at the link: <http://zyduscadila.com/wp-content/uploads/2015/05/Policy-on-Material-Subsidiary.pdf>.

Particulars of Loans, Guarantees and Investments

Details of loans, guarantees and investments covered under section 186 of the Act are given in the notes to the financial statements.

Related Party Transactions

All contracts / arrangements / transactions entered into by the Company during the financial year with related parties were in the ordinary course of business and on an arm's length basis. As provided under section 134[3][h] of the Act and Rules made thereunder disclosure of particulars of material transactions with related parties entered into by the Company in the prescribed format is annexed to this report as **Annexure–A**. Disclosures on related party transactions are set out in Note No. 41 to the financial statements.

The Policy on materiality of related party transactions and dealing with related party transactions as approved by the Board may be accessed on the Company's website at the link: <http://zyduscadila.com/wp-content/uploads/2015/05/Policy-on-Related-Party-Transactions.pdf>.

Directors

i) Retirement by rotation:

In accordance with the provisions of section 152[6] of the Act and in terms of the Articles of Association of the Company, Mr. Mukesh M. Patel, Non-Executive Director [DIN-00053892] will retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment. The Board recommends his re-appointment.

The Board of Directors of the Company has, subject to the approval of the shareholders at the ensuing Annual General Meeting re-appointed Dr. Sharvil P. Patel, as a Joint Managing Director of the Company for a period of five years with effect from April 1, 2017.

ii) Declaration of independence:

The Company has received declarations of independence as stipulated under section 149[7] of the Act and regulation 16[b] of

the Listing Regulations from Independent Directors confirming that they are not disqualified for continuing as an Independent Director.

iii) Profile of Director seeking appointment / re-appointment:

As required under regulation 36 [3] of the Listing Regulations, particulars of Directors seeking appointment / re-appointment at the ensuing Annual General Meeting are annexed to the notice convening Twenty Second Annual General Meeting.

iv) Key Managerial Personnel:

The following persons are the Key Managerial Personnel:

1. Mr. Pankaj R. Patel, Chairman and Managing Director,
2. Dr. Sharvil P. Patel, Joint Managing Director,
3. Mr. Nitin D. Parekh, Chief Financial officer and
4. Mr. Upen H. Shah, Company Secretary.

There is no change in the Key Managerial Personnel during the year.

v) Board Evaluation:

Pursuant to provisions of the Act and Rules made thereunder and as provided in Schedule IV to the Act and the Listing Regulations, the Nomination and Remuneration Committee / Board has carried out the annual performance evaluation of itself, the Directors individually as well as the evaluation of its committees. The manner in which the evaluation was carried out has been provided in the Corporate Governance Report, which is a part of this Annual Report.

vi) Nomination and Remuneration Policy:

The Board has, on the recommendation of the Nomination and Remuneration Committee, framed a policy on selection and appointment of Directors, Senior Management Personnel and their remuneration. The Remuneration Policy is stated in the Corporate Governance Report, which is a part of this Annual Report.

Directors' Responsibility Statement

In terms of section 134[3][c] of the Act and to the best of their knowledge and belief, and according to the information and explanations provided to them, your Directors hereby make the following statements:

- (a) that in preparation of the Financial Statements, the applicable accounting standards have been followed along with proper explanations relating to material departures, if any,
- (b) that such accounting policies have been selected and applied consistently and judgments and estimates made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on March 31, 2017 and of the profit of the Company for the year ended on that date,

- (c) that proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for prevention and detection of fraud and other irregularities,
- (d) that the annual financial statements have been prepared on going concern basis,
- (e) that proper internal financial controls were in place and that the financial controls were adequate and were operating effectively, and
- (f) that the systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively.

Board Meetings

Information of meetings of the Board of Directors is given in Corporate Governance Report, forming a part of this report.

Audit Committee

As provided in section 177[8] of the Act, the information about composition of Audit Committee and other details are given in Corporate Governance Report, forming a part of this report. The Board has accepted the recommendations of the Audit Committee. The Audit Committee comprises of Mr. Nitin R. Desai, Chairman, Mr. Humayun R. Dhanrajgir, Mr. Mukesh M. Patel, Mr. Apurva S. Diwanji and Ms. Dharmishta N. Rawal as members.

Corporate Governance

The Company has complied with the Corporate Governance requirements under the Act and as stipulated under Listing Regulations. A separate section on detailed report on the Corporate Governance practices followed by the Company under the Listing Regulations along with a certificate from the Statutory Auditors, confirming the compliance forms a part of this Annual Report.

Auditors

i) Statutory Auditors and Audit Report:

Mukesh M. Shah & Co., Chartered Accountants, the existing Statutory Auditors, have been in the office for a period of more than 10 years at the commencement of the Companies Act, 2013, which provides a transition period of 3 years for appointing new Statutory Auditors.

Further, as per the Companies (Removal of Difficulties) Third Order, 2016 dated June 30, 2016 of Ministry of Corporate Affairs, the Company is required to appoint new Statutory Auditors at the ensuing Annual General Meeting (AGM).

Based on the recommendation of the Audit Committee, the Board of Directors have approved the appointment of Deloitte Haskins & Sells LLP, Chartered Accountants, as Statutory Auditors of the Company for a period of five years from the conclusion of ensuing Twenty Second AGM till the conclusion of Twenty Seventh AGM, subject to approval of the members at the ensuing AGM. Further, the appointment shall be ratified by the members at each AGM.

Deloitte Haskins & Sells LLP, Chartered Accountants have informed to the Company that their appointment, if made, would be within the limits prescribed under section 141 of the Act. They have also furnished a declaration confirming that their independence as well as their arm's length relationship with the Company and that they have not taken up any prohibited non-audit assignments for the Company.

The Board has duly reviewed the Statutory Auditor's Report of Mukesh M. Shah & Co., Chartered Accountants and the observations and comments, appearing in the report are self-explanatory and do not call for any further explanation / clarification by the Board of Directors as provided under section 134 of the Act.

ii) Cost Auditors:

Pursuant to provisions of section 148[3] of the Act read with the Companies [Cost Records and Audit] Amendment Rules, 2014, the cost audit records maintained by the Company in respect of the Drugs and Pharmaceuticals are required to be audited. The Board had, on the recommendation of the Audit Committee, appointed Dalwadi & Associates, Cost Accountants to audit the cost records of the Company for the Financial Year 2016-2017 on a remuneration of Rs. 1.00 mio. As required under the Act and Rules made thereunder, the remuneration payable to the Cost Auditors is required to be placed before the Members in a general meeting for ratification. Accordingly, a resolution seeking ratification by members for the remuneration payable to Dalwadi & Associates is included at Item No. 6 of the Notice convening Twenty Second AGM.

iii) Secretarial Auditors and Secretarial Audit Report:

Pursuant to provisions of section 204 of the Act and the Companies [Appointment and Remuneration of Managerial Personnel] Rules, 2014, the Board has appointed Manoj Hurkat and Associates, a firm of Company Secretaries in Whole-time Practice to undertake the Secretarial Audit of the Company for the Financial Year 2016-2017. The Secretarial Audit Report is annexed herewith as **Annexure-B**. The Board has duly reviewed the Secretarial Auditors' Report and the observations and comments, appearing in the report are self-explanatory and do not call for any further explanation / clarification by the Board of Directors as provided under section 134 of the Act.

Business Responsibility Reporting

As per Regulation 34[2][f] of the Listing Regulations, a separate section on Business Responsibility Reporting forms a part of this Annual Report.

Corporate Social Responsibility [CSR]

Your Company, being a Pharmaceutical Company, having objective as “Dedicated to Life” has contributed for healthcare, education and research in cancer as a part of initiatives under “Corporate Social Responsibility” for the year under review. Pursuant to section 135 of the Act and the relevant rules, the Board has constituted a Corporate Social Responsibility [CSR] Committee under the Chairmanship of Mr. Pankaj R. Patel. The other members of the Committee are Dr. Sharvil P. Patel and Ms. Dharmishta N. Rawal. CSR Policy has been framed and placed on the Company’s website. Other details of the CSR activities, as required under section 135 of the Act, are given in the CSR Report at **Annexure–C**.

Business Risk Management

Pursuant to provisions of section 134[3][n] of the Act and requirements under the Listing Regulations, the Company has constituted a Risk Management Committee. The details of the Committee and its terms of reference are set out in the Corporate Governance Report, which forms a part of this Annual Report.

A well-defined risk management mechanism covering the risk mapping and trend analysis, risk exposure, potential impact and risk mitigation process is in place. The objective of the mechanism is to minimize the impact of risks identified and taking advance actions to mitigate them. The mechanism works on the principles of probability of occurrence and impact, if triggered. A detailed exercise is being carried out to identify, evaluate, monitor and manage both business and non-business risks. The Company has formally framed a Risk Management Policy to identify and assess the key risk areas, monitor and report compliance and effectiveness of the policy and procedure.

Discussion on risks and concerns are covered in the Management Discussion and Analysis Report, which forms a part of this Annual Report.

Internal control system and its adequacy

The Company has designed and implemented a process driven framework for Internal Financial Controls [IFC] within the meaning of the explanation to section 134[5][e] of the Act. For the year ended on March 31, 2017, the Board is of the opinion that the Company has sound IFC commensurate with the size, scale and complexity of its business operations. The IFC operates effectively and no material weakness exists. The Company has a process in

place to continuously monitor the same and identify gaps, if any, and implement new and / or improved internal controls whenever the effect of such gaps would have a material effect on the Company’s operations.

Managing the Risks of fraud, corruption and unethical business practices

i) Vigil Mechanism / Whistle Blower Policy:

The Company has established vigil mechanism and framed whistle blower policy for Directors and employees to report concerns about unethical behavior, actual or suspected fraud or violation of the Company’s Code of Conduct or Ethics Policy. Whistle Blower Policy is disclosed on the website of the Company.

ii) Zydus Business Conduct Policy:

The Company has framed “Zydus Business Conduct Policy” and is monitored by the Group President [Human Resources and Corporate Communication]. Every employee is required to review and sign the policy at the time of joining and an undertaking shall be given for adherence to the Policy. The objective of the Policy is to conduct the business in an honest, transparent and ethical manner. The policy provides for anti-bribery and avoidance of other corruption practices by the employees of the Company.

Disclosure as per the Sexual Harassment of Women at Workplace [Prevention, Prohibition and Redressal] Act, 2013

The Company has zero tolerance towards sexual harassment at the workplace and has adopted a policy on prevention, prohibition and redressal of sexual harassment at workplace in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules thereunder.

The Company always endeavors to create and provide an environment that is free from discrimination and harassment including sexual harassment. The Company has in place a robust policy on prevention of sexual harassment at workplace. The policy aims at prevention of harassment of employees as well as contractors and lays down the guidelines for identification, reporting and prevention of sexual harassment.

During the Financial Year 2016-2017, the Company has not received any complaint of sexual harassment.

Extract of annual return

As per the provisions of section 92[3] of the Act, an extract of the Annual Return in the proscribed form MGT 9 is attached to this report as **Annexure–D**.

Particulars of Employees

The information required under section 197 of the Act read with rule 5[1] of the Companies [Appointment and Remuneration of Managerial Personnel] Rules, 2014 is given in **Annexure–E**.

Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo

Information on conservation of energy, technology absorption, foreign exchange earnings and outgo, as required to be disclosed under section 134[3][m] of the Act read with rule 8[3] of the Companies [Accounts] Rules, 2014, is provided in **Annexure–F** and forms a part of this Report.

General Disclosures

Your Directors state that the Company has made disclosures in this report for the items prescribed in section 134[3] of the Act and rule 8 of the Companies [Accounts] Rules, 2014 to the extent the transactions took place on those items during the year.

There are no material changes and commitments affecting the financial position of the Company between the end of the financial year and the date of this report.

Acknowledgment

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

On behalf of the Board of Directors

Pankaj R. Patel
Chairman

Place : Ahmedabad
Date : May 27, 2017

Form No. AOC – 2

[Pursuant to clause [h] of sub-section [3] of section 134 of the Act and rule 8[2] of the Companies [Accounts] Rules, 2014]

Disclosure of particulars of contracts / arrangements entered into by the Company with related parties referred to in sub-section [1] of section 188 of the Companies Act, 2013, including certain arm's length transactions under third proviso thereto.

A. Details of contracts or arrangements or transactions not at arm's length basis:

There were no contracts or arrangements or transactions entered into with related parties during the year, which were not at arm's length basis.

B. Details of material contracts or arrangements or transactions at arm's length basis:

| Sr. No. | Name of the Related Party and Nature of Relationship | Nature of contract / arrangement or transaction | Duration of contract / arrangement or transaction | Salient terms of the contract / arrangement or transaction, including value, if any. | Dates of approval by the Board of Directors | Amt. paid as advance, if any. |
|---------|---|---|---|--|---|-------------------------------|
| 1. | Zydus Pharmaceuticals USA Inc., USA [ZPU] [Wholly Owned Subsidiary Company] | Supply and Distribution Agreement | On-going | Pricing of supply of products based on relevant guidelines of transfer pricing. | May 12, 2015 | Nil |

On behalf of the Board of Directors

Pankaj R. Patel
Chairman

Place : Ahmedabad
Date : May 27, 2017

SECRETARIAL AUDIT REPORT

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,

The Members of

CADILA HEALTHCARE LIMITED

'Zydus Tower' Satellite Cross Roads,
Sarkhej-Gandhinagar Highway,
Ahmedabad-380 015

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **CADILA HEALTHCARE LIMITED** (hereinafter called the "**Company**"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on our verification of the books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on March 31, 2017 complied with the statutory provisions listed hereunder and also that the Company has proper board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2017 according to the provisions of:

- I. The Companies Act, 2013 (the Act) and the Rules made thereunder;
- II. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder;
- III. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- IV. The Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

V. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') to the extent applicable to the Company:-

- a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
- c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
- d) The Securities and Exchange Board of India (Share Based Employee Benefits), Regulations, 2014;
- e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
- g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
- h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;

We have also examined compliance with the applicable clauses of the following:

- I. Secretarial Standards issued by The Institute of Company Secretaries of India.
- II. The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015;

We hereby report that during the period under review, the Company has complied with the applicable provisions of the Act, Rules, Regulations, Guidelines, Standards etc. mentioned above.

VI. We further report that having regard to the compliance system prevailing in the Company and on examination of the relevant documents and records in pursuance thereof, on test-check basis, the Company has complied with the provisions of The Drugs and Cosmetics Act, 1940 and Rules made thereunder, as

is specifically applicable to the Company.

We further report that:

- a) The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.
- b) Adequate notice is given to all Directors to schedule the Board Meetings at least seven days in advance. Agenda and detailed notes on agenda were also sent to all Directors and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.
- c) Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

We further report that there are adequate systems and processes in the company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that in respect of the audit period, the Hon'ble National Company Law Tribunal, Ahmedabad Bench ("NCLT") has vide its order dated May 18, 2017, approved the Scheme of

Arrangement ("Scheme") under Sections 230-232 of the Companies Act, 2013, between Cadila Healthcare Limited ("Company") and Zydus Healthcare Limited ("Zydus"), a Wholly Owned Subsidiary of the Company and their respective shareholders and creditors for transfer and vesting of the India Human Formulations Undertaking of the Company as a going concern on slump sale basis for a lump sum cash consideration of Rs. 69.30 Crores to Zydus. The appointed date of the Scheme was April 1, 2016. The order of the Hon'ble NCLT was filed with the office of the ROC, Gujarat in E-Form INC-28 on the MCA portal by both the concerned companies on May 19, 2017 i.e. the Effective Date of the Scheme. Barring this, during the audit period, no other events/actions has taken place which have major bearing on the affairs of the Company in pursuance of the above referred laws, rules, regulations, guidelines, standards etc.

For **MANOJ HURKAT AND ASSOCIATES**
Practicing Company Secretaries

MANOJ R HURKAT
Partner

Place: Ahmedabad
Date: May 27, 2017

FCS No. 4287
C P No.: 2574

Note: This Report is to be read with our letter of even date which is annexed as Annexure A and form an integral part of this Report.

ANNEXURE–A

To
The Members
CADILA HEALTHCARE LIMITED
'Zydus Tower' Satellite Cross Roads,
Sarkhej-Gandhinagar Highway,
Ahmedabad - 380015

Our report of even date is to be read along with this letter:

1. Maintenance of Secretarial record is the responsibility of the Management of the Company. Our responsibility is to express an opinion on these Secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in Secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts and cost records of the Company.
4. We have obtained the Management representation about the compliance of laws, rules and regulations and happening of events, secretarial records and other factual position which cannot be otherwise verified etc. wherever required or necessary.
5. The compliance of the provision of corporate and other applicable laws, rules, regulations, standards is the responsibility of Management. Our examination was limited to the verification of the same on test basis.
6. The Secretarial audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

For **MANOJ HURKAT AND ASSOCIATES**
Practicing Company Secretaries

MANOJ R HURKAT
Partner
FCS No. 4287
C P No.: 2574

Place: Ahmedabad
Date: May 27, 2017

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY [CSR] ACTIVITIES

1. Brief outline of the Company's CSR Policy, including overview of the projects or programs proposed to be undertaken and a reference to a web-link to the CSR Policy and projects or programs.

The Company has framed a CSR Policy in compliance with the provisions of section 135 of the Companies Act, 2013 and is placed on the website of the Company. Visit the web-link <http://www.zyduscadila.com/wp-content/uploads/2015/05/Policy-on-csr.pdf> for more information on the CSR Policy.

The Company has outlined the following thrust areas in the CSR Policy:

- i) Swasthya – Health, Safety and Environment,
- ii) Shiksha and Sodh – Education, Knowledge Enhancement and Research, and
- iii) Saath – Social care, concern and outreach in times of emergencies.

The Board of Directors, on the recommendation of CSR Committee, approved the CSR spending, apart from others, on providing financial support for creating additional infrastructure / renovations and other assistance to a Charitable Institution, which runs hospitals and medical college. The said institution provides hospital services to the patients and carries out medical research. The medical college provides education

and facilities to the medical students. The objectives of the institution include, amongst others, to help the marginalized and economically weaker section people of the society.

2. Composition of the CSR Committee.

Mr. Pankaj R. Patel – Chairman;

Dr. Sharvil P. Patel – Member; and

Ms. Dharmishta N. Rawal – Member.

3. Average net profits of the Company for last three financial years.

Rs. 14,585.50 millions

4. Prescribed CSR expenditure [2% of the amount as in item No. 3 above].

Rs. 291.71 millions

5. Details of CSR spent during the financial year.

a. Total amount to be spent during the financial year–Rs. 291.71 millions.

b. Amount unspent, if any.–Nil

c. Manner in which the amount spent during the financial year is detailed below:

| Sr. No. | CSR Project or Activity identified | Sector in which the project is covered | Projects or Programs [1] Local area or other, [2] Specify the state and district where project or programs were undertaken. | Amount outlay [Budget] Project or Program wise Rs. in mio | Amt. spent on the Projects or Programs Sub-heads: [1] Direct expenditure on projects of programs, [2] Overheads Rs. in mio | Cumulative expenditure upto the reporting period Rs. in mio | Amount spent: Direct or through implementing Agency * |
|--------------|------------------------------------|--|---|---|--|---|---|
| 1. | Healthcare | Contribution towards creating infrastructure and renovation at two Cancer Hospitals | Ahmedabad Gujarat | 71.09 | 71.09 | 71.09 | |
| 2. | Healthcare | Contribution towards free / concessional rate medicines and other services to the poor patients for their treatment at the Cancer Hospitals | Ahmedabad Gujarat | 22.95 | 22.95 | 22.95 | Gujarat Cancer Society |
| 3. | Healthcare | Contribution towards subsidized food and other consumables at the Cancer Hospitals | Ahmedabad Gujarat | 57.01 | 57.01 | 57.01 | |
| 4. | Healthcare | Contribution towards purchasing new medical equipment, professional and consultation fees and fellowship fees for the Cancer Hospitals | Ahmedabad Gujarat | 139.26 | 139.26 | 139.26 | |
| 5. | Education | Promotion of Education | Ahmedabad Gujarat | 1.00 | 1.00 | 1.00 | Ahmedabad Education Society |
| 6. | Healthcare | Contribution towards free / concessional rate medicines and other services to the poor patients for their treatment at the Cancer Division of the Hospital | Ankleshwar Gujarat | 0.20 | 0.20 | 0.20 | Smt. Jayaben Mody Hospital |
| 7. | Education | Contribution towards special education for the differently abled people | Dabhasa Gujarat | 0.20 | 0.20 | 0.20 | Donation for CSR awareness |
| 8. | Healthcare | Contribution for various socio-medical services for poor, downtrodden and needy people | Ankleshwar Gujarat | 0.01 | 0.01 | 0.01 | Sewa Yagna Samiti |
| Total | | | | 291.72 | 291.72 | 291.72 | |

* Those CSR activities carried out through implementing agencies by way of support to Charitable Institutions.

d. Responsibility Statement:

The implementation and monitoring of Corporate Social Responsibility [CSR] Policy, is in compliance with CSR objectives and policy of the Company.

On behalf of the Board of Directors

[PANKAJ R. PATEL – Chairman – CSR Committee and Managing Director]

Form No. MGT-9

EXTRACT OF ANNUAL RETURN

as on the Financial Year ended on March 31, 2017

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. Registration and other details

| | |
|---|--|
| CIN | L24230GJ1995PLC025878 |
| Registration Date | May 15, 1995 |
| Name of the Company | Cadila Healthcare Limited |
| Category / Sub-Category of the Company | Public Limited Company, Limited by shares |
| Address of the Registered Office and Contact details | "Zydus Tower", Satellite Cross Roads, Sarkhej-Gandhinagar Highway, Ahmedabad – 380 015. Phone +91-79-2686 8100 (20 lines) Fax +91-79-2686 2365 www.zyduscadila.com |
| Whether listed company | Yes |
| Name, address and contact details of Registrar and Transfer Agent, if any | Link Intime India Private Limited 5th Floor, 506 to 508, Amarnath Business Centre-1 (ABC-1), Beside Gala Business Centre, Nr. St. Xavier's College Corner, Off C G Road, Ellisbridge, Ahmedabad – 380006. Tel: 079- 26465179 Fax No. 079- 26465179 Email: ahmedabad@linkintime.co.in |

II. Principal Business Activities of the Company

All the Business Activities contributing 10% or more of the total turnover of the Company shall be stated:

| Name and Description of main Products / Services | NIC Code of the Product / Service | % to total turnover of the Company |
|--|-----------------------------------|------------------------------------|
| Pharmaceutical Products | 2100 | 100% |

III. Particulars of holding, subsidiary and Associate Companies:

| Sr. No. | Name of the Company | Address | CIN / GLN | Holding / Subsidiary / Associate | % of shares held | Applicable Section |
|---------|----------------------------------|--|-----------------------|----------------------------------|------------------|--------------------|
| 1 | Dialforhealth India Limited | Zydus Tower, Satellite Cross Roads, Sarkhej-Gandhinagar Highway, Ahmedabad-380 015 | U85110GJ2000PLC037488 | Subsidiary | 100 | 2[87][ii] |
| 2 | Dialforhealth Unity Limited | | U51390GJ2005PLC046314 | | 55 | |
| 3 | Dialforhealth Greencross Limited | | U51397GJ2005PLC061284 | | 100 | |
| 4 | Zydus Healthcare Limited | | U51900GJ1989PLC079501 | | 100 | |

| Sr. No. | Name of the Company | Address | CIN / GLN | Holding / Subsidiary / Associate | % of shares held | Applicable Section | |
|---------|--|---|-----------------------|----------------------------------|-------------------------------------|--------------------|-----|
| 5 | Zydus Technologies Limited | Zydus Tower, Satellite Cross Roads, Sarkhej-Gandhinagar Highway, Ahmedabad-380 015 | U24230GJ2009PLC056149 | Subsidiary | 85 | 2[87][ii] | |
| 6 | Alidac Pharmaceuticals Limited | Plot No. 1A, "Pharmez", Sarkhej-Bavla NH 8A, Village Matoda, Gujarat-382 213 | U24230GJ2005PTC046915 | | 100 | | |
| 7 | Liva Pharmaceuticals Limited | Survey No. 434/6/B and 434/1/K, Village: Jarod, Taluka Vaghodia, District-Vadodara-391 510 | U24100GJ2013PLC077080 | | 100 | | |
| 8 | Zydus Wellness Limited | House No. 6 and 7, Sigma Commerce Zone, Near Iskon Temple, S. G. Highway, Ahmedabad-380 015 | L15201GJ1994PLC023490 | | 72.08 | | |
| 9 | Zydus International Private Limited | FDW House, Blackthorn Business Park, Coes Road, Dundalk, Co. Louth, Ireland | Not Applicable | | 100 | | |
| 10 | Zydus Healthcare SA (Pty.) Ltd. | Southdowns Office Park, 22, Karee Street, Centurion, Pretoria 0157. | | | 100 | | |
| 11 | Simayla Pharmaceuticals (Pty) Limited, South Africa | | | | 100 | | |
| 12 | Script Management Services (Pty.) Limited | | | | 100 | | |
| 13 | Zydus Pharmaceuticals USA Inc. (USA) | | | | 73 Route 31 N, Pennington, NJ 08534 | | 100 |
| 14 | Zydus Healthcare USA LLC (USA) | | | | | | 100 |
| 15 | Zydus Noveltech INC., (USA) | 1775, Williston Road, Suite 210, South Burlington, VT 05403. | | | 85 | | |
| 16 | Nesher Pharmaceuticals (USA) LLC | 120, South Central Avenue, Clayton, Missouri-63105, State of Missouri | | | 100 | | |
| 17 | Hercon Pharmaceuticals LLC (USA) *[Sole Member Zydus Noveltech Inc.] | 101 Sinking Springs Lane, Emigsville PA 17318, United States of America | | | 100 | | |
| 18 | Sentynl Therapeutics Inc., USA | 420, Stevens Avenue, Suite 200, Salona Beach, CA 92075 | | | 100 | | |
| 19 | Zydus France SAS (France), | 25, Batiment L, ZAC des Hautes Patures, Rue des Peupliers, 92752 NANTEREE, France | 100 | | | | |

| Sr. No. | Name of the Company | Address | CIN / GLN | Holding / Subsidiary / Associate | % of shares held | Applicable Section |
|---------|--|---|----------------|----------------------------------|------------------|--------------------|
| 20 | Zydus Netherlands BV (The Netherlands) | Amerika Building, Hoogoorddreef, 15, 1101, BA, Amsterdam, Netherlands | Not Applicable | Subsidiary | 100 | 2[87][ii] |
| 21 | ZAHL B.V., the Netherlands | | | | 100 | |
| 22 | ZAHL Europe B.V., the Netherlands | | | | 100 | |
| 23 | Zydus Nikkho Farmaceutica Ltda (Brazil) | Estrada Governador Chagas Freitas, 340, Ilha do Governador, Rio de Janeiro RJ, CEP 21932-820. | | | 100 | |
| 24 | Laboratorios Combix, S. L., Spain | C/ Badajoz, 2, Pozuelo de Alarcon, 28223 Madrid, Spain | | | 100 | |
| 25 | Bremer Pharma GmbH, Germany | Werkstr. 42, 34414 Warburg, Germany | | | 100 | |
| 26 | Etna Biotech S.R.L., Italy | Stradale V. Lancia, 57, 95121, Catania-Italy | | | 100 | |
| 27 | Zydus Lanka (Private) Limited | Level 26 & 34, East Tower, World Trade Centre, Echelon Square, Colombo 01, Sri Lanka | | | 100 | |
| 28 | Zydus Healthcare Philippines Inc., Philippines | Unit Nos. 903 & 904, Corner 9th Avenue, 32nd Street, Fort Bonifacio Global City, Taguig, Philippine-1634. | | | 100 | |
| 29 | Zydus Worldwide DMCC | Unit No. 909, Armada Tower 2, Plot No. PH2-P2, Jumeirah Lakes Towers, Dubai, United Arab Emirates | | | 100 | |
| 30 | Zydus Discovery DMCC | Unit No. 908, Armada Tower 2, Plot No. PH2-P2, Jumeirah Lakes Towers, Dubai, United Arab Emirates | | | 100 | |
| 31 | Zydus Pharmaceuticals Mexico, S. A. de C. V., Mexico | Carretera Picacho Ajusco 154, Oficina 601-B Col. Jardines en la Montana, Del. Tlalpan, C. P. 14210, Mexico D.F. | | | 100 | |
| 32 | Zydus Pharmaceuticals Mexico Service Company SA de CV, | Carretera Picacho Ajusco 154, Oficina 601-B Col. Jardines en la Montana, Del. Tlalpan, C. P. 14210, Mexico D.F. | | | 100 | |
| 33 | Alidac Healthcare (Myanmar) Limited | Plot No. B 19, Thilawa SEZ Zone A, Yangon Region, Myanmar | 100 | | | |

| Sr. No. | Name of the Company | Address | CIN / GLN | Holding / Subsidiary / Associate | % of shares held | Applicable Section |
|---------|---|--|-----------------------|----------------------------------|------------------|--------------------|
| 34 | Zydus Takeda Healthcare Private Limited | C-4, MIDC, Village: Pawne, Thane Belapur Road, Navi Mumbai-400 705 | U24231MH1999PTC119171 | Associate | 50 | 2[87] |
| 35 | Zydus Hospira Oncology Private Limited | Plot No. 3, Pharmez, Special Economic Zone, Sarkhej-Bavla Highway, Village-Matoda, Taluka-Sanand, Dist. Ahmedabad-382210 | U24230GJ2005PTC046246 | | 50 | |
| 36 | Bayer Zydus Pharma Private Limited | Bayer House, Central Avenue, Hiranandani Gardens, Powai Mumbai-400 076 | U24233MH2011PTC213118 | | 50 | |

IV. SHAREHOLDING PATTERN (Equity share Capital Breakup as a percentage of Total Equity)

I) Category-wise Shareholding:

| Category of Shareholders | No. of shares held at the beginning of the year | | | | No. of Shares held at the end of the year # | | | | % Change during the year | |
|--|---|----------|------------------|-------------------|---|----------|------------------|-------------------|--------------------------|--|
| | Demat | Physical | Total | % of Total shares | Demat | Physical | Total | % of Total Shares | | |
| A. Promoters | | | | | | | | | | |
| (1) Indian | | | | | | | | | | |
| a) Individual/HUF | 765672230 | - | 765672230 | 74.79 | 765672230 | - | 765672230 | 74.79 | - | |
| b) Central Govt. | - | - | - | - | - | - | - | - | - | |
| c) State Govt.(s) | - | - | - | - | - | - | - | - | - | |
| d) Bodies Corporate | 18000 | - | 18000 | - | 18000 | - | 18000 | - | - | |
| e) Banks / FI | - | - | - | - | - | - | - | - | - | |
| f) Any other | - | - | - | - | - | - | - | - | - | |
| Sub-Total (A)(1): | 765690230 | | 765690230 | 74.79 | 765690230 | | 765690230 | 74.79 | | |
| (2) Foreign | | | | | | | | | | |
| a) NRIs – Individuals | - | - | - | - | - | - | - | - | - | |
| b) Other – Individuals | - | - | - | - | - | - | - | - | - | |
| c) Bodies Corporate | - | - | - | - | - | - | - | - | - | |
| d) Banks / FI | - | - | - | - | - | - | - | - | - | |
| e) Any other | - | - | - | - | - | - | - | - | - | |
| Sub-Total (A)(2): | - | - | - | - | - | - | - | - | - | |
| Total Shareholding of Promoters (A)=(A)(1)+(A)(2) | 765690230 | | 765690230 | 74.79 | 765690230 | | 765690230 | 74.79 | - | |

| Category of Shareholders | No. of shares held at the beginning of the year | | | | No. of Shares held at the end of the year # | | | | % Change during the year |
|--|---|--------------|------------------|-------------------|---|--------------|------------------|-------------------|--------------------------|
| | Demat | Physical | Total | % of Total shares | Demat | Physical | Total | % of Total Shares | |
| B. Public Shareholding | | | | | | | | | |
| (1) Institutions | | | | | | | | | |
| a) Mutual Funds | 37170787 | 14415 | 37185202 | 3.63 | 35664299 | 14415 | 35678714 | 3.49 | -0.14 |
| b) Banks / FI | 2288717 | 6720 | 2295437 | 0.22 | 37114855 | 6720 | 37121575 | 3.63 | +3.41 |
| c) Central Govt. | 1174758 | 0 | 1174758 | 0.11 | 1494763 | 0 | 1494763 | 0.15 | +0.04 |
| d) State Govt.(s) | - | - | - | - | - | - | - | - | |
| e) Venture Capital Funds | - | - | - | - | - | - | - | - | |
| f) Insurance Companies | 33946688 | 0 | 33946688 | 3.32 | 0 | 0 | 0 | 0 | -3.32 |
| g) FIs / Foreign Portfolio Investor | 96340959 | 0 | 96340959 | 9.41 | 101178540 | 0 | 101178540 | 9.88 | +0.47 |
| h) Foreign Venture Capital funds | - | - | - | - | | | | | |
| i) Others (specify) | - | - | - | - | | | | | |
| Sub-Total (B)(1): | 170921909 | 21135 | 170943044 | 16.70 | 175452457 | 21135 | 175473592 | 17.15 | +0.45 |
| (2) Non-Institutions | | | | | | | | | |
| a) Bodies Corporate | | | | | | | | | |
| i) Indian | 23487683 | 38180 | 23525863 | 2.30 | 24547327 | 0 | 24547327 | 2.40 | +0.10 |
| ii) Overseas | | | | | | | | | |
| b) Individuals | | | | | | | | | |
| i) Individual Shareholders holding nominal share capital upto 2 Lakh | 42667487 | 5495070 | 48162557 | 4.70 | 38386344 | 5221353 | 43607697 | 4.26 | -0.44 |
| ii) Individual shareholders holding nominal share capital in excess of 2 Lakh | 12347265 | 0 | 12347265 | 1.21 | 8743760 | 0 | 8743760 | 0.85 | -0.36 |
| c) Others (specify) | | | | | | | | | |
| i) Shares held by Pakistani citizens vested with the Custodian of Enemy Property | - | - | - | - | | | | | |
| ii) Other Foreign Nations | - | - | - | - | | | | | |
| iii) Foreign Bodies | 0 | 1875 | 1875 | 0.00 | 0 | 1875 | 1875 | 0.00 | 0.00 |
| iv) NRI / OCBs | 2538764 | 26760 | 2565524 | 0.25 | 2231779 | 23760 | 2255539 | 0.22 | -0.03 |

| Category of Shareholders | No. of shares held at the beginning of the year | | | | No. of Shares held at the end of the year # | | | | % Change during the year |
|--|---|----------------|-------------------|-------------------|---|----------------|-------------------|-------------------|--------------------------|
| | Demat | Physical | Total | % of Total shares | Demat | Physical | Total | % of Total Shares | |
| v) Clearing Members/ Clearing House | 506242 | 0 | 506242 | 0.05 | 761913 | 0 | 761913 | 0.07 | +0.02 |
| vi) Trusts | 0 | 0 | 0 | 0 | 832319 | 0 | 832319 | 0.08 | +0.08 |
| vii) Hindu Undivided Family | 0 | 0 | 0 | 0 | 1828348 | 0 | 1828348 | 0.18 | +0.18 |
| viii) Limited Liability Partnership | - | - | - | - | - | - | - | - | - |
| ix) Qualified Foreign Investors | - | - | - | - | - | - | - | - | - |
| Sub-Total (B)(2): | 81549316 | 5560030 | 87109326 | 8.51 | 77331790 | 5246988 | 82578778 | 8.06 | -0.45 |
| Total Public Shareholding (B)=(B)(1)+(B)(2) | 252471225 | 5581145 | 258052370 | 25.21 | 252784247 | 5268123 | 258052370 | 25.21 | 0.00 |
| C. Shares held by Custodian for GDRs & ADRs | - | - | - | - | - | - | - | - | - |
| Grand Total (A+B+C) | 1018161455 | 5581145 | 1023742600 | 100.00 | 1018474477 | 5268123 | 1023742600 | 100.00 | 0.00 |

ii) Shareholding of Promoters:

| Shareholders Name | Shareholding at the beginning of the year | | | Shareholding at the end of the year | | | % change in share-holding during the year |
|--|---|----------------------------------|--|-------------------------------------|----------------------------------|--|---|
| | No. of Shares | % of total shares of the Company | % of Shares Pledged / encumbered to total shares | No. of shares | % of total shares of the Company | % of Shares Pledged / encumbered to total shares | |
| Zydus Family Trust | 765537230 | 74.78 | Nil | 765537230 | 74.78 | Nil | - |
| Pripan Investment Pvt. Ltd. | 18000 | 0.002 | Nil | 18000 | 0.002 | Nil | - |
| Shivani Pankajbhai Patel Jtly. Pankajbhai Ramanbhai Patel | 15000 | 0.001 | Nil | 15000 | 0.001 | Nil | - |
| Pankajbhai Ramanbhai Patel Jtly. Pritiben Pankajbhai Patel | 15000 | 0.001 | Nil | 15000 | 0.001 | Nil | - |
| Pankajbhai Ramanbhai Patel (HUF) | 15000 | 0.001 | Nil | 15000 | 0.001 | Nil | - |
| Pritiben Pankajbhai Patel Jtly. Pankajbhai Ramanbhai Patel | 15000 | 0.001 | Nil | 15000 | 0.001 | Nil | - |

| Shareholders Name | Shareholding at the beginning of the year | | | Shareholding at the end of the year | | | % change in share-holding during the year |
|--|---|----------------------------------|--|-------------------------------------|----------------------------------|--|---|
| | No. of Shares | % of total shares of the Company | % of Shares Pledged / encumbered to total shares | No. of shares | % of total shares of the Company | % of Shares Pledged / encumbered to total shares | |
| Taraben Ramanbhai Patel Jtly. Pankajbhai Ramanbhai Patel | 15000 | 0.001 | Nil | 0 | 0 | N.A. | -0.001 |
| Ramanbhai B. Patel (HUF) | 15000 | 0.001 | Nil | 15000 | 0.001 | Nil | - |
| Pankajbhai Ramanbhai Patel Jtly. Pritiben Pankajbhai Patel (R. B. Patel Will Pankaj Trust) | 15000 | 0.001 | Nil | 15000 | 0.001 | Nil | - |
| Pankajbhai Ramanbhai Patel Jtly. Sharvil Pankajbhai Patel (P. R. Patel Smaller HUF) | 15000 | 0.001 | Nil | 15000 | 0.001 | Nil | - |
| Sharvil Pankajbhai Patel | 15000 | 0.001 | Nil | 15000 | 0.001 | Nil | - |
| Pankaj Ramanbhai Patel Jtly. Sharvil Pankajbhai Patel [Taraben Patel Family Will Trust] | 0 | 0 | N.A. | 15000 | 0.001 | Nil | +0.001 |
| Total | 765690230 | 74.79 | Nil | 765690230 | 74.79 | Nil | - |

iii) Change in Promoters' Shareholding (Please specify, if there is no change):

| | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|---|---|----------------------------------|---|----------------------------------|
| | No. of Shares | % of total shares of the Company | No. of shares | % of total shares of the Company |
| At the beginning of the year | | | | |
| Date wise Increase/Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.): | No change during the year. | | | |
| At the end of the year | | | | |

iv) Shareholding Pattern of top Ten Shareholders (Other than Directors, Promoters and Holders of GDRs and ADRs)

| Sr. No. | Name of the Shareholder | Date wise increase / decrease | | | Cumulative shareholding | % of total share capital |
|------------|---|-------------------------------------|---------------------|-------------------------------|-------------------------|--------------------------|
| | | Date | Increase / decrease | % of total share capital | | |
| 1. | Life Insurance Corporation of India Changes in the holdings as per the beneficiary position downloaded from the Depositories. | At the beginning of the year | | | 30363981 | 2.97 |
| | | 17.06.2016 | 2767635 | 0.23 | 33131616 | 3.24 |
| | | 22.07.2016 | -157338 | -0.02 | 32974278 | 3.22 |
| | | 29.07.2016 | -50000 | 0.00 | 32924278 | 3.22 |
| | | 05.08.2016 | -50000 | -0.01 | 32874278 | 3.21 |
| | | 12.08.2016 | -197634 | -0.02 | 32676644 | 3.19 |
| | | 19.08.2016 | -50000 | 0.00 | 32626644 | 3.19 |
| | | 09.09.2016 | -671000 | -0.07 | 31955644 | 3.12 |
| | | 16.09.2016 | -276549 | -0.03 | 31679095 | 3.09 |
| | | 23.09.2016 | -416900 | -0.04 | 31262195 | 3.05 |
| | | 30.09.2016 | -529217 | -0.05 | 30732978 | 3.00 |
| | | 07.10.2016 | -443525 | -0.04 | 30289453 | 2.96 |
| | | 14.10.2016 | -150000 | -0.02 | 30139453 | 2.94 |
| | | 21.10.2016 | -62363 | 0.00 | 30077090 | 2.94 |
| | | 28.10.2016 | -60000 | -0.01 | 30017090 | 2.93 |
| | | 04.11.2016 | -45000 | 0.00 | 29972090 | 2.93 |
| | | 11.11.2016 | -5349 | 0.00 | 29966741 | 2.93 |
| | | 02.12.2016 | -15761 | 0.00 | 29950980 | 2.93 |
| | | 09.12.2016 | -51317 | -0.01 | 29899663 | 2.92 |
| | | | | At the end of the year | | |
| 2. | Franklin Templeton Mutual Fund A/c Franklin India Prima Plus Changes in the holdings as per the beneficiary position downloaded from the Depositories. | At the beginning of the year | | | 12053355 | 1.18 |
| | | 17.06.2016 | 820000 | 0.08 | 12873355 | 1.26 |
| | | 30.06.2016 | 500000 | 0.05 | 13373355 | 1.31 |
| | | 08.07.2016 | 170800 | 0.01 | 13544155 | 1.32 |
| | | 02.09.2016 | 325000 | 0.03 | 13869155 | 1.35 |
| | | 09.09.2016 | 100000 | 0.01 | 13969155 | 1.36 |
| | | 16.09.2016 | 37000 | 0.01 | 14006155 | 1.37 |
| | | 07.10.2016 | 21420 | 0.00 | 14027575 | 1.37 |
| | | 14.10.2016 | 1680 | 0.00 | 14029255 | 1.37 |
| | | 21.10.2016 | 13800 | 0.00 | 14043055 | 1.37 |
| | | 28.10.2016 | 44559 | 0.01 | 14087614 | 1.38 |
| | | 04.11.2016 | 3618 | 0.00 | 14091232 | 1.38 |
| | | 11.11.2016 | 58377 | 0.00 | 14149609 | 1.38 |
| | | 18.11.2016 | 180952 | 0.02 | 14330561 | 1.40 |
| | | 25.11.2016 | 300000 | 0.03 | 14630561 | 1.43 |
| | | 30.12.2016 | 293935 | 0.03 | 14924496 | 1.46 |
| | | 06.01.2017 | 200000 | 0.02 | 15124496 | 1.48 |
| | | 20.01.2017 | 200000 | 0.02 | 15324496 | 1.50 |
| | | 27.01.2017 | 5000 | 0.00 | 15329496 | 1.50 |
| | | 03.02.2017 | 199003 | 0.02 | 15528499 | 1.52 |
| 17.02.2017 | -143877 | -0.02 | 15384622 | 1.50 | | |
| 24.02.2017 | -120107 | -0.01 | 15264515 | 1.49 | | |
| 03.03.2017 | -421076 | -0.04 | 14843439 | 1.45 | | |
| | | At the end of the year | | | 14843439 | 1.45 |

| Sr. No. | Name of the Shareholder | Date wise increase / decrease | | | Cumulative shareholding | % of total share capital |
|------------|---|-------------------------------------|---------------------|--------------------------|-------------------------|--------------------------|
| | | Date | Increase / decrease | % of total share capital | | |
| 3. | Franklin Templeton Investment Fund Changes in the holdings as per the beneficiary position downloaded from the Depositories. | At the beginning of the year | | | 10523510 | 1.03 |
| | | 01.07.2016 | 48400 | 0.00 | 10571910 | 1.03 |
| | | 08.07.2016 | 667993 | 0.07 | 11239903 | 1.10 |
| | | 29.07.2016 | 345000 | 0.03 | 11584903 | 1.13 |
| | | 05.08.2016 | 529000 | 0.05 | 12113903 | 1.18 |
| | | 26.08.2016 | 570900 | 0.06 | 12684803 | 1.24 |
| | | 02.09.2016 | 81000 | 0.01 | 12765803 | 1.25 |
| | | 09.09.2016 | 69100 | 0.00 | 12834903 | 1.25 |
| | | 07.10.2016 | 146845 | 0.02 | 12981748 | 1.27 |
| | | 14.10.2016 | 12136 | 0.00 | 12993884 | 1.27 |
| | | 21.10.2016 | 91800 | 0.02 | 13085684 | 1.29 |
| | | 28.10.2016 | 183600 | 0.01 | 13269284 | 1.30 |
| | | 04.11.2016 | 15300 | 0.00 | 13284584 | 1.30 |
| | | 20.01.2017 | 149000 | 0.01 | 13433584 | 1.31 |
| | | 27.01.2017 | 560728 | 0.06 | 13994312 | 1.37 |
| | | 03.02.2017 | 1656448 | 0.16 | 15650760 | 1.53 |
| | | 10.02.2017 | 4000 | 0.00 | 15654760 | 1.53 |
| | | 17.02.2017 | 23000 | 0.00 | 15677760 | 1.53 |
| | | 24.02.2017 | -495995 | -0.05 | 15181765 | 1.48 |
| | | 03.03.2017 | -665200 | -0.06 | 14516565 | 1.42 |
| | | 10.03.2017 | -318578 | -0.03 | 14197987 | 1.39 |
| | | 17.03.2017 | -136410 | -0.02 | 14061577 | 1.37 |
| | | 24.03.2017 | -36005 | 0.00 | 14025572 | 1.37 |
| 31.03.2017 | -1070683 | -0.10 | 12954889 | 1.27 | | |
| | | At the end of the year | | | 12954889 | 1.27 |
| 4. | Government Pension Fund Global Changes in the holdings as per the beneficiary position downloaded from the Depositories. | At the beginning of the year | | | 11728886 | 1.14 |
| | | 17.06.2016 | -496873 | -0.04 | 11232013 | 1.10 |
| | | 24.06.2016 | -167606 | -0.02 | 11064407 | 1.08 |
| | | 30.06.2016 | -163809 | -0.02 | 10900598 | 1.06 |
| | | At the end of the year | | | 10900598 | 1.06 |

| Sr. No. | Name of the Shareholder | Date wise increase / decrease | | | Cumulative shareholding | % of total share capital |
|-------------------------------|--|-------------------------------------|---------------------|--------------------------|-------------------------|--------------------------|
| | | Date | Increase / decrease | % of total share capital | | |
| 5. | Barclays Merchant Bank (Singapore) Ltd. Changes in the holdings as per the beneficiary position downloaded from the Depositories. | At the beginning of the year | | | 9133885 | 0.89 |
| | | 17.06.2016 | 23575 | 0.00 | 9157460 | 0.89 |
| | | 30.06.2016 | 53601 | 0.01 | 9211061 | 0.90 |
| | | 01.07.2016 | 6000 | 0.00 | 9217061 | 0.90 |
| | | 29.07.2016 | 27200 | 0.00 | 9244261 | 0.90 |
| | | 05.08.2016 | -57600 | 0.00 | 9186661 | 0.90 |
| | | 12.08.2016 | 120000 | 0.01 | 9306661 | 0.91 |
| | | 02.09.2016 | -5370 | 0.00 | 9301291 | 0.91 |
| | | 09.09.2016 | 22400 | 0.00 | 9323691 | 0.91 |
| | | 16.09.2016 | 20800 | 0.00 | 9344491 | 0.91 |
| | | 14.10.2016 | -3200 | 0.00 | 9341291 | 0.91 |
| | | 28.10.2016 | -153600 | -0.01 | 9187691 | 0.90 |
| | | 04.11.2016 | -3660 | 0.00 | 9184031 | 0.90 |
| | | 11.11.2016 | -3737 | 0.00 | 9180294 | 0.90 |
| | | 25.11.2016 | -3944 | 0.00 | 9176350 | 0.90 |
| | | 02.12.2016 | -6698 | 0.00 | 9169652 | 0.90 |
| | | 09.12.2016 | 11200 | 0.00 | 9180852 | 0.90 |
| | | 16.12.2016 | 6400 | 0.00 | 9187252 | 0.90 |
| | | 30.12.2016 | -3200 | 0.00 | 9184052 | 0.90 |
| | | 13.01.2017 | -3200 | 0.00 | 9180852 | 0.90 |
| | | 20.01.2017 | 19200 | 0.00 | 9200052 | 0.90 |
| | | 27.01.2017 | -24000 | 0.00 | 9176052 | 0.90 |
| | | 03.02.2017 | -30400 | -0.01 | 9145652 | 0.89 |
| | | 17.02.2017 | 81600 | 0.01 | 9227252 | 0.90 |
| | | 24.02.2017 | 24000 | 0.00 | 9251252 | 0.90 |
| | | 03.03.2017 | -2490 | 0.00 | 9248762 | 0.90 |
| | | 31.03.2017 | 78400 | 0.01 | 9327162 | 0.91 |
| At the end of the year | | | | 9327162 | 0.91 | |

| Sr. No. | Name of the Shareholder | Date wise increase / decrease | | | Cumulative shareholding | % of total share capital |
|------------|--|-------------------------------------|---------------------|--------------------------|-------------------------|--------------------------|
| | | Date | Increase / decrease | % of total share capital | | |
| 6. | HDFC Standard Life Insurance Company Limited | At the beginning of the year | | | 5317243 | 0.52 |
| | | 17.06.2016 | -6209 | 0.00 | 5311034 | 0.52 |
| | | 08.07.2016 | -8417 | 0.00 | 5302617 | 0.52 |
| | | 15.07.2016 | -57083 | -0.01 | 5245534 | 0.51 |
| | | 22.07.2016 | 3666 | 0.00 | 5249200 | 0.51 |
| | | 29.07.2016 | 45520 | 0.01 | 5294720 | 0.52 |
| | | 12.08.2016 | 25000 | 0.00 | 5319720 | 0.52 |
| | | 26.08.2016 | -167592 | -0.02 | 5152128 | 0.50 |
| | | 02.09.2016 | 97562 | 0.01 | 5249690 | 0.51 |
| | | 09.09.2016 | 204283 | 0.02 | 5453973 | 0.53 |
| | | 16.09.2016 | 33909 | 0.01 | 5487882 | 0.54 |
| | | 23.09.2016 | -21300 | -0.01 | 5466582 | 0.53 |
| | | 30.09.2016 | -82392 | -0.01 | 5384190 | 0.52 |
| | | 07.10.2016 | 214506 | 0.03 | 5598696 | 0.55 |
| | | 14.10.2016 | 143869 | 0.01 | 5742565 | 0.56 |
| | | 21.10.2016 | 27763 | 0.00 | 5770328 | 0.56 |
| | | 28.10.2016 | -53000 | 0.00 | 5717328 | 0.56 |
| | | 11.11.2016 | 100000 | 0.01 | 5817328 | 0.57 |
| | | 25.11.2016 | 463 | 0.00 | 5817791 | 0.57 |
| | | 02.12.2016 | 52617 | 0.00 | 5870408 | 0.57 |
| | | 09.12.2016 | 3417 | 0.00 | 5873825 | 0.57 |
| | | 16.12.2016 | 2583 | 0.00 | 5876408 | 0.57 |
| | | 23.12.2016 | 44000 | 0.01 | 5920408 | 0.58 |
| | | 30.12.2016 | 33360 | 0.00 | 5953768 | 0.58 |
| | | 06.01.2017 | 75000 | 0.01 | 6028768 | 0.59 |
| | | 20.01.2017 | 4295 | 0.00 | 6033063 | 0.59 |
| | | 27.01.2017 | 25000 | 0.00 | 6058063 | 0.59 |
| | | 03.02.2017 | 26865 | 0.00 | 6084928 | 0.59 |
| | | 17.02.2017 | 75316 | 0.01 | 6160244 | 0.60 |
| | | 24.02.2017 | 100000 | 0.01 | 6260244 | 0.61 |
| | | 03.03.2017 | -77000 | -0.01 | 6183244 | 0.60 |
| | | 10.03.2017 | -8205 | 0.00 | 6175039 | 0.60 |
| | | 17.03.2017 | 10854 | 0.00 | 6185893 | 0.60 |
| 24.03.2017 | 2850 | 0.00 | 6188743 | 0.60 | | |
| 31.03.2017 | 14741 | 0.00 | 6203484 | 0.60 | | |
| | | At the end of the year | | | 6203484 | 0.60 |

Changes in the holdings as per the beneficiary position downloaded from the Depositories.

| Sr. No. | Name of the Shareholder | Date wise increase / decrease | | | Cumulative shareholding | % of total share capital |
|-------------------------------|---|-------------------------------------|---------------------|--------------------------|-------------------------|--------------------------|
| | | Date | Increase / decrease | % of total share capital | | |
| 7. | Reliance Capital Trustee Co. Ltd. A/c. Reliance Pharma Fund | At the beginning of the year | | | 6192500 | 0.60 |
| | | 17.06.2016 | -1666467 | -0.16 | 4526033 | 0.44 |
| | | 24.06.2016 | 31500 | 0.01 | 4557533 | 0.45 |
| | | 30.06.2016 | -1300 | 0.00 | 4556233 | 0.45 |
| | | 01.07.2016 | 300 | 0.00 | 4556533 | 0.45 |
| | | 15.07.2016 | -27200 | 0.00 | 4529333 | 0.45 |
| | | 22.07.2016 | -52800 | -0.01 | 4476533 | 0.44 |
| | | 29.07.2016 | -27200 | 0.00 | 4449333 | 0.44 |
| | | 05.08.2016 | -32000 | -0.01 | 4417333 | 0.43 |
| | | 12.08.2016 | 83200 | 0.01 | 4500533 | 0.44 |
| | | 26.08.2016 | -78400 | -0.01 | 4422133 | 0.43 |
| | | 02.09.2016 | -62 | 0.00 | 4422071 | 0.43 |
| | | 23.09.2016 | -160000 | -0.02 | 4262071 | 0.41 |
| | | 07.10.2016 | 1 | 0.00 | 4262072 | 0.41 |
| | | 11.11.2016 | 44294 | 0.01 | 4306366 | 0.42 |
| | | 18.11.2016 | 876 | 0.00 | 4307242 | 0.42 |
| | | 25.11.2016 | -626 | 0.00 | 4306616 | 0.42 |
| | | 02.12.2016 | 304 | 0.00 | 4306920 | 0.42 |
| | | 16.12.2016 | 8000 | 0.00 | 4314920 | 0.42 |
| | | 23.12.2016 | 1750 | 0.00 | 4316670 | 0.42 |
| | | 30.12.2016 | 150 | 0.00 | 4316820 | 0.42 |
| | | 06.01.2017 | 11 | 0.00 | 4316831 | 0.42 |
| | | 13.01.2017 | -300 | 0.00 | 4316531 | 0.42 |
| | | 20.01.2017 | 22400 | 0.00 | 4338931 | 0.42 |
| | | 27.01.2017 | -300 | 0.00 | 4338631 | 0.42 |
| | | 03.02.2017 | 400000 | 0.04 | 4738631 | 0.46 |
| | | 10.02.2017 | 193250 | 0.02 | 4931881 | 0.48 |
| | | 17.02.2017 | 274950 | 0.03 | 5206831 | 0.51 |
| | | 24.02.2017 | -150 | 0.00 | 5206681 | 0.51 |
| | | 03.03.2017 | 387105 | 0.04 | 5593786 | 0.55 |
| | | 17.03.2017 | -100416 | -0.01 | 5493370 | 0.54 |
| | | 31.03.2017 | -1119 | 0.00 | 5492251 | 0.54 |
| At the end of the year | | | | 5492251 | 0.54 | |

Changes in the holdings as per the beneficiary position downloaded from the Depositories.

| Sr. No. | Name of the Shareholder | Date wise increase / decrease | | | Cumulative shareholding | % of total share capital |
|---------|---|-------------------------------------|---------------------|--------------------------|-------------------------------|--------------------------|
| | | Date | Increase / decrease | % of total share capital | | |
| 8. | UTI – Equity Fund Changes in the holdings as per the beneficiary position downloaded from the Depositories. | At the beginning of the year | | | 4659182 | 0.45 |
| | | 17.06.2016 | 306267 | 0.03 | 4965449 | 0.48 |
| | | 24.06.2016 | 75000 | 0.01 | 5040449 | 0.49 |
| | | 30.06.2016 | 257449 | 0.02 | 5297898 | 0.51 |
| | | 01.07.2016 | 100469 | 0.02 | 5398367 | 0.53 |
| | | 08.07.2016 | 265000 | 0.02 | 5663367 | 0.55 |
| | | 15.07.2016 | 245000 | 0.02 | 5908367 | 0.57 |
| | | 29.07.2016 | 100000 | 0.02 | 6008367 | 0.59 |
| | | 02.09.2016 | 4599 | 0.00 | 6012966 | 0.59 |
| | | 09.09.2016 | 3200 | 0.00 | 6016166 | 0.59 |
| | | 23.09.2016 | -18000 | 0.00 | 5998166 | 0.59 |
| | | 14.10.2016 | -50000 | 0.00 | 5948166 | 0.59 |
| | | 28.10.2016 | -150000 | -0.02 | 5798166 | 0.57 |
| | | 04.11.2016 | -105000 | -0.01 | 5693166 | 0.56 |
| | | 11.11.2016 | -281000 | -0.03 | 5412166 | 0.53 |
| | | 18.11.2016 | -108000 | -0.01 | 5304166 | 0.52 |
| | | 02.12.2016 | -65000 | -0.01 | 5239166 | 0.51 |
| | | 09.12.2016 | -50000 | -0.01 | 5189166 | 0.50 |
| | | 16.12.2016 | 4800 | 0.00 | 5193966 | 0.50 |
| | | 23.12.2016 | -24400 | 0.00 | 5169566 | 0.50 |
| | | 30.12.2016 | 16000 | 0.00 | 5185566 | 0.50 |
| | | 06.01.2017 | -189310 | -0.02 | 5996256 | 0.48 |
| | | 20.01.2017 | -34000 | 0.00 | 4962256 | 0.48 |
| | | 03.02.2017 | -40600 | 0.00 | 4921656 | 0.48 |
| | | 24.02.2017 | -90000 | -0.01 | 4831656 | 0.47 |
| | | 03.03.2017 | 67200 | 0.01 | 4898856 | 0.48 |
| | | 10.03.2017 | 150000 | 0.01 | 5048856 | 0.49 |
| | | 17.03.2017 | 60000 | 0.01 | 5108856 | 0.50 |
| | | 24.03.2017 | 30000 | 0.00 | 5138856 | 0.50 |
| | | 31.03.2017 | -50000 | 0.00 | 5088856 | 0.50 |
| | | | | | At the end of the year | 5088856 |
| 9. | General Insurance Corporation of India Changes in the holdings as per the beneficiary position downloaded from the Depositories. | At the beginning of the year | | | 4850000 | 0.47 |
| | | 23.09.2016 | -50000 | 0.00 | 4800000 | 0.47 |
| | | 25.11.2016 | 25000 | 0.00 | 4825000 | 0.47 |
| | | 24.02.2017 | -25000 | 0.00 | 4800000 | 0.47 |
| | | 03.03.2017 | -25000 | 0.00 | 4775000 | 0.47 |
| | | 24.03.2017 | -175000 | -0.02 | 4600000 | 0.45 |
| | | | | | At the end of the year | 4600000 |

| Sr. No. | Name of the Shareholder | Date wise increase / decrease | | | Cumulative shareholding | % of total share capital |
|---------|---|-------------------------------------|-------------------------------|--------------------------|-------------------------|--------------------------|
| | | Date | Increase / decrease | % of total share capital | | |
| 10. | DSP Blackrock Top 100 Equity Fund | At the beginning of the year | | | 5498989 | 0.54 |
| | Changes in the holdings as per the beneficiary position downloaded from the Depositories. | 17.06.2016 | -1358061 | -0.13 | 4140928 | 0.41 |
| | | 24.06.2016 | -141472 | -0.01 | 3999456 | 0.40 |
| | | 30.06.2016 | -80145 | 0.01 | 3919311 | 0.39 |
| | | 08.07.2016 | -320474 | -0.04 | 3598837 | 0.35 |
| | | 15.07.2016 | -110832 | -0.01 | 3488005 | 0.34 |
| | | 29.07.2016 | -853196 | -0.08 | 2634809 | 0.26 |
| | | 05.08.2016 | -1145763 | -0.11 | 1489046 | 0.15 |
| | | 28.10.2016 | -256900 | -0.03 | 1232146 | 0.12 |
| | | 25.11.2016 | 1611 | 0 | 1233757 | 0.12 |
| | | 13.01.2017 | -809116 | -0.08 | 424641 | 0.04 |
| | | 20.01.2017 | 424641 | -0.04 | 0 | 0 |
| | | | At the end of the year | | | 0 |

v) Shareholding of Directors and Key Managerial Personnel [KMP]:

A. Directors [Other than KMP]:

| Particulars | Mr. Mukesh M. Patel | Mr. Humayun Dhanrajgir | Mr. Nitin R. Desai | Ms. Dharmishta N. Rawal |
|--|---------------------|------------------------|--------------------|-------------------------|
| At the beginning of the year: | | | | |
| Number of Shares | 12000 | Nil | 442000 | Nil |
| % of total shares held | 0.001 | - | 0.04 | - |
| Date wise increase / decrease in shareholding: | Nil | Nil | Nil | Nil |
| At the end of the year: | | | | |
| Number of Shares | 12000 | Nil | 442000 | Nil |
| % of total shares held | 0.001 | - | 0.04 | - |

B. Key Managerial Personnel:

| Particulars | Mr. Pankaj R. Patel Chairman and Managing Director | Dr. Sharvil P. Patel Joint Managing Director | Mr. Nitin D. Parekh CFO | Mr. Upen H. Shah Company Secretary |
|--|--|---|-------------------------------|---------------------------------------|
| At the beginning of the year: | | | | |
| Number of Shares | 765690230* | 15000 | 40000 | 2800 |
| % of total shares held | 74.79 | 0.001 | 0.003 | 0.00 |
| Date wise increase / decrease in shareholding: | Nil | Nil | Nil | -2500 [On different dates] |
| At the end of the year: | | | | |
| Number of Shares | 765690230* | 15000 | 40000 | 300 |
| % of total shares held | 74.79 | 0.001 | 0.003 | 0.00 |

* Includes shares held by Family Trust and HUF

V. Indebtedness

Indebtedness of the Company including interest outstanding / accrued but not due for payment:

Rs. in Mio

| | Secured Loans excluding deposits | Unsecured Loans | Deposits | Total Indebtedness |
|--|-------------------------------------|--------------------|----------|-----------------------|
| Indebtedness at the beginning of the financial year | | | | |
| i) Principal Amount | 4537 | 7691 | - | 12228 |
| ii) Interest due but not paid | - | - | - | - |
| iii) Interest accrued but not due | 0 | 4 | - | 4 |
| Total (i+ii+iii) | 4537 | 7695 | - | 12232 |
| Change in Indebtedness during the financial year | | | | |
| Addition | 5960 | 27457 | - | 33417 |
| Reduction | (878) | (15362) | - | (16240) |
| Net Change | 5082 | 12095 | - | 17177 |
| Indebtedness at the end of the financial year | | | | |
| i) Principal Amount | 9614 | 19784 | - | 29398 |
| ii) Interest due but not paid | - | - | - | - |
| iii) Interest accrued but not due | 5 | 6 | - | 11 |
| Total (i+ii+iii) | 9619 | 19790 | - | 29409 |

VI. Remuneration of Directors and Key Managerial Personnel

A. Remuneration to Managing Director, Whole-time Directors and / or Manager:

[Amount Rs. in Lacs]

| Sr. No. | Particulars of Remuneration | Mr. Pankaj R. Patel Managing Director | Dr. Sharvil P. Patel Joint Managing Director | Total |
|------------------------|--|--|---|----------------|
| Gross Salary | | | | |
| 1 | a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961 | 1786.50 | 1199.60 | 2986.10 |
| | b) Value of perquisites under section 17(2) Income Tax Act, 1961 | 13.50 | 0.40 | 13.90 |
| | c) Profits in lieu of salary under section 17(3) Income Tax Act, 1961 | - | - | - |
| 2 | Stock Options | - | - | - |
| 3 | Sweat Equity | - | - | - |
| 4 | Commission | | | |
| | - As % of profit | - | - | - |
| | - Others, specify.... | - | - | - |
| 5 | Other, please specify | | | |
| | i. Deferred bonus | - | - | - |
| | ii. Retirement benefits | - | - | - |
| Total (A) | | 1800.00 | 1200.00 | 3000.00 |
| Ceiling as per the Act | | 3070.00 | 3070.00 | |

B. Remuneration to other Director:

1. Independent Directors:

[Amount Rs. in Lacs]

| Particulars of Remuneration | Name of the Director | | | | Total |
|--|---------------------------|--------------------|-------------------------|-----------------------|---------------|
| | Mr. Humayun R. Dhanrajgir | Mr. Nitin R. Desai | Ms. Dharmishta N. Rawal | Mr. Apurva S. Diwanji | |
| - Fee for attending Board / Committee Meetings | 15.00 | 14.00 | 16.00 | 9.00 | 54.00 |
| - Commission | 21.00 | 21.00 | 21.00 | 21.00 | 84.00 |
| - Others, please specify | - | - | - | - | - |
| Total (B)(1) | 36.00 | 35.00 | 37.00 | 30.00 | 138.00 |

2. Other Non-Executive Directors:

[Amount Rs. in Lacs]

| Particulars of Remuneration | Name of the Director |
|--|----------------------|
| | Mr. Mukesh M. Patel |
| - Fee for attending Board / Committee Meetings | 18.00 |
| - Commission | 21.00 |
| - Others, please specify | - |
| Total (B)(2) | 39.00 |
| Total (B)=(B)(1)+(B)(2) | 177.00 |

C. Remuneration to Key Managerial Personnel other than MD / Manager / WTD:

[Amount Rs. in Lacs]

| Sr. No. | Particulars of Remuneration | Key Managerial Personnel | | Total |
|---------|--|----------------------------|---------------------------------------|---------------|
| | | Mr. Nitin D. Parekh CFO | Mr. Upen H. Shah Company Secretary | |
| 1. | Gross Salary | | | |
| | a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961 | 332.96 | 33.37 | 401.19 |
| | b) Value of perquisites under section 17(2) Income Tax Act, 1961 | 0.29 | 0.22 | 0.51 |
| | c) Profit in lieu of salary under section 17(3) Income Tax Act, 1961 | - | - | - |
| 2. | Stock Options | - | - | - |
| 3. | Sweat Equity | - | - | - |
| 4. | Commission | | | |
| | - as % of profit | - | - | - |
| | - Others, specify... | - | - | - |
| 5 | Others, please specify – Retiral | - | - | - |
| | Total (C) | 333.25 | 33.59 | 365.84 |

VII. Penalties / Punishment / Compounding of Offences:

| Type | Section of the Companies Act | Brief Description | Details of Penalty / Punishment Compounding fees imposed | Authority [RD / NCLT / COURT] | Appeal made, if any (give details) |
|-------------------------------------|------------------------------|-------------------|--|-------------------------------|------------------------------------|
| A. COMPANY | | | | | |
| Penalty | | | None | | |
| Punishment | | | | | |
| compounding | | | | | |
| B. DIRECTORS | | | | | |
| Penalty | | | None | | |
| Punishment | | | | | |
| Compounding | | | | | |
| C. OTHER OFFICERS IN DEFAULT | | | | | |
| Penalty | | | None | | |

On behalf of the Board of Directors

Place : Ahmedabad
Date : May 27, 2017Pankaj R. Patel
Chairman

**PARTICULARS OF REMUNERATION AS PER SECTION 197[12] OF
THE COMPANIES ACT, 2013 READ WITH RULE 5[1] OF THE COMPANIES
[APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL] RULES, 2014.**

- a. The ratio of remuneration of each Director to the median remuneration of the employees of the Company for the financial year:

| Name of the Director | Ratio of each Director to the median remuneration of the employee. |
|--------------------------|--|
| Mr. Pankaj R. Patel | 507.04 |
| Dr. Sharvil P. Patel | 338.03 |
| Mr. H. Dhanrajgir | 5.92 |
| Mr. Nitin R. Desai | 5.92 |
| Mr. Mukesh M. Patel | 5.92 |
| Ms. Dharmishtha N. Rawal | 5.92 |
| Mr. Apurva S. Diwanji | 5.92 |

- b. The percentage increase in remuneration of each Director, Chief Financial Officer and Company Secretary in the financial year:

| Name of the Director, Chief Financial Officer and the Company Secretary | % increase in the remuneration in the financial year |
|---|--|
| Mr. Pankaj R. Patel | - |
| Dr. Sharvil P. Patel | - |
| Mr. Humayun Dhanrajgir | - |
| Mr. Nitin R. Desai | - |
| Mr. Mukesh M. Patel | - |
| Ms. Dharmishtaben N. Rawal | - |
| Mr. Apurva S. Diwanji | - |
| Mr. Nitin D. Parekh, Chief Financial Officer | 1.02 |
| Mr. Upen H. Shah, Company Secretary | 10.85 |

- c. The percentage increase in the median remuneration of employees in the financial year was 14.40%.
- d. There were 16,885 permanent employees on the rolls of the Company as on March 31, 2017.
- e. The profits after tax for the financial year ended on March 31, 2017 reduced by 67.5%, whereas the average increase in remuneration of employees was 17.90%.
- f. The profits after tax for the financial year ended on March 31, 2017 reduced by 67.5%. There was no increase in the remuneration of Managing Director and Joint Managing Director. The remuneration of other Key Managerial Personnel, viz. [1] Chief Financial Officer was increased by 1.02% and [2] Company Secretary was increased by 10.85%.
- g. The market capitalization of the Company was Rs. 45,377 Crores as on March 31, 2017 as against Rs. 32,442 Crores as on March 31, 2016.

Whereas, Price Earnings Ratio of the Company was 29.83 as on March 31, 2017 as against 21.31 as at March 31, 2016.

- h. The Company came out with Initial Public Offer [IPO] in February, 2000 at a price of Rs. 250 per share for face value of Rs. 5/- per equity share. During the year 2015–2016, the Company has split the face value of equity shares from Rs. 5/- per share at the time of IPO to Rs. 1/- per share. The market price of the share of the face value Re. 1/- as on March 31, 2017 was Rs. 443.25 on BSE Limited and Rs. 442.00 on the National Stock Exchange of India Limited. The variation in price is 4432%, apart from the issue of bonus shares and dividends received by the shareholders. The variation in price is calculated after adjusting the effect of such split.
- i. The average annual increase in the salaries of the employees, other than managerial personnel was 17.9%, whereas the average increase in the managerial remuneration was 18.00% for the financial year. The higher increase in managerial remuneration was on the recommendation of Nomination and Remuneration Committee considering the performance of the managerial personnel and the Company.
- j. The members have, at the Annual General Meeting of the Company held on August 3, 2016, approved the payment of commission to the Non-Executive Directors within the ceiling of 1% of the Net Profits of the Company, subject to maximum of Rs. 30 mio in aggregate, as computed under the applicable provisions of the Act. The performance of the Company in terms of sales and profitability are the key parameters, apart from size of the Company and contributions of the Directors at the Board and Committee meetings.
- k. Ratio of remuneration of the highest paid Director to that of the employees who are not Directors but received remuneration in excess of the highest paid Director during the year was 0.90:1.
- l. The Company affirms remuneration is as per the Nomination and Remuneration Policy of the Company.
- m. The statement containing particulars of employees as required under section 197[12] of the Act read with Rule 5[2] of the Companies [Appointment and Remuneration of Managerial Personnel] Rules, 2014, is provided in a separate annexure forming part of this report. In terms of section 136 of the Act, the said annexure is open for inspection at the Registered Office of the Company. Any shareholder interested in obtaining a copy of the same may write to the Company Secretary.

On behalf of the Board of Directors

Place : Ahmedabad
Date : May 27, 2017

Pankaj R. Patel
Chairman

**INFORMATION PERTAINING TO CONSERVATION OF ENERGY, TECHNOLOGY
ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO PURSUANT
TO SECTION 134(1)(M) OF THE COMPANIES ACT, 2013 READ WITH
RULE NO. 8 OF THE COMPANIES [ACCOUNTS] RULES, 2014.**

A. Conservation of Energy:

1. Steps taken and capital investment and impact on conservation of energy:

| a. Particulars of major steps taken and capital investments made: | | [Amount Rs. in Lacs] |
|---|--|----------------------|
| Sr. No. | Steps taken by installing following equipment / fittings | Capital Investments |
| i. | 10 HP air compressor installed at API Ahmedabad (Zyfine) | 0.50 |
| ii. | Automation in boiler at API Ahmedabad (Zyfine) | 0.50 |
| iii. | Process cooling towers shifted and installed low heat pumps at Dabhasa Unit | 29.00 |
| iv. | Revamped chilled water system at Dabhasa unit | 29.35 |
| v. | Installed ultra-low frequency based treatment system for reducing chemicals in water at Dabhasa Unit | 10.00 |
| vi. | Replaced conventional oil ring OTC pump with rotary and screw pump at Dabhasa Unit | 25.31 |
| vii. | Replaced shell and tube type condensers with spiral and plate heat exchanger at Dabhasa Unit | 30.61 |
| viii. | Replaced CFL / TB with LED lights at different Units | 102.50 |
| ix. | Installed solar lights at Baddi unit | 1.80 |
| x. | Installed float traps at Baddi Unit | 2.00 |
| xi. | Variable Frequency Drive [VFD] at Ankleshwar Unit | 4.80 |
| xii. | Energy efficient motors at Ankleshwar Unit | 6.07 |
| xiii. | PPPU pump for condensate recovery at Ankleshwar unit | 9.92 |
| xiv. | Replaced ETP blowers at Ankleshwar unit | 38.50 |
| xv. | Installed TPH boiler at SEZ Unit | 162.00 |
| xvi. | Installed heat pumps at SEZ Unit | 43.87 |
| Total | | 496.73 |

b. Impact on conservation of energy:

- Reduction in power consumption,
- Reduction in PNG gas consumption,
- Reduction in water treatment chemical,
- Reduction in oil consumption,
- Improved distillation system,
- Savings of thermal energy,
- Reduction in maintenance cost,
- Improvement of efficiency of Boiler and DG Set,
- Reduction in chemical usages,
- Improvement in environment,
- Minimization of steam losses.

2. Steps taken by the Company for utilizing alternate sources of energy:

- Using solar energy,
- Reused waste treated water for gardening, urinal flush, etc. to save ground fresh water consumption,
- Reused the reject water of purified plant as feed water for boiler and
- Water conservation by using treated water in boiler and in cooling tower.

B. Technology Absorption:

1. Efforts made towards technology absorption:

- Manufactured complex products like wruster coated products by using new technology.
- 2D bar-coding machine.
- Used laser drilling technology for printing on tablets.
- Fixing of dehumidifiers for maintaining level of temperature at SEZ Unit.
- High speed compression machines.

2. Benefits derived:

- Reduced cycle time of complex wruster coated products.
- Strengthening quality standards.
- Maintained high ETP standards.
- Capacity enhancement.

3. Details of technology imported in last three years:

The Company has imported the following technology at SEZ Unit:

- GEA compression machine
- Fette compression machine
- Antitsu online check weigher
- Viswill tablet inspection machine
- Enclon tablet inspection machine

- Sensum tablet inspection machine
- CVC bulk packing line
- IMA bulk packing line
- Trane chiller (1000TR)
- Trane Heat Pump
- IR Centrifugal air compressor (1500CFM)

The above technologies were imported during the year 2016–2017 and were fully absorbed.

4. Expenditure incurred on Research and Development:

The Company has incurred expenditure of Rs. 6,653 million under the head Research and Development.

C. Foreign Exchange Earnings and outgo:

During the year, the foreign exchange earned in terms of actual inflows was Rs. 21,280 million, whereas the foreign exchange in terms of actual outflows was Rs. 10,874 million.

On behalf of the Board of Directors

Place : Ahmedabad
Date : May 27, 2017

Pankaj R. Patel
Chairman

Corporate Governance Report

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE CODE

Cadila Healthcare Limited believes in continuous good corporate governance and always strives to improve performance at all levels by adhering to corporate governance practices, such as managing its affairs with diligence, transparency, responsibility and accountability. We have, therefore, designed our systems and action plans to enhance performance and stakeholders' value in the long run. To create a culture of good governance, your Company has adopted practices that comprise of performance accountability, effective management control, constitution of Board Committees as a part of the internal control system, fair representation of professionally qualified, non-executive and Independent Directors on the Board, adequate and timely compliance, disclosure of information on performance, ownership and governance of the Company and payment of statutory dues. The Compliance Report on Corporate Governance herein signifies compliance of all mandatory requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 [the Listing Regulations]

1. Governance Structure

Governance structure of the Company comprises of the Board of Directors [the Board] and the Committees of the Board at the top level and the internal governance structure at the operational level. The responsibility of the Board is to determine the overall corporate objectives and give direction and freedom to the management to achieve those objectives within a given framework. The organizational and governance structure enables an environment for value creation through sustainable and profitable growth.

The governance structure is based on the principles of freedom to the executive management within a given framework to ensure that the powers vested in the executive management are exercised with due care and responsibilities.

The primary role of the Board is to protect the interest and enhance the value for all the stakeholders. It conducts the overall strategic supervision and control by setting policies, reporting mechanism and accountability and decision making process to be followed.

The Chairman and Managing Director is in overall control and responsible for the overall working of the Company. He gives strategic directions, lays down the policy guidelines and ensures the implementation of the decisions of the Board and its committees.

The governance system encourages the entrepreneurship, risk taking and growth orientation with an objective to lead full accountability enabled by appropriate empowerment.

2. Board of Directors

The Chairman and Managing Director and the Joint Managing Director look after the day-to-day business affairs of the Company, the Board of Directors reviews the overall business operations at least once in a quarter based on updates on the Company's performance provided by the Chairman and Managing Director / Joint Managing Director.

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 the Code of Corporate Governance. The Board is headed by the Executive Chairman, Mr. Pankaj R. Patel, who is also the promoter Director. As on March 31, 2017, your Company's Board comprised of seven Directors; which include two Executive Directors and five Non-Executive Directors, including four Independent Directors, who have considerable experience in their respective fields. As required under the provisions of section 149[1] of the Companies Act, 2013 and Rules made thereunder and regulation 17 of the Listing Regulations, the constitution of Board meets with the requirements stated therein. Non-Executive and Independent Directors have expert knowledge in the fields of finance, taxation, legal and industry. Thus, the Board represents a balanced mix of professionals, who bring the benefits of their knowledge and expertise.

B) Board Meetings / Directors' Particulars:

In compliance with regulation 17 of the Listing Regulations and as required under the Companies Act, 2013, the Board meets at least once in each quarter and the gap between any two Board meetings was not more than 120 days. During the year under

review, seven board meetings were held on May 13, 2016, August 3, 2016, October 26, 2016, November 17, 2016, January 5, 2017, January 31, 2017 and March 7, 2017.

The Board periodically reviews the items required to be placed before it and in particular reviews and approves quarterly / half yearly unaudited financial statements and the audited annual financial statements, corporate strategies, business plans, annual budgets, projects and capital expenditure, compliance with applicable laws and regulations. It monitors overall performance of the Company and reviews performance of its subsidiaries and joint ventures. The Agenda for the board meeting covers items set out as guidelines in regulation 17 of Listing Regulations to the extent the same are applicable and relevant. All agenda items are supported by relevant information, documents and presentations to enable the Board to take informed decisions.

The meetings of the Board of Directors are scheduled well in advance and usually held in Ahmedabad, where the Registered Office of the Company is situated. The Chief Financial Officer and the Company Secretary, in consultation with the Chairman and Managing Director, prepare detailed agenda for the meetings. Directors are also free to bring up any matter for discussion at the Board Meetings with the permission of the Chairman.

The draft minutes of the meeting approved by the Chairman is circulated to all the Directors within fifteen days after the conclusion of the meetings. Decisions taken at Board / Committee meetings are communicated to the concerned departments promptly for actions and an Action Taken Report on the status of the decisions taken at the Board / Committee meetings is placed, for the information, to the Board / Committee members.

The Board has complete access to the information within the Company, which inter alia includes –

1. Annual revenue and capital expenditure plans / budgets,

2. Quarterly results and results of operations of Company, its subsidiaries and joint ventures,
3. All borrowings, investments, loans and guarantees,
4. Minutes of the meetings of the Board of Directors, Committees of the Board and the summary of minutes of the subsidiary Companies,
5. Details of any joint ventures, acquisitions of brands, trademarks or companies or any collaboration agreements,
6. Quarterly report on fatal or serious accidents or dangerous occurrences, any material effluent or pollution problems,
7. Any materially relevant default, if any, in financial obligations to and by the Company or substantial non-payment for goods sold or services rendered, if any,
8. Any issue, which involves possible public or product liability claims of substantial nature, including any Judgment or Order, if any, which may have strictures on the conduct of the Company,
9. Compliance or non-compliance of any regulatory, statutory nature or listing requirements and matters related to investors' service such as non-payment of dividend, delay in transfer of shares, etc.

The Independent Directors play an important role in the deliberations in Board Meetings and bring with them rich expertise in the field of pharmaceuticals, industry, marketing, accountancy, finance, taxation and other laws.

While constituting the Committee of Directors, the requirements that a Director shall not be a member of more than 10 committees and Chairman of not more than 5 committees have been ensured and complied with. None of the Independent Directors serves as an Independent Director in more than seven listed companies.

The following table gives the attendance of the Directors at the Board meetings of the Company and also the number of other Directorships held in Indian Public Limited Companies [other than the Company] and Chairmanship / Membership in Board Committees of Public Limited Companies as at March 31, 2017

| Name of the Director | Category and Position | No. of Board Meetings held during the year | No. of Board Meetings attended | Whether attended last AGM | Member (Chairman) ¹ of other Board Committees ² | No. of other Directorships held |
|----------------------------------|--|--|--------------------------------|---------------------------|---|---------------------------------|
| Mr. Pankaj R. Patel ³ | Chairman and Managing Director | 7 | 7 | Yes | 2(1) | 4 |
| Mr. Humayun R. Dhanrajgir | Non-executive and Independent Director | 7 | 7 | Yes | 9(2) | 6 |
| Mr. Nitin R. Desai | Non-executive and Independent Director | 7 | 6 | Yes | 1(1) | 3 |

| Name of the Director | Category and Position | No. of Board Meetings held during the year | No. of Board Meetings attended | Whether attended last AGM | Member (Chairman) ¹ of other Board Committees ² | No. of other Directorships held |
|----------------------------------|--|--|--------------------------------|---------------------------|---|---------------------------------|
| Mr. Mukesh M. Patel | Non-executive Director | 7 | 6 | No | 7(4) | 5 |
| Ms. Dharmishta N. Rawal | Non-Executive and Independent Woman Director | 7 | 6 | Yes | 3 | 4 |
| Dr. Sharvil P Patel ⁴ | Joint Managing Director | 7 | 7 | Yes | 4(2) | 4 |
| Mr. Apurva S. Diwanji | Non-executive and Independent Director | 7 | 5 | Yes | 3 | 3 |

1 Figures in () indicate the number of Board Committees of which a Director is a Chairman.

2 Other committee means Audit Committee and Investors' / Stakeholders' Relationship Committee.

3 Promoter Director and father of Dr. Sharvil P. Patel.

4 Son of Mr. Pankaj R. Patel.

C) Familiarization Programme:

At the time of appointment of an Independent Director, a formal letter of appointment is given to him / her, which inter alia explains the role, functions, duties and responsibilities expected from him/her as a Director of the Company. All our Directors are aware and also updated, whenever required, of their role, responsibilities, liabilities and obligations under the provisions of the Companies Act, 2013 and Rules made thereunder and regulation 25 of the Listing Regulations.

Familiarization programme is posted on the website of the Company and any member can visit the Company's website by clicking the link - <http://www.zyduscadila.com/wp-content/uploads/2015/05/Familiarization-programmeMar15.pdf>

D) Evaluation:

During the year, the Nomination and Remuneration Committee / Board have carried out evaluation of its own performance and the performance of the committees of the Board of Directors, individual Directors and the Chairman of the Board. The Board has evaluated the composition of Board, its committees, experience and expertise, performance of specific duties and obligations, governance matters, etc. Performance evaluation of individual Directors and the Board Chairman was also carried out in terms of their respective attendance at Board / Committee meetings, contributions at the meetings, circulation of sufficient documents and information to the Directors, timely availability of the agenda, etc. Directors were satisfied with the evaluation on different criteria.

3. COMMITTEES OF THE BOARD

The Board currently has the following committees:

- A) Audit Committee;
- B) Share Transfer Committee;

- C) Investors' / Stakeholders' Relationship Committee;
- D) Nomination and Remuneration Committee;
- E) Risk Management Committee;
- F) Corporate Social Responsibility [CSR] Committee;
- G) QIP Committee; and
- H) Committee of Directors.

The terms of reference of the Board Committees are determined by the Board from time to time. The Board is responsible for constituting, assigning and co-opting the members of the Committees. The meetings of the Board Committees are convened by the Chairman of the respective Committee.

A) Audit Committee:

1. Terms of Reference:

The role of the Audit Committee includes the following:

1. Oversight of the Company's financial reporting process and disclosure of financial information to ensure that the financial statements are correct, sufficient and credible,
2. Reviewing with the management the quarterly / annual unaudited / audited financial statements and Limited Review Report / Audit Reports of the Statutory Auditors before recommending for approval by the Board of Directors,
3. Reviewing changes in the accounting policies, major accounting estimates based on exercise of judgment by the management, significant adjustments made in the financial statements, etc.
4. Review of Management Discussion and Analysis of financial and operational performance,
5. Review of inter-corporate loans and investments,

- | | |
|--|--|
| <ol style="list-style-type: none"> 6. Review the adequacy and effectiveness of internal financial controls and systems, 7. Review and discuss with the management major financial risk exposures and steps taken to monitor and control them, 8. Overseeing and review the functioning of vigil mechanism [implemented by the Company as a Whistle Blower Policy], 9. Review the scope of the Internal Auditors and Audit Plan to ensure reasonable coverage of different areas of operations, 10. Review, discuss and monitor the observations reported by Statutory / Internal Auditors and their compliance, 11. Review and recommend to the Board the appointment / re-appointment of the Statutory and Cost Auditors after due consideration of their independence and effectiveness, | <ol style="list-style-type: none"> 12. Approving the payment towards additional services rendered by the Statutory Auditors except those enumerated in section 144 of the Companies Act, 2013, 13. Recommending to the Board the remuneration of the Statutory and Cost Auditors, 14. Review of Cost Audit Report submitted by the Cost Auditors, 15. Approval of the appointment, removal and terms of remuneration of Internal Auditors, and 16. Approval of the Related Party Transactions and granting omnibus approvals for certain related party transactions, which are in the ordinary course of business and at an arm's length basis. |
|--|--|

II. Composition, meetings held and attendance at the meetings during the year:

The Audit Committee held five meetings during financial year 2016-17 on May 12, 2016, August 3, 2016, October 25, 2016, November 17, 2016 and January 30, 2017. The time gap between any two meetings was less than 120 days. The composition of the Audit Committee as at March 31, 2017 and details of the attendance of the members of the committee at the meetings of the Committee are as under:

| Name of the Member | Category | No. of Meetings held | No. of Meetings Attended |
|------------------------------|-----------------------------|----------------------|--------------------------|
| Mr. Nitin R. Desai, Chairman | Non-Executive / Independent | 5 | 5 |
| Mr. Humayun R. Dhanrajgir | Non-Executive / Independent | 5 | 5 |
| Ms. Dharmishta N. Rawal | Non-Executive / Independent | 5 | 4 |
| Mr. Mukesh M. Patel | Non-Executive | 5 | 4 |
| Mr. Apurva S. Diwanji* | Non-Executive / Independent | 5 | 2 |

*Appointed as a member of the Committee on May 13, 2016.

All the members of the Audit Committee have the requisite qualifications for appointment on the Committee and possess sound knowledge of accounting practices, financial and internal controls.

The Chairman of the Audit Committee attended the Annual General Meeting of the Company held on August 3, 2016 to respond to shareholders' queries.

III. Invitees at the Audit Committee Meetings:

The representative of the Statutory Auditors is regularly invited and he has attended all the Audit Committee meetings held during the year where the financial results are considered. The representative of the Cost Auditors attends the Audit Committee meeting, where the Cost Audit Report is tabled for discussion. The Managing Director, Joint Managing Director, Chief Financial Officer and Management Auditor are invited to attend and participate in these meetings. The Company Secretary acts as the Secretary to the Committee.

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

B) Share Transfer Committee:

I. Terms of reference:

The Committee is empowered to perform all the functions of the Board in relation to approval and monitoring of transfers, transmission, dematerialization, rematerialization, issue of duplicate share certificates, splitting and consolidation of shares issued by the Company. The Committee also oversees the functions of the Registrar and Share Transfer Agent. The Board has delegated the powers to approve the transfer of shares to the Committee.

II. Composition:

As on March 31, 2017, the Share Transfer Committee comprises of the following members:

1. Mr. Pankaj R. Patel- Chairman

2. Mr. Mukesh M. Patel; and
3. Dr. Sharvil P. Patel

The Company Secretary acts as the Secretary to the Committee.

III. Meetings held and the attendance of members at the meetings:

The Committee meets on a need basis at least twice in a month to ensure the regular process of transfers / transmission of shares, split, consolidation, demat / remat and issuance of duplicate Share Certificates.

C) Investors' / Stakeholders' Relationship Committee:

In compliance with the provisions of section 178 of the Companies Act, 2013 and regulation 20 of the Listing Regulations, the Board has formed an "Investors' / Stakeholders' Relationship Committee".

I. Terms of reference:

The Investors' / Stakeholders' Relationship Committee reviews the redressal of grievances of stakeholders pertaining to the requests / complaints of the shareholders related to transfer of shares, dematerialization of shares, non-receipt of annual accounts, non-receipt of dividend or revalidation of expired dividend warrants, recording the change of address, nomination, etc.

The role of the Investors'/Stakeholders' Relationship Committee has been specified in Part D of the Schedule II of the Listing Regulations.

II. Composition:

The composition of the Committee as on March 31, 2017 and details of attendance of the Committee members at the meetings are given in the following table. The Committee met three times during the year.

| Name of the Member | No. of Meetings held | No. of Meetings Attended |
|-------------------------------|----------------------|--------------------------|
| Mr. Mukesh M. Patel, Chairman | 3 | 3 |
| Mr. Pankaj R. Patel | 3 | 3 |
| Dr. Sharvil P. Patel | 3 | 3 |

The Company Secretary acts as the Secretary to the Committee, who is designated as Compliance Officer pursuant to regulation 6 of the Listing Regulations.

The Committee ensures that the shareholders' / investors' grievances and correspondence are attended and resolved expeditiously. During the year under review, 36 investor grievances were received and all of them have been resolved. There was no investor grievance remaining unattended and

pending as on March 31, 2017.

7,61,913 equity shares remained in the in-transit account with National Securities Depository Limited and Central Depository Services (India) Limited as at March 31, 2017.

III. Number of requests / complaints:

During the year, the Company has resolved investor grievances expeditiously. The Company and / or its Registrar and Transfer Agents have received the following requests / complaints from SEBI / Stock Exchanges and also directly from the shareholders, which were resolved within the time frames laid down by SEBI.

| Particulars | Opening Balance | Received | Resolved | Pending |
|--|-----------------|----------|----------|---------|
| Complaints: | | | | |
| SEBI / Stock Exchange | 0 | - | - | 0 |
| From Shareholders | 0 | 36 | 36 | 0 |
| Shareholder queries / requests: | | | | |
| Dividend related | 0 | 35 | 35 | 0 |
| Transfer / Transmission | 0 | 16 | 16 | 0 |
| Demat / Remat | 0 | 49 | 49 | 0 |
| Changes [address / bank mandates] | 0 | 58 | 58 | 0 |

D) Nomination and Remuneration Committee:

In compliance with the provisions of section 178 of the Companies Act, 2013 and regulation 19 of the Listing Regulations, the Board has constituted a "Nomination and Remuneration Committee" [NRC]. The Terms of reference of the said NRC is specified in clause A of Part D of Schedule II of the Listing Regulations which are mentioned hereunder:

I. Terms of reference:

The functions of Nomination and Remuneration Committee, inter alia, include the following:

1. To identify the persons, who are qualified to become Directors of the Company or who may be appointed in Senior Management,
2. To recommend to the Board, appointment and removal of the Director[s] and evaluation of each Director's performance,
3. To formulate criteria for determining qualifications, positive attributes and independence of a Director,
4. To review on annual basis the compensation to the Non-Executive Directors, Key Managerial Personnel and Senior Management Personnel and recommend to the Board the remuneration and incentive payable to each of them,
5. Ensure that level and composition of remuneration is reasonable and sufficient, its relationship with performance is clear and meets appropriate performance benchmarks,

6. To develop and review the succession plan for the Board.

II. Composition and Meetings:

The composition of the Committee as on March 31, 2017 and details of attendance of the Committee members at the meetings are given in the following table. The Committee met twice during the year. All members of the Committee are Non-Executive Directors and except Mr. Mukesh M. Patel, other members are Independent Directors.

| Name of the Member | No. of Meetings held | No. of Meetings Attended |
|---------------------------------|----------------------|--------------------------|
| Mr. Nitin R. Desai, Chairman | 2 | 2 |
| Mr. Humayun R. Dhanrajgir | 2 | 2 |
| Ms. Dharmishta N. Rawal | 2 | 2 |
| Mr. Mukesh M. Patel | 2 | 2 |
| Mr. Apurva S. Diwanji* | 2 | 1 |

*Appointed as a member of the Committee on May 13, 2016.

The Company Secretary acts as the Secretary to the Committee.

III. Nomination and Remuneration Policy and details of remuneration paid / payable to the Directors for the year ended March 31, 2017:

The Board of Directors approved the Nomination and Remuneration Policy on the recommendation of Nomination and Remuneration Committee. The salient aspects of the Policy are outlined below:

a) Objectives:

- To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management Personnel,
- To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board, and
- To recommend to the Board on remuneration payable to the Directors, Key Managerial Personnel and Senior Management Personnel.

The Company follows a policy on remuneration of Directors and Senior Management Employees.

b) Remuneration to Non-Executive Directors:

- Non-Executive Director is paid sitting fees for each meeting of the Board or Committee of the Board

attended by him/her, of such sum as may be approved by the Board within the overall limits prescribed under the Companies Act, 2013 and the Companies [Appointment and Remuneration of Managerial Personnel] Rules, 2014. The Board of Directors has approved the payment of sitting fees at Rs. 1 lac to each Non-Executive Director towards each of the Board / Committee meetings attended by them.

- A Non-Executive Director is also paid commission on an annual basis, of such sum as may be approved by the Board. The total commission payable to the Non-Executive Directors shall not exceed 1% of the net profit of the Company and subject to the limits approved by the members.
- In determining the quantum of commission payable to Non-Executive Directors, the Nomination and Remuneration Committee considers the overall performance of the Company and the onerous responsibilities required to be shouldered by the Non-Executive Directors. The commission is being paid on uniform basis to reinforce the principles of collective responsibility of the Board.
- A Non-Executive Director is also reimbursed the expenses incurred by him for attending the Board and / or Committee of Board meetings.
- Apart from the above, there are no materially significant related party transactions, pecuniary transactions or relationships between the Company and its Directors except those disclosed in the financial statements for the year ended on March 31, 2017.

c) Remuneration to the Managing Director and the Joint Managing Director:

Mr. Pankaj R. Patel is the Managing Director and Dr. Sharvil P. Patel is the Joint Managing Director on the Board. On the recommendation of the Nomination and Remuneration Committee, the Board decides and approves the remuneration payable to Mr. Pankaj R. Patel and Dr. Sharvil P. Patel within the ceiling fixed by shareholders as per the resolution passed at the Annual General Meeting held on August 3, 2016 and August 6, 2012 respectively.

As per the recommendation of the Nomination and Remuneration Committee, Mr. Pankaj R. Patel, Chairman and Managing Director and Dr. Sharvil P. Patel, Joint Managing Director were paid remuneration / remuneration payable of Rs. 180 mio and Rs. 120 mio respectively by way of salary and allowances for the financial year ended on March 31, 2017.

The Company has entered into agreements with Mr. Pankaj R. Patel and Dr. Sharvil P. Patel for their respective employment for a period of five years. Either party to an agreement is entitled to terminate the agreement by giving not less than 3 months' notice in writing to the other party.

The Board, on the recommendation of Nomination and Remuneration Committee, proposed the re-appointment of Dr. Sharvil P. Patel as a Joint Managing Director for a further period of five years for the approval of the members at the ensuing Annual General Meeting.

d) Remuneration to Senior Management Employees:

The Managing Director with the help of the Group President [Human Resources and Corporate Communication], carries out the individual performance review based on the standard appraisal matrix and after taking into account the appraisal score card and other factors like – Key Performance Area v/s initiatives, balance between fixed and variable pay, fixed components and perquisites and retirement benefits, criticality of roles and responsibilities, industry benchmarks and current compensation trends in the market. Further, any promotion at a senior level management is approved by the Management based on a predetermined process and after assessing the candidate's capability to shoulder higher responsibility.

iv) Details of the commission / sitting fees paid to the Non-Executive Directors for the year 2016-17 are given below:

(INR Lacs)

| Name of the Non-Executive Directors | Commission [@] | Sitting fees | | | | | | Total |
|-------------------------------------|-------------------------|----------------|--------------------------|------------------------|--------------|--|-----------------|-------|
| | | Board Meetings | Audit Committee Meetings | CSR Committee Meetings | NRC Meetings | Investors'/ Stakeholders' Relationship Committee | Other Meetings* | |
| Mr. Nitin R. Desai | 21.00 | 6.00 | 5.00 | - | 2.00 | - | 1.00 | 35.00 |
| Mr. Humayun R. Dhanrajgir | 21.00 | 7.00 | 5.00 | - | 2.00 | - | 1.00 | 36.00 |
| Ms. Dharmishta N. Rawal | 21.00 | 6.00 | 4.00 | 3.00 | 2.00 | - | 1.00 | 37.00 |
| Mr. Mukesh M. Patel | 21.00 | 6.00 | 4.00 | - | 2.00 | 3.00 | 3.00 | 39.00 |
| Mr. Apurva S. Diwanji | 21.00 | 5.00 | 2.00 | - | 1.00 | - | 1.00 | 30.00 |

@ The Board of Directors, based on the performance of the Company, has decided the payment of Commission to the Non-Executive Directors.

* Other meetings include meeting of Committee of Directors and Meeting of Independent Directors.

v) Stock Option:

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

E) Risk Management Committee:

In compliance of regulation 21 of the Listing Regulations, the Company has constituted a Risk Management Committee and majority of the members of the Committee are Directors. The Company has a well-defined risk management framework to identify, recognize, monitor and mitigate risks as also identify business opportunities. Business risk evaluation and its management is a continuous process within the organization.

The Committee reviewed the risk trend, exposure and potential impact analysis was carried out by the Management. It was confirmed by the Managing Director and the Chief Financial Officer that the mitigation actions are monitored.

The Committee is headed by Mr. Pankaj R. Patel, Chairman and Managing Director. Mr. Mukesh M. Patel, Dr. Sharvil P. Patel and Mr. Nitin D. Parekh are the members of the Committee. The Committee meets atleast once during the year.

The Company Secretary acts as the secretary to the Committee.

F) Corporate Social Responsibility Committee: [CSR Committee]

The terms of reference of CSR Committee includes, to frame the CSR Policy and review it from time to time to make it more comprehensive so as to indicate the activities to be undertaken by the Company as specified in schedule VII of the Companies Act, 2013 and Rules made thereunder and to provide guidance on various CSR activities to be undertaken by the Company and to monitor its progress.

The composition of the CSR Committee as at March 31, 2017

and the details of members' participation at the meetings of the Committee are as under.

| Name of the Member | No. of Meetings held | No. of Meetings Attended |
|----------------------------------|----------------------|--------------------------|
| Mr. Pankaj R. Patel, Chairman | 3 | 3 |
| Dr. Sharvil P. Patel | 3 | 3 |
| Ms. Dharmishta N. Rawal | 3 | 3 |

G) Committee of Directors for QIP issue:

The Board of Directors has constituted a QIP Committee on August 12, 2015 mainly to take various decisions for the private placement of shares under SEBI [ICDR] Regulations, 2009 and for stock split approved by the members. The committee was lastly reconstituted on May 27, 2017 by inducting Ms. Dharmishta N. Rawal as an additional member. The committee comprises of Mr. Pankaj R. Patel as the Chairman and Dr. Sharvil P. Patel, Mr. Mukesh M. Patel and Ms. Dharmishta N. Rawal as members. No meeting of QIP Committee was held during the financial year ended on March 31, 2017.

H) Committee of Directors:

Committee of Directors comprises of three members namely; Mr. Pankaj R. Patel-Chairman, Dr. Sharvil P. Patel and Mr. Mukesh M. Patel as members. The Committee looks after the businesses, which are administrative in nature and within the overall board approved directions and framework. Four meetings of the Committee were held during the year. The Company Secretary acts as the Secretary to the Committee.

4. INDEPENDENT DIRECTORS' MEETING:

During the year under review, a separate meeting of Independent Directors was held on January 30, 2017, inter alia, to discuss:

1. Evaluation of performance of Non-Independent Directors and the Board of Directors as a whole,
2. Evaluation of performance of the Chairman of the Company, taking into account the views of the Executive and Non-Executive Directors, and
3. Evaluation of the quality, content and timelines of flow of information between the Management and the Board that is necessary to effectively and reasonably perform its duties.

All the Independent Directors were present at the meeting.

5. SUBSIDIARY COMPANIES:

Zydus Healthcare Limited is the only material non-listed Indian subsidiary Company. The financial statements of subsidiaries, in particular, the investments made by subsidiaries, if any, during

the quarter are reviewed by the Audit Committee of the Board of Directors.

The Board Minutes of Indian unlisted subsidiary companies are placed at the Board Meeting of the Company, for information of the Board of Directors.

6. DISCLOSURES:

A) Related Party Transactions:

All transactions entered into with Related Parties as defined under the Companies Act, 2013 and regulation 23 of the Listing Regulations, during the financial year were in the ordinary course of business and on an arm's length basis and do not attract the provisions of section 188 of the Companies Act, 2013. There were no materially significant transactions with related parties during the financial year which were in conflict of interest of the Company. Suitable disclosures, as required by the Ind-AS 24, have been made in the notes to the Financial Statements.

The Board has approved a policy on related party transactions which has been uploaded on the website of the Company.

B) Code of Conduct:

The Company has laid down a Code of Conduct for all the Board Members and Senior Management Personnel. The Code of Conduct is available on the website of the Company www.zyduscadila.com. All the Board Members and the Senior Management Personnel have affirmed compliance with the Code of Conduct for the year under review. The declaration of the Chairman and Managing Director is given below:

To the shareholders of **Cadila Healthcare Limited**

Sub.: Compliance with Code of Conduct

I hereby declare that all the Board Members and the Senior Management Personnel have affirmed compliance with the Code of Conduct as adopted by the Board of Directors.

Place: Ahmedabad

Date: May 27, 2017

Pankaj R. Patel
Chairman and Managing Director

C) Prohibition of Insider Trading:

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

Shares held by the Directors as at March 31, 2017:

| Name of the Directors | No. of shares held as at March 31, 2017 | Details of shares bought [+] / sold [-] during 2016-2017 |
|----------------------------------|---|--|
| Mr. Pankaj R. Patel ¹ | 76,56,12,230 | Nil |
| Mr. Mukesh M. Patel | 12,000 | Nil |
| Mr. Humayun R. Dhanrajgir | Nil | Nil |
| Mr. Nitin R. Desai ² | 4,42,000 | Nil |
| Ms. Dharmishta N. Rawal | Nil | Nil |
| Dr. Sharvil P. Patel | 15,000 | Nil |
| Mr. Apurva S. Diwanji | Nil | Nil |

- 1 Held also as a Karta of HUF and Trustee of the Family Trusts.
- 2 Held also as a Karta of HUF.

D) Whistle Blower Policy:

The Company has a whistle blower policy to deal with any instance of fraud and mismanagement. The employees of the Company are free to report violations of any laws, rules, regulations and concerns about unethical conduct to the Audit Committee under this policy. The policy ensures that strict confidentiality is maintained whilst dealing with concerns and also that no discrimination is done with any person for a genuinely raised concern.

E) Management:

i) Management Discussion and Analysis Report:

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

ii) Disclosure of material financial and commercial transactions:

As per the disclosures received from senior management, no material financial and commercial transactions that may have a potential conflict with the interest of the Company at large were reported to the Company during the year under report.

F) Disclosure regarding appointment or re-appointment of Directors:

The particulars about the brief resume and other information for the Directors seeking appointment / re-appointment as required to be disclosed under this section are provided as an annexure to the notice convening the Twenty Second Annual General Meeting.

G) Compliance by the Company:

The Company has complied with all the mandatory requirements of the Listing Regulations with the Stock Exchanges, regulations and guidelines of SEBI. Further, during last three years, no penalties or

strictures are imposed on the Company by any Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets.

H) CEO/CFO Certification:

The requisite certification from the Managing Director and the Chief Financial Officer required to be given under regulation 17(8) read with Part B of Schedule II was placed before the Board of the Company.

I) Unclaimed Shares:

As per the notification issued by Ministry of Corporate Affairs, 890990 equity shares held by 849 equity shareholders will be transferred to Suspense Account for which the company has complied with the necessary requirements.

7. MEANS OF COMMUNICATION:

- i) The Company has 82,785 shareholders as on March 31, 2017. The main channel of communication to the shareholders is through Annual Report, which includes inter-alia, the Directors' Report, Management Discussion and Analysis Report, Corporate Governance Report and Audited Financial Results.
- ii) The Annual General Meeting is a platform for face-to-face communication with the shareholders, where the Chairman makes presentation on the performance, operating and financial results of the Company. The Chairman and other key managerial personnel also respond to the specific queries of the shareholders.
- iii) The Company intimates to the Stock Exchanges all price sensitive matters which in its opinion are material and of relevance to the shareholders and subsequently issues a Press Release on such matters, wherever necessary.
- iv) The quarterly and half yearly results are published in widely circulating national and local dailies namely Financial Express, in English and Gujarati respectively. The results are also posted on the website of the Company www.zyducadila.com, and the same are not sent individually to the shareholders.
- v) The Company's results and official news releases are displayed on the Company's website www.zyducadila.com. The Company holds meetings and makes presentations to the institutional investors and analysts. The copies of such presentations and the transcripts of the phone calls are also made available on the Company's website. Information to the Stock Exchanges is now being filed online on NEAPS for NSE and listing BSE for BSE.

8. GENERAL BODY MEETINGS:

i) Details of last three Annual General Meetings held are provided hereunder.

| Year | Date and Time | Venue |
|-----------|---|---|
| 2015-2016 | 21st AGM on August 3, 2016 at 11:00 a.m. | J. B. Auditorium, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad-380 015 |
| 2014-2015 | 20th AGM on August 12, 2015 at 10.00 a.m. | H.T. Parekh Hall, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad – 380 015 |
| 2013-2014 | 19th AGM on July 30, 2014 at 10.00 a.m. | H.T. Parekh Hall, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad – 380 015 |

ii) Special Resolutions passed in the previous three Annual General Meetings:

The shareholders of the Company have passed the following special resolutions in the previous three Annual General Meetings.

| Sr. No. | Nature of Special Resolutions Passed | Relevant provisions of the Companies Act | AGM details |
|---------|---|--|---------------------------------|
| 1. | Authority to Board of Directors to borrow funds upto INR 15,000 mio in excess of paid-up share capital and free reserves. | section 180(1)(c) of the Companies Act, 2013 | 19th AGM held on July 30, 2014 |
| 2. | Issue of Redeemable Non-Convertible Debentures upto INR 3500 mio. | section 42 of the Companies Act, 2013 | |
| 3. | Alterations of Articles of Association. | section 14 of the Companies Act, 2013 | |
| 4. | Payment of commission to Directors other than Managing Director, Deputy Managing Director or Whole-time Director. | section 197 of the Companies Act, 2013 | 21st AGM held on August 3, 2016 |
| 5. | Issue of securities through Qualified Institutional Placement/ Foreign Currency Convertible bonds etc. | sections 23, 41, 42, 62 and 71 of the Companies Act, 2013. | |
| 6. | Issue of Secured / Unsecured Redeemable Non-convertible Debentures / Bonds. | section 42 of the Companies Act, 2013 | |

iii) Approval of members through Postal Ballot:

During the year, the Company received approval of the members through Postal Ballot process on March 30, 2017 for resolution as mentioned in the Notice convening the Meeting of Equity Shareholders, as per the order passed by the Hon'ble National Company Law Tribunal, Bench at Ahmedabad for resolution listed in the below table-1 and the detailed voting pattern of which is provided in table-2 below.

Table – 1: Details of Resolution passed:

| Resolution No. | Details of Resolution | Relevant provisions of the Companies Act, 2013 |
|----------------|---|--|
| 1. | Approval of the Scheme of Arrangement between Cadila Healthcare Limited and Zydus Healthcare Limited and their respective shareholders and creditors. | 230 |

Table – 2: Details of voting Pattern of resolutions passed:

Mr. Hitesh Buch, Practicing Company Secretary [Membership No. 3145] was appointed as the Scrutinizer for conducting the Postal Ballot process. The details of voting pattern are as under:

| Resolution No. | Particulars | Number of votes cast | | | | % of total votes cast |
|----------------|-------------|----------------------|-----------|-------|-----------|-----------------------|
| | | Postal Ballot | E-voting | Poll | Total | |
| 1 | Favour | 323424 | 834082913 | 21740 | 834428077 | 99.999 |
| | Against | 3480 | 5276 | - | 8756 | 0.001 |
| | Total | 326904 | 834088189 | 21740 | 834436833 | 100.00 |

Procedure for Postal Ballot:

As per the order passed by the Hon'ble National Company Law Tribunal, Bench at Ahmedabad, the Notice of the Postal Ballot along with the Explanatory Statement and the self-addressed prepaid postage envelope were sent to the equity shareholders to enable them to consider and vote for or against the proposal within a period of 30 days from the date of dispatch. E-voting facility was made available to all the shareholders and instructions for the same were specified in the Postal Ballot Notice. Further, Postal Ballot Notices and Postal Ballot Forms were sent through emails to those, whose email IDs are registered with the Company / Registrar and Transfer Agent of the Company.

The scrutinizer appointed by the Hon'ble National Company Law Tribunal after due verification and scrutiny, submitted his report to the Chairman of the NCLT convened meeting and the Chairman submitted his report to the NCLT. The results of the NCLT convened meetings were submitted to the Stock Exchanges and uploaded on the website of the Company and the Central Depository Services (India) Limited.

9. GENERAL SHAREHOLDER INFORMATION**i) General Information:**

| | |
|---------------------------------------|---|
| Date and Time of 22 nd AGM | August 11, 2017 at 1.00 p.m. |
| Venue of 22 nd AGM | J. B. Auditorium, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad – 380 015 |
| Financial Year | April 1, 2016 to March 31, 2017 |
| Book Closure Date | July 31, 2017 to August 11, 2017 |
| Registered Office Address | “Zydus Tower”, Satellite Cross Roads, Sarkhej Gandhinagar Highway, Ahmedabad – 380 015 |
| Dividend Payment Date | No final dividend proposed |
| Compliance Officer | Mr. Upen H. Shah, Company Secretary |
| Website Address | www.zyduscadila.com |

ii) Tentative financial calendar:

| | |
|--|--------------------------------|
| First Quarter Results | On or before August 14, 2017 |
| Half Yearly Results | On or before November 14, 2017 |
| Third Quarter Results | On or before February 14, 2018 |
| Audited Results for the year 2017-2018 | On or before May 30, 2018 |

iii) Listing of shares:

The equity shares of the Company are listed on BSE Limited [BSE] and the National Stock Exchange of India Limited [NSE].

iv) Listing fees:

The Company has paid the annual listing fees for the financial year 2017-18 to the above Stock Exchanges.

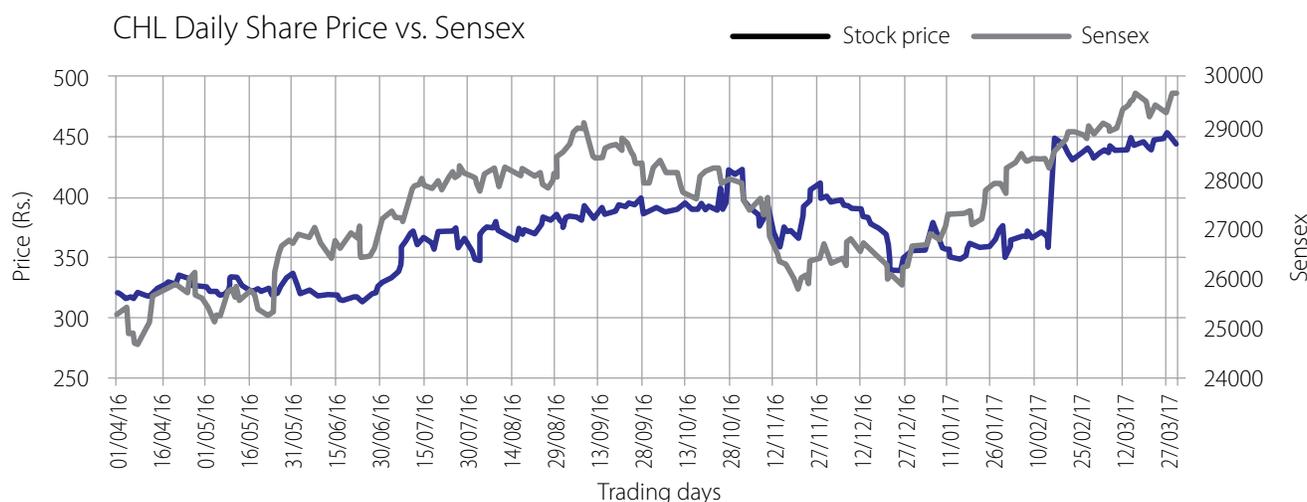
v) Stock Code and closing price:

| Name of the Stock Exchange | Stock Code | Closing Price as on March 31, 2017 (Rs.) |
|--|------------|--|
| The National Stock Exchange of India Limited | CADILAHC | 442.00 |
| BSE Limited | 532321 | 443.25 |

vi) Stock price and BSE Sensex data:

| Month | BSE Sensex | BSE Limited | | | National Stock Exchange of India Limited | | |
|-----------|------------|-------------|-----------|----------------------|--|-----------|----------------------|
| | | High (Rs.) | Low (Rs.) | Av. Volume (In Nos.) | High (Rs.) | Low (Rs.) | Av. Volume (In Nos.) |
| April, 16 | 25606.62 | 336.00 | 305.00 | 87874.17 | 336.95 | 304.20 | 815586.00 |
| May, 16 | 26667.96 | 339.00 | 315.50 | 78450.77 | 338.90 | 315.45 | 681654.50 |
| June, 16 | 26999.72 | 343.90 | 305.05 | 64632.68 | 344.40 | 305.00 | 661101.82 |
| July, 16 | 28051.86 | 382.45 | 325.20 | 127398.90 | 383.00 | 324.95 | 1087416.55 |
| Aug., 16 | 28452.17 | 392.90 | 342.00 | 116170.86 | 393.00 | 341.25 | 1101467.23 |
| Sept., 16 | 27865.96 | 410.90 | 367.00 | 80110.95 | 412.55 | 355.80 | 740740.90 |
| Oct., 16 | 27930.21 | 426.30 | 374.10 | 58934.89 | 427.00 | 373.65 | 676887.05 |
| Nov., 16 | 26652.81 | 429.45 | 338.00 | 73988.43 | 429.80 | 338.00 | 800203.10 |
| Dec., 16 | 26626.46 | 408.50 | 329.95 | 42007.77 | 408.35 | 328.80 | 491646.27 |
| Jan., 17 | 27655.96 | 384.85 | 334.35 | 95649.29 | 381.80 | 329.40 | 1129836.40 |
| Feb., 17 | 28743.32 | 460.00 | 348.05 | 205708.40 | 460.75 | 348.00 | 2133734.32 |
| March, 17 | 29620.50 | 456.50 | 407.25 | 95379.73 | 456.50 | 407.90 | 1044144.77 |

vii) Chart 'A' Stock Performance: Cadila Healthcare Limited [CHL]:



viii) Registrar and Share Transfer Agents [R & T]:

The Company has appointed Link Intime India Private Limited as R & T Agent of the Company in place of Sharepro Services India Private Limited.

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

Link Intime India Private Limited,
 506-508, Amarnath Business Centre-1,
 Beside Gala Business Centre, Near St. Xavier's College Corner,
 Off. CG Road, Ellisbridge, Ahmedabad - 380006.
 Telephone: 079 - 26465179 | Fax number: 079 - 26465179
 Email: ahmedabad@linkintime.co.in

ix) Share transfer system:

A Committee of Directors has been constituted to approve the transfers, transmission, issue of duplicate shares, etc. The Company's Share Transfer Agent – Link Intime India Private Limited has adequate infrastructure to process the above matters.

A predetermined process cycle at regular interval ensures the transfer of shares (in physical form) within the stipulated time limit.

As per the requirements of Regulation 40 (9) of the Listing Regulations, a Company Secretary in Practice has certified due compliance of share transfer formalities on half yearly basis.

x) Secretarial Audit:

A practicing Chartered Accountant carried out secretarial audit in each of the quarters in the financial year 2016-17, to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and total issued and listed capital. The audit reports confirm that the total issued / paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with depositories.

xi) Distribution of shareholding of equity shares as at March 31, 2017:

| No. of Equity Shares | No. of Folios | % to total folios | No. of Shares | % of Shareholding |
|---------------------------------|---------------|-------------------|-------------------|-------------------|
| 1 to 500 | 63183 | 76.3218 | 6439196 | 0.6290 |
| 501 to 1000 | 9975 | 12.0493 | 7569301 | 0.7394 |
| 1001 to 2000 | 4469 | 5.3983 | 6557503 | 0.6405 |
| 2001 to 3000 | 1895 | 2.2891 | 4793678 | 0.4683 |
| 3001 to 4000 | 752 | 0.9084 | 2649036 | 0.2588 |
| 4001 to 5000 | 701 | 0.8468 | 3234637 | 0.3160 |
| 5001 to 10000 | 938 | 1.1331 | 6400648 | 0.6252 |
| 10001 to 20000 | 872 | 1.0533 | 986098601 | 96.3229 |
| Grand Total | 82785 | 100.00 | 1023742600 | 100.00 |
| Shareholders in Physical Mode | 4174 | 4.37 | 5268123 | 0.55 |
| Shareholders in Electronic Mode | 78611 | 95.63 | 1018474477 | 99.45 |
| Grand Total | 82785 | 100.00 | 1023742600 | 100.00 |

xii) Categories of shareholders as at March 31, 2017:

| Category | No. of Shares Held | | Total Shares | % of Shareholding |
|--|--------------------|-------------------|-------------------|-------------------|
| | Physical | Electronic | | |
| Promoters' holding | - | 765690230 | 765690230 | 74.79 |
| Mutual Funds and UTI | 14415 | 35664299 | 35678714 | 3.49 |
| Banks, FIs and Insurance Companies | 6720 | 37114855 | 37121575 | 3.63 |
| Foreign Institutional Investors/ Foreign Venture Capital Investors | - | 11394652 | 11394652 | 1.11 |
| NRIs / OCBs/Foreign Portfolio Corporate | 25635 | 92015667 | 92041302 | 8.99 |
| Other Corporate Bodies | - | 24547327 | 24547327 | 2.40 |
| Central and State Government | - | 1494763 | 1494763 | 0.15 |
| Indian public | 5221353 | 49790771 | 55012124 | 5.37 |
| Others [In transits] | - | 761913 | 761913 | 0.07 |
| Total | 5268123 | 1018474477 | 1023742600 | 100.00 |

xiii) Dematerialization of shares and liquidity:

The Company's equity shares are required to be compulsorily traded on the Stock Exchanges in dematerialized form. Approximately 99.45% of the equity shares have been dematerialised. ISIN number for dematerialisation of the equity shares of the Company is INE010B01027.

xiv) Location of the company's manufacturing plants:

The details of the locations of the plants of the Company are mentioned on the inside cover page of the Annual Report.

xv) Address for correspondence:

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

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

Mr. Upen H. Shah, Company Secretary and Compliance Officer

Tele. Nos. 079 – 26868100 - Extension – 326

Email id: investor.grievance@zyduscadila.com

investor.grievance@zyduscadila.com, a special e-mail ID has been created.

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

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

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

xvii) Details of non-compliance:

There was no non-compliance during the year and no penalties were imposed or strictures passed on the Company by any Stock Exchange, SEBI or any other statutory authority. The Statutory Auditors of the Company have certified the compliance of the conditions of Corporate Governance and annexed the certificate with the Directors' Report and sent the same to all the shareholders of the Company. The certificate shall also be sent to all the concerned Stock Exchanges along with the annual reports filed by the Company.

9. Non-Mandatory requirements of regulation 27 (1) & Part E of Schedule II of the Listing Regulations:

- i) The Company has an Executive Chairman.
- ii) The quarterly / half yearly results are not sent to the shareholders. However, the same are published in the newspapers and are also posted on the Company's website.
- iii) The Company's financial statements for the financial year 2016-17 do not contain any audit qualification.
- iv) The internal auditors report to the Audit Committee.

CHAIRMAN AND MANAGING DIRECTOR [CMD] AND CHIEF FINANCIAL OFFICER [CFO] CERTIFICATION

To
The Board of Directors,
Cadila Healthcare Limited

As required under the Regulation 17(8) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 [the Listing Regulations] read with Schedule II part B of the Listing Regulations, we hereby certify that;

- (A) We have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief;
1. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 2. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (B) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of the Company's code of conduct.
- (C) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps taken or proposed to be taken to rectify these deficiencies.
- (D) We have indicated to the auditors and the Audit committee:
1. significant changes in internal control over financial reporting during the year;
 2. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 3. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Place : Ahmedabad
Date : May 27, 2017

Pankaj R. Patel
Chairman & Managing Director

Nitin D. Parekh
Chief Financial Officer

AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To

The members of **Cadila Healthcare Limited**

1. We have examined the compliance of the conditions of Corporate Governance by Cadila Healthcare Limited, for the year ended on March 31, 2017 as stipulated in SEBI [Listing Obligations and Disclosure Requirements] Regulations, 2015 [Listing Regulations]:
2. The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the review of the procedures and implementation thereof adopted by the Company for ensuring compliance with the conditions of the Corporate Governance as stipulated in the said Listing Regulations. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. We have examined the relevant records of the Company in accordance with the Generally Accepted Auditing Standards in India, to the extent relevant, and as per the Guidance Note on Certification of Corporate Governance issued by the Institute of Chartered Accountants of India.
4. In our opinion and to the best of our information and according to the explanations given to us and based on the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in regulations 17 to 27 and clauses (b) to (i) of regulation 46 (2) and paragraph C, D and E of schedule V of the Listing Regulations during the year ended on March 31, 2017.
5. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

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

Place: Ahmedabad
Date: May 27, 2017

Mukesh M. Shah
Partner
Membership No. 030190

Independent Auditor's Report

To
The Members of
Cadila Healthcare Limited

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of CADILA HEALTHCARE LIMITED ("the Company"), which comprise the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss (including other comprehensive income), the Cash Flow Statement and the statement of changes in equity for the year then ended, and a summary of the significant accounting policies and other explanatory information [in which are incorporated the returns for the year ended on that date audited by other auditor of the Company's office at Philippines].

Management's Responsibility for the Financial Statements

The Company's management is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation and presentation of these standalone financial statements that give a true and fair view of the financial position, financial performance (including other comprehensive income), cash flows and the changes in equity of the Company in accordance with the accounting principles generally accepted in India including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act, read with relevant rules issued thereunder. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of internal financial control, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the standalone Financial Statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidences about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Financial Statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Ind AS, of the financial position, of the Company as at March 31, 2017 and its financial performance (including other comprehensive income); and its cash flows and the changes in equity for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the "Annexure A" statement on the matters specified in paragraphs 3 and 4 of the Order.

2. As required by Section 143 (3) of the Act, we report that:

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books [and proper returns adequate for the purposes of our audit have been received from the branch not visited by us].
- (c) The reports on the accounts of the branch office of the Company audited under Section 143 (8) of the Act by branch auditor have been sent to us and have been properly dealt with by us in preparing this report.
- (d) The Balance Sheet, the Statement of Profit and Loss, the Cash Flow Statement and the statement of changes in equity dealt with by this Report are in agreement with the books of account [and with the returns received from the branch not visited by us].
- (e) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with relevant rules issued thereunder;
- (f) On the basis of the written representations received from the directors as on 31st March 2017 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017, from being appointed as a director in terms of section 164(2) of the Act.
- (g) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
- (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our

opinion and to the best of our information and according to the explanations given to us:

- i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note - 28 to the standalone financial statements;
- ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.
- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
- iv. The Company has provided requisite disclosures in the standalone financial statements as regards its holding and dealings in Specified Bank Notes as defined in the Notification S.O. 3407(E) dated November 8, 2016 of the Ministry of Finance, during the period from November 8, 2016 to December 30, 2016. Based on audit procedures performed and the representations provided to us by the management we report that the disclosures are in accordance with the books of account maintained by the Company and as produced to us by the Management.

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

Place: Ahmedabad
Date: May 27, 2017

Mukesh M. Shah
Partner
Membership No.: 030190

Annexure A

Referred to in the Independent Auditors' Report of even date to the members of CADILA HEALTHCARE LIMITED on the Standalone Financial Statements for the year ended March 31, 2017.

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, we report that:

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Some of the fixed assets were physically verified during the year by the management in accordance with programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us no material discrepancies were noticed on such verification. In our opinion, the frequency of verification of the fixed assets is reasonable having regard to the size of the Company and the nature of its assets.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company.
2. (a) The inventories have been physically verified by the management during the year. In our opinion, the procedures for the physical verification of inventory followed by management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (b) In our opinion and according to the information and explanation given to us, the company has maintained proper records of inventory. No material discrepancies were noticed on physical verification of inventory.
3. The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, clause (iii)(a) and (iii)(b) of paragraph of the Order are not applicable to the company for the current year.
4. In our opinion and according to the information and explanations given to us, the Company has not given any loans, guarantees or security or made any investments to which provisions of section 185 and 186 of the Act is applicable, and accordingly paragraph 3 (iv) of the Order is not applicable to the Company.
5. The Company has not accepted any deposits from the Public within the meaning of the provisions of section 73 to 76 or any other relevant provisions of the Act and the rules framed thereunder. Further, according to the information and explanations given to us, no order has been passed by the Company Law Board of National Company Law Tribunal or Reserve Bank of India or any court or any other Tribunal, in this regard.
6. We have broadly reviewed the books of accounts maintained by the Company pursuant to the rules made by the Central Government for maintenance of cost records under sub-section (1) of section 148 of the Companies Act, 2013 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
7. (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the company has been generally regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Service tax, Custom duty, Excise duty, Value Added Tax, Cess and any other material statutory dues during the year with the appropriate authorities. Moreover, as at March 31, 2017, there are no such undisputed dues payable for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, the particulars of dues of Income tax, Sales tax, Excise

duty and Service tax and other material statutory dues as at March 31, 2017 which have not been deposited on account of any dispute, are as follows:

| Name of the Statute | Nature of Dues | Amounts involved (₹ in Millions) | Period to which the amount relates | Forum where dispute is pending |
|--|--------------------------|-------------------------------------|---|--|
| The Income Tax Act, 1961 | Income Tax | 39.7 | 2008-09, 2011-12 | Income Tax Appellate Tribunal |
| | | 0.08 | 2005-06 | Commissioner of Income Tax (Appeals) |
| The Central Sales Tax and Local Sales Tax Acts | Sales Tax | 140.78 | 1996-97, 1998-99, 2001-02, 2005-06 to 2014-15 | Commissioner/ Deputy Commissioner/ Joint Commissioner of Sales Tax/ Revision Board/ Adjudicating Authority |
| | | 9.06 | 1997-98, 2001-02 | Appellate Tribunal |
| The Central Excise Act and the Service Tax Act | Excise Duty, Service Tax | 9.47 | Various cases for the period 1985-86 to 1988-89, 1991-92 to 1998-99 | ACCE/DCCE/JCCE/Add.Comm. |
| | | 20.94 | Various Cases for the period 1997-98, 2005-06 to 2015-16 | Commissioner (Appeals) |
| | | 311.33 | Various cases for the period 1995-96 to 1999-00, 2003-04 to 2015-16 | Central Excise and Service Tax Appellate Tribunal |
| | | 6.33 | 1994-95, 1995-96, 2006-07, 2007-08 | High Court/ Supreme Court |

8. According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has not defaulted in repayment of loans or borrowings from any financial institution, banks, government or due to debenture holders during the year.
9. The Company did not raise any money by way of initial public offer or further public offer (including debt instruments). The term loans raised during the year have been utilized by the company for the purpose for which the same has been taken.
10. According to the information and explanations given to us, no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.
11. According to the information and explanations given to us and on the basis of our examination of the books of account, the managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 (with schedule V) of the Act.
12. In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable to the Company.
13. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with section 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
14. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
15. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable to the Company.
16. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

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

Mukesh M. Shah
Partner
Membership No.: 030190

Place: Ahmedabad
Date: May 27, 2017

Annexure B

Report on the Internal Financial Control clause (i) of sub-section 3 of section 143 of the Companies Act, 2013 (“the Act”)

We have audited the internal financial controls over financial reporting of Cadila Healthcare Limited (“the Company”) as of March 31, 2017 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management Responsibility for Internal Financial Controls

The Company’s management is responsible for establishing and maintaining internal financial control based on the internal control over financial reporting criteria established by the company considering the essential components of internal control stated in the Guidance Note on audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India [ICAI]. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the act.

Auditors’ Responsibility

Our responsibility is to express an opinion on the company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Controls and, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial control system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s Judgement, including the assessment of the material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company’s internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company’s internal financial control over financial reporting includes those policies and procedures that:

1. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
2. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the Company; and
3. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of

the Company's assets that could have a material impact on the financial statements.

Inherent limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected, also, projections any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal

control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

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

Place: Ahmedabad
Date: May 27, 2017

Mukesh M. Shah
Partner
Membership No.: 030190

Balance Sheet as at March 31, 2017

INR Millions

| Particulars | Note No. | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|--|----------|----------------------|----------------------|---------------------|
| ASSETS: | | | | |
| Non-Current Assets: | | | | |
| Property, Plant and Equipment | 3 [A] | 22,050 | 19,986 | 17,519 |
| Capital work-in-progress | | 6,784 | 2,968 | 3,669 |
| Goodwill | 3 [B] | 18 | 38 | 41 |
| Other Intangible Assets | 3 [B] | 1,452 | 1,524 | 110 |
| Financial Assets: | | | | |
| Investments | 4 | 39,237 | 22,166 | 20,332 |
| Loans | 5 | 14,271 | 9,219 | 2,797 |
| Other Financial Assets | 6 | 2,242 | 1,818 | 1,549 |
| Other Non-Current Assets | 7 | 2,492 | 2,061 | 1,763 |
| Assets for Current tax [Net] | 8 | 534 | 219 | 302 |
| | | 89,080 | 59,999 | 48,082 |
| Current Assets: | | | | |
| Inventories | 9 | 9,329 | 6,575 | 8,043 |
| Financial Assets: | | | | |
| Investments | 10 | - | 1,009 | 1,208 |
| Trade Receivables | 11 | 9,290 | 17,073 | 10,591 |
| Cash and Cash Equivalents | 12 | 168 | 1,637 | 1,294 |
| Loans | 13 | 371 | 190 | 3,519 |
| Other Current Financial Assets | 14 | 1 | 57 | 56 |
| Other Current Assets | 15 | 2,235 | 2,692 | 2,277 |
| | | 21,394 | 29,233 | 26,988 |
| Total | | 110,474 | 89,232 | 75,070 |
| EQUITY AND LIABILITIES: | | | | |
| Equity: | | | | |
| Equity Share Capital | 16 | 1,024 | 1,024 | 1,024 |
| Other Equity | 17 | 65,159 | 61,738 | 48,563 |
| | | 66,183 | 62,762 | 49,587 |
| Non-Current Liabilities: | | | | |
| Financial Liabilities: | | | | |
| Borrowings | 18 | 12,394 | 4,300 | 5,836 |
| Other Financial Liabilities | 19 | 82 | 139 | 123 |
| Provisions | 20 | 621 | 965 | 605 |
| Deferred Tax Liabilities [Net] | 21 | 1,055 | 1,846 | 1,506 |
| | | 14,152 | 7,250 | 8,070 |
| Current Liabilities: | | | | |
| Financial Liabilities: | | | | |
| Borrowings | 22 | 15,456 | 6,043 | 6,796 |
| Trade Payables | 23 | 11,129 | 8,999 | 6,829 |
| Other Financial Liabilities | 24 | 2,841 | 3,172 | 2,816 |
| Other Current Liabilities | 25 | 415 | 457 | 484 |
| Provisions | 26 | 273 | 293 | 280 |
| Current Tax Liabilities [Net] | 27 | 25 | 256 | 208 |
| | | 30,139 | 19,220 | 17,413 |
| Total | | 110,474 | 89,232 | 75,070 |
| Significant Accounting Policies | 2 | | | |
| Notes to the Financial Statements | 1 to 51 | | | |

As per our report of even date

For and on behalf of the Board

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

Chartered Accountants

Firm Registration Number: 106625W

Mukesh M. Shah

Partner

Membership Number: 030190

Pankaj R. Patel

Chairman & Managing Director

Nitin D. Parekh

Chief Financial Officer

Upen H. Shah

Company Secretary

Dr. Sharvil P. Patel

Joint Managing Director

Ahmedabad, Dated: May 27, 2017

Statement of Profit and Loss for the year ended March 31, 2017

INR Millions

| Particulars | Note No. | Year ended March 31, 2017 | Year ended March 31, 2016 |
|---|----------|------------------------------|------------------------------|
| Revenue from Operations | 30 | 32,745 | 71,284 |
| Other Income | 31 | 5,831 | 1,749 |
| Total Income | | 38,576 | 73,033 |
| EXPENSES: | | | |
| Cost of Materials Consumed | 32 | 9,267 | 13,794 |
| Purchases of Stock-in-Trade | 33 | 2,288 | 4,622 |
| Changes in Inventories of Finished goods, Work-in-progress and Stock-in-Trade | 34 | (1,470) | 502 |
| Excise Duty on Sales | | 438 | 964 |
| Employee Benefits Expense | 35 | 6,208 | 6,958 |
| Finance Costs | 36 | 111 | 265 |
| Depreciation, Amortisation and Impairment Expense | 3 | 2,509 | 2,212 |
| Other Expenses | 37 | 12,803 | 18,678 |
| Total Expenses | | 32,154 | 47,995 |
| Profit before Tax | | 6,422 | 25,038 |
| Less: Tax Expense: | | | |
| Current Tax | 38 | 594 | 4,323 |
| Deferred Tax | 38 | (791) | 340 |
| | | (197) | 4,663 |
| Profit for the year | | 6,619 | 20,375 |
| OTHER COMPREHENSIVE INCOME [OCI]: | | | |
| Items that will not be reclassified to profit or loss: | | | |
| Re-measurement losses on post employment defined benefit plans | | (103) | (216) |
| Income tax effect | | 22 | 46 |
| | | (81) | (170) |
| Net Loss/ [Gain] on Fair Value through OCI [FVTOCI] on Equity Securities | | 138 | (222) |
| Other Comprehensive Income for the year [Net of tax] | | 57 | (392) |
| Total Comprehensive Income for the year [Net of Tax] | | 6,676 | 19,983 |
| Basic & Diluted Earning per Equity Share [EPS] [in INR] | 39 | 6.47 | 19.90 |
| Significant Accounting Policies | 2 | | |
| Notes to the Financial Statements | 1 to 51 | | |

As per our report of even date

For and on behalf of the Board

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

Chartered Accountants

Firm Registration Number: 106625W

Mukesh M. Shah

Partner

Membership Number: 030190

Pankaj R. Patel

Chairman & Managing Director

Nitin D. Parekh

Chief Financial Officer

Upen H. Shah

Company Secretary

Dr. Sharvil P. Patel

Joint Managing Director

Ahmedabad, Dated: May 27, 2017

Cash Flow Statement

for the year ended March 31, 2017

INR Millions

| Particulars | Year ended March 31, 2017 | Year ended March 31, 2016 |
|---|------------------------------|------------------------------|
| A. Cash flows from operating activities: | | |
| Profit before tax | 6,422 | 25,038 |
| Adjustments for: | | |
| Depreciation, Amortisation and Impairment expenses | 2,509 | 2,212 |
| Loss on sale of property, plant and equipment [Net] | 7 | 11 |
| Profit on sale of investments [Net] | (59) | (123) |
| Interest income | (1,021) | (716) |
| Gain on valuation of Forward Contract value related to investment in a Joint Venture | (567) | (256) |
| Dividend income | (5) | (3) |
| Interest expenses | 231 | 176 |
| Bad debts written off | 2 | - |
| Provision for doubtful debts [net of written back] | 6 | - |
| Provisions for employee benefits | (433) | 150 |
| Provisions for probable product expiry claims and return of goods [net of written back] | (34) | 7 |
| Total | 636 | 1,458 |
| Operating profit before working capital changes | 7,058 | 26,496 |
| Adjustments for: | | |
| Decrease/ [Increase] in trade receivables | 7,746 | (6,592) |
| [Increase]/ Decrease in inventories | (2,754) | 1,468 |
| Decrease/ [Increase] in other assets | 577 | (264) |
| Increase in trade payables | 1,446 | 2,162 |
| [Decrease]/ Increase in other liabilities | (76) | 432 |
| Total | 6,939 | (2,794) |
| Cash generated from operations | 13,997 | 23,702 |
| Direct taxes paid [Net of refunds] | (1,118) | (4,145) |
| Foreign Currency Monetary items Translation Difference Account written off | 40 | (17) |
| Net cash from operating activities | 12,919 | 19,540 |
| B. Cash flows from investing activities: | | |
| Purchase of property, plant and equipment | (8,071) | (5,728) |
| Proceeds from sale of property, plant and equipment | 43 | 22 |
| Purchase of non current investments | (15,741) | (1,538) |
| Proceeds from sale of non current investments | - | 50 |
| Proceeds from sale of current investments | 46 | 113 |
| Advances to subsidiaries | (16,314) | (4,137) |
| Repayment of advances by subsidiary companies/ a joint venture company | 9,920 | 422 |
| Interest received | 1,067 | 629 |
| Dividend received | 5 | 3 |
| Net cash from investing activities | (29,045) | (10,164) |

Cash Flow Statement for the year ended March 31, 2017 - Continued:

INR Millions

| Particulars | Year ended March 31, 2017 | Year ended March 31, 2016 |
|---|------------------------------|------------------------------|
| C. Cash flows from financing activities: | | |
| Proceeds from non current borrowings | 9,881 | 1,761 |
| Repayment of non current borrowings | (2,124) | (3,277) |
| Current Borrowings [Net] | 9,413 | (753) |
| Interest paid | (224) | (177) |
| Dividends paid | (3,271) | (5,729) |
| Tax on dividends paid | (19) | (1,058) |
| Net cash from financing activities | 13,656 | (9,233) |
| Net [decrease] / increase in cash and cash equivalents | (2,470) | 143 |
| Cash and cash equivalents at the beginning of the year | 2,638 | 2,495 |
| Cash and cash equivalents at the end of the year | 168 | 2,638 |

Notes to the Cash Flow Statement

- 1 All figures in brackets are outflows.
- 2 Previous year's figures have been regrouped wherever necessary.
- 3 Cash and cash equivalents at the end [beginning] of the year include INR 30 [INR 26] Millions not available for immediate use.
- 4 Cash and cash equivalents comprise of:

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|--------------------------------------|-------------------------|-------------------------|------------------------|
| a. Cash on Hand | 4 | 7 | 10 |
| b. Balances with Banks | 164 | 1,630 | 1,284 |
| c. Investment in Liquid Mutual Funds | - | 1,001 | 1,201 |
| Total | 168 | 2,638 | 2,495 |

As per our report of even date

For and on behalf of the Board

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

Chartered Accountants

Firm Registration Number: 106625W

Mukesh M. Shah

Partner

Membership Number: 030190

Pankaj R. Patel

Chairman & Managing Director

Nitin D. Parekh

Chief Financial Officer

Upen H. Shah

Company Secretary

Dr. Sharvil P. Patel

Joint Managing Director

Ahmedabad, Dated: May 27, 2017

Statement of Change in Equity for the year ended March 31, 2017

a. Equity Share Capital:

| | No. of Shares | INR Millions |
|---|---------------|--------------|
| Equity Shares of INR 1/- each, Issued, Subscribed and Fully Paid-up: | | |
| As at April 1, 2015 | 204,748,520 | 1,024 |
| Issued pursuant to sub-division of face value of the shares from INR 5/- each to INR 1/- each | 818,994,080 | - |
| As at March 31, 2016 | 1,023,742,600 | 1,024 |
| As at March 31, 2017 | 1,023,742,600 | 1,024 |

b. Other Equity:

| | Reserves and Surplus | | | | Items of OCI | Total |
|--|--|-----------------|--|-------------------|----------------|---------|
| | International Business Development Reserve | General Reserve | Foreign Currency Monetary Items Translation Difference Account [FCMITDA] | Retained Earnings | FVTOCI Reserve | |
| As at April 1, 2015 | 2,000 | 15,550 | (32) | 30,658 | 387 | 48,563 |
| Add: Profit for the year | | | | 20,375 | | 20,375 |
| [Less]: Other Comprehensive income | | | | (170) | (222) | (392) |
| Total Comprehensive Income | 2,000 | 15,550 | (32) | 50,863 | 165 | 68,546 |
| Net movement in FCMITDA | | | (17) | | | (17) |
| Transactions with Owners in their capacity as owners: | | | | | | |
| Dividends | | | | (5,733) | | (5,733) |
| Corporate Dividend Tax on Dividend [Net of CDT Credit] | | | | (1,058) | | (1,058) |
| As at March 31, 2016 | 2,000 | 15,550 | (49) | 44,072 | 165 | 61,738 |
| Add: Profit for the year | | | | 6,619 | | 6,619 |
| Add [Less]: Other Comprehensive income | | | | (81) | 138 | 57 |
| Total Comprehensive Income | 2,000 | 15,550 | (49) | 50,610 | 303 | 68,414 |
| Net movement in FCMITDA | | | 40 | | | 40 |
| Transactions with Owners in their capacity as owners: | | | | | | |
| Dividends | | | | (3,276) | | (3,276) |
| Corporate Dividend Tax on Dividend [Net of CDT Credit] | | | | (19) | | (19) |
| As at March 31, 2017 | 2,000 | 15,550 | (9) | 47,315 | 303 | 65,159 |

As per our report of even date

For and on behalf of the Board

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

Chartered Accountants

Firm Registration Number: 106625W

Mukesh M. Shah

Partner

Membership Number: 030190

Ahmedabad, Dated: May 27, 2017

Nitin D. Parekh

Chief Financial Officer

Upen H. Shah

Company Secretary

Pankaj R. Patel

Chairman & Managing Director

Dr. Sharvil P. Patel

Joint Managing Director

Notes to Financial Statements

Note: 1-Company overview:

Cadila Healthcare Limited ["the Company"], a Company limited by shares, incorporated and domiciled in India, operates as an integrated pharmaceutical company with business encompassing the entire value chain in the research, development, production, marketing and distribution of pharmaceutical products. The product portfolio of the Company includes Active Pharmaceutical Ingredients [API], animal health & veterinary and human formulations. The Company's shares are listed on the National Stock Exchange of India Limited [NSE] and BSE Limited. The registered office of the Company is located at "Zydus Tower", Satellite Cross Roads, Sarkhej-Gandhinagar Highway, Ahmedabad - 380015.

These financial statements were authorised for issue in accordance with a resolution passed by the Board of Directors at their meeting held on May 27, 2017.

Note: 2-Significant Accounting Policies:

A The following note provides list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented unless otherwise stated.

1 Basis of preparation:

- A** The financial statements have been prepared in accordance with Indian Accounting Standards [Ind AS] notified under the Companies [Indian Accounting Standards] Rules, 2015, as amended and other relevant provisions of the Companies Act, 2013.
- B** For all periods up to and including the year ended March 31, 2016, the Company has prepared its financial statements in accordance with the accounting standards notified under the section 133 of the Companies Act, 2013, read together with paragraph 7 of the Companies [Accounts] Rules, 2014 [Indian GAAP].

The Company has adopted Ind AS as per Companies [Indian Accounting Standards] [Ind AS] Rules, 2015 as notified under section 133 of the Companies Act, 2013 for these financial statements beginning April 1, 2016. As per the principles of Ind AS 101, the transition date to Ind AS is April 1, 2015 and hence the comparatives for the previous year ended March 31, 2016 and balances as on April 1, 2015 have been restated as per the principles of Ind AS, wherever deemed necessary. Reconciliations and descriptions of the effect of the transition from previous GAAP to Ind AS have been summarized in note 46 and note 47.

- C** The financial statements have been prepared on historical cost basis, except for the following assets and liabilities which have been measured at fair value or revalued amount:
 - i** Derivative financial instruments
 - ii** Certain financial assets and liabilities measured at fair value [refer accounting policy regarding financial instruments]
 - iii** Defined benefit plans
 - iv** Contingent consideration

2 Use of Estimates:

The preparation of the financial statements in conformity with Ind AS requires management to make estimates, judgments and assumptions. These estimates, judgments and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of income and expenses during the period. Application of accounting policies that require critical accounting estimates involving complex and subjective judgments are provided below. Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the consolidated financial statements.

Notes to Financial Statements

Critical estimates and judgments

a Income taxes:

Significant judgments are involved in determining the provision for income taxes, including amount expected to be paid/recovered for uncertain tax positions.

b Property, Plant and Equipment:

Property, Plant and Equipment represent a significant proportion of the asset base of the Company. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Management reviews the residual values, useful lives and methods of depreciation of Property, Plant and Equipment at each reporting period end and any revision to these is recognised prospectively in current and future periods. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

c Employee benefits:

Significant judgments are involved in making judgments about the life expectancy, discounting rate, salary increase, etc. which significantly affect the working of the present value of future liabilities on account of employee benefits by way of defined benefit plans.

d Product warranty and expiry claims:

Significant judgments are involved in determining the estimated stock lying in the market with product shelf life and estimates of likely claims on account of expiry of such unsold goods lying with stockist.

e Impairment of assets and investments:

Significant judgment is involved in determining the estimated future cash flows from the Investments, Property, Plant and Equipment and Goodwill to determine its value in use to assess whether there is any impairment in its carrying amount as reflected in the financials.

3 Foreign Currency Transactions:

The Company's financial statements are presented in Indian Rupees [INR], which is the functional and presentation currency.

- A The transactions in foreign currencies are translated into functional currency at the rates of exchange prevailing on the dates of transactions.
- B Foreign Exchange gains and losses resulting from settlement of such transactions and from the translation of monetary assets and liabilities [except as covered in "E" below] denominated in foreign currencies at the year end exchange rates are recognised in the Statement of Profit and Loss.
- C Foreign exchange differences regarded as an adjustment to borrowing costs are presented in the Statement of Profit and Loss within finance costs. All the other foreign exchange gains and losses are presented in the Statement of Profit and Loss on a net basis.
- D Investments in foreign subsidiaries and other companies are recorded in INR [functional currency] at the rates of exchange prevailing at the time when the investments were made.
- E The net gain or loss on account of exchange rate differences either on settlement or on translation, of long term foreign currency monetary items recognised on or after April 1, 2016, is recognised as income or expense in the Statement of Profit and Loss in the year in which they arise. The net gain or loss on long term foreign currency monetary items recognised in the financial statement for the period ended on March 31, 2016 is recognised under "Foreign Currency Monetary Items Translation Difference Account" [FCMITDA], except in case of foreign currency loans taken for funding of Property, Plant and Equipment, where such difference is adjusted to the cost of respective Property, Plant and Equipment. This is as per the exemption given under Ind AS 101 to defer/capitalize exchange differences arising on long-term foreign currency monetary items. The FCMITDA is amortised during the tenure of loans but not beyond March 31, 2020.

Notes to Financial Statements

4 Revenue Recognition:

- A Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government and is shown net of returns, trade allowances, rebates, value added taxes and volume discounts.
- B Excise duty is a liability of the Company as a manufacturer, which forms part of the cost of production, irrespective of whether the goods are sold or not. Therefore, the recovery of excise duty flows to the Company on its own account and hence revenue includes excise duty.
- C Sales Tax/ Value Added Tax [VAT] is not received by the Company on its own account. Rather, it is tax collected on value added to the goods by the Company on behalf of the government. Accordingly, it is excluded from revenue.
- D The specific recognition criteria described below must also be met before revenue is recognised.
 - a Sale of Goods:

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

The goods are often sold with volume discounts/pricing incentives and customers have a right to return damaged or expired products. Revenue from sales is based on the price in the sales contracts/MRP, net of discounts. Historical experience is used to estimate and provide for damage or expiry claims. No element of financing is deemed present as the sales are made with the normal credit terms as per prevalent trade practice and credit policy followed by the Company.
 - b Service Income:

Service income is recognised as per the terms of contracts with the customers when the related services are performed as per the stage of completion or on the achievement of agreed milestones and are net of service tax, wherever applicable.
 - c Interest Income:

For all debt instruments measured at amortised cost interest income is recorded using the effective interest rate [EIR]. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses.
 - d Dividend:

Dividend income is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.
 - e Other Income:

Other income is recognised when no significant uncertainty as to its determination or realisation exists.

5 Government Grants:

- A Government grants are recognised in accordance with the terms of the respective grant on accrual basis considering the status of compliance of prescribed conditions and ascertainment that the grant will be received.
- B Government grants related to revenue are recognised on a systematic and gross basis in the Statement of Profit and Loss over the period during which the related costs intended to be compensated are incurred.
- C Government grants related to assets are recognised as income in equal amounts over the expected useful life of the related asset.

Notes to Financial Statements

- D When loans or similar assistance are provided by governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as a government grant. The loan or assistance is initially recognised and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and the proceeds received. The loan is subsequently measured as per the accounting policy applicable to financial liabilities. However, in accordance with the exemption as per Ind AS-101, for such loans that existed on April 1, 2015, the Company uses the previous GAAP carrying amount of the loan at the date of transition as the carrying amount of loan.

6 Taxes on Income:

Tax expenses comprise of current and deferred tax.

A Current Tax:

- a Current tax is measured at the amount expected to be paid on the basis of reliefs and deductions available in accordance with the provisions of the Income Tax Act, 1961. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.
- b Current tax items are recognised in co-relation to the underlying transaction either in statement of profit and loss, OCI or directly in Equity.

B Deferred Tax:

- a Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.
- b Deferred tax liabilities are recognised for all taxable temporary differences.
- c Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilized.
- d The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.
- e Deferred tax assets and liabilities are measured at the tax rates [and tax laws] that have been enacted or substantively enacted at the reporting date and are expected to apply in the year when the asset is realised or the liability is settled.
- f Deferred tax items are recognised in co-relation to the underlying transaction either in OCI or directly in equity.
- g Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities.

C MAT Credit Entitlement:

- a Minimum Alternate Tax [MAT] paid in a year is charged to the Statement of Profit and Loss as current tax.
- b The company recognizes MAT credit available as an asset based on historical experience of actual utilisation of such credit and only when and to the extent there is a convincing evidence that the company will pay normal income tax during the specified period i.e., the period for which MAT Credit is allowed to be carried forward. Such asset, if any recognised, is reviewed at each Balance sheet date and the carrying amount is written down to the extent there is no longer a convincing evidence that the company will be liable to pay normal tax during the specified period.

Notes to Financial Statements

7 Property, Plant and Equipment:

A Freehold land is carried at historical cost. All other items of Property, Plant and Equipment are stated at historical cost of acquisition/ construction less accumulated depreciation and impairment loss. Historical cost [Net of Input tax credit received/ receivable] includes related expenditure and pre-operative & project expenses for the period up to completion of construction/ assets are ready for its intended use, if the recognition criteria are met and the present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset, if the recognition criteria for a provision are met. Effective from April 1, 2007, the foreign exchange loss or gain arising on long term foreign currency monetary items that existed in financial statement for the period ended on March 31, 2016, attributable to Property, Plant and Equipment is adjusted to the cost of respective Property, Plant and Equipment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance costs are charged to the Statement of Profit and Loss during the reporting period in which they are incurred, unless they meet recognition criteria for capitalisation under Property, Plant and Equipment.

On transition to Ind AS, the Company has elected to continue with the carrying value of all its Property, Plant and Equipment recognised as at April 1, 2015 measured as per the previous GAAP and use that carrying value as the deemed cost of the Property, Plant and Equipment.

- B Where components of an asset are significant in value in relation to the total value of the asset as a whole, and they have substantially different economic lives as compared to principal item of the asset, they are recognised separately as independent items and are depreciated over their estimated economic useful lives.
- C Depreciation on tangible assets is provided on "straight line method" based on the useful lives as prescribed under Schedule II of the Companies Act, 2013. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used. However, management reviews the residual values, useful lives and methods of depreciation of Property, Plant and Equipment at each reporting period end and any revision to these is recognised prospectively in current and future periods.
- D Depreciation on impaired assets is calculated on its reduced value, if any, on a systematic basis over its remaining useful life.
- E 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 used.
- F Where the actual cost of purchase of an asset is below INR 10,000/-, the depreciation is provided @ 100%.
- G Capital work in progress is stated at cost less accumulated impairment loss, if any.
- H An item of Property, Plant and Equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset [calculated as the difference between the net disposal proceeds and the carrying amount of the asset] is included in the Statement of Profit and Loss when the asset is derecognised.

8 Intangible Assets:

- A Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.
- B Internally generated intangibles are not capitalised and the related expenditure is reflected in the Statement of Profit and Loss in the period in which the expenditure is incurred.
- C Trade Marks, Technical Know-how Fees and other similar rights are amortised over their estimated useful life.

Notes to Financial Statements

- D Capitalised cost incurred towards purchase/ development of software is amortised using straight line method over its useful life of four years as estimated by the management at the time of capitalisation.
- E Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.
- F An item of intangible asset initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset [calculated as the difference between the net disposal proceeds and the carrying amount of the asset] is included in the Statement of Profit and Loss when the asset is derecognised.

9 Research and Development Cost:

- A Expenditure on research and development is charged to the Statement of Profit and Loss of the year in which it is incurred.
- B Capital expenditure on research and development is given the same treatment as Property, Plant and Equipment.

10 Borrowing Costs:

- A Borrowing costs consist of interest and other borrowing costs that are incurred in connection with the borrowing of funds. Other borrowing costs include ancillary charges at the time of acquisition of a financial liability, which is recognised as per EIR method. Borrowing costs also include exchange differences to the extent regarded as an adjustment to the borrowing costs.
- B Borrowing costs that are directly attributable to the acquisition/ construction of a qualifying asset are capitalised as part of the cost of such assets, up to the date the assets are ready for their intended use.

11 Impairment of Assets:

The Property, Plant and Equipment and Intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An Impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, the assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets [cash generating units]. Non-financial assets other than Goodwill that suffered an impairment loss are reviewed for possible reversal of impairment at the end of each reporting period. An impairment loss is charged to the Statement of Profit and Loss in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

12 Inventories:

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- A Raw Materials, Stores & Spare Parts, Packing Materials, Finished Goods, Stock-in-Trade and Works-in-Progress are valued at lower of cost and net realisable value.
- B Cost [Net of CENVAT and Input tax credit availed] of Raw Materials, Stores & Spare Parts, Packing Materials, Finished Goods & Stock-in-Trade is determined on Moving Average Method.
- C Costs of Finished Goods and Works-in-Progress are determined by taking material cost [Net of CENVAT and Input tax credit availed], labour and relevant appropriate overheads based on the normal operating capacity, but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Notes to Financial Statements

Write down of inventories to net realisable value is recognised as an expense and included in "Changes in Inventories of Finished goods, Work-in-progress and Stock-in-Trade" and "Cost of Material Consumed" in the relevant note in the Statement of Profit and Loss.

13 Cash and Cash Equivalents:

Cash and Cash equivalents for the purpose of Cash Flow Statement comprise cash and cheques in hand, bank balances, demand deposits with banks where the original maturity is three months or less and other short term highly liquid investments.

14 Leases:

As a lessee:

The determination of whether an arrangement is [or contains] a lease is based on the substance of the arrangement at the inception of the lease. Lease under which the Company assumes potentially all the risk and rewards of ownership are classified as finance lease. When acquired, such assets are capitalised at fair value or present value of the minimum lease payment at the inception of the lease, whichever is lower. Lease payments under operating leases are recognised as an expense on straight line basis in the Statement of Profit and Loss over the lease term, unless the payments are structured to increase in line with expected general inflation to compensate lessor's expected inflationary cost increases.

As a lessor:

Lease income from operating leases where the Company is lessor is recognised in income on a straight line basis over the lease term unless the receipts are structured to increase in line with expected general inflation to compensate for the expected inflationary cost increases. The respective leased assets are included in the balance sheet based on their nature.

15 Provisions, Contingent Liabilities and Contingent Assets:

A Provisions are recognised when the Company has a present obligation as a result of past events and it is probable that the outflow of resources will be required to settle the obligation and in respect of which reliable estimates can be made. A disclosure for contingent liability is made when there is a possible obligation, that may, but probably will not require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision/ disclosure is made. Provisions and contingencies are reviewed at each balance sheet date and adjusted to reflect the correct management estimates. Contingent assets are not recognised but are disclosed separately in financial statements.

B If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability.

16 Provision for Product Expiry Claims:

Provisions for product expiry related costs are recognised when the product is sold to the customer. Initial recognition is based on historical experience. The initial estimate of product expiry claim related costs is revised annually.

17 Employee Benefits:

A Short term obligations:

Liabilities for wages and salaries, including leave encashment that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured by the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

B Long term employee benefits obligations:

a Leave Wages and Sick Leave:

The liabilities for earned leave and sick leave are not expected to be settled wholly within 12 months period after the end of the period in which the employees render the related service. They are therefore, measured at the present value of expected future payments to be made in respect of services provided by employees upto the end of the reporting period using the projected unit credit method as determined by actuarial valuation, performed by an independent actuary. The benefits are discounted using the market yields at the end of reporting period that have the terms approximating to the terms of the related obligation. Gains and losses through re-measurements are recognised in Statement of Profit and Loss.

Notes to Financial Statements

b Defined Benefit Plans:

i Gratuity:

The Company operates a defined benefit gratuity plan with contributions to be made to a separately administered fund through Life Insurance Corporation of India through Employees Group Gratuity Plan. The liability or asset recognised in the balance sheet in respect of defined benefit gratuity plan is the present value of the defined benefit plan obligation at the end of the reporting period less the fair value of the plan assets. The liabilities with regard to the Gratuity Plan are determined by actuarial valuation, performed by an independent actuary, at each balance sheet date using the projected unit credit method. The present value of the defined benefit obligation denominated in INR is determined by discounting the estimated future cash outflows by reference to the market yields at the reporting period on government bonds that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discounting rate to the net balance of the defined benefit obligation and the fair value of plan assets. Such costs are included in employee benefit expenses in the Statement of Profit and Loss. Re-measurement gains or losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in the period in which they occur directly in "other comprehensive income" and are included in retained earnings in the statement of changes in equity and in the balance sheet. Re-measurements are not reclassified to profit or loss in subsequent periods.

The Company recognises the following changes in the net defined benefit obligation as an expense in the Statement of Profit and Loss:

- i Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non routine settlements; and
- ii Net interest expense or income.

ii Company administered Provident Fund:

In case of a specified class of employees, such contributions are deposited to Cadila Healthcare Limited Employees' Provident Fund Trust. The rate at which the annual interest is payable to the beneficiaries by the trust is being administered by the government. The company has an obligation to make good the shortfall, if any, between the return from the investments of the Trust and the notified interest rate. Contribution to such provident fund are recognised as employee benefit expense when they are due in the Statement of Profit and Loss.

c Defined Contribution Plans - Provident Fund Contribution:

Specified class of employees of the Company receive benefits from a provident fund, which is a defined contribution plan. Both the eligible employee and the company make monthly contributions to the provident fund plan equal to a specified percentage of the covered employee's salary. Amounts collected under the provident fund plan are deposited in a government administered provident fund. The companies have no further obligation to the plan beyond its monthly contributions. Such contributions are accounted for as defined contribution plans and are recognised as employees benefit expenses when they are due in the Statement of Profit and Loss.

C Employee Separation Costs:

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

18 Dividends :

The final dividend on shares is recorded as a liability on the date of approval by the shareholders and interim dividends are recorded as liability on the date of declaration by the Company's Board of Directors.

19 Excise Duty:

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

Notes to Financial Statements

20 Financial Instruments:

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A Financial Assets:

a Initial recognition and measurement:

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place [regular way trades] are recognised on the settlement date, i.e., the date that the Company settles to purchase or sell the asset.

b Subsequent measurement:

For purposes of subsequent measurement, financial assets are classified in four categories:

i Debt instruments at amortised cost:

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

- The asset is held with an objective of collecting contractual cash flows
- Contractual terms of the asset give rise on specified dates to cash flows that are "solely payments of principal and interest" [SPPI] on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate [EIR] method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Statement of Profit and Loss. The losses arising from impairment are recognised in the Statement of Profit and Loss.

ii Debt instruments at fair value through other comprehensive income [FVTOCI]:

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

- The asset is held with objective of both - for collecting contractual cash flows and selling the financial assets
- The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the OCI. However, the Company recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the Statement of Profit and Loss. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to Statement of Profit and Loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

iii Debt instruments and derivatives at fair value through profit or loss [FVTPL]:

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL. Instruments included within the FVTPL category are measured at fair value with all changes recognized in the Statement of Profit and Loss.

iv Equity instruments:

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present subsequent changes in the fair value in other comprehensive income. The Company has made such election on an instrument by instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to Statement of Profit and Loss, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the Statement of Profit and Loss.

Notes to Financial Statements

c **Derecognition:**

A financial asset [or, where applicable, a part of a financial asset] is primarily derecognised [i.e. removed from the Company's balance sheet] when:

- i The rights to receive cash flows from the asset have expired, or
- ii The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either [a] the Company has transferred substantially all the risks and rewards of the asset, or [b] the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. When the Company has transferred the risk and rewards of ownership of the financial asset, the same is derecognised.

d **Impairment of financial assets:**

In accordance with Ind AS 109, the Company applies expected credit loss [ECL] model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

- a Financial assets that are debt instruments, and are measured at amortised cost
- b Trade receivables or any contractual right to receive cash or another financial asset
- c Financial assets that are debt instruments and are measured as at FVTOCI

The Company follows 'simplified approach' for recognition of impairment loss allowance on Point c above.

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it requires the Company to recognise the impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition. For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL. Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive [i.e., all cash shortfalls], discounted at the original EIR.

ECL impairment loss allowance [or reversal] recognized during the period is recognized as income/ expense in the Statement of Profit and Loss. The balance sheet presentation for various financial instruments is described below:

Financial assets measured as at amortised cost and contractual revenue receivables: ECL is presented as an allowance, i.e., as an integral part of the measurement of those assets in the balance sheet, which reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not reduce impairment allowance from the gross carrying amount.

For assessing increase in credit risk and impairment loss, the Company combines financial instruments on the basis of shared credit risk characteristics.

Notes to Financial Statements

B Financial Liabilities:

a Initial recognition and measurement:

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

b Subsequent measurement:

Subsequently all financial liabilities are measured as amortised cost except for loans and borrowings, as described below:

Loans and borrowings:

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in Statement of Profit and Loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Statement of Profit and Loss.

c Derecognition:

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.

d Embedded derivatives:

An embedded derivative is a component of a hybrid [combined] instrument that also includes a non-derivative host contract – with the effect that some of the cash flows of the combined instrument vary in a way similar to a standalone derivative.

Derivatives embedded in all other host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in Statement of Profit and Loss, unless designated as effective hedging instruments.

C Reclassification of financial assets:

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. Such changes are evident to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model as per Ind AS 109.

D Offsetting of financial instruments:

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Notes to Financial Statements

21 Derivative Financial Instruments and Hedge Accounting:

Derivatives are recognised initially at fair value and subsequently at fair value through profit and loss.

Fair value hedges:

The Company applies fair value hedge accounting for changes in fair value of trade receivables [non-derivative financial assets] attributable to foreign currency risk. The Company designates certain non-derivative foreign currency financial liabilities [hedging instrument] to hedge the risks of changes in fair value of trade receivables attributable to the movement in foreign exchange rates. The Company documents at the time of designation the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking such hedging transactions. The Company also documents its assessment, both at the inception of the hedge and on an ongoing basis, of whether the risk management objectives are met with the hedging relationship. Changes in fair values of both hedging instruments and hedged items are recognised in foreign exchange gains / losses as a part of other income or other expenses as the case may be. If the hedge no longer meets the criteria for hedge accounting, this accounting treatment is discontinued.

22 Fair Value Measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- a In the principal market for the asset or liability, or
- b In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- a Level 1 — Quoted [unadjusted] market prices in active markets for identical assets or liabilities
- b Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- c Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable
For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation [based on the lowest level input that is significant to the fair value measurement as a whole] at the end of each reporting period.

23 Business combinations and Goodwill:

- A In accordance with Ind AS 101 provisions related to first time adoption, the Company has elected to apply Ind AS accounting for business combinations prospectively from April 1, 2015. As such, Indian GAAP balances relating to business combinations entered into before that date, including goodwill, have been carried forward.
- B Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred at acquisition date fair value. Acquisition-related costs are expensed as incurred.

Notes to Financial Statements

- C At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their acquisition date fair values. For this purpose, the liabilities assumed include contingent liabilities representing present obligation and they are measured at their acquisition date fair values irrespective of the fact that outflow of resources embodying economic benefits is not probable. However, the Deferred tax assets or liabilities and the assets or liabilities related to employee benefit arrangements acquired in a business combination are recognised and measured in accordance with Ind AS-12 "Income Tax" and Ind AS-19 "Employee Benefits" respectively.
- D When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.
- E Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of Ind AS-109 "Financial Instruments", is measured at fair value with changes in fair value recognised in Statement of Profit and Loss. If the contingent consideration is not within the scope of Ind AS-109, it is measured in accordance with the appropriate Ind AS. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and subsequently its settlement is accounted for within equity.
- G Goodwill is initially measured at the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in OCI and accumulated in equity as Capital Reserve. However, if there is no clear evidence of bargain purchase, the entity recognises the gain directly in equity as Capital Reserve, without routing the same through OCI.
- H After initial recognition, Goodwill is not amortised. Goodwill is accordingly recognised at original value, less any accumulated impairment. For the purpose of impairment testing, Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.
- I A cash generating unit to which Goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any Goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for Goodwill is recognised in Statement of Profit and Loss. An impairment loss recognised for Goodwill is not reversed in subsequent periods.
- J If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted through Goodwill during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date. These adjustments are called as measurement period adjustments. The measurement period does not exceed one year from the acquisition date.
- K Wherever any business combination is governed by the Scheme approved by the Hon'able High Court/ National Company Law Tribunal [NCLT], the business combination is accounted for as per the accounting treatment sanctioned in the Scheme. Goodwill arising on such business combination is amortised over the period, as provided in the Scheme, as approved by the Hon'able High Court or NCLT.

Notes to Financial Statements

24 Earnings per Share:

Basic earnings per share are calculated by dividing the net profit or loss [excluding other comprehensive income] for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for events such as bonus issue, bonus element in a right issue, shares split and reserve share splits [consolidation of shares] that have changed the number of equity shares outstanding, without a corresponding change in resources. For the purpose of calculating diluted earnings per share, the net profit or loss [excluding other comprehensive income] for the year attributable to equity share holders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

B Standards issued but not yet effective:

In March 2017, the Ministry of Corporate Affairs issued the Companies [Indian Accounting Standards] [Amendments] Rules, 2017, notifying amendments to Ind AS 7 "Statement of cash flows" and Ind AS 102 "Share-based payment". These amendments are in accordance with the recent amendments made by International Accounting Standards Board (IASB) to IAS 7 "Statement of cash flows" and IFRS 2 "Share-based payment", respectively. The amendments are applicable to the Company from April 1, 2017.

Amendment to Ind AS 7:

The amendment to Ind AS 7 requires the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities, to meet the disclosure requirement. The Company is evaluating the requirements of the amendment and its effect on the financial statements.

Amendment to Ind AS 102:

The amendment to Ind AS 102 provides specific guidance to measurement of cash-settled awards, modification of cash-settled awards and awards that include a net settlement feature in respect of withholding taxes. It clarifies that the fair value of cash-settled awards is determined on a basis consistent with that used for equity-settled awards. Market-based performance conditions and non-vesting conditions are reflected in the "fair values", but non-market performance conditions and service vesting conditions are reflected in the estimate of the number of awards expected to vest. Also, the amendment clarifies that if the terms and conditions of a cash-settled share-based payment transaction are modified with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as such from the date of the modification. Further, the amendment requires the award that include a net settlement feature in respect of withholding taxes to be treated as equity-settled in its entirety. The cash payment to the tax authority is treated as if it was part of an equity settlement. This amendment does not apply to the Company.

Notes to Financial Statements

Note 3 - Property, Plant & Equipment and Intangible Assets:

A. Property, Plant & Equipment:

INR Millions

| | Freehold Land | Leasehold Land | Buildings | Plant and Equipments | Furniture and Fixture | Vehicles | Office Equipment | Total |
|-------------------------------------|---------------|----------------|-----------|----------------------|-----------------------|----------|------------------|--------|
| Gross Block: | | | | | | | | |
| As at April 1, 2015* | 838 | 245 | 5,244 | 19,360 | 497 | 592 | 202 | 26,978 |
| Additions [#] | 26 | 65 | 400 | 3,645 | 30 | 74 | 60 | 4,300 |
| Disposals | - | - | - | (46) | - | (50) | - | (96) |
| Other adjustments | - | - | 53 | 264 | - | (7) | - | 310 |
| As at March 31, 2016 | 864 | 310 | 5,697 | 23,223 | 527 | 609 | 262 | 31,492 |
| Adjusted due to de-merger [\$] | - | (3) | (27) | (489) | (9) | (53) | (10) | (591) |
| Additions | 985 | 12 | 437 | 3,396 | 59 | 101 | 74 | 5,064 |
| Disposals | - | - | - | (68) | - | (43) | (1) | (112) |
| Other adjustments | - | - | (12) | (55) | - | - | - | (67) |
| As at March 31, 2017 | 1,849 | 319 | 6,095 | 26,007 | 577 | 614 | 325 | 35,786 |
| Depreciation and Impairment: | | | | | | | | |
| As at April 1, 2015* | - | 25 | 1,173 | 7,566 | 368 | 228 | 99 | 9,459 |
| Depreciation for the year | - | 3 | 156 | 1,820 | 28 | 62 | 41 | 2,110 |
| Disposals | - | - | - | (38) | - | (25) | - | (63) |
| As at March 31, 2016 | - | 28 | 1,329 | 9,348 | 396 | 265 | 140 | 11,506 |
| Adjusted due to de-merger [\$] | - | (1) | (1) | (112) | (2) | (14) | (6) | (136) |
| Depreciation for the year | - | 4 | 172 | 2,132 | 23 | 61 | 36 | 2,428 |
| Disposals | - | - | - | (41) | - | (21) | - | (62) |
| As at March 31, 2017 | - | 31 | 1,500 | 11,327 | 417 | 291 | 170 | 13,736 |
| Net Block: | | | | | | | | |
| As at April 1, 2015* | 838 | 220 | 4,071 | 11,794 | 129 | 364 | 103 | 17,519 |
| As at March 31, 2016 | 864 | 282 | 4,368 | 13,875 | 131 | 344 | 122 | 19,986 |
| As at March 31, 2017 | 1,849 | 288 | 4,595 | 14,680 | 160 | 323 | 155 | 22,050 |

Notes to Financial Statements

Note: 3 - Property, Plant & Equipment and Intangible Assets - Continued:

B. Intangible Assets:

INR Millions

| | Goodwill | Other Intangible Assets | | | | Total |
|-------------------------------------|----------|-------------------------|----------------------|----------------------|-----------------------|---------|
| | | Brands/ Trademarks | Computer Software | Commercial Rights | Technical Know-how | |
| Gross Block: | | | | | | |
| As at April 1, 2015* | 102 | 2,516 | 297 | 307 | 978 | 4,098 |
| Additions [#] | 18 | 1,113 | 95 | 149 | 138 | 1,495 |
| Disposals | - | - | - | - | - | - |
| Other adjustments | - | - | - | - | - | - |
| As at March 31, 2016 | 120 | 3,629 | 392 | 456 | 1,116 | 5,593 |
| Adjusted due to de-merger [\$] | - | (1,963) | (19) | (101) | (613) | (2,696) |
| Additions | - | (1) | 161 | - | - | 160 |
| Disposals | - | - | - | - | - | - |
| Other adjustments | - | - | - | - | - | - |
| As at March 31, 2017 | 120 | 1,665 | 534 | 355 | 503 | 3,057 |
| Amortisation and Impairment: | | | | | | |
| As at April 1, 2015* | 61 | 2,503 | 240 | 270 | 975 | 3,988 |
| Amortisation for the year | 21 | 22 | 47 | 7 | 2 | 78 |
| Impairment for the year | - | - | - | - | 3 | 3 |
| Disposals | - | - | - | - | - | - |
| As at March 31, 2016 | 82 | 2,525 | 287 | 277 | 980 | 4,069 |
| Adjusted due to de-merger [\$] | - | (1,959) | (19) | (70) | (613) | (2,661) |
| Amortisation for the year | 20 | 111 | 57 | 15 | 14 | 197 |
| Impairment for the year | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - |
| As at March 31, 2017 | 102 | 677 | 325 | 222 | 381 | 1,605 |
| Net Block: | | | | | | |
| As at April 1, 2015* | 41 | 13 | 57 | 37 | 3 | 110 |
| As at March 31, 2016 | 38 | 1,104 | 105 | 179 | 136 | 1,524 |
| As at March 31, 2017 | 18 | 988 | 209 | 133 | 122 | 1,452 |

INR Millions

| | Year ended March 31, 2017 | Year ended March 31, 2016 |
|--|------------------------------|------------------------------|
| Depreciation, Amortisation and Impairment expenses: | | |
| Depreciation | 2,428 | 2,110 |
| Amortisation | 217 | 99 |
| Impairment | - | 3 |
| Less: Depreciation charge pertaining IHFU [\$] | (136) | - |
| Total | 2,509 | 2,212 |

* Represents deemed cost on the date of transition to Ind AS. Gross block and accumulated depreciation from the previous GAAP have been disclosed for the purpose of better understanding of the original cost of assets.

[\$] Refer Note - 49

Notes to Financial Statements

Note: 3 - Property, Plant & Equipment and Intangible Assets - Continued:

Notes:

1 Leased Assets:

The freehold land include the following amounts where the Company is a lessor under operating lease arrangement:

| | INR Millions |
|----------------------------|---------------|
| | Freehold Land |
| Cost/ deemed Cost | 120 |
| Accumulated Depreciation | - |
| Net carrying amount | 120 |

The lease term in respect of the above mentioned leased assets expires within five to nine years. The lease income receipts are structured to increase in line with expected general inflation to compensate for the expected inflationary cost increases.

- 2 Buildings include INR 0.02 [As at March 31, 2016: INR 0.02] Millions being the value of unquoted shares held in cooperative societies.
- 3 Additions of INR 259 [Previous Year: INR 254] Millions in research assets during the year are included in "Additions" under the respective heads of Gross Block of Tangible assets as above.
- 4 Capital expenditure on Research and Development [including net decrease in Capital Work-in-progress of INR 43 {Previous year: increase of INR 23} Millions] is INR 212 [Previous Year: INR 277] Millions.
- 5 Other adjustments include adjustments on account of borrowing costs and exchange rate differences.
- 6 Legal titles of some of the immovable properties acquired pursuant to Scheme of Amalgamation of Liva Healthcare Limited, Zydus Animal Health Limited and Zydus Pharmaceuticals Limited with the Company are in the process of being transferred in the name of the Company.
- 7 The Company had purchased a flat in Goa for its Guest House and executed a deed of conveyance after payment of consideration to the seller and payment of stamp duties and registration fees in favor of the Government authorities. The document was presented to the Office of the Sub-Registrar of Assurance at Goa for its necessary registration, the original document duly registered is yet to be received by the Company.
- 8 The Company owns a Non-agricultural freehold land at Survey No. 434/6/B and 434/1/K at Village - Jarod, Taluka - Vaghodia, Dist. Vadodara and revenue survey No. 811/2 of Village : Kotambi, Taluka - Vaghodia, Dist. Vadodara, admeasuring 54,412 Sq. Mtrs. meant for bonafide industrial purposes. The Company had given the said plot of land on a 9 year lease period starting from December 1, 2013 to its wholly owned subsidiary Liva Pharmaceuticals Limited for setting up manufacturing facilities for injectable products.

The Company has given its no-objection to register mortgage created by the said subsidiary company in favor of its lenders as a first lien on the said land as a security in respect of amount borrowed by the said subsidiary company from its lending bank.

The gross amount of freehold land includes an amount of INR 120 Millions in respect of the above stated plot of land leased by the Company to Liva Pharmaceuticals Limited.

- [#] Pursuant to the Business Transfer Agreement [BTA] executed between the Company and Zoetis India Limited ["Zoetis"], the Company has acquired select animal healthcare brands, related licenses, technical knowhow and tangible assets of Zoetis during the previous year. The purchase price for such group of assets is allocated to individual assets based on their respective fair values arrived at on the basis of valuation carried out by an independent valuer.

Notes to Financial Statements

Note: 4-Investments [Non-Current]:

| | Face Value [*] | Nos. [**] | As at March 31, 2017 INR Millions | As at March 31, 2016 INR Millions | As at April 1, 2015 INR Millions |
|--|----------------|--------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|
| INR Millions | | | | | |
| Investments in Subsidiaries and Joint Ventures: | | | | | |
| Investments in Equity Instruments | | | 17,997 | 13,261 | 12,222 |
| Investments in Preference Shares | | | 180 | 159 | 141 |
| Investments in Equity Instruments via Convertible Loan | | | 298 | 1,650 | 2,332 |
| Investments in Equity Instruments via Optionally Convertible Preference Shares | | | 20,137 | 6,609 | 4,832 |
| Investments in a Partnership Firm | | | - | - | 96 |
| | | | 38,612 | 21,679 | 19,623 |
| Investments - Others: | | | | | |
| Investments in Equity Instruments | | | 616 | 478 | 700 |
| Investments in Preference Shares | | | 9 | 9 | 9 |
| | | | 625 | 487 | 709 |
| Total | | | 39,237 | 22,166 | 20,332 |
| A. Details of Investments in Subsidiaries and Joint Ventures: | | | | | |
| Investment in Equity Instruments [Valued at cost]: | | | | | |
| Subsidiary Companies [Quoted]: | | | | | |
| In fully paid-up equity shares of Zydus Wellness Limited | 10 | 28,163,755 | 570 | 570 | 570 |
| Subsidiary Companies [Unquoted]: | | | | | |
| In fully paid-up equity shares of: | | | | | |
| Zydus Technologies Limited | 10 | 42,500,000 | 425 | 425 | 425 |
| Dialforhealth India Limited | 10 | 5,000,000 | 112 | 110 | 110 |
| Zydus Healthcare Limited [Formerly known as German Remedies Limited] [\$] | 100 | 1,938,242 [48,000] | 100 | 2 | 2 |
| [1,890,242 shares allotted pursuant to the Scheme] | | {24,000} | | | |
| Zydus Healthcare Limited [\$] | 10 | 0 [9,794,000] {0} | - | 98 | - |
| Biochem Pharmaceutical Industries Limited [\$] | 10 | 7,500,000 | 5,242 | 5,242 | 5,242 |
| Liva Pharmaceuticals Limited | 10 | 2,000,000 | 20 | 20 | 20 |
| Alidac Pharmaceuticals Limited | 10 | 22,330,000 | 158 | 158 | 158 |
| Zydus International Private Limited, Ireland [12,395,087 shares allotted pursuant to conversion of loan into equity during the year] | € 1.462843 | 62,340,456 [49,945,369] [42,424,120] | 6,518 | 5,166 | 4,251 |
| Z AHL BV, the Netherlands | € 100 | 0 [0] {180} | - | - | 276 |
| Zydus Lanka (Private) Limited, Sri Lanka | LKR 10 | 199,000 [199,000] {100,000} | 1 | 1 | 1 |
| Zydus Healthcare Philippines Inc. [14,607,174 shares subscribed during the year] | PHP 10 | 24,965,120 [10,357,946] {987,637} | 351 | 147 | 15 |
| Zydus Worldwide DMCC [18,350 shares subscribed during the year] | AED 1,000 | 64,280 [45,930] {36,750} | 1,148 | 806 | 636 |
| Sentynl Therapeutics Inc [1,000 shares acquired during the year] | \$0.0001 | 1,000 [0] {0} | 2,038 | - | - |
| Bremer Pharma GmbH [Germany] [3 shares acquired during the year] | € 50,000 | 1 [0] {0} | 60 | - | - |
| | € 30,000 | 1 [0] {0} | | | |
| | € 400,000 | 1 [0] {0} | | | |
| Zydus Healthcare (USA) LLC [200,000 shares acquired during the year] | \$1 | 200,000 [0] {0} | 12 | - | - |
| | | | 16,185 | 12,175 | 11,136 |

Notes to Financial Statements

Note: 4-Investments [Non-Current]-Continued:

INR Millions

| | Face Value [*] | Nos. [**] | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|--|----------------|-------------------|----------------------|----------------------|---------------------|
| In fully paid-up Common Stock of: | | | | | |
| Zydus Pharmaceuticals (USA) Inc. [2,300,000 acquired during the year] | \$1 | 2,300,000 [0] {0} | 519 | - | - |
| Zydus Noveltch Inc. [850 acquired during the year] | No par value | 850 [0] {0} | 207 | - | - |
| | | | 726 | - | - |
| Joint Venture Companies [Unquoted]: | | | | | |
| In fully paid-up equity shares of: | | | | | |
| Zydus Hospira Oncology Private Limited | 10 | 7,500,000 | 75 | 75 | 75 |
| Zydus Takeda Healthcare Private Limited | 10 | 10,000,000 | 100 | 100 | 100 |
| Bayer Zydus Pharma Private Limited | 10 | 25,000,000 | 250 | 250 | 250 |
| | | | 425 | 425 | 425 |
| Deemed investment in equity of: | | | | | |
| Equity Component of Bayer Zydus Pharma Private Limited | | | 91 | 91 | 91 |
| | | | 17,997 | 13,261 | 12,222 |
| Investment in Preference Shares [Carried at amortised cost]: | | | | | |
| Joint Venture Company [Unquoted]: | | | | | |
| In fully paid-up, 5%, Redeemable Non-Cumulative Preference Shares of Bayer Zydus Pharma Private Limited | 10 | 20,000,000 | 180 | 159 | 141 |
| Investment in Equity Instruments via Convertible Loan [Valued at cost]: | | | | | |
| Subsidiary Companies: | | | | | |
| Zydus International Private Limited | | | 298 | 1,650 | 2,332 |
| Investment in Equity Instruments via Optionally Convertible Redeemable Preference Shares [Valued at cost]: | | | | | |
| Subsidiary Companies: | | | | | |
| Zydus Technologies Limited | | | 90 | 90 | 90 |
| Dialforhealth India Limited | | | 200 | 200 | 200 |
| Zydus Healthcare Limited | | | 12,365 | - | - |
| Alidac Pharmaceuticals Limited | | | 689 | 689 | 539 |
| Zydus Healthcare Philippines Inc. | | | 14 | 14 | - |
| Zydus International Private Limited | | | 6,779 | 5,616 | 4,003 |
| | | | 20,137 | 6,609 | 4,832 |
| Investment in the Fixed Capital of a Partnership Firm [Unquoted] [\$] | | | - | - | 96 |
| B. Details of Investments - Others [Valued at fair value through OCI]: | | | | | |
| Investment in Equity Instruments [Quoted]: | | | | | |
| In fully paid-up Common Stock of: | | | | | |
| Onconova Therapeutic Inc. USA | \$0.01 | 65,111 | 13 | 25 | 98 |
| Pieris Pharmaceuticals Inc., USA | \$0.001 | 1,415,539 | 239 | 178 | 284 |
| | | | 252 | 203 | 382 |

Notes to Financial Statements

Note: 4-Investments [Non-Current]-Continued:

INR Millions

| | Face Value [*] | Nos. [**] | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|---|----------------|-----------|----------------------|----------------------|---------------------|
| In fully paid-up Equity Shares of: | | | | | |
| Housing Development Finance Corporation Limited | 2 | 219,500 | 330 | 243 | 288 |
| HDFC Bank Limited | 2 | 4,000 | 6 | 5 | 4 |
| Kokuyo Camlin Limited | 1 | 72,090 | 6 | 6 | 5 |
| Camlin Fine Sciences Limited | 1 | 152,000 | 13 | 13 | 13 |
| Accelya Kale Consultants Limited | 10 | 383 | 1 | - | - |
| Saket Projects Limited [INR 50,000/-] | 10 | 5,000 | - | - | - |
| | | | 356 | 267 | 310 |
| Investment in Equity Instruments [Unquoted]: | | | | | |
| In fully paid-up Equity Shares of: | | | | | |
| Bharuch Enviro Infrastructure Limited [INR 12,140/-] | 10 | 1,214 | - | - | - |
| Narmada Clean Tech | 10 | 625,813 | 6 | 6 | 6 |
| Enviro Infrastructure Company Limited | 10 | 50,000 | 1 | 1 | 1 |
| Gujarat Venture Finance Limited | 10 | 50,000 | 1 | 1 | 1 |
| Saraswat Co-Op Bank Limited [INR 20,350/-] | 10 | 2,500 | - | - | - |
| Shamrao Vithal Co-Op Bank Limited [INR 2,500/-] | 25 | 100 | - | - | - |
| The Green Environment Co-operative Society Limited [INR 5,000/-] | 100 | 50 | - | - | - |
| Shivalik Solid Waste Management Limited [INR 2,00,000/-] | 10 | 20,000 | - | - | - |
| | | | 8 | 8 | 8 |
| | | | 616 | 478 | 700 |
| Investment in Preference Shares [Unquoted]: | | | | | |
| [Carried at amortised cost]: | | | | | |
| In fully paid-up, 1%, Redeemable Cumulative preference shares of Enviro Infrastructure Company Limited | 10 | 900,000 | 9 | 9 | 9 |
| Total [Aggregate Book Value of Investments] | | | | | |
| | | | 39,237 | 22,166 | 20,332 |
| C. a. i. Aggregate book value of quoted investments | | | 1,178 | 1,040 | 1,262 |
| ii. Market value of quoted investments | | | 25,090 | 21,400 | 29,290 |
| b. Aggregate book value of unquoted investments | | | 38,059 | 21,126 | 19,070 |
| D. Explanations: | | | | | |
| a. In "Face Value [*]", figures in Indian Rupees unless stated otherwise. | | | | | |
| b. In "Nos. [**]" figures of previous year or preceding previous year are same unless stated in []{}. | | | | | |
| E. The Company was a partner in M/s. Zyduz Healthcare, the relevant details of which are as under [\$]: | | | | | |
| Fixed Capital | | | - | - | 100 |
| Current Capital | | | - | - | 4,055 |
| Total Capital of the Firm | | | - | - | 4,155 |
| Name of Partners and their Profit Sharing Ratio: | | | | | |
| Cadila Healthcare Limited | | | - | - | 96% |
| German Remedies Limited | | | - | - | 2% |
| Cadila Healthcare Staff Welfare Trust | | | - | - | 2% |

[\$] Refer Note 48

Notes to Financial Statements

Note: 5-Loans:

INR Millions

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|---|-------------------------|-------------------------|------------------------|
| [Unsecured, Considered Good unless otherwise stated] | | | |
| Loans and Advances to Related Parties [*] | 14,271 | 9,219 | 2,797 |
| Total | 14,271 | 9,219 | 2,797 |
| [*] Details of loans pursuant to Section 186(4) of Companies Act, 2013 (#): | | | |
| Name of the party and relationship with the party to whom loan given: | | | |
| A. Subsidiary Company: | | | |
| a Zydus Technologies Limited | 4,032 | 2,971 | 1,905 |
| b Biochem Pharmaceutical Industries Limited | - | 130 | 130 |
| c Dialforhealth India Limited | 91 | 97 | 102 |
| d Liva Pharmaceuticals Limited | 2,372 | 1,517 | 305 |
| e Zydus Worldwide DMCC | 7,776 | - | 205 |
| f German Remedies Limited [Refer Note 48] | - | 4,504 | - |
| | 14,271 | 9,219 | 2,647 |
| B. Joint venture: | | | |
| a Bayer Zydus Pharma Private Limited | - | - | 150 |
| Total | 14,271 | 9,219 | 2,797 |

(#) Loans which are outstanding at the end of the respective financial year.

Notes:

- All the above loans have been given for business purposes.
- All the loans are interest bearing except the loan given to Dialforhealth India Limited.
- All the above loans are repayable within a period of 3 to 5 years.

Note: 6 - Other Financial Assets:

INR Millions

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|---|-------------------------|-------------------------|------------------------|
| [Unsecured, Considered Good unless otherwise stated] | | | |
| Security Deposits | 51 | 123 | 113 |
| Forward Contract value related to investment in a Joint Venture | 2,090 | 1,523 | 1,267 |
| Others | 101 | 172 | 169 |
| Total | 2,242 | 1,818 | 1,549 |

Notes to Financial Statements

Note: 7 - Other Non-Current Assets:

INR Millions

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|--|-------------------------|-------------------------|------------------------|
| [Unsecured, Considered Good unless otherwise stated] | | | |
| Capital Advances | 1,409 | 1,006 | 655 |
| Balances with Statutory Authorities | 1,083 | 1,055 | 1,108 |
| Total | 2,492 | 2,061 | 1,763 |

Note: 8 - Current Tax Assets [Net]:

INR Millions

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|---|-------------------------|-------------------------|------------------------|
| Advance payment of Tax [Net of provision for taxation of INR 7,679 (as at March 31, 2016: INR 3,288 (as at April 1, 2015: INR 733)) Millions] | 534 | 219 | 302 |
| Total | 534 | 219 | 302 |

Note: 9 - Inventories:

INR Millions

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|--|-------------------------|-------------------------|------------------------|
| [The Inventory is valued at lower of cost and net realisable value] | | | |
| Classification of Inventories: | | | |
| Raw Materials | 4,458 | 2,324 | 2,990 |
| Work-in-progress | 1,791 | 1,250 | 1,362 |
| Finished Goods | 1,865 | 1,369 | 1,869 |
| Stock-in-Trade | 510 | 1,183 | 1,097 |
| Stores and Spares | - | - | 3 |
| Others: | | | |
| Packing Materials | 705 | 449 | 722 |
| Total | 9,329 | 6,575 | 8,043 |
| The above includes Goods in transit as under: | | | |
| Raw Materials | 77 | 35 | 12 |
| Stock-in-Trade | 18 | 13 | 2 |
| Packing Materials | 5 | 4 | 5 |
| Amount recognised as an expense in statement of profit and loss resulting from write-down of inventories | | | |
| Net of reversal of write-down | 8 | 50 | 59 |

Notes to Financial Statements

Note: 10 - Investments [Current]:

INR Millions

| | Nos. [*] | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|---|-------------------------|-------------------------|-------------------------|------------------------|
| Investments in Government Securities [Unquoted] [Valued at amortised cost] | | - | 8 | 7 |
| Investment in Mutual Funds [Quoted] [Valued at fair value through profit or loss]: | | | | |
| HDFC Liquid Fund - Direct Plan - Growth [*] | 0 {167,407.17} {0} | - | 501 | - |
| Tata Money Market Fund - Direct Plan - Growth [*] | 0 {209,649.13} {0} | - | 500 | - |
| ICICI Prudential Liquid - Direct Plan - Growth [*] | 0 {0} {966,172.84} | - | - | 200 |
| Axis Liquid Fund - Direct Growth [*] | 0 {0} {129,016.53} | - | - | 200 |
| DSP BlackRock Liquidity Fund - Direct Plan - Growth [*] | 0 {0} {99,984.05} | - | - | 200 |
| Religare Invesco Liquid Fund - Direct Plan - Growth [*] | 0 {0} {103,958.38} | - | - | 200 |
| SBI Premier Liquid Fund - Direct Plan - Growth [*] | 0 {0} {91,120.41} | - | - | 201 |
| Sundaram Money Fund - Direct Plan - Growth [*] | 0 {0} {6,779,086.51} | - | - | 200 |
| Total | | - | 1,001 | 1,201 |
| A a i. Aggregate amount of unquoted investments | | - | 1,001 | 1,201 |
| ii. Market value of quoted investments | | - | 1,001 | 1,201 |
| b. Aggregate amount of unquoted investments | | - | 8 | 7 |
| B Explanations: | | | | |
| a. In "Nos. [**]" figures of previous year or preceding previous year are same unless stated in []{ }. | | | | |

[*] Considered as cash and cash equivalents for Cash Flow Statement

Note: 11 - Trade Receivables:

INR Millions

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|---------------------------------|-------------------------|-------------------------|------------------------|
| Secured - Considered good | 664 | 664 | 587 |
| Unsecured - Considered good | 8,626 | 16,409 | 10,004 |
| Unsecured - Considered doubtful | 7 | 10 | 9 |
| | 9,297 | 17,083 | 10,600 |
| Less: Impairment allowances | 7 | 10 | 9 |
| Total | 9,290 | 17,073 | 10,591 |

Notes to Financial Statements

Note: 12 - Cash and Cash Equivalents:

INR Millions

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|-------------------------|-------------------------|-------------------------|------------------------|
| Balances with Banks [*] | 164 | 1,630 | 1,284 |
| Cash on Hand | 4 | 7 | 10 |
| Total | 168 | 1,637 | 1,294 |

[*] Earmarked balances with banks:

A Balances with Banks include:

| | | | |
|--|----|----|----|
| i. Balances in unclaimed dividend accounts | 30 | 25 | 21 |
| ii. Balances to the extent held as margin money deposits against Guarantee | - | 1 | 5 |

B Bank deposits with maturity of more than 12 months

C Company keeps fixed deposits with the Nationalised/ Scheduled banks, which can be withdrawn by the company as per its own discretion/ requirement of funds.

D There are no amounts of cash and cash equivalent balances held by the entity that are not available for use by the Company.

In accordance with MCA notification G.S.R. 308 (E) dated March 30, 2017 details of Specified Bank Notes [SBN] and Other Denomination Notes [ODN] held and transacted during the period from November 8, 2016 to December 30, 2016 is given below:

| Particulars | Total | SBN | ODN |
|---|----------|----------|----------|
| Closing cash on hand as on November 8, 2016 | 9 | 7 | 2 |
| Permitted receipts | 4 | - | 4 |
| Permitted payments | (5) | - | (5) |
| Amount deposited in banks | (7) | (7) | - |
| Closing cash on hand as on December 30, 2016 | 1 | - | 1 |

Note: 13 - Loans:

INR Millions

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|---|-------------------------|-------------------------|------------------------|
| [Unsecured, Considered Good] | | | |
| Loans and advances to related parties [*] | 371 | 190 | 143 |
| Investments in Current Capital of a Partnership Firm [Refer Note-4 E] | - | - | 3,376 |
| Total | 371 | 190 | 3,519 |

Notes to Financial Statements

Note: 13 - Loans - Continued:

INR Millions

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|---|-------------------------|-------------------------|------------------------|
| [*] Details of Loans and Advances to Related Parties [Refer Note-41 for relationship] are as under: | | | |
| a. Alidac Pharmaceuticals Limited | | | |
| i. Advance for subscription to Optionally Convertible Redeemable Preference Shares | - | - | 15 |
| ii. Advance for processing activities | - | - | 25 |
| b. Zydus Healthcare Philippines Inc. [Advance for subscription to Equity Shares] | - | - | 36 |
| c. Zydus Technologies Limited [Interest Receivable on loan] | 92 | 75 | 54 |
| d. Liva Pharmaceuticals Limited [Interest Receivable on loan] | 176 | 60 | 10 |
| e. Zydus International Limited [Interest Receivable on loan] | 101 | - | - |
| f. Zydus Worldwide DMCC [Interest Receivable on loan] | 2 | - | 3 |
| g. German Remedies Limited [Refer Note 4 \$] [Interest Receivable on loan] | - | 55 | - |
| Total | 371 | 190 | 143 |

Note: 14 - Other Current Financial Assets:

INR Millions

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|------------------------------|-------------------------|-------------------------|------------------------|
| [Unsecured, Considered Good] | | | |
| Other advances | 1 | 57 | 56 |
| Total | 1 | 57 | 56 |

Note: 15 - Other Current Assets:

INR Millions

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|-------------------------------------|-------------------------|-------------------------|------------------------|
| [Unsecured, Considered Good] | | | |
| Balances with Statutory Authorities | 1,342 | 1,221 | 1,364 |
| Advances to Suppliers | 488 | 483 | 520 |
| Export Incentive Receivables | 309 | 846 | 250 |
| Prepaid Expenses | 96 | 142 | 143 |
| Total | 2,235 | 2,692 | 2,277 |

Notes to Financial Statements

Note: 16 - Equity Share Capital:

INR Millions

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|---|-------------------------|-------------------------|------------------------|
| Authorised: | | | |
| 1,725,000,000 [as at March 31, 2016: 1,725,000,000 {as at April 1, 2015: 345,000,000}] Equity Shares of INR 1/- [INR 1/-] {INR 5/-} each * | 1,725 | 1,725 | 1,725 |
| | 1,725 | 1,725 | 1,725 |
| Issued, Subscribed and Paid-up: | | | |
| 1,023,742,600 [as at March 31, 2016: 1,023,742,600 {as at April 1, 2015: 204,748,520}] Equity Shares of INR 1/- [INR 1/-] {INR 5/-} each, fully paid-up * | 1,024 | 1,024 | 1,024 |
| Total | 1,024 | 1,024 | 1,024 |
| A The reconciliation in number of shares is as under: | | | |
| Number of shares at the beginning of the year | 1,023,742,600 | 204,748,520 | 204,748,520 |
| Add: Issued pursuant to sub-division of face value of the shares from INR 5/- each to INR 1/- each * | - | 818,994,080 | - |
| Number of shares at the end of the year | 1,023,742,600 | 1,023,742,600 | 204,748,520 |
| B The Company has only one class of equity shares having a par value of INR 1/- per share. Each holder of equity share is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the Annual General Meeting, except in the case of interim dividend. In the event of liquidation of the Company, the equity shareholders shall be entitled to proportionate share of their holding in the assets remaining after distribution of all preferential amounts. | | | |
| C Details of Shareholder holding more than 5% of aggregate Equity Shares of INR 1/- each [as at March 31, 2016: NR 1/- {as at April 1, 2015: INR 5/-} each], fully paid: | | | |
| Zydus Family Trust | | | |
| Number of Shares | 765,537,230 | 765,537,230 | 153,107,446 |
| % to total share holding | 74.78% | 74.78% | 74.78% |
| * During the previous year, the face value of the equity shares had been sub-divided from INR 5/- each to INR 1/- each per equity share with effect from October 7, 2015, pursuant to the approval of the members through postal ballot process. Accordingly, number of equity shares under the Authorised, Issued, Subscribed and Paid-up capital had been increased. | | | |

Notes to Financial Statements

Note: 17 - Other Equity:

| | INR Millions | |
|---|-------------------------|-------------------------|
| | As at March 31, 2017 | As at March 31, 2016 |
| Other Reserves: | | |
| International Business Development Reserve: [*] | | |
| Balance as per last Balance Sheet | 2,000 | 2,000 |
| General Reserve: [**] | | |
| Balance as per last Balance Sheet | 15,550 | 15,550 |
| Foreign Currency Monetary Items Translation Difference Account: [***] | | |
| Balance as per last Balance Sheet | (49) | (32) |
| Add/ [Less]: Credited/ [Debited] during the year | 40 | (17) |
| | (9) | (49) |
| Fair Value through Other Comprehensive Income [FVTOCI] Reserve: [#] | | |
| Balance as per last Balance Sheet | 165 | 387 |
| [Less]/ Add: [Debited]/ Credited during the year | 138 | (222) |
| | 303 | 165 |
| Retained Earnings: | | |
| Balance as per last Balance Sheet | 44,072 | 30,658 |
| Add: Profit for the year | 6,619 | 20,375 |
| | 50,691 | 51,033 |
| Less: Items of other Comprehensive income recognised directly in Retained Earnings: | | |
| Re-measurement gains/ [losses] on defined benefit plans [net of tax] | (81) | (170) |
| Less: Dividends: | | |
| Dividends [Refer Note-29] | 3,276 | 5,733 |
| Corporate Dividend Tax on Dividend [Net of CDT Credit] | 19 | 1,058 |
| | 3,295 | 6,791 |
| Balance as at the end of the year | 47,315 | 44,072 |
| Total | 65,159 | 61,738 |

[*] International Business Development Reserve was created pursuant to Composite Scheme of Amalgamation approved by the Hon'able High Court of Gujarat and its utilization shall be as provided in the scheme.

[**] General Reserve can be used for the purposes and as per guidelines prescribed in the Companies Act, 2013.

[***] The Company had opted for accounting the exchange rate differences arising on the Long Term Foreign Currency Monetary Items [LTFCMI] in accordance with the notification dated March 31, 2009 and amended on December 29, 2011 under the Companies [Accounting Standards] Amendment Rules, 2009 on Accounting Standard 11 relating to "the effects of changes in foreign exchange rates". Accordingly, the effects of exchange rate differences arising on translation or settlement of long term foreign currency loans availed for funding acquisition of Property, Plant and Equipment have been adjusted to the cost of respective items of Property, Plant and Equipment. In other cases, such exchange rate difference on the LTFCMI is transferred to "Foreign Currency Monetary Items Translation Difference Account". [FCMITDA] The option of transferring exchange rate differences to FCMITDA is available on LTFCMI outstanding as on March 31, 2016 only. The FCMITDA is amortised during the tenure of the respective LTFCMI but not beyond March 31, 2020.

[#] The Company has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income. These changes are accumulated within the FVOCI reserve within equity. The Company transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

Notes to Financial Statements

Note: 18 - Borrowings:

INR Millions

| | Non-current portion | | | Current Maturities | | |
|---|-------------------------|-------------------------|------------------------|-------------------------|-------------------------|------------------------|
| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
| A Term Loans from Banks: | | | | | | |
| External Commercial Borrowings in Foreign Currency | | | | | | |
| a Secured | 865 | 1,594 | 4,523 | 1,084 | 1,875 | 1,855 |
| b Unsecured | 11,484 | 2,651 | 1,251 | 454 | - | - |
| | 12,349 | 4,245 | 5,774 | 1,538 | 1,875 | 1,855 |
| B From Others [Unsecured] | 45 | 55 | 62 | 10 | 10 | 10 |
| Total | 12,394 | 4,300 | 5,836 | 1,548 | 1,885 | 1,865 |
| The above amount includes: | | | | | | |
| Secured borrowings | 865 | 1,594 | 4,523 | 1,084 | 1,875 | 1,855 |
| Unsecured borrowings | 11,529 | 2,706 | 1,313 | 464 | 10 | 10 |
| Amount disclosed under the head "Other Current Financial Liabilities" [Note-24] | - | - | - | (1,548) | (1,885) | (1,865) |
| Net amount | 12,394 | 4,300 | 5,836 | - | - | - |

A Securities and Terms of Repayment for Secured Long Term Borrowings:

a Foreign Currency Loans:

- i ECB of USD 20 Millions is secured by hypothecation of a specific trade mark of the Company. The loan is repayable in three equal yearly installments starting from the end of four years from the date of its origination [March 20, 2014] along with accrued interest for the period. Interest rate is reset every month at the rate of 1 month USD LIBOR plus 160 bps p.a. The outstanding amount of loan as at March 31, 2017 is INR 1,297 [as at March 31, 2016: INR 1,326] Millions.
- ii ECB of USD 15 Millions is secured by hypothecation of a specific trade mark of the Company. The loan is repayable in three half yearly installments starting from October 17, 2016 along with accrued interest for the period. Interest rates are reset every month at the rate of 1 month USD LIBOR plus 150 bps p.a. The outstanding amount of loan as at March 31, 2017 is INR 652 [as at March 31, 2016: INR 994] Millions.

B Terms of Repayment for Unsecured Long Term Borrowings:

a Foreign Currency Loans:

- i ECB of USD 20 Millions is repayable in three yearly installments starting from December 26, 2016 along with interest for the period. The first installment is of USD 6 Millions and the last two installments are of USD 7 Millions each. Interest rates are reset every month at the rate of 1 month USD LIBOR plus 120 bps p.a. The outstanding amount as at March 31, 2017 is INR 908 [as at March 31, 2016: INR 1,326] Millions.
- ii ECB of USD 20 Millions is repayable on July 10, 2018 along with accrued interest for the period. Interest rate is reset every month at the rate of 1 month USD LIBOR plus 99 bps p.a. The outstanding amount of loan as at March 31, 2017 is INR 1,298 [as at March 31, 2016: INR 1,325] Millions.
- iii ECB of USD 30 Millions is repayable in three yearly installments starting from January 17, 2020 along with interest for the period. Interest rates are reset every month at the rate of 1 month USD LIBOR plus 100 bps p.a. The outstanding amount as at March 31, 2017 is INR 1,946 [as at March 31, 2016: INR Nil] Millions.
- iv ECB of USD 20 Millions is repayable in three yearly installments starting from March 1, 2020 along with interest for the period. Interest rates are reset every month at the rate of 1 month USD LIBOR plus 100 bps p.a. The outstanding amount as at March 31, 2017 is INR 1,298 [as at March 31, 2016: INR Nil] Millions.

Notes to Financial Statements

Note: 18 - Borrowings - Continued:

- v ECB of USD 100 Millions is repayable in three yearly installments starting from March 27, 2021 along with interest for the period. Interest rates are reset every month at the rate of 1 month USD LIBOR plus 110 bps p.a. The outstanding amount as at March 31, 2017 is INR 6,488 [as at March 31, 2016: INR Nil] Millions.

b Rupee Loans:

- i Loan from Department of Science and Technology is repayable in ten yearly equal installments starting from November 1, 2012 along with interest @ 3% p.a. Interest accrued up to October 31, 2012 will be payable in 5 yearly installments along with repayment installment starting from November 1, 2012. The outstanding amount as at March 31, 2017 is INR 51 [as at March 31, 2016: INR 61] Millions.
- ii Biotechnology Industry Research Assistance Council [BIRAC] has sanctioned a loan of INR 12 Millions @ 2% p.a. interest rate. Out of the sanctioned amount, BIRAC has disbursed INR 4 Millions on December 28, 2015. The loan is repayable in ten equal half-yearly installments starting from August 25, 2019 along with interest accrued thereon. The outstanding amount as at March 31, 2017 is INR 4 [as at March 31, 2016: INR 4] Millions.

Note: 19 - Other Financial Liabilities:

INR Millions

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|----------------|-------------------------|-------------------------|------------------------|
| Trade Deposits | 17 | 58 | 54 |
| Others | 65 | 81 | 69 |
| Total | 82 | 139 | 123 |

Note: 20 - Provisions:

INR Millions

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|---------------------------------|-------------------------|-------------------------|------------------------|
| Provision for Employee Benefits | 621 | 965 | 605 |
| Total | 621 | 965 | 605 |

Defined benefit plan and long term employment benefit

A General description:

Leave wages [Long term employment benefit]:

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

Gratuity [Defined benefit plan]:

The Company has a defined benefit gratuity plan. Every employee who has completed continuous services of five years or more 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.

Notes to Financial Statements

Note: 20 - Provisions - Continued:

INR Millions

| | As at March 31, 2017 | | | As at March 31, 2016 | | |
|---|----------------------|-------------|----------|----------------------|-------------|----------|
| | Medical Leave | Leave Wages | Gratuity | Medical Leave | Leave Wages | Gratuity |
| B. Change in the present value of the defined benefit obligation: | | | | | | |
| Opening obligation | 123 | 741 | 1,072 | 84 | 573 | 916 |
| Transfer under the Scheme [*] | (50) | (261) | (421) | | | |
| Interest cost | 5 | 40 | 54 | 5 | 39 | 63 |
| Current service cost | 5 | (60) | 84 | 8 | 103 | 106 |
| Benefits paid | (6) | (104) | (59) | (30) | (52) | (221) |
| Actuarial [gains]/ losses on obligation | (10) | 113 | 99 | 56 | 78 | 208 |
| Closing obligation | 67 | 469 | 829 | 123 | 741 | 1,072 |
| C. Change in the fair value of plan assets: | | | | | | |
| Opening fair value of plan assets | | 150 | 753 | | 138 | 783 |
| Transfer under the Scheme [*] | | (61) | (297) | | | |
| Expected return on plan assets | | 4 | 36 | | 8 | 64 |
| Return of plan assets excluding amounts included in interest income | | 1 | (4) | | | (8) |
| Contributions by employer | | 1 | 80 | | 1 | 135 |
| Benefits paid | | | (59) | | | (221) |
| Actuarial [losses]/ gains | | | | | 3 | |
| Closing fair value of plan assets | | 95 | 509 | | 150 | 753 |
| Total actuarial gains/ [losses] to be recognised | 10 | (113) | (99) | (56) | (75) | (208) |
| D. Actual return on plan assets: | | | | | | |
| Expected return on plan assets | | 4 | 36 | | 8 | 64 |
| Actuarial [losses]/ gains on plan assets | | | | | 3 | |
| Actual return on plan assets | - | 4 | 36 | - | 11 | 64 |
| E. Amount recognised in the balance sheet: | | | | | | |
| Liabilities/ [Assets] at the end of the year | 67 | 469 | 829 | 123 | 741 | 1,072 |
| Fair value of plan assets at the end of the year | | (95) | (509) | | (150) | (753) |
| Difference | 67 | 374 | 320 | 123 | 591 | 319 |
| Liabilities/ [Assets] recognised in the Balance Sheet | 67 | 374 | 320 | 123 | 591 | 319 |
| F. Expenses/ [Incomes] recognised in the Statement of Profit and Loss: | | | | | | |
| Current service cost | 5 | (60) | 84 | 8 | 103 | 106 |
| Interest cost on benefit obligation | 5 | 40 | 54 | 5 | 39 | 63 |
| Expected return on plan assets | | (4) | (36) | | (8) | (64) |
| Return of plan assets excluding amounts included in interest income | | (1) | | | | |
| Net actuarial [gains]/ losses in the year | (10) | 113 | | 56 | 75 | |
| Amount Included in "Employee Benefit Expense" | | 88 | 102 | 69 | 209 | 105 |
| Return of plan assets excluding amounts included in interest income | | | 4 | | | 8 |
| Net actuarial [gains]/ losses in the year | | | 99 | | | 208 |
| Amounts recognized in OCI | - | - | 103 | - | - | 216 |

Notes to Financial Statements

Note: 20 - Provisions - Continued:

INR Millions

| | As at March 31, 2017 | | | As at March 31, 2016 | | |
|--|----------------------|-------------|----------|----------------------|-------------|----------|
| | Medical Leave | Leave Wages | Gratuity | Medical Leave | Leave Wages | Gratuity |
| G. Movement in net liabilities recognised in Balance Sheet: | | | | | | |
| Opening net liabilities | 123 | 591 | 319 | 84 | 435 | 133 |
| Transfer under the Scheme [*] | (50) | (200) | (124) | | | |
| Expenses as above [P & L Charge] | | 88 | 102 | 69 | 209 | 105 |
| Employer's contribution | | (1) | (80) | | (1) | (135) |
| Amount recognised in OCI | | | 103 | | | 216 |
| Benefits Paid | (6) | (104) | | (30) | (52) | |
| Liabilities/ [Assets] recognised in the Balance Sheet | 67 | 374 | 320 | 123 | 591 | 319 |

INR Millions

| Particulars | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|---|------------------------------------|------------------------------------|---------------------|
| H. Principal actuarial assumptions for defined benefit plan and long term employment benefit plan: | | | |
| Discount rate [\$] | 6.95% | 7.80% | 7.80% |
| Annual increase in salary cost [#] | 12% for 1st 4 years, 9% thereafter | 12% for 1st 5 years, 9% thereafter | 7.50% for all years |

[\$] The rate of discount is considered based on market yield on Government Bonds having currency and terms in consistence with the currency and terms of the post employment benefit obligations.

[#] The estimates of future salary increases are considered in actuarial valuation, taking into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

I The categories of plan assets as a % of total plan assets are:

| | As at March 31, 2017 | | | As at March 31, 2016 | | |
|----------------|----------------------|-------------|----------|----------------------|-------------|----------|
| | Medical Leave | Leave Wages | Gratuity | Medical Leave | Leave Wages | Gratuity |
| Insurance plan | 0.00% | 100.00% | 100.00% | 0.00% | 100.00% | 100.00% |

J Amount recognised in current and previous four years:

INR Millions

| Gratuity: | As at March 31 2017 | As at March 31 2016 | As at March 31 2015 | As at March 31 2014 | As at March 31 2013 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Defined benefit obligation | 829 | 1,072 | 916 | 700 | 568 |
| Fair value of Plan Assets | 509 | 753 | 786 | 747 | 588 |
| Deficit/ [Surplus] in the plan | 320 | 319 | 133 | (47) | (20) |
| Actuarial Loss/ [Gain] on Plan Obligation | 99 | 208 | 180 | 125 | (66) |
| Actuarial Loss/ [Gain] on Plan Assets | - | - | (5) | (2) | 4 |

The expected contributions for Defined Benefit Plan for the next financial year will be in line with FY 2016-17.

[*] Refer Note 49.

The average duration of the defined benefit plan obligation at the end of the reporting period is 19.8 years [as at March 31, 2016: 24.2 years]

Notes to Financial Statements

Note: 20 - Long Term Provisions - Continued:

Sensitivity analysis:

A quantitative sensitivity analysis for significant assumption as is as shown below:

| Assumptions | Medical Leave | | Leave Wages | | Gratuity | |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | March 31, 2017 | March 31, 2016 | March 31, 2017 | March 31, 2016 | March 31, 2017 | March 31, 2016 |
| Impact on obligation: | | | | | | |
| Discount rate increase by 0.5% | (1) | (4) | (9) | (19) | (23) | (30) |
| Discount rate decrease by 0.5% | 3 | 4 | 10 | 16 | 27 | 31 |
| Annual salary cost increase by 0.5% | 3 | 4 | 9 | 15 | 26 | 30 |
| Annual salary cost decrease by 0.5% | (1) | (4) | (8) | (18) | (23) | (29) |

The following payments are expected contributions to the defined benefit plan in future years:

INR Millions

| | As at March 31, 2017 | As at March 31, 2016 |
|--|-------------------------|-------------------------|
| Within the next 12 months [next annual reporting period] | 349 | 354 |
| Between 2 and 5 years | 541 | 910 |
| Between 5 and 10 years | 438 | 745 |
| Total expected payments | 1,328 | 2,009 |

Notes to Financial Statements

Note: 21 - Deferred Tax:

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

INR Millions

| | As at April 1, 2015 | Charge for the previous year | As at March 31, 2016 | Charge for the current year | As at March 31, 2017 |
|---|------------------------|---------------------------------|-------------------------|--------------------------------|-------------------------|
| Deferred Tax Liabilities: | | | | | |
| Depreciation | 2,022 | 30 | 2,052 | 114 | 2,166 |
| Fair Value Adjustment - Financial Instruments | 270 | 55 | 325 | - | 325 |
| | <u>2,292</u> | <u>85</u> | <u>2,377</u> | <u>114</u> | <u>2,491</u> |
| Deferred Tax Assets: | | | | | |
| Employee benefits/ Payable to Statutory Authorities | 493 | 35 | 528 | 14 | 542 |
| Receivables | 4 | (1) | 3 | (1) | 2 |
| Unabsorbed depreciation | 289 | (289) | - | 892 | 892 |
| | <u>786</u> | <u>(255)</u> | <u>531</u> | <u>905</u> | <u>1,436</u> |
| Net Deferred Tax Liabilities | 1,506 | 340 | 1,846 | (791) | 1,055 |

B The Net Deferred Tax Expense of INR 791 Millions for the year has been reversed [Previous Year Liabilities : INR 340 Millions has been charged] in the Statement of Profit and Loss.

C The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

The Company has tax losses which arose in India of INR 2,581 Millions [as at March 31, 2016 - INR NIL {as at April 1, 2015 - INR 6,290 Millions}] that are available for offsetting against future taxable profits of the companies in which the losses arose. Unabsorbed Depreciation is allowed to be set-off for indefinite period. MAT Credit not recognised as at March 31, 2017 is INR 5,538 Millions.

Note: 22 - Borrowings:

INR Millions

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|---|-------------------------|-------------------------|------------------------|
| Loans repayable on Demand: | | | |
| Working Capital Loans from Banks [Secured] [*] | 7,665 | 1,068 | 2,851 |
| Working Capital Loans from Banks [Unsecured] [**] | 7,791 | 4,975 | 3,945 |
| Total | 15,456 | 6,043 | 6,796 |

[*] Working Capital Loans which are, repayable on demand, are secured by hypothecation of inventories of all types, save and except stores and spares relating to plant and machineries [consumable stores and spares], including goods in transit, bills receivables and book debts. The value of such current asset is INR 18,619 [as at March 31, 2016 INR 20,468] Millions. Cash credit interest is in the range of 8.30% p.a. to 11.75% p.a. and Packing Credit in Foreign Currency [PCFC] interest is in the range of Nil bps to ten bps over 1 month USD LIBOR.

[**] PCFC loans are payable during April, 2017 to September, 2017 and availed at interest in the range of Nil bps to ten bps over 1 month USD LIBOR and working capital loans which are, repayable on demand, is availed at the interest rate of 8.75% p.a.

Notes to Financial Statements

Note: 23 - Trade Payables:

INR Millions

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|---|-------------------------|-------------------------|------------------------|
| Micro, Small and Medium Enterprises [*] | 72 | 38 | 57 |
| Others | 11,057 | 8,961 | 6,772 |
| Total | 11,129 | 8,999 | 6,829 |
| [*] Disclosure in respect of Micro, Small and Medium Enterprises: | | | |
| A. Principal amount remaining unpaid to any supplier as at year end | 72 | 38 | 57 |
| B. Interest due thereon | - | - | - |
| C. Amount of interest paid by the Company in terms of section 16 of the MSMED Act, along with the amount of the payment made to the supplier beyond the appointed day during the year | 4 | 2 | 2 |
| D. Amount of interest due and payable for the year 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 Act | - | - | - |
| E. Amount of interest accrued and remaining unpaid at the end of the accounting year | - | - | - |
| F. Amount of further interest remaining due and payable in succeeding years | - | - | - |
| The above information has been compiled in respect of parties to the extent to which they could be identified as Micro, Small and Medium Enterprises on the basis of information available with the Company. | | | |

Note: 24 - Other Financial Liabilities:

INR Millions

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|---|-------------------------|-------------------------|------------------------|
| Current Maturities of Long Term Debt [Refer Note- 18] | 1,548 | 1,885 | 1,865 |
| Interest accrued but not due on borrowings | 11 | 4 | 5 |
| Accrued Expenses | 1,252 | 1,258 | 925 |
| Unpaid Dividends [*] | 30 | 25 | 21 |
| Total | 2,841 | 3,172 | 2,816 |

[*] There are no amounts due and outstanding to be credited to Investor Education and Protection Fund.

Notes to Financial Statements

Note: 25 - Other Current Liabilities:

INR Millions

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|----------------------------------|-------------------------|-------------------------|------------------------|
| Advances from customers | 56 | 85 | 195 |
| Payable to Statutory Authorities | 359 | 369 | 288 |
| Others | - | 3 | 1 |
| Total | 415 | 457 | 484 |

Note: 26 - Provisions:

INR Millions

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|---|-------------------------|-------------------------|------------------------|
| Provision for Employee Benefits | 249 | 235 | 229 |
| Provision for claims for product expiry and return of goods [*] | 24 | 58 | 51 |
| Total | 273 | 293 | 280 |
| [*] Provision for claims for product expiry and return of goods: | | | |
| 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 such claims to be reimbursed by any other party in future. | | | |
| b. The movement in such provision is stated as under: | | | |
| i. Carrying amount at the beginning of the year | 58 | 51 | 42 |
| ii. Transfer due to de-merger [Refer Note-49] | 40 | - | - |
| iii. Additional provision made during the year | 24 | 58 | 51 |
| iv. Amount used | 18 | 51 | 42 |
| v. Carrying amount at the end of the year | 24 | 58 | 51 |

Note: 27 - Current Tax Liabilities [Net]:

INR Millions

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|---|-------------------------|-------------------------|------------------------|
| Provision for Taxation [Net of advance payment of tax of INR 168 {as at March 31, 2016: INR 4,023 (as at April 1, 2015: INR 2,354)} Millions] | 25 | 256 | 208 |
| Total | 25 | 256 | 208 |

Notes to Financial Statements

Note: 28 - Contingent Liabilities and Commitments [to the extent not provided for]:

INR Millions

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|--|-------------------------|-------------------------|------------------------|
| A. Contingent Liabilities: | | | |
| a. Claims against the Company not acknowledged as debts | 104 | 117 | 106 |
| - Net of advance of | 4 | 4 | 4 |
| - Includes in respect of Amalgamated {*} Companies | 2 | 2 | 2 |
| b. i. In respect of guarantees given by Banks and/or counter guarantees given by the Company | 198 | 165 | 140 |
| ii. In respect of corporate guarantees given by the Company to Banks for the outstanding dues of loans availed by some of the subsidiary companies | 21,751 | 12,192 | 11,933 |
| c. Other money for which the Company is contingently liable: | | | |
| i. In respect of the demands raised by the Central Excise, State Excise & Service Tax Authority | 348 | 298 | 319 |
| - Net of advance of | 27 | 23 | 15 |
| - Includes in respect of Amalgamated {*} Companies | 9 | 9 | 9 |
| ii. In respect of the demands raised by the Ministry of Chemicals & Fertilizers, Govt. of India under Drug Price Control Order, 1979/1995 for difference in actual price and price of respective bulk drug allowed while fixing the price of certain formulations and disputed by the Company, which the Company expect to succeed based on the legal advice | 68 | 136 | 134 |
| - Net of advance of | 43 | 163 | 163 |
| - Includes in respect of Amalgamated {*} Companies | 25 | 49 | 49 |
| iii. In respect of Income Tax matters pending before appellate authorities which the Company expects to succeed, based on decisions of Tribunals/ Courts | 40 | 8 | 24 |
| - Net of advance of | 16 | 19 | 13 |
| iv. In respect of Sales Tax matters pending before appellate authorities/ Court which the Company expects to succeed, based on decisions of Tribunals/ Courts | 150 | 118 | 121 |
| - Net of advance of | 37 | 31 | 65 |
| v. Letters of Credit for Imports | 1 | 2 | 3 |

Notes to Financial Statements

Note: 28 - Contingent Liabilities and Commitments [to the extent not provided for] - Continued:

INR Millions

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|--|-------------------------|-------------------------|------------------------|
| vi. The Company has imported certain capital equipment at concessional rate of custom duty under "Export promotion of Capital Goods Scheme" of the Central Government. The Company has undertaken an incremental export obligation to the | | | |
| - extent of US \$ Millions | 7 | 17 | 17 |
| - equivalent to INR Millions approx. | 458 | 1,136 | 1,081 |
| to be fulfilled during a specified period as applicable from the date of imports. The unprovided liability towards custom duty payable thereon in respect of unfulfilled export obligations | 76 | 189 | 180 |
| [*] represents contingent liabilities taken over by the Company under the Scheme of Arrangement and Amalgamation of Cadila Laboratories Limited and erstwhile Cadila Chemicals Limited, Cadila Antibiotics Limited, Cadila Exports Limited and Cadila Veterinary Private Limited with the Company w.e.f. June 1, 1995. | | | |
| B. Commitments: | | | |
| a. Estimated amount of contracts remaining to be executed on capital account and not provided for | 3,480 | 2,725 | 1,244 |
| - Net of advance of | 538 | 510 | 224 |

Note: 29-Interim Dividend :

The Board of Directors, at its meeting held on March 7, 2017 declared and paid dividend of INR 3.20 per equity share of INR1/- each.

Notes to Financial Statements

Note: 30 - Revenue from Operations:

| | INR Millions | |
|---|------------------------------|------------------------------|
| | Year ended March 31, 2017 | Year ended March 31, 2016 |
| Sale of Products | 30,980 | 65,296 |
| Other Operating Revenues: | | |
| Share of Profit from a Partnership Firm | - | 3,769 |
| Royalty Income | 94 | 176 |
| Net Gain on foreign currency transactions and translation [*] | 137 | 392 |
| Export Incentives | 850 | 1,220 |
| Miscellaneous Income | 684 | 431 |
| | 1,765 | 5,988 |
| Total | 32,745 | 71,284 |
| [*] includes research related Net Loss on foreign currency transactions and translation | 14 | 57 |

Note: 31 - Other Income:

| | INR Millions | |
|--|------------------------------|------------------------------|
| | Year ended March 31, 2017 | Year ended March 31, 2016 |
| Finance Income: | | |
| Interest Income on Financial Assets measured at Amortised Cost | 1,021 | 716 |
| Gain on valuation of Forward Contract value related to investment in a Joint Venture | 567 | 256 |
| | 1,588 | 972 |
| Dividend Income: | | |
| From FVTOCI Investments | 5 | 3 |
| From Other Investments [*] | 4,007 | 536 |
| | 4,012 | 539 |
| Gain on Investments measured at FVTPL | 59 | 123 |
| Other Non-operating Income | 172 | 115 |
| Total | 5,831 | 1,749 |
| [*] Includes dividend from subsidiary companies | 3,184 | 536 |

Note: 32 - Cost of Materials Consumed:

| | INR Millions | |
|---|------------------------------|------------------------------|
| | Year ended March 31, 2017 | Year ended March 31, 2016 |
| Raw Materials [Pharmaceutical Ingredients]: | | |
| Stock at commencement | 2,324 | 2,990 |
| Adjusted due to de-merger [Refer Note- 49] | (5) | - |
| Add: Purchases | 9,732 | 9,954 |
| | 12,051 | 12,944 |
| Less: Stock at close | 4,458 | 2,324 |
| | 7,593 | 10,620 |
| Packing Materials consumed | 1,674 | 3,174 |
| Total | 9,267 | 13,794 |

Note: 33 - Purchases of Stock-in-Trade:

| | INR Millions | |
|-----------------------------|------------------------------|------------------------------|
| | Year ended March 31, 2017 | Year ended March 31, 2016 |
| Purchases of Stock-in-Trade | 2,288 | 4,622 |
| Total | 2,288 | 4,622 |

Notes to Financial Statements

Note: 34 - Changes in Inventories:

INR Millions

| | Year ended March 31, 2017 | Year ended March 31, 2016 |
|---|------------------------------|------------------------------|
| Stock at commencement: | | |
| Work-in-progress | 1,250 | 1,362 |
| Work-in-progress adjusted due to de-merger [Refer Note- 49] | (8) | - |
| Finished Goods | 1,369 | 1,869 |
| Finished Goods adjusted due to de-merger [Refer Note- 49] | (589) | - |
| Stock-in-Trade | 1,183 | 1,097 |
| Stock-in-Trade adjusted due to de-merger [Refer Note- 49] | (578) | - |
| | 2,627 | 4,328 |
| Less: Stock at close: | | |
| Work-in-progress | 1,791 | 1,250 |
| Finished Goods | 1,865 | 1,369 |
| Stock-in-Trade | 510 | 1,183 |
| | 4,166 | 3,802 |
| | (1,539) | 526 |
| Differential Excise Duty on Opening and Closing stock of Finished Goods | 69 | (24) |
| Total | (1,470) | 502 |

Note: 35 - Employee Benefits Expense:

INR Millions

| | Year ended March 31, 2017 | Year ended March 31, 2016 |
|--|------------------------------|------------------------------|
| Salaries and wages | 5,353 | 7,462 |
| Contribution to provident and other funds [*] | 544 | 467 |
| Staff welfare expenses | 311 | 287 |
| Gross Expenses | 6,208 | 8,216 |
| Less: Recovery of expenses towards Cost Allocation Charges [**] | - | 1,258 |
| Total | 6,208 | 6,958 |
| Above expenses includes Research related expenses as follows: | | |
| Salaries and wages | 1,064 | 986 |
| Contribution to provident and other funds | 82 | 76 |
| Staff welfare expenses | 46 | 43 |
| | 1,192 | 1,105 |
| [*] The Company's contribution towards defined contribution plan | 292 | 353 |

The Company makes Provident Fund contributions to defined contribution retirement benefit plans for qualifying employees, as specified under the law. The contributions are paid to the Provident Fund Trust set up by the Company or to the respective Regional Provident Fund Commissioner under the Pension Scheme. The Company is generally liable for annual contribution and any shortfall in the trust fund assets based on the government specified minimum rate of return and recognises such contribution and shortfall, if any, as an expense in the year it is incurred.

[**] This refers to the recovery of cost allocation from Zydus Healthcare Limited pursuant to the Cost Allocation Agreement between the Company and Zydus Healthcare Limited, wherein the parties have agreed to share the Company's common resources.

Notes to Financial Statements

Note: 36 - Finance Cost:

| | Year ended March 31, 2017 | INR Millions Year ended March 31, 2016 |
|---|------------------------------|--|
| Interest expense [*] | 231 | 176 |
| Other Borrowing Costs | 2 | 1 |
| Net [Gain]/ Loss on foreign currency transactions and translation | (158) | 49 |
| Bank commission & charges | 36 | 39 |
| Total | 111 | 265 |
| [*] The break up of interest expense into major heads is given below: | | |
| On term loans | 133 | 137 |
| On working capital loans | 89 | 32 |
| Others | 9 | 7 |
| | 231 | 176 |

Note: 37 - Other Expenses:

| | Year ended March 31, 2017 | INR Millions Year ended March 31, 2016 |
|--|------------------------------|--|
| Research Materials | 1,228 | 1,232 |
| Analytical Expenses | 1,128 | 1,382 |
| Consumption of Stores and spare parts | 1,399 | 1,572 |
| Power & fuel | 1,196 | 1,401 |
| Rent [*] | 27 | 75 |
| Repairs to Buildings | 199 | 133 |
| Repairs to Plant and Machinery | 384 | 370 |
| Repairs to Others | 57 | 91 |
| Insurance | 159 | 178 |
| Rates and Taxes [excluding taxes on income] | 14 | 23 |
| Processing Charges | 185 | 431 |
| Managing Directors' Remuneration | 300 | 300 |
| Commission to Directors | 11 | 8 |
| Traveling Expenses | 463 | 808 |
| Legal and Professional Fees | 1,379 | 1,441 |
| Commission on sales | 268 | 514 |
| Freight and forwarding on sales | 880 | 1,027 |
| Representative Allowances | 144 | 743 |
| Other marketing expenses | 853 | 4,191 |
| Bad Debts: | | |
| Bad debts written off | 2 | - |
| Impairment allowances | 6 | 10 |
| | 8 | 10 |
| Less: Transferred from impairment allowances | - | (10) |
| | 8 | - |
| Directors' fees | 8 | 1 |
| Net Loss on disposal of Property, Plant and Equipment [Net of gain of INR 1 Millions {Previous Year: INR 369,346}] | 7 | 11 |
| Donations [**] | 14 | 23 |
| Miscellaneous Expenses [***] | 2,492 | 3,116 |
| Gross Expenses | 12,803 | 19,071 |
| Less: Recovery of expenses towards Cost Allocation Charges [Refer Note: 35 {***}] | - | 393 |
| Total | 12,803 | 18,678 |

Notes to Financial Statements

Note: 37 - Other Expenses - Continued:

| | INR Millions | |
|--|------------------------------|------------------------------|
| | Year ended March 31, 2017 | Year ended March 31, 2016 |
| Above expenses includes Research related expenses as follows: | | |
| Research Materials | 1,228 | 1,232 |
| Analytical expenses | 1,128 | 1,382 |
| Consumption of Stores and spare parts | 768 | 762 |
| Power & Fuel | 131 | 134 |
| Repairs to Buildings | 15 | 17 |
| Repairs to Plant and Machinery | 45 | 23 |
| Repairs to Others | 12 | 15 |
| Insurance | 9 | 5 |
| Traveling Expenses | 52 | 40 |
| Legal and Professional fees | 946 | 694 |
| Loss on disposal of Fixed Assets [INR 261,918] | - | 1 |
| Miscellaneous Expenses [excluding Depreciation of INR 293 {Previous Year: INR 336} Millions] | 915 | 1,123 |
| Total | 5,249 | 5,428 |
| [*] The Company has taken various residential/ office premises/ godowns under operating lease or leave and license agreement with no restrictions and are renewable/ cancellable at the option of either of the parties. There are no sub-leases. The lease payments recognised under "Rent Expenses" are: | 22 | 68 |
| [**] Donations include political donations pursuant to Section 182 (3) of the Companies Act, 2013 to: | - | 10 |
| a Gujarat Pradesh Congress Committee | | |
| [***] Miscellaneous Expenses include: | | |
| a Expenditure on Corporate Social Responsibility [CSR] Activities as required u/s 135 of the Companies Act, 2013 | 292 | 165 |
| b Payment to the Statutory Auditors [excluding Service Tax]: | | |
| i. - As Auditor | 8 | 8 |
| - For Other Services | 3 | 2 |
| - Total | 11 | 10 |
| ii. Cost Auditor's Remuneration including fees for other services [excluding Service Tax] | 1 | 1 |

Notes to Financial Statements

Note: 38 - Tax Expenses:

| | Year ended March 31, 2017 | Year ended March 31, 2016 |
|---|------------------------------|------------------------------|
| INR Millions | | |
| The major components of income tax expense are: | | |
| A Statement of profit and loss: | | |
| Profit or loss section: | | |
| Current income tax: | | |
| Current income tax charge | 596 | 4,328 |
| Adjustments in respect of current income tax of previous year | (2) | (5) |
| | 594 | 4,323 |
| Deferred tax: | | |
| Relating to origination and reversal of temporary differences [Refer Note-21] | (791) | 340 |
| Tax expense reported in the statement of profit or loss | (197) | 4,663 |
| OCI Section: | | |
| Tax related to items recognised in OCI during in the year: | | |
| Net loss/ (gain) on remeasurements of defined benefit plans | 22 | 46 |
| Tax charged to OCI | 22 | 46 |
| B Reconciliation of tax expense and accounting profit multiplied by India's domestic tax rate: | | |
| Profit before tax | 6,422 | 25,038 |
| Enacted Tax Rate in India (%) | 34.61% | 34.61% |
| Expected Tax Expenses | 2,223 | 8,666 |
| Adjustments for: | | |
| Tax effect due to non-taxable income for tax purposes | (1,400) | (1,664) |
| Effect of unrecognized deferred tax assets/ liabilities | 117 | (1,770) |
| Effect of non-deductible expenses | 42 | 147 |
| Effect of additional deductions in taxable income | (1,739) | (1,780) |
| Effect of MAT Credit available on which deferred tax asset is not created | 560 | 1,064 |
| | (2,420) | (4,003) |
| Tax Expenses as per Statement of Profit and Loss | (197) | 4,663 |

Note: 39 - Calculation of Earnings per Equity Share [EPS]:

| | | Year ended March 31, 2017 | Year ended March 31, 2016 |
|---|--------------|------------------------------|------------------------------|
| The numerators and denominators used to calculate the basic and diluted EPS are as follows: | | | |
| A. Profit attributable to Shareholders | INR-Millions | 6,619 | 20,375 |
| B. Basic and weighted average number of Equity shares outstanding during the year | Numbers | 1,023,742,600 | 1,023,742,600 |
| C. Nominal value of equity share | INR | 1 | 1 |
| D. Basic & Diluted EPS | INR | 6.47 | 19.90 |

Note: 40 - Segment Information:

Segment Information has been given in the Consolidated Financial Statements of the Company. Hence, as per Ind AS-108 "Operating Segments" issued by the Institute of Chartered Accountants of India, no separate disclosure on segment information is given in these financial statements.

Notes to Financial Statements

Note: 41 - Related Party Transactions:

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

a Subsidiary Companies/ concerns:

| | |
|---|--|
| Dialforhealth India Limited | Zydu Pharmaceuticals (USA) Inc. [USA] |
| Dialforhealth Unity Limited | Nesher Pharmaceuticals (USA) LLC [USA] |
| Dialforhealth Greencross Limited | Zydu Healthcare (USA) LLC [USA] |
| Zydu Healthcare Limited [Refer Note - 48] | Sentynl Therapeutics Inc. [USA] |
| Zydu Wellness Limited | Zydu Noveltech Inc. [USA] |
| M/s. Zydu Wellness-Sikkim, a Partnership Firm | Hercon Pharmaceuticals LLC [USA] |
| Liva Pharmaceuticals Limited | Zydu Healthcare S.A. (Pty) Ltd [South Africa] |
| Zydu Technologies Limited | Simayla Pharmaceuticals (Pty) Ltd [South Africa] |
| Biochem Pharmaceutical Industries Limited [Refer Note - 48] | Script Management Services (Pty) Ltd [South Africa] |
| Alidac Pharmaceuticals Limited | Zydu France, SAS [France] |
| Zydu Lanka (Private) Limited [Sri Lanka] | Zydu Nikkho Farmaceutica Ltda. [Brazil] |
| Zydu Healthcare Philippines Inc. [Philippines] | Zydu Pharma Japan Co. Ltd. [Japan] [Liquidated during the year] |
| Zydu International Private Limited [Ireland] | Laboratorios Combix S.L. [Spain] |
| Zydu Netherlands B.V. [the Netherlands] | Zydu Pharmaceuticals Mexico SA De CV [Mexico] |
| ZAHL B.V. [the Netherlands] | Zydu Pharmaceuticals Mexico Services Company SA De C.V. [Mexico] |
| ZAHL Europe B.V. [the Netherlands] | Etna Biotech S.R.L. [Italy] |
| Bremer Pharma GmbH [Germany] | Zydu Worldwide DMCC [Dubai] |
| Alidac Healthcare (Myanmar) Limited [Myanmar] | Zydu Discovery DMCC [Dubai] |

b Joint Venture Companies:

| | |
|--|-----------------------------------|
| Zydu Hospira Oncology Private Limited | Bayer Zydu Pharma Private Limited |
| Zydu Takeda Healthcare Private Limited | |

c Key Managerial Personnel:

| | |
|----------------------------|---|
| Mr. Pankaj R. Patel | Chairman & Managing Director [C.M.D.] |
| Dr. Sharvil P. Patel | Joint Managing Director & son of C.M.D. |
| Mr. Mukesh M. Patel | Non-Executive Director |
| Mr. H. Dhanrajgir | Independent Director |
| Mr. Apurva Diwanji | Independent Director |
| Mr. Nitin Raojibhai Desai | Independent Director |
| Ms. Dharmishtaben N. Rawal | Independent Director |
| Mr. Nitin D. Parekh | Executive Officer [Chief Financial Officer] |
| Mr. Upen H. Shah | Executive Officer [Company Secretary] |

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

| | |
|--|---|
| Cadmach Machinery Company Private Limited | Western Ahmedabad Effluent Conveyance Company Pvt. Ltd. |
| Zydu Hospitals and Healthcare Research Private Limited | Zandra Infrastructure LLP |
| Zydu Hospitals (Vadodra) Private Limited | Zydu Hospital LLP |
| Zydu Hospitals (Rajkot) Private Limited | M/s. C. M. C. Machinery |
| MabS Biotech Private Limited | M/s. Cadam Enterprises |
| Zydu Infrastructure Private Limited | Mukesh M. Patel & Co. |
| Cadila Laboratories Private Limited | M/s. International Tax and Investments Consultants |
| Pripan Investment Private Limited | Zandra Herbs and Plantations LLP |

Notes to Financial Statements

Note: 41 - Related Party Transactions - Continued:

B Transactions with Related Parties:

The following transactions were carried out with the related parties in the ordinary course of business and at arm's length terms:

- a Details relating to parties referred to in Note 41-A [a & b]

INR-Millions

| Nature of Transactions | Value of the Transactions | | | |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
| | Subsidiary Companies | | Joint Venture Companies | |
| | Year ended March 31, 2017 | Year ended March 31, 2016 | Year ended March 31, 2017 | Year ended March 31, 2016 |
| Purchases: | | | | |
| Goods: | | | | |
| Zydus Healthcare Limited/ Biochem Pharmaceutical Industries Limited | 252 | 182 | | |
| Zydus Hospira Oncology Private Limited | | | 62 | 7 |
| Others | 57 | 67 | | |
| Total | 309 | 249 | 62 | 7 |
| Fixed Assets: | | | | |
| Others | | 34 | | |
| Total | - | 34 | - | - |
| Reimbursement of Expenses paid: | | | | |
| Zydus Pharmaceuticals (USA) Inc. | 1,103 | 965 | | |
| Others | 330 | 134 | 1 | |
| Total | 1,433 | 1,099 | 1 | |
| Services: | | | | |
| Liva Pharmaceutical Limited | 19 | | | |
| Alidac Pharmaceuticals Limited | 24 | 42 | | |
| Etna Biotech S.R.L. | 31 | 21 | | |
| Others | | 9 | 4 | |
| Total | 74 | 72 | 4 | |
| Sales: | | | | |
| Goods: | | | | |
| Zydus Pharmaceuticals (USA) Inc. | 12,466 | 34,259 | | |
| Others | 1,912 | 1,993 | 369 | 281 |
| Total | 14,378 | 36,252 | 369 | 281 |
| Fixed Assets: | | | | |
| Zydus Healthcare Limited | 18 | | | |
| Others | 2 | | | |
| Total | 20 | | | |
| Cost Allocation Charges Recovered: | | | | |
| M/s. Zydus Healthcare | | 1,593 | | |
| Zydus Healthcare Limited | | 288 | | |
| Total | | 1,881 | | |
| Reimbursement of Expenses Recovered: | | | | |
| Zydus France, SAS | | 1 | | |

Notes to Financial Statements

Note: 41 - Related Party Transactions - Continued:

INR-Millions

| Nature of Transactions | Value of the Transactions | | | |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
| | Subsidiary Companies | | Joint Venture Companies | |
| | Year ended March 31, 2017 | Year ended March 31, 2016 | Year ended March 31, 2017 | Year ended March 31, 2016 |
| Services: | | | | |
| Zydus Pharmaceuticals (USA) Inc. | 127 | 84 | | |
| Zydus Healthcare Limited | 67 | | | |
| Others | 111 | 86 | 5 | 4 |
| Total | 305 | 170 | 5 | 4 |
| Investments: | | | | |
| Purchases/ Subscription to Share Capital: | | | | |
| Zydus Healthcare Limited | 12,365 | | | |
| Sentyln Therapeutics Inc. | 2,038 | | | |
| Others | 2,507 | 2,030 | | |
| Total | 16,910 | 2,030 | | |
| Sale of Investments: | | | | |
| Zydus International Private Limited | | 41 | | |
| Change in Partner's Capital [Net]: | | | | |
| M/s. Zydus Healthcare | | (3,522) | | |
| Share of Profit from a firm Received: | | | | |
| M/s. Zydus Healthcare | | 3,769 | | |
| Dividend Received: | | | | |
| Zydus Healthcare Limited | 3,001 | 154 | | |
| Zydus Hospira Oncology Private Limited | | | 473 | |
| Others | 183 | 382 | 350 | |
| Total | 3,184 | 536 | 823 | |
| Finance: | | | | |
| Inter Corporate Loans given: | | | | |
| Zydus International Private Limited | 1,665 | | | |
| Zydus Worldwide DMCC | 7,776 | | | |
| Zydus Healthcare Limited | 3,835 | 884 | | |
| Others | 1,916 | 2,336 | | |
| Total | 15,192 | 3,220 | | |
| Finance: | | | | |
| Inter Corporate Loans repaid: | | | | |
| Zydus International Private Limited | 1,567 | | | |
| Zydus Healthcare Limited | 8,339 | | | |
| Others | 14 | 272 | | 150 |
| Total | 9,920 | 272 | | 150 |
| Interest Received: | | | | |
| Zydus Technologies Limited | 386 | 295 | | |
| Liva Pharmaceutical Limited | 195 | 68 | | |
| Zydus Healthcare Limited | 267 | 60 | | |
| Others | 6 | 14 | 20 | 25 |
| Total | 854 | 437 | 20 | 25 |

Notes to Financial Statements

Note: 41 - Related Party Transactions - Continued:

INR-Millions

| Nature of Transactions | Value of the Transactions | | | | | |
|---------------------------------------|---------------------------|-------------------------|------------------------|-------------------------|-------------------------|------------------------|
| | Subsidiary Companies | | | Joint Venture Companies | | |
| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
| Outstanding: | | | | | | |
| Payable: | | | | | | |
| Zydus Pharmaceuticals (USA) Inc. | 300 | 194 | 473 | | | |
| Zydus France, SAS | 61 | 96 | 3 | | | |
| Zydus Pharmaceuticals Mexico SA De CV | 128 | | 6 | | | |
| Others | 47 | 4 | 19 | | | |
| Total | 536 | 294 | 501 | | | |
| Receivable: | | | | | | |
| Zydus Technologies Limited | 4,123 | 3,046 | 1,959 | | | |
| Liva Pharmaceutical Limited | 2,547 | 1,577 | 315 | | | |
| Zydus Worldwide DMCC | 7,778 | | 208 | | | |
| Zydus Pharmaceuticals (USA) Inc. | 3,417 | 11,715 | 6,252 | | | |
| Others | 1,536 | 5,640 | 719 | 240 | 67 | 221 |
| Total | 19,401 | 21,978 | 9,453 | 240 | 67 | 221 |
| Outstanding Guarantees: | | | | | | |
| Zydus Pharmaceuticals (USA) Inc. | 10,056 | 8,119 | 7,660 | | | |
| Zydus Technologies Limited | 2,197 | 2,244 | 2,263 | | | |
| Others | 9,498 | 1,829 | 2,010 | | | |
| Total | 21,751 | 12,192 | 11,933 | | | |

b Details relating to parties referred to in Note 41-A [d]

INR-Millions

| Nature of Transactions | Value of the Transactions Enterprises significantly influenced by Directors and/ or their relatives | |
|---|---|------------------------------|
| | Year ended March 31, 2017 | Year ended March 31, 2016 |
| | Purchases: | |
| Goods: | | |
| Cadmach Machinery Company Private Limited | 7 | 6 |
| Others | | 1 |
| Total | 7 | 7 |
| Fixed Assets: | | |
| Cadmach Machinery Company Private Limited | 16 | 12 |
| Others | 1 | 4 |
| Total | 17 | 16 |
| Services: | | |
| Zydus Infrastructure Private Limited | 22 | 8 |
| Others | 2 | |
| Total | 24 | 8 |

Notes to Financial Statements

Note: 41 - Related Party Transactions - Continued:

INR-Millions

| Nature of Transactions | Value of the Transactions Enterprises significantly influenced by Directors and/ or their relatives | | |
|---|--|------------------------------|--------------------------|
| | As at March 31, 2017 | As at March 31, 2016 | As at 1st April, 2015 |
| Outstanding: | | | |
| Payable: | | | |
| Cadila Laboratories Private Limited | 22 | 22 | 22 |
| Receivable: | | | |
| Zydus Infrastructure Private Limited | 124 | | |
| C. Details relating to persons referred to in Note 41-A [c] above: | | | |
| Nature of Transactions | Year ended March 31, 2017 | Year ended March 31, 2016 | |
| i. Salaries and other employee benefits to Chairman & Managing Director, Joint Managing Director and other executive officers | 348 | 352 | |
| ii. Commission and Sitting Fees to Non Executive/ Independent Directors | 18 | 9 | |
| iii. Outstanding payable to above (i) and (ii) | 295 | 293 | |

Note: 42-Details of Loans given, Investments made and guarantee given covered u/s 186(4) of the Companies Act, 2013:

A Details of loans and investments are given under the respective heads.

B Corporate guarantees given by the Company [#]:

INR-Millions

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|---------------------------------------|-------------------------|-------------------------|------------------------|
| Subsidiary Company: | | | |
| a Zydus Technologies Limited | 2,197 | 2,244 | 2,263 |
| b Liva Pharmaceuticals Limited | 100 | 100 | |
| c Zydus International Private Limited | | 302 | 808 |
| d Zydus Pharmaceuticals (USA) Inc. | 10,056 | 8,119 | 7,660 |
| e Zydus Healthcare S.A. (Pty) Ltd | 2 | 17 | 191 |
| f Laboratorios Combix S.L. | | 197 | 67 |
| g Zydus Noveltech Inc. | 1,577 | 1,213 | 875 |
| h Zydus France, SAS | | | 69 |
| i Sentyln Therapeutic Inc | 7,786 | | |
| j Alidac Healthcare (Myanmar) Limited | 33 | | |
| Total | 21,751 | 12,192 | 11,933 |

[#] Corporate guarantees which are outstanding at the end of the financial year.

Notes to Financial Statements

Note: 43-Financial Instruments:

A Fair values hierarchy:

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: Quoted prices [unadjusted] in active markets for financial instruments.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data rely as little as possible on entity specific estimates.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

B Financial assets and liabilities measured at fair value - recurring fair value measurements:

| INR-Millions | | | | |
|---|----------------------|----------|--------------|--------------|
| | As at March 31, 2017 | | | Total |
| | Level 1 | Level 2 | Level 3 | |
| Financial assets: | | | | |
| Financial assets at FVTPL: | | | | |
| Mutual funds | | | | |
| Derivative not designated as hedge: | | | | |
| Forward Contract value related to investment in a Joint Venture | | | 2,090 | 2,090 |
| Financial Investments at FVOCI: | | | | |
| Quoted equity instruments | 608 | | | 608 |
| Unquoted equity instruments | | 8 | | 8 |
| Total financial assets | 608 | 8 | 2,090 | 2,706 |
| Financial liabilities | - | - | - | - |

| INR-Millions | | | | |
|---|----------------------|----------|--------------|--------------|
| | As at March 31, 2016 | | | Total |
| | Level 1 | Level 2 | Level 3 | |
| Financial assets: | | | | |
| Financial assets at FVTPL: | | | | |
| Mutual funds | 1,001 | | | 1,001 |
| Derivative not designated as hedge: | | | | |
| Forward Contract value related to investment in a Joint Venture | | | 1,523 | 1,523 |
| Financial Investments at FVOCI: | | | | |
| Quoted equity instruments | 470 | | | 470 |
| Unquoted equity instruments | | 8 | | 8 |
| Total financial assets | 1,471 | 8 | 1,523 | 3,002 |
| Financial liabilities | - | - | - | - |

Notes to Financial Statements

Note: 43-Financial Instruments - Continued:

INR Millions

| | As at April 1, 2015 | | | Total |
|---|---------------------|----------|--------------|--------------|
| | Level 1 | Level 2 | Level 3 | |
| Financial assets: | | | | |
| Financial assets at FVTPL: | | | | |
| Mutual funds | 1,201 | | | 1,201 |
| Derivative not designated as hedge: | | | | |
| Forward Contract value related to investment in a Joint Venture | | | 1,267 | 1,267 |
| Financial Investments at FVOCI: | | | | |
| Quoted equity instruments | 692 | | | 692 |
| Unquoted equity instruments | | 8 | | 8 |
| Total financial assets | 1,893 | 8 | 1,267 | 3,168 |
| Financial liabilities | - | - | - | - |

C Fair value of instruments measured at amortised cost:

Financial assets and liabilities measured at amortised cost for which fair values are disclosed:

INR Millions

| | Carrying Value | As at March 31, 2017 | | | Total |
|---------------------------------|----------------|----------------------|---------|---------|-------|
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets: | | | | | |
| Investment in preference shares | 189 | | 191 | | 191 |

INR Millions

| | Carrying Value | As at March 31, 2016 | | | Total |
|---------------------------------|----------------|----------------------|---------|---------|-------|
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets: | | | | | |
| Investment in preference shares | 168 | | 171 | | 171 |

INR Millions

| | Carrying Value | As at April 1, 2015 | | | Total |
|---------------------------------|----------------|---------------------|---------|---------|-------|
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets: | | | | | |
| Investment in preference shares | 150 | | 152 | | 152 |

Financial Assets:

The carrying amounts of trade receivables, loans and advances to related parties and other financial assets [other than investment in preference shares], cash and cash equivalents are considered to be the approximately equal to the fair values.

Financial Liabilities:

Fair values of loans from banks, other financial liabilities and trade payables are considered to be approximately equal to the carrying values. Fair values of investment in preference shares were calculated based on cash flows discounted using the applicable adjusted market interest rates.

Notes to Financial Statements

D Valuation process and technique used to determine fair value:

Specific valuation techniques used to value financial instruments include:

- a The use of quoted market prices for similar instruments.
- b Fair value of Forward Contract value related to investment in a Joint Venture has been determined considering the estimated exercise price and value of the underlying entity. The valuation has been derived using the Present Value technique under Income Approach. The valuation includes significant unobservable inputs like Weighted Average Cost of Capital [WACC], revenue forecast, etc.

Significant unobservable inputs:

Budgeted Sales growth rate: 9% - 24% per annum

Weighted Average Cost of Capital: 15.5% per annum

For recurring fair value measurements using significant unobservable inputs [Level 3], the effect of the measurement on profit or loss or other comprehensive income for the period is provided below:

Sensitivity analysis for valuation of Forward Contract value related to investment in a Joint Venture:

a Sensitivity in value for 50 basis points change in Weighted Average Cost of Capital [WACC]-

INR Millions

| | As at March 31, 2017 | | As at March 31, 2016 | | As at April 1, 2015 | |
|---------------------------------|----------------------|--------|----------------------|--------|---------------------|--------|
| | -0.50% | +0.50% | -0.50% | +0.50% | -0.50% | +0.50% |
| Impact on value of the contract | 39 | (39) | 50 | (50) | 55 | (55) |

b Sensitivity in the value for 200 basis points change in Revenue -

| | As at March 31, 2017 | | As at March 31, 2016 | | As at April 1, 2015 | |
|---------------------------------|----------------------|--------|----------------------|--------|---------------------|--------|
| | -2.00% | +2.00% | -2.00% | +2.00% | -2.00% | +2.00% |
| Impact on value of the contract | (63) | 63 | (58) | 58 | (50) | 50 |

Notes to Financial Statements

Note: 44 - Financial Risk Management:

A Financial instruments by category:

INR Millions

| | As at March 31, 2017 | | | Total |
|---|----------------------|------------|----------------|---------------|
| | FVTPL | FVOCI | Amortised Cost | |
| Financial assets: | | | | |
| Investments: | | | | |
| Equity instruments [other than investment in Equity of Subsidiaries and Joint Ventures] | | 616 | | 616 |
| Preference shares | | | 189 | 189 |
| Non Current Loans | | | 14,271 | 14,271 |
| Non Current Other Financial Assets [other than Forward Contract value related to investment in a JV] | | | 152 | 152 |
| Trade receivables | | | 9,290 | 9,290 |
| Forward Contract value related to investment in a JV | 2,090 | | | 2,090 |
| Cash and Cash Equivalents | | | 168 | 168 |
| Current Loans | | | 371 | 371 |
| Other Current Financial Assets | | | 1 | 1 |
| Total | 2,090 | 616 | 24,442 | 27,148 |

| | As at March 31, 2017 | | | Total |
|--|----------------------|----------|----------------|---------------|
| | FVTPL | FVOCI | Amortised Cost | |
| Financial liabilities: | | | | |
| Borrowings [including current maturities and interest accrued but not due] | | | 29,409 | 29,409 |
| Trade payables | | | 11,129 | 11,129 |
| Non Current Other Financial Liabilities | | | 82 | 82 |
| Other Current Financial Liabilities | | | 1,282 | 1,282 |
| Total | - | - | 41,902 | 41,902 |

Notes to Financial Statements

Note: 44 - Financial Risk Management - Continued:

INR Millions

| | As at March 31, 2016 | | | Total |
|---|----------------------|------------|----------------|---------------|
| | FVTPL | FVOCI | Amortised Cost | |
| Financial assets: | | | | |
| Investments: | | | | |
| Equity instruments [other than investment in Equity of Subsidiaries and Joint Ventures] | | 478 | | 478 |
| Preference shares | | | 168 | 168 |
| Mutual funds | 1,001 | | | 1,001 |
| Government Securities | | | 8 | 8 |
| Non Current Loans | | | 9,219 | 9,219 |
| Non Current Other Financial Assets [other than Forward Contract value related to investment in a JV] | | | 295 | 295 |
| Trade receivables | | | 17,073 | 17,073 |
| Forward Contract value related to investment in a JV | 1,523 | | | 1,523 |
| Cash and Cash Equivalents | | | 1,637 | 1,637 |
| Current Loans | | | 190 | 190 |
| Other Current Financial Assets | | | 57 | 57 |
| Total | 2,524 | 478 | 28,647 | 31,649 |
| Financial liabilities: | | | | |
| Borrowings [including current maturities and interest accrued but not due] | | | 12,232 | 12,232 |
| Trade payables | | | 8,999 | 8,999 |
| Non Current Other Financial Liabilities | | | 139 | 139 |
| Other Current Financial Liabilities | | | 1,283 | 1,283 |
| Total | - | - | 22,653 | 22,653 |

Notes to Financial Statements

Note: 44 - Financial Risk Management- Continued:

INR Millions

| | As at April 1, 2015 | | | Total |
|---|---------------------|------------|----------------|---------------|
| | FVTPL | FVOCI | Amortised Cost | |
| Financial assets: | | | | |
| Investments: | | | | |
| Equity instruments [other than investment in Equity of Subsidiaries and Joint Ventures] | | 700 | | 700 |
| Preference shares | | | 150 | 150 |
| Mutual funds | 1,201 | | | 1,201 |
| Government Securities | | | 7 | 7 |
| Non Current Loans | | | 2,797 | 2,797 |
| Non Current Other Financial Assets [other than Forward Contract value related to investment in a JV] | | | 282 | 282 |
| Trade receivables | | | 10,591 | 10,591 |
| Forward Contract value related to investment in a JV | 1,267 | | | 1,267 |
| Cash and Cash Equivalents | | | 1,294 | 1,294 |
| Current Loans | | | 3,519 | 3,519 |
| Other Current Financial Assets | | | 56 | 56 |
| Total | 2,468 | 700 | 18,696 | 21,864 |
| Financial liabilities: | | | | |
| Borrowings [including current maturities and interest accrued but not due] | | | 14,502 | 14,502 |
| Trade payables | | | 6,829 | 6,829 |
| Non Current Other Financial Liabilities | | | 123 | 123 |
| Other Current Financial Liabilities | | | 946 | 946 |
| Total | - | - | 22,400 | 22,400 |

B Risk Management:

The Company's activities expose it to market risk, liquidity risk and credit risk. This note explains the sources of risk which the entity is exposed to and how the entity manages the risk and the related impact in the financial statements.

The Company's risk management is done in close co-ordination with the board of directors and focuses on actively securing the Company's short, medium and long-term cash flows by minimizing the exposure to volatile financial markets. Long-term financial investments are managed to generate lasting returns. The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed are described below:

a Credit risk:

Credit risk arises from the possibility that counter party may not be able to settle their obligations as agreed. The Company is exposed to credit risk from investment in preference shares measured at amortised cost, loans and advances to related parties, trade receivables, bank deposits and other financial assets. The Company periodically assesses the financial reliability of the counter party taking into account the financial condition, current economic trends, analysis of historical bad debts and ageing of accounts receivable. Individual customer limits are set accordingly.

Notes to Financial Statements

Note: 44-Financial Risk Management:-Continued:

- i Investments at Amortised Cost : They are strategic investments in the normal course of business of the company.
- ii Bank deposits : The Company maintains its Cash and cash equivalents and Bank deposits with reputed and highly rated banks. Hence, there is no significant credit risk on such deposits.
- iii Loans to related parties : They are given for business purposes. The Company reassesses the recoverability of loans periodically. Interest recoveries from these loans are regular and there is no event of defaults.
- iv The counter party to the Forward Contract value related to investment in a Joint Venture is the associate entity of co-venturer of one of Joint Venture. The contract is governed by a shareholder's agreement which has the needful representations by the counter party. The Company is exposed to insignificant credit risk in relation to the same.
- v Trade Receivable: The Company trades with recognized and credit worthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis with the result that the Company's exposure to bad debts is not significant.
- vi There are no significant credit risks with related parties of the Company. The Company is exposed to credit risk in the event of non-payment by customers. Credit risk concentration with respect to trade receivables is mitigated by the Company's large customer base. Adequate expected credit losses are recognized as per the assessments. The history of trade receivables shows an allowance for bad and doubtful debts of INR 7 Millions as at March 31, 2017 [INR 10 Millions as at March 31, 2016]. The Company has made allowance of INR 6 Millions [Previous Year- INR 10 Millions], against trade receivables of INR 9,290 Millions [Previous year - INR 17,073 Millions].

b Liquidity risk:

- a Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. Due to the nature of the business, the Company maintains flexibility in funding by maintaining availability under committed facilities.
- b Management monitors rolling forecasts of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. The Company takes into account the liquidity of the market in which it operates. In addition, the Company's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

Maturities of financial liabilities:

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| | As at March 31, 2017 | | | | INR Millions |
|--|----------------------|---------------|--------------|---------------|---------------|
| | < 1 year | 1-2 year | 2-3 year | > 3 years | Total |
| Non-derivative Financial Liabilities: | | | | | |
| Borrowings [including current maturities and interest] | 1,823 | 2,442 | 1,754 | 8,997 | 15,016 |
| Other non current financial liabilities | | | | 82 | 82 |
| Trade payable | 11,129 | | | | 11,129 |
| Accrued Expenses | 1,252 | | | | 1,252 |
| Unpaid dividend | 30 | | | | 30 |
| Corporate Guarantees | 4,542 | 7,983 | 7,546 | 2,331 | 22,402 |
| Total | 18,776 | 10,425 | 9,300 | 11,410 | 49,911 |

Notes to Financial Statements

Note: 44-Financial Risk Management:-Continued:

INR Millions

| | As at March 31, 2016 | | | | Total |
|--|----------------------|--------------|--------------|--------------|---------------|
| | < 1 year | 1-2 year | 2-3 year | > 3 years | |
| Non-derivative Financial Liabilities: | | | | | |
| Borrowings [including current maturities and interest] | 1,981 | 1,647 | 2,267 | 487 | 6,382 |
| Other non current financial liabilities | | | | 139 | 139 |
| Trade payable | 8,999 | | | | 8,999 |
| Accrued Expenses | 1,258 | | | | 1,258 |
| Unpaid dividend | 25 | | | | 25 |
| Corporate Guarantees | 499 | 1,988 | 3,695 | 6,009 | 12,191 |
| Total | 12,762 | 3,635 | 5,962 | 6,635 | 28,994 |

INR Millions

| | As at April 1, 2015 | | | | Total |
|--|---------------------|--------------|--------------|---------------|---------------|
| | < 1 year | 1-2 year | 2-3 year | > 3 years | |
| Non-derivative Financial Liabilities: | | | | | |
| Borrowings [including current maturities and interest] | 1,998 | 1,868 | 1,561 | 2,604 | 8,031 |
| Other non current financial liabilities | | | | 123 | 123 |
| Trade payable | 6,829 | | | | 6,829 |
| Accrued Expenses | 925 | | | | 925 |
| Unpaid dividend | 21 | | | | 21 |
| Corporate Guarantees | - | 944 | 2,501 | 8,488 | 11,933 |
| Total | 9,773 | 2,812 | 4,062 | 11,215 | 27,862 |

Notes to Financial Statements

Note: 44-Financial Risk Management:-Continued:

c Foreign currency risk:

The Company is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the US Dollar and Euro. Foreign exchange risk arises from recognised assets and liabilities denominated in a currency that is not the Company's functional currency. The Company's operations in foreign currency creates natural foreign currency hedge. This results in insignificant net open foreign currency exposures considering the volumes and operations of the Company.

Sensitivity:

The sensitivity of profit or loss and equity to changes in the exchange rates arises mainly from foreign currency denominated financial instruments:

| | March 31, 2017 | | | March 31, 2016 | | | INR Millions |
|--------|----------------|---------------|------------------|----------------|---------------|-----------------|--------------|
| | Movement in | Impact on PAT | Impact on | Movement in | Impact on PAT | Impact on Other | |
| | Rate | [*] | Other Equity [*] | Rate | [*] | Equity [*] | |
| USD | 4.00% | (257) | 10 | 5.00% | 70 | 10 | |
| USD | -4.00% | 257 | (10) | -5.00% | (70) | (10) | |
| EUR | 8.00% | 9 | | 12.00% | 77 | | |
| EUR | -8.00% | (9) | | -12.00% | (77) | | |
| Others | 5.00% | 4 | | 5.00% | 6 | | |
| Others | -5.00% | (4) | | -5.00% | (6) | | |

* Holding all other variables constant

Sensitivity impact on profit after tax includes exposures for which the Company has the policy of capitalising exchange differences to reserves - FCMITDA or eligible items of Property, Plant and Equipment [refer note 2 for detailed policy]. The outstanding amount of such foreign currency loans are INR 4,156 [as at March 31, 2016 INR 6,120] Millions.

d Interest rate risk:

Liabilities:

The Company's policy is to minimise interest rate cash flow risk exposures on long-term financing. As at March 31, 2017, the Company is exposed to changes in market interest rates through bank borrowings at variable interest rates. The Company's investments in Fixed Deposits are at fixed interest rates.

Sensitivity*:

Below is the sensitivity of profit or loss and equity changes in interest rates:

| | Movement in Rate | INR Millions | |
|----------------|------------------|-------------------------|-------------------------|
| | | As at March 31, 2017 | As at March 31, 2016 |
| Interest rates | +0.50% | (96) | (40) |
| Interest rates | -0.50% | 96 | 40 |

* Holding all other variables constant

Notes to Financial Statements

Note: 44-Financial Risk Management:-Continued:

e Price risk:

Exposure:

The Company's exposure to price risk arises from investments in equity and mutual fund held by the Company and classified in the balance sheet at fair value through OCI and at fair value through profit or loss respectively. To manage its price risk arising from investments in equity securities and mutual fund, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

Sensitivity*:

The table below summarises the impact of increases / decreases of the index on the Company's equity and profit for the period.

| | Movement in Rate | INR Millions | | | |
|------------------------------|------------------|----------------------|------------------------|----------------------|------------------------|
| | | As at March 31, 2017 | | As at March 31, 2016 | |
| | | Impact on PAT | Impact on Other Equity | Impact on PAT | Impact on Other Equity |
| Equity Instruments [Quoted]: | | | | | |
| Increase | +10.00% | | 61 | | 47 |
| Decrease | -10.00% | | (61) | | (47) |
| Mutual Funds [Quoted]: | | | | | |
| Increase | +2.00% | - | | 20 | |
| Decrease | -2.00% | - | | (20) | |

* Holding all other variables constant

C Hedge:

Disclosure of effects of hedge accounting on financial position:

Hedged item - Changes in fair value of trade receivables attributable to changes in foreign exchange rates

Hedging instrument - Changes in fair value of certain foreign currency borrowings attributable to foreign exchange rates

As at March 31, 2017

| Type of hedged risk | Carrying amount of hedging instrument (USD Millions) | | Carrying amount of hedging instrument (INR Millions) | | Maturity Date | Hedge Ratio | Balance sheet classification | Changes in fair value relating to hedged risk |
|---|--|-------------|--|-------------|-------------------------|-------------|------------------------------|---|
| | Assets | Liabilities | Assets | Liabilities | | | | |
| Fair Value Hedge: | | | | | | | | |
| Hedging instrument: Certain Foreign currency borrowings | | 88 | | 5,709 | Range - Within 6 months | 1.1 | Borrowings | 228 |
| Hedged item: Certain foreign currency receivables | 88 | | 5,709 | | Range - Within 6 months | | Trade receivables | 228 |

As at March 31, 2016

| Type of hedged risk | Carrying amount of hedging instrument (USD Millions) | | Carrying amount of hedging instrument (INR Millions) | | Maturity Date | Hedge Ratio | Balance sheet classification | Changes in fair value relating to hedged risk |
|---|--|-------------|--|-------------|-------------------------|-------------|------------------------------|---|
| | Assets | Liabilities | Assets | Liabilities | | | | |
| Fair Value Hedge: | | | | | | | | |
| Hedging instrument: Certain Foreign currency borrowings | | 75 | | 4,971 | Range - Within 6 months | 1.1 | Borrowings | 37 |
| Hedged item: Certain foreign currency receivables | 75 | | 4,971 | | Range - Within 6 months | | Trade receivables | 37 |

Notes to Financial Statements

Note: 44-Financial Risk Management:-Continued:

As at April 1, 2015

| Type of hedged risk | Carrying amount of hedging instrument (USD Millions) | | Carrying amount of hedging instrument (INR Millions) | | Maturity Date | Hedge Ratio | Balance sheet classification |
|---|--|-------------|--|-------------|-------------------------|-------------|------------------------------|
| | Assets | Liabilities | Assets | Liabilities | | | |
| Fair Value Hedge: | | | | | | | |
| Hedging instrument: Certain Foreign currency borrowings | | 75 | | 4,690 | Range - Within 6 months | 1.1 | Borrowings |
| Hedged item: Certain foreign currency receivables | 75 | | 4,690 | | Range - Within 6 months | | Trade receivables |

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Company enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item, and so a qualitative assessment of effectiveness is performed. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Company uses the dollar offset method to assess effectiveness. There was no hedge ineffectiveness in any of the periods presented above.

Note: 45-Capital Management:

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern
- to provide an adequate return to shareholders
- maintain an optimal capital structure to reduce the cost of capital.

Management assesses the Company's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the subordination levels of the Company's various classes of debt. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

| | INR Millions | | |
|--|-------------------------|-------------------------|------------------------|
| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
| Net debts | 29,230 | 9,590 | 12,002 |
| Total equity | 66,183 | 62,762 | 49,587 |
| Net debt to equity ratio [No. of times] | 0.44 | 0.15 | 0.24 |

Loan covenants:

Under the terms of the major borrowing facilities, the Company is required to comply with the following financial covenants, based on consolidated financial information:

- Total Debt to Equity must be less than 2:1

This is in line with the Company's covenants as agreed with external Lenders.

Notes to Financial Statements

Note: 46- First Time Adoption of Ind AS:

The accounting policies set out in the note here have been applied in preparing the financial statements for the year ended March 31, 2017, the comparative information presented in these financial statements for the year ended March 31, 2016 and in the preparation of an opening Ind AS balance sheet at April 1, 2015 [the Company's date of transition].

In preparing its opening Ind AS balance sheet, the Company has adjusted the amounts reported previously in financial statements prepared in accordance with the accounting standards notified under Companies [Accounting Standards] Rules, 2006 [as amended] and other relevant provisions of the Act [Indian GAAP]. An explanation of how the transition from previous GAAP to Ind AS has affected the Company's financial position, financial performance and cash flows is set out in the following notes.

Exemptions and exceptions availed:

Set out below are the applicable Ind AS 101 optional exemptions and mandatory exceptions applied in the transition from previous GAAP to Ind AS.

A Deemed cost:

Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition after making necessary adjustments for consequential impacts of applying standards other than that of property, plant and equipment. This exemption can also be used for intangible assets covered by Ind AS 38 Intangible Assets. Accordingly, the Company has elected to measure all of its property, plant and equipment and intangible assets at their previous GAAP carrying values.

B Leases:

Appendix C to Ind AS 17 requires an entity to assess whether a contract or arrangement contains a lease. In accordance with Ind AS 17, this assessment should be carried out at the inception of the contract or arrangement. Ind AS 101 provides an option to make this assessment on the basis of facts and circumstances existing at the date of transition to Ind AS, except where the effect is expected to be not material. The Company has elected to apply this exemption for such contracts/ arrangements.

C Designation of previously recognised financial instruments:

Ind AS 101 allows an entity to designate investments in equity instruments at FVOCI on the basis of the facts and circumstances at the date of transition to Ind AS. The Company has elected to apply this exemption for its investment in equity investments [other than investment in subsidiary].

D Estimates:

An entity's estimates in accordance with Ind ASs at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with previous GAAP [after adjustments to reflect any difference in accounting policies], unless there is objective evidence that those estimates were in error.

Ind AS estimates as at April 1, 2015 are consistent with the estimates as at the same date made in conformity with previous GAAP.

E Classification of financial assets:

As per the requirements of Ind AS 101 the Company has assessed classification of financial assets on the basis of the facts and circumstances that existed at the date of transition to Ind AS.

F De-recognition of financial assets and liabilities:

Ind AS 101 requires a first-time adopter to apply the de-recognition provisions of Ind AS 109 prospectively for transactions occurring on or after the date of transition to Ind AS. However, Ind AS 101 allows a first time adopter to apply the de-recognition requirements in Ind AS 109 retrospectively from a date of entity's choosing; provided that the information needed to apply Ind AS 109 to financial assets or financial liabilities derecognised as a result of past transactions was obtained at the time of initially accounting for those transactions. The Company has elected to apply the de-recognition provision of Ind AS 109 prospectively from the date of transition to Ind AS.

Notes to Financial Statements

Note: 46-First Time Adoption of Ind AS:

G Government Loans:

As per Ind AS 101, if a first-time adopter did not, under its previous GAAP, recognise and measure a government loan at a below-market rate of interest on a basis consistent with Ind AS requirements, it shall use its previous GAAP carrying amount of the loan at the date of transition to Ind AS as the carrying amount of the loan in the opening Ind AS Balance Sheet. An entity shall apply Ind AS 109 to the measurement of such loans after the date of transition to Ind AS.

The Company has applied this exception to the loans from the government authorities existing as at April 1, 2015.

H Long term foreign currency Monetary items:

A first-time adopter may continue the policy adopted for accounting for exchange differences arising from translation of long-term foreign currency monetary items recognised in the financial statements for the period ending immediately before the beginning of the first Ind AS financial reporting period as per the previous GAAP. The Company has opted for the above exemption for the long-term foreign currency monetary items recognised upto April 1, 2016

Note: 47- Reconciliation with previous GAAP:

INR Millions

| | | As at March 31, 2017 | As at March 31, 2016 |
|----------|--|-------------------------|-------------------------|
| A | Reconciliation of equity: | | |
| | Equity as per previous GAAP | 61,374 | 45,254 |
| | Add [Less]: Adjustments: | | |
| | a. Fair Valuation of Forward Contract value related to investment in a Joint Venture | 1,523 | 1,267 |
| | b. Fair Valuation of investments in Mutual Funds | 1 | 1 |
| | c. Reversal of capitalised foreign exchange differences on account of change in classification of certain financial assets | (284) | - |
| | d. Preference shares issued by JV to the Company | 50 | 32 |
| | e. Interest free loan to a wholly owned subsidiary | 49 | 38 |
| | f. Loss on sale of investment to a wholly owned subsidiary | 235 | - |
| | g. Fair valuation of investments in equity instruments through OCI | 165 | 387 |
| | h. Proposed dividend [including Corporate Dividend Tax] | - | 2,907 |
| | i. Other adjustments | (26) | (29) |
| | j. Deferred Tax adjustments | (325) | (270) |
| | k. Total | 1,388 | 4,333 |
| | Equity as per Ind AS | 62,762 | 49,587 |
| B | Reconciliation of Net Profit for the year ended March 31, 2016: | | |
| | Net profit as per previous GAAP | 19,773 | |
| | Add [Less]: Adjustments in Statement of profit and loss | | |
| | a. Fair valuation of Forward Contract value related to investment in a Joint Venture | 256 | |
| | b. Reversal of amortisation on capitalised foreign exchange differences on account of change in classification of certain financial assets | (36) | |
| | c. Preference shares issued by JV to the Company | 18 | |
| | d. Interest free loan to a wholly owned subsidiary | 11 | |
| | e. Loss on sale of investment to a wholly owned subsidiary | 235 | |
| | f. Actuarial loss on employee defined benefit plan recognised in OCI | 216 | |
| | g. Other adjustments | 3 | |
| | h. Deferred Tax adjustments | (101) | |
| | i. Total | 602 | |
| | Net Profit after Tax as per Ind AS | 20,375 | |
| | Other Comprehensive Income [Net of Tax] | (392) | |
| | Total Comprehensive Income for the year as per Ind AS | 19,983 | |

Notes to Financial Statements

Note: 47- Reconciliation with previous GAAP - Continued:

1 Fair valuation of Forward Contract value related to investment in a Joint Venture

Fair value of forward contract value related to investment in a Joint Venture is recognised under Ind AS and was not required to be recognised under previous GAAP.

The impact on this has resulted in increase of Equity by INR 1,267 Millions as at the date of transition to Ind AS and gain of INR 256 Millions in the Statement of Profit and Loss for the year ended March 31, 2016.

2 Fair valuation of investments in Mutual Funds

Under previous GAAP, investment in mutual funds, being current investments, were accounted at the lower of cost or fair value.

Under Ind AS, mutual funds are not equity instruments and the cash flows do not represent solely payments for principal and interest and hence are to be accounted at fair value through profit and loss.

The impact on this account has resulted in increase in Equity by INR 1 Million as at the date of transition to Ind AS.

3 Reversal of amortisation on capitalised foreign exchange differences on account of change in classification of certain financial assets

Under previous GAAP, foreign exchange gains/ losses on certain long term foreign currency monetary items were capitalised as foreign currency monetary items translation difference account [FCMITDA] in the Balance Sheet to be amortised over the period of respective monetary item as permitted by AS 11 and the effects of changes in foreign exchange rates of such items were routed through FCMITDA amortisation.

Under Ind AS, financial instruments are required to be classified into debt and equity as per the terms and conditions of the instrument.

Certain financial instruments have been classified as equity investments under Ind AS and accordingly recognised at the historical exchange rates. Consequently,

- a the foreign exchange gains amortised in Statement of Profit and Loss under previous GAAP on these items of INR 36 millions for the year ended March 31, 2016 have been reversed.
- b the unamortised foreign exchange gains accumulated as FCMITDA under Reserve and Surplus under previous GAAP on these items of INR 248 Millions have been reversed.

4 Preference shares issued by JV to the Company

Under previous GAAP, the holder recognised investment in preference shares at the transaction price reduced by repayments made.

Under Ind AS, investments in preference shares are financial assets as per Ind AS 109. Such financial assets are not equity instruments and the cash flows represent solely payments for principal and interest, as such they are initially recognised at fair value and subsequently at amortised cost. The difference between the fair value and the transaction price is accounted for basis the underlying reason for deviation from fair value. In the case of investment in preference shares of joint venture, the difference is accounted for as an additional investment in the joint venture. Subsequently, the investment is measured at amortised cost resulting into finance income in Statement of Profit and Loss.

The net impact of such transaction in the equity of the Company is INR 32 Millions as at the date of transition of Ind AS and finance income of INR 18 Millions in the Statement of Profit and Loss for the year ended March 31, 2016.

5 Interest free loan to a wholly owned subsidiary

Under previous GAAP, loan assets were recognised at the transaction price reduced by repayments made.

Under Ind AS, loans are financial assets and are initially recognised at fair value. The difference between the fair value and the transaction price is accounted for basis the underlying reason for deviation from fair value. In the case of loan given to a wholly owned subsidiary, the difference is accounted for as an additional investment in the subsidiary. Subsequently, the loan given is measured at amortised cost resulting into finance income in Statement of Profit and Loss.

Notes to Financial Statements

Note: 47- Reconciliation with previous GAAP - Continued:

The net impact of such transaction in the equity of the Company is INR 38 Millions as at the date of transition of Ind AS and finance income of INR 11 Millions in the Statement of Profit and Loss for the year ended March 31, 2016.

6 Loss on sale of investment to a wholly owned subsidiary

Under previous GAAP, loss or gain arising on sale or purchase of inter company investments are recognised to the Statement of Profit and Loss. Under Ind AS, such loss or gain are accounted for as an investment in the subsidiary to whom the investment is transferred.

The net impact of such transaction is INR 235 Millions in the Statement of Profit and Loss for the year ended March 31, 2016.

7 Fair valuation of investments in equity instruments through OCI

Under previous GAAP, long term investments in equity shares were carried at cost less provision for diminution (other than temporary), wherever applicable.

Under Ind AS, investments in equity instruments (other than subsidiaries and joint ventures) are required to be recognised and measured at fair value through profit and loss or can be irrevocably designated as fair value through other comprehensive income. The Company has designated investment in certain equity instruments at fair value through other comprehensive income.

Consequently, the impact of INR 387 millions has been recognised in retained earnings at the transition date and INR 222 Millions were recognised in OCI for the year ended March 31, 2016.

8 Proposed dividend [including Corporate Dividend Tax]

Under previous GAAP, dividend on equity shares recommended by the Board of Directors after end of the reporting period but before the date of approval of financial statements was considered as an adjusting event and consequently, provision for proposed dividend was recognised as a liability in the financial statements in the reporting period relating to which dividend was proposed.

Under Ind AS, such dividend is recognised in the reporting period in which the same is approved by the members in a general meeting. Consequently, the impact of INR 2,907 Millions has been recognised in retained earnings at the transition date.

9 Actuarial loss on employee defined benefit plan recognised in OCI

Under previous GAAP, remeasurement of defined benefit plans (gratuity), arising primarily due to change in actuarial assumptions was recognised as employee benefits expense in the Statement of Profit and Loss.

Under Ind AS, such remeasurement (excluding the net interest expenses on the net defined benefit liability) of defined benefit plans is recognised in OCI. Consequently, the related tax effect of the same is also recognised in OCI.

For the year ended March 31, 2016, remeasurement of gratuity liability resulted in a actuarial loss of INR 216 Millions which has now been reduced from employee benefits expense in the Statement of Profit and Loss and recognised separately in OCI.

The above changes do not affect Equity as at date of transition to Ind AS and as at March 31, 2016.

10 Deferred Tax adjustments

Under previous GAAP, Deferred tax was accounted as per the income statement approach which required creation of deferred tax asset/ liability on temporary differences between taxable profit and book profit.

Under Ind AS, deferred tax is accounted as per the Balance Sheet approach which requires creation of deferred tax asset/ liability on temporary differences between the carrying amount of an asset/ liability in the Balance Sheet and its corresponding tax base. The adjustment in equity and net profit, as discussed above, resulted in additional temporary differences on which deferred taxes are calculated.

The impact of these has resulted in recognition of deferred tax liability of INR 270 Millions as at the date of transition to Ind AS and deferred tax liability of INR 101 Millions in the Statement of Profit and Loss for the year ended March 31, 2016.

Notes to Financial Statements

Note: 47- Reconciliation with previous GAAP - Continued:

Others:

Sale of goods:

a Under the IGAAP, revenue from sale of products was presented exclusive of excise duty. Under Ind AS, revenue from sale of goods is presented inclusive of excise duty. The excise duty paid is presented on the face of the Statement of Profit and Loss as part of expenses.

b Under Ind AS, the Company recognises revenue at the fair value of consideration received or receivable. Any sales incentive, free goods, discounts or rebates in any form given to customers is considered as selling price reductions and is accounted as reduction from revenue.

Under previous IGAAP, some of these costs were included in "other expenses". Consequently, for the year ended March 31, 2016, there is decrease in "other expenses" of INR 33 Millions with a corresponding reduction in "Sale of Products".

Statement of Cash Flows:

The transition from IGAAP to Ind AS has not had a material impact on the Statement of cash flows.

Note: 48- Merger of Zydus Healthcare Limited and Biochem Pharmaceutical Industries Limited:

Pursuant to the Scheme of Amalgamation [Scheme 1] between Zydus Healthcare Limited [ZHL] and Biochem Pharmaceutical Industries Limited [Biochem], both 100% subsidiary companies, which was sanctioned by the Hon'able National Company Law Tribunal [NCLT] vide its order dated March 15, 2017 and effective date being March 27, 2017, Biochem has been amalgamated with ZHL w.e.f. the appointed date being, March 31, 2016. In accordance with the Scheme 1, the Company will receive 223,500 Equity shares of INR 100/- each in ZHL of exchange of 7,500,000 Equity shares of INR 10/- each of Biochem.

Note: 49- Demerger of India Human Formulations Undertaking ['IHFU']:

Pursuant to the Scheme of Arrangement u/s 230 to 232 of the Companies Act, 2013 between the Company, Zydus Healthcare Limited [ZHL], a 100% subsidiary of the Company and their respective shareholders and creditors ['Scheme-2'] as sanctioned by the Hon'able National Company Law Tribunal, Ahmedabad Bench ['NCLT'] vide its order dated May 18, 2017 and effective date being May 19, 2017, the India Human Formulations Undertaking ['IHFU'] of the Company comprising all the businesses, undertakings, activities, properties and liabilities as specified in the Scheme-2 pertaining to the India Human Formulations Business of the Company was transferred to and vested in ZHL on a going concern basis by way of a Slump Sale for a lump sum cash consideration, with effect from April 1, 2016, the appointed date. As per the generally accepted accounting practice, Scheme 2 has accordingly been given effect to in these financial statements.

In compliance of the Scheme-2, the Company has reduced, from its books, the book value of assets and liabilities pertaining to India Human Formulations Undertaking as on the appointed date and transferred to ZHL and therefore the figures of the current financial year are not comparable with those of previous financial year.

Note: 50- Acquisition of Sentynl Therapeutics Inc. :

The Company has incorporated Zydus Holdings Inc. [ZHI] as a wholly owned subsidiary in the US on December 5, 2016. On January 19, 2017, pursuant to the Share Purchase Agreement ['SPA'], ZHI acquired Sentynl Therapeutics Inc. [Sentynl], a US based specialty pharmaceutical company specialised in the marketing of products in the pain management segment. Post-acquisition, on same day, ZHI has been merged with Sentynl. Sentynl is now the wholly owned subsidiary of the Company.

Notes to Financial Statements

Note: 51- Investment in Zydus International Private Limited:

Pursuant to the Share Purchase Agreements ['SPAs'] entered into by the Company on March 23, 2017 with Zydus International Private Limited, Ireland, a 100% subsidiary of the Company ['ZIPL'], the Company has acquired 100% of the common stock of Zydus Pharmaceuticals (USA) Inc. ['ZPUI'], 85% of the common stock of Zydus Noveltech Inc. ['ZNI'] and entire membership interest in Zydus Healthcare (USA) LLC ['ZHUL'] from ZIPL for cash consideration.

Also, pursuant to the Share Purchase Agreement ['SPA'] entered into by the Company on March 28, 2017 with ZAHL Europe B.V., a 100% subsidiary of the Company held through ZIPL, the Company has acquired 100% of the shares of Bremer Pharma GmbH ['Bremer'], from ZAHL Europe B.V. for cash consideration. Pursuant to these, ZPUI, ZNI, ZHUL and Bremer have become direct overseas subsidiaries of the Company.

Signatures to Significant Accounting Policies and Notes 1 to 51 to the Financial Statements

As per our report of even date

For and on behalf of the Board

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

Chartered Accountants

Firm Registration Number: 106625W

Mukesh M. Shah

Partner

Membership Number: 030190

Pankaj R. Patel

Chairman & Managing Director

Nitin D. Parekh

Chief Financial Officer

Upen H. Shah

Company Secretary

Dr. Sharvil P. Patel

Joint Managing Director

Ahmedabad, Dated: May 27, 2017

Independent Auditors' Report

To
The Members of
Cadila Healthcare Limited

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of CADILA HEALTHCARE LIMITED ("the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") and jointly controlled entities comprising the Consolidated Balance Sheet as at March 31, 2017, the Consolidated Statement of Profit and Loss (including other comprehensive income), the Consolidated Cash Flow Statement and the consolidated statement of changes in equity for the year then ended, and a summary of the significant accounting policies and other explanatory information, annexed thereto (hereinafter referred to as "the consolidated financial statements").

Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance (including other comprehensive income), consolidated cash flows and consolidated changes in equity of the Group including its Jointly controlled entities in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act read with relevant rules issued thereunder. The respective Board of Directors of the companies included in the Group and of its jointly controlled entities are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of reports of other auditors, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Ind-AS,

of the consolidated financial position of the Group and its jointly controlled entities as at March 31, 2017, and their consolidated financial performance (including other comprehensive income), their consolidated cash flows and the consolidated changes in equity for the year ended on that date.

Other Matters

We did not audit the financial statements / consolidated financial statements of 13 subsidiaries, whose financial statements / consolidated financial statements reflect total assets of Rs. 73,890 million as at March 31, 2017, total revenue of Rs. 70,757 million, total net profit after tax of Rs. 12,961 million and total comprehensive income of Rs. 12,885 million for the year ended on that date, and financial statement of 2 jointly controlled entities in which the Group's share of net profit is Rs. 169 million for the year ended March 31, 2017, as considered in the consolidated financial statements. These financial statements / consolidated financial statements have been audited/ reviewed by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, is based solely on the reports of the other auditors.

We did not audit the financial statements / consolidated financial statements of 18 subsidiaries, whose financial statements / consolidated financial statements reflect total assets of Rs. 17,362 million as at March 31, 2017, total revenue of Rs. 7,655 million, total net loss after tax of Rs. 168 million and total comprehensive loss of Rs. 168 million for the year ended on that date, and financial statement of 1 joint venture entities in which the Group's share of net profit is Rs. 169 million for the year ended March 31, 2017, as considered in the consolidated financial statements. These financial statements / consolidated financial statement are unaudited and have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, is based solely on such unaudited financial statements / financial information.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements / financial information certified by the Management.

Report on Other Legal and Regulatory Requirements

1. As required by section 143(3) of the Act, we report, to the extent applicable, that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
 - (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
 - (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including other comprehensive income), the Consolidated Cash Flow Statement and the consolidated statement of changes in equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
 - (d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with relevant rules issued thereunder.
 - (e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2017 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies and jointly controlled entities incorporated in India, none of the directors of the Group companies and jointly controlled entities incorporated in India is disqualified as on March 31, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.
 - (f) With respect to the adequacy of the internal financial controls over financial reporting of the group and its jointly controlled entities the operating effectiveness of such controls, refer to our separate Report in "Annexure A", which is based on the auditors' reports of the Holding company, subsidiary companies and jointly controlled entities incorporated in India.

(g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

- i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group and jointly controlled entities – Refer Note 28 to the consolidated financial statements.
- ii. Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.
- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary companies and jointly controlled companies incorporated in India.
- iv. The Company has provided requisite disclosures in the consolidated financial statements as regards

the holding and dealings in Specified Bank Notes as defined in the Notification S.O. 3407(E) dated November 8, 2016 of the Ministry of Finance, during the period from November 8, 2016 to December 30, 2016 of the Group entities as applicable. Based on audit procedures performed and the representations provided to us by the management, we report that the disclosures are in accordance with the relevant books of account maintained by those entities for the purpose of preparation of the consolidated financial statements and as produced to us by the management of the respective Group entities.

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

Mukesh M. Shah
Partner
Membership No.: 030190

Place: Ahmedabad
Date: May 27, 2017

Annexure A

To the Independent Auditors' Report of even date to the members of Cadila Healthcare Limited, on the consolidated financial statements for the year ended March 31, 2017.

Independent Auditors' report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of the consolidated financial statements of Cadila Healthcare Limited ("the Holding Company") and its subsidiaries, (the Holding Company and its subsidiaries together referred to as "the Group") and jointly controlled entities as of and for the year ended March 31, 2017, we have audited the internal financial controls over financial reporting of the Holding Company, its subsidiary companies and jointly controlled entities incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding Company, its subsidiary companies and jointly controlled companies, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the company considering the essential components of internal control stated in the Guidance Note on audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India [ICAI]. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the company's business, including adherence to the company's policies, the safeguarding of the company's assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

Our responsibility is to express an opinion on internal financial controls over financial reporting of the Holding Company, its subsidiaries and jointly controlled entities incorporated in India, based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the ICAI and

the Standards on Auditing prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting were established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

We believe that the audit evidence obtained by us and the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Group's, and jointly controlled entities, incorporated in India, internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial controls over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls over financial reporting include those policies and procedures that:

1. Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
2. Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
3. Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and may not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial controls over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Holding Company, its subsidiary companies and jointly controlled entities, which are companies incorporated in India, have, in all material respects, adequate internal financial

controls over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India

Other Matters

Our aforesaid report under section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to 4 subsidiary companies and 3 jointly controlled entities, which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies incorporated in India. Our opinion is not modified in respect of the above matter with respect to our reliance on the work done by and the reports of the other auditors.

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

Place: Ahmedabad
Date: May 27, 2017

Mukesh M. Shah
Partner
Membership No.: 030190

Consolidated Balance Sheet

as at March 31, 2017

INR Millions

| Particulars | Note No. | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|---|----------|-------------------------|-------------------------|------------------------|
| ASSETS: | | | | |
| Non-Current Assets: | | | | |
| Property, Plant and Equipment | 3 [A] | 32,904 | 26,067 | 23,416 |
| Capital work-in-progress | | 15,433 | 9,508 | 7,767 |
| Goodwill | 3 [B] | 11,494 | 8,946 | 8,950 |
| Other Intangible Assets | 3 [B] | 13,153 | 2,466 | 393 |
| Investments in Joint Ventures | 4 | 3,214 | 1,675 | 1,248 |
| Financial Assets: | | | | |
| Investments | 5 | 643 | 496 | 722 |
| Loans | 6 | - | - | 150 |
| Other Financial Assets | 7 | 2,631 | 1,914 | 1,647 |
| Deferred Tax Assets [Net] | 8 | 5,170 | 5,185 | 963 |
| Other Non-Current Assets | 9 | 2,845 | 2,267 | 2,103 |
| Assets for Current tax [Net] | 10 | 4,497 | 4,178 | 3,096 |
| | | 91,984 | 62,702 | 50,455 |
| Current Assets: | | | | |
| Inventories | 11 | 18,037 | 13,371 | 14,175 |
| Financial Assets: | | | | |
| Investments | 12 | 491 | 1,991 | 1,208 |
| Trade Receivables | 13 | 22,775 | 17,466 | 16,303 |
| Cash and Cash Equivalents | 14 | 15,435 | 6,387 | 6,178 |
| Other Current Financial Assets | 15 | 123 | 138 | 115 |
| Other Current Assets | 16 | 3,362 | 3,451 | 2,908 |
| | | 60,223 | 42,804 | 40,887 |
| Total | | 1,52,207 | 1,05,506 | 91,342 |
| EQUITY AND LIABILITIES: | | | | |
| Equity: | | | | |
| Equity Share Capital | 17 | 1,024 | 1,024 | 1,024 |
| Other Equity | 18 | 68,576 | 55,968 | 44,184 |
| Equity attributable to equity holders of the Parent | | 69,600 | 56,992 | 45,208 |
| Non-Controlling Interests | | 1,561 | 1,358 | 1,767 |
| | | 71,161 | 58,350 | 46,975 |
| Non-Current Liabilities: | | | | |
| Financial Liabilities: | | | | |
| Borrowings | 19 | 24,684 | 8,964 | 11,504 |
| Other Financial Liabilities | 20 | 628 | 366 | 303 |
| Provisions | 21 | 1,512 | 1,207 | 1,064 |
| Deferred Tax Liabilities [Net] | 8 | 1,164 | 2,009 | 1,575 |
| | | 27,988 | 12,546 | 14,446 |
| Current Liabilities: | | | | |
| Financial Liabilities: | | | | |
| Borrowings | 22 | 24,769 | 12,109 | 11,757 |
| Trade Payables | 23 | 16,736 | 13,081 | 10,329 |
| Other Financial Liabilities | 24 | 9,345 | 7,593 | 6,512 |
| Other Current Liabilities | 25 | 1,519 | 1,014 | 844 |
| Provisions | 26 | 573 | 513 | 266 |
| Current Tax Liabilities [Net] | 27 | 116 | 300 | 213 |
| | | 53,058 | 34,610 | 29,921 |
| Total | | 1,52,207 | 1,05,506 | 91,342 |
| Significant Accounting Policies | 2 | | | |
| Notes to the Consolidated Financial Statements | 1 to 55 | | | |

As per our report of even date

For and on behalf of the Board

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

Chartered Accountants

Firm Registration Number: 106625W

Mukesh M. Shah

Partner

Membership Number: 030190

Pankaj R. Patel

Chairman & Managing Director

Nitin D. Parekh

Chief Financial Officer

Upen H. Shah

Company Secretary

Dr. Sharvil P. Patel

Joint Managing Director

Ahmedabad, Dated: May 27, 2017

Consolidated Statement of Profit and Loss for the year ended March 31, 2017 INR Millions

| Particulars | Note No. | Year ended March 31, 2017 | Year ended March 31, 2016 |
|---|----------|------------------------------|------------------------------|
| Revenue from Operations | 31 | 96,253 | 96,170 |
| Other Income | 32 | 1,286 | 1,156 |
| Total Income | | 97,539 | 97,326 |
| EXPENSES: | | | |
| Cost of Materials Consumed | 33 | 18,310 | 19,750 |
| Purchases of Stock-in-Trade | 34 | 17,529 | 11,320 |
| Changes in Inventories of Finished goods, Work-in-progress and Stock-in-Trade | 35 | (1,388) | (111) |
| Excise Duty on Sales | | 1,958 | 1,902 |
| Employee Benefits Expense | 36 | 15,002 | 12,616 |
| Finance Costs | 37 | 450 | 528 |
| Depreciation, Amortisation and Impairment Expense | 38 | 3,750 | 2,921 |
| Other Expenses | 39 | 25,806 | 27,388 |
| Total Expenses | | 81,417 | 76,314 |
| Profit before Exceptional items and Tax | | 16,122 | 21,012 |
| Less : Exceptional Items | 40 | 3 | 25 |
| Profit before Tax | | 16,119 | 20,987 |
| Less: Tax Expense: | | | |
| Current Tax | 41 | 1,918 | 5,511 |
| Deferred Tax | 41 | (629) | (3,737) |
| | | 1,289 | 1,774 |
| Profit for the year before share of profit/ [loss] of Joint Ventures | | 14,830 | 19,213 |
| Add: Share of profit of Joint Ventures [net of tax] | 4 | 338 | 430 |
| Profit for the year | | 15,168 | 19,643 |
| OTHER COMPREHENSIVE INCOME (OCI): | | | |
| Items that will not be reclassified to profit or loss: | | | |
| Re-measurement losses on post employment defined benefit plans | | (212) | (228) |
| Income tax effect | | 45 | 46 |
| | | (167) | (182) |
| Net Loss/ [Gain] on Fair Value through OCI [FVTOCI] Equity Instruments | | 147 | (226) |
| Income tax effect | | - | - |
| | | 147 | (226) |
| Share of Joint Ventures | | (5) | (4) |
| Income tax effect | | 1 | 1 |
| | | (4) | (3) |
| Total | | (24) | (411) |
| Items that will be reclassified to profit or loss: | | | |
| Exchange differences on translation of foreign operations | | 75 | (111) |
| Income tax effect | | - | - |
| Total | | 75 | (111) |
| Other Comprehensive Income for the year [Net of tax] | | 51 | (522) |
| Total Comprehensive Income for the year [Net of Tax] | | 15,219 | 19,121 |
| Profit for the year | | 15,168 | 19,643 |
| Attributable to: | | | |
| Owners of the Parent | | 14,877 | 19,339 |
| Non-Controlling Interests | | 291 | 304 |
| OCI for the year | | 51 | (522) |
| Attributable to: | | | |
| Owners of the Parent | | 51 | (522) |
| Non-Controlling Interests | | - | - |
| Total Comprehensive Income for the year | | 15,219 | 19,121 |
| Attributable to: | | | |
| Owners of the company | | 14,928 | 18,817 |
| Non-Controlling Interests | | 291 | 304 |
| Basic & Diluted Earning per Equity Share [EPS] [in INR] | 42 | 14.82 | 19.19 |
| Significant Accounting Policies | 2 | | |
| Notes to the Consolidated Financial Statements | 1 to 55 | | |

As per our report of even date

For and on behalf of the Board

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

Chartered Accountants

Firm Registration Number: 106625W

Mukesh M. Shah

Partner

Membership Number: 030190

Pankaj R. Patel

Chairman & Managing Director

Nitin D. Parekh

Chief Financial Officer

Upen H. Shah

Company Secretary

Sharvil P. Patel

Joint Managing Director

Ahmedabad, Dated: May 27, 2017

Consolidated Cash Flow Statement

for the year ended March 31, 2017

INR Millions

| Particulars | Year ended March 31, 2017 | Year ended March 31, 2016 |
|---|------------------------------|------------------------------|
| A. Cash flows from operating activities: | | |
| Profit before tax | 16,119 | 20,987 |
| Adjustments for: | | |
| Depreciation, Impairment and Amortisation expenses | 3,750 | 2,921 |
| Loss on sale of Property, Plant and Equipment [Net] | 8 | 10 |
| Profit on sale of investments [Net] | (61) | (139) |
| Interest income | (573) | (627) |
| Dividend income | (5) | (3) |
| Gain on valuation of Forward Contract value related to investment in a Joint Venture | (567) | (256) |
| Interest expenses | 568 | 410 |
| Bad debts written off | 7 | 8 |
| Provision for doubtful debts [net of written back] | 59 | 12 |
| Provision for doubtful advances [net of written back] | (2) | - |
| Provisions for employee benefits | 152 | 151 |
| Provisions for probable product expiry claims and return of goods (net of written back) | 1 | 11 |
| Total | 3,337 | 2,498 |
| Operating profit before working capital changes | 19,456 | 23,485 |
| Adjustments for: | | |
| [Increase] in trade receivables | (5,051) | (1,110) |
| [Increase]/ Decrease in inventories | (4,666) | 804 |
| [Increase] in other assets | (6) | (237) |
| Increase in trade payables | 2,885 | 2,578 |
| Increase in other liabilities | 2,907 | 1,091 |
| Change in Non-Controlling Interests | 203 | (409) |
| Total | (3,728) | 2,717 |
| Cash generated from operations | 15,728 | 26,202 |
| Direct taxes paid [Net of refunds] | (2,376) | (6,460) |
| Foreign Currency Monetary items Translation Difference Account written off | 116 | (137) |
| Exchange Rate Fluctuation and other adjustments arising on Consolidation | 27 | (670) |
| Net cash from operating activities | 13,495 | 18,935 |
| B. Cash flows from investing activities: | | |
| Purchase of Property, Plant and Equipment | (29,781) | (9,625) |
| Proceeds from sale of Property, Plant and Equipment | 47 | 54 |
| Repayment of loan by a Joint Venture Company | - | 150 |
| Proceeds from current investments | 53 | 156 |
| Interest received | 573 | 627 |
| Dividend received | 5 | 3 |
| Net cash from investing activities | (29,103) | (8,635) |

Consolidated Cash Flow Statement for the year ended March 31, 2017 - Continued: INR Millions

| Particulars | Year ended March 31, 2017 | Year ended March 31, 2016 |
|---|------------------------------|------------------------------|
| C. Cash flows from financing activities: | | |
| Proceeds from non current borrowings | 21,439 | 2,317 |
| Repayment of non current borrowings | (6,447) | (4,684) |
| Current Borrowings [Net] | 12,660 | 352 |
| Interest paid | (556) | (442) |
| Dividends paid | (3,271) | (5,724) |
| Tax on dividends paid | (667) | (1,167) |
| Net cash from financing activities | 23,158 | (9,348) |
| Net increase in cash and cash equivalents | 7,550 | 952 |
| Cash and cash equivalents at the beginning of the year | 8,370 | 7,379 |
| Effect of exchange rates on Cash and cash equivalents | 6 | 39 |
| Cash and cash equivalents at the end of the year | 15,926 | 8,370 |

Notes to the Consolidated Cash Flow Statement:

- All figures in brackets are outflows.
- Previous year's figures have been regrouped wherever necessary.
- Cash and cash equivalents at the end [beginning] of the year include Rs. 360 [Rs. 251] Millions not available for immediate use.
- Cash and cash equivalents comprise of:

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|--------------------------------------|-------------------------|-------------------------|------------------------|
| a. Cash on Hand | 10 | 12 | 12 |
| b. Balances with Banks | 15,425 | 6,375 | 6,166 |
| c. Investment in Liquid Mutual Funds | 491 | 1,983 | 1,201 |
| Total | 15,926 | 8,370 | 7,379 |

As per our report of even date

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

Mukesh M. Shah
Partner
Membership Number: 030190

Ahmedabad, Dated: May 27, 2017

Nitin D. Parekh
Chief Financial Officer

Upen H. Shah
Company Secretary

Dr. Sharvil P. Patel
Joint Managing Director

For and on behalf of the Board

Pankaj R. Patel
Chairman & Managing Director

Statement of Change in Consolidated Equity for the year ended March 31, 2017

a. Equity Share Capital:

| | No. of Shares | INR Millions |
|---|---------------|--------------|
| Equity Shares of INR 1/- each, Issued, Subscribed and Fully Paid-up: | | |
| As at April 1, 2015 | 204,748,520 | 1,024 |
| Issued pursuant to sub-division of face value of the shares from INR 5/- each to INR 1/- each | 818,994,080 | - |
| As at March 31, 2016 | 1,023,742,600 | 1,024 |
| As at March 31, 2017 | 1,023,742,600 | 1,024 |

b. Other Equity:

| | Attributable to the equity holder of the Parent | | | | | | | Total | Non-Controlling Interests | Total Equity |
|---|---|--|-----------------|--|-------------------|----------------|--------------------------------------|---------|---------------------------|--------------|
| | Reserves and Surplus | | | | Retained Earnings | Items of OCI | | | | |
| | Capital Reserve | International Business Development Reserve | General Reserve | Foreign Currency Monetary Items Translation Difference Account [FCMITDA] | | FVTOCI Reserve | Foreign Currency Translation Reserve | | | |
| As at April 1, 2015 | 289 | 2,000 | 15,988 | 29 | 25,878 | | | 44,184 | 1,767 | 45,951 |
| Add: Profit for the year | | | | | 19,339 | | | 19,339 | 304 | 19,643 |
| Add [Less]: Other Comprehensive income | | | | | (185) | (226) | (111) | (522) | | (522) |
| Total Comprehensive Income | 289 | 2,000 | 15,988 | 29 | 45,032 | (226) | (111) | 63,001 | 2,071 | 65,072 |
| Add: Capital Reserve arising due to consolidation | 4 | | | | | | | 4 | | 4 |
| Net movement in FCMITDA | | | | (137) | | | | (137) | | (137) |
| Transactions with Owners in their capacity as owners: | | | | | | | | | | |
| Dividends | | | | | (5,733) | | | (5,733) | (142) | (5,875) |
| Corporate Dividend Tax on Dividend [Net of CDT Credit] | | | | | (1,167) | | | (1,167) | (29) | (1,196) |
| Disposal on Non-Controlling Interest | | | | | | | | - | (542) | (542) |
| As at March 31, 2016 | 293 | 2,000 | 15,988 | (108) | 38,132 | (226) | (111) | 55,968 | 1,358 | 57,326 |
| Add: Profit for the year | | | | | 14,877 | | | 14,877 | 291 | 15,168 |
| Add [Less]: Other Comprehensive income | | | | | (171) | 147 | 75 | 51 | | 51 |
| Total Comprehensive Income | 293 | 2,000 | 15,988 | (108) | 52,838 | (79) | (36) | 70,896 | 1,649 | 72,545 |
| Less: Capital Reserve arising due to consolidation | (12) | | | | | | | (12) | | (12) |
| Stamp duty paid on issue of Equity Shares | | | (49) | | | | | (49) | | (49) |
| Net movement in FCMITDA | | | | 116 | | | | 116 | | 116 |
| Transactions with Owners in their capacity as owners: | | | | | | | | | | |
| Dividends | | | | | (3,276) | | | (3,276) | (72) | (3,348) |
| Corporate Dividend Tax on Dividend [Net of CDT Credit] | | | | | (667) | | | (667) | (16) | (683) |
| Add: Relinquishment of Financial Liability of a Joint Venture, net of tax and other | | | | | 1,568 | | | 1,568 | | 1,568 |
| As at March 31, 2017 | 281 | 2,000 | 15,939 | 8 | 50,463 | (79) | (36) | 68,576 | 1,561 | 70,137 |

As per our report of even date

For and on behalf of the Board

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

Mukesh M. Shah
Partner
Membership Number: 030190

Ahmedabad, Dated: May 27, 2017

Nitin D. Parekh
Chief Financial Officer

Upen H. Shah
Company Secretary

Pankaj R. Patel
Chairman & Managing Director

Dr. Sharvil P. Patel
Joint Managing Director

Notes to Consolidated Financial Statements

Note: 1-Group overview:

The consolidated financial statements comprise financial statements of Cadila Healthcare Limited ["the Parent"] and its subsidiaries [collectively, "the Group"] and the jointly controlled entities for the year ended March 31, 2017. The group is in business of integrated pharmaceutical operations with business encompassing the entire value chain in the research, development, production, marketing and distribution of pharmaceutical products. The product portfolio of the Group includes Active Pharmaceutical Ingredients [API], animal health & veterinary, human formulations, health and wellness products. The Parent's shares are listed on the National Stock Exchange of India Limited [NSE] and BSE Limited. The registered office of the Parent is located at "Zydus Tower", Satellite Cross Roads, Sarkhej-Gandhinagar Highway, Ahmedabad - 380015.

These financial statements were authorised for issue in accordance with a resolution passed by the board of directors at their meeting held on May 27, 2017.

Note: 2-Significant Accounting Policies:

A The following note provides list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented unless otherwise stated.

1 Basis of preparation:

A The financial statements have been prepared in accordance with Indian Accounting Standards [Ind AS] notified under the Companies [Indian Accounting Standards] Rules, 2015, as amended and other relevant provisions of the Companies Act, 2013.

B For all periods up to and including the year ended March 31, 2016, the Group has prepared its financial statements in accordance with the accounting standards notified under the section 133 of the Companies Act, 2013, read together with paragraph 7 of the Companies [Accounts] Rules, 2014 [Indian GAAP].

The group has adopted Ind AS as per Companies [Indian Accounting Standards] [Ind AS] Rules, 2015 as notified under section 133 of the Companies Act, 2013 for these financial statements beginning April 1, 2016. As per the principles of Ind AS 101, the transition date to Ind AS is April 1, 2015 and hence the comparatives for the previous year ended March 31, 2016 and balances as on April 1, 2015 have been restated as per the principles of Ind AS, wherever deemed necessary. Reconciliations and descriptions of the effect of the transition from previous GAAP to Ind AS have been summarised in note 52 and note 53.

C The financial statements have been prepared on historical cost basis, except for the following assets and liabilities which have been measured at fair value or revalued amount:

- i Derivative financial instruments
- ii Certain financial assets and liabilities measured at fair value [refer accounting policy regarding financial instruments]
- iii Defined benefit plans

2 Basis of Consolidation:

A The consolidated financial statements comprise the financial statements of the Parent and its subsidiaries as at March 31, 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- a Power over the investee [i.e. existing rights that give it the current ability to direct the relevant activities of the investee]
- b Exposure, or rights, to variable returns from its involvement with the investee, and
- c The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in

Notes to Consolidated Financial Statements

assessing whether it has power over an investee, including:

- a The contractual arrangement with the other vote holders of the investee
 - b Rights arising from other contractual arrangements
 - c The Group's voting rights and potential voting rights
 - d The size of the group's holding of voting rights relative to the size and dispersion of the holdings of the other voting rights holders
- B The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.
- C Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that group member's financial statements in preparing the consolidated financial statements to ensure conformity with the group's accounting policies.
- D The financial statements of all entities used for the purpose of consolidation are drawn up to same reporting date as that of the Group, i.e., year ended on March 31. When the end of the reporting period of the Parent is different from that of a subsidiary, the subsidiary prepares, for consolidation purposes, additional financial information as of the same date as the financial statements of the Parent to enable the Parent to consolidate the financial information of the subsidiary.

3 Business combinations and Goodwill:

- A In accordance with Ind AS 101 provisions related to first time adoption, the Group has elected to apply Ind AS accounting for business combinations prospectively from April 1, 2015. As such, Indian GAAP balances relating to business combinations entered into before that date, including Goodwill, have been carried forward. The same first time adoption exemption is also used for joint ventures.
- B Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred at acquisition date fair value. Acquisition-related costs are expensed as incurred.
- C At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their acquisition date fair values. For this purpose, the liabilities assumed include contingent liabilities representing present obligation and they are measured at their acquisition date fair values irrespective of the fact that outflow of resources embodying economic benefits is not probable. However, the Deferred tax assets or liabilities and the assets or liabilities related to employee benefit arrangements acquired in a business combination are recognised and measured in accordance with Ind AS-12 "Income Tax" and Ind AS-19 "Employee Benefits" respectively.
- D When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.
- E Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of Ind AS-109 "Financial Instruments", is measured at fair value with changes in fair value recognised in Statement of Profit and Loss. If the contingent consideration is not within the scope of Ind AS-109, it is measured in accordance with the appropriate Ind AS. Contingent

Notes to Consolidated Financial Statements

consideration that is classified as equity is not re-measured at subsequent reporting dates and subsequently its settlement is accounted for within equity.

- G Goodwill is initially measured at the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in OCI and accumulated in equity as Capital Reserve. However, if there is no clear evidence of bargain purchase, the entity recognises the gain directly in equity as Capital Reserve, without routing the same through OCI.
- H After initial recognition, Goodwill is not amortised. Goodwill is accordingly recognised at original value, less any accumulated impairment. For the purpose of impairment testing, Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.
- I A cash generating unit to which Goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any Goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for Goodwill is recognised in Statement of Profit and Loss. An impairment loss recognised for Goodwill is not reversed in subsequent periods.
- J If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted through Goodwill during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date. These adjustments are called as measurement period adjustments. The measurement period does not exceed one year from the acquisition date.
- K Wherever any business combination is governed by the Scheme approved by the Hon'able High Court/ National Company Law Tribunal [NCLT], the business combination is accounted for as per the accounting treatment sanctioned in the Scheme. Goodwill arising on such business combination is amortised over the period, as provided in the Scheme, as approved by the Hon'able High Court or NCLT.

4 Common Control Transactions:

Business combinations involving entities that are controlled by the group are accounted for using the pooling of interests method as follows:

- a The assets and liabilities of the combining entities are reflected at their carrying amounts.
- b No adjustments are made to reflect fair values, or recognise any new assets or liabilities. Adjustments are only made to harmonise accounting policies.
- c The balance of the retained earnings appearing in the financial statements of the transferor is aggregated with the corresponding balance appearing in the financial statements of the transferee or is adjusted against General Reserve.
- d The identity of the reserves are preserved and the reserves of the transferor become the reserves of the transferee.
- e The difference, if any, between the amounts recorded as share capital issued plus any additional consideration in the form of cash or other assets and the amount of Share Capital of the transferor is transferred to Capital Reserve and is presented separately from other Capital Reserves.

Notes to Consolidated Financial Statements

- f Wherever any business combination is governed by the Scheme approved by the Hon'able High Court/ NCLT, the business combination is accounted for as per the accounting treatment sanctioned in the Scheme.

5 Investment in joint ventures:

- A The Group's investments in its joint ventures are accounted for using the equity method. Under the equity method, the investment in joint ventures is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint ventures since the acquisition date.
- B The Statement of Profit and Loss reflects the Group's share of the results of operations of the joint ventures. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint ventures, the Group recognises its share of any changes, when applicable, in the Statement of changes in equity.
- C If an entity's share of losses of joint ventures equals or exceeds its interest in the joint ventures [which includes any long term interest that, in substance, form part of the Group's net investment in the joint ventures], the entity discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint ventures. If the joint venture subsequently reports profits, the entity resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.
- D The financial statements of the joint ventures are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.
- E After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint ventures. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint ventures is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint ventures and its carrying value, and then recognises the loss as "Share of profit of joint ventures" in the Statement of Profit and Loss.

6 Use of Estimates:

The preparation of the consolidated financial statements in conformity with Ind AS requires management to make estimates, judgments and assumptions. These estimates, judgments and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of income and expenses during the period. Application of accounting policies that require critical accounting estimates involving complex and subjective judgments are provided below. Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the consolidated financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the consolidated financial statements.

a Income taxes:

Significant judgments are involved in determining the provision for income taxes, including amount expected to be paid/recovered for uncertain tax positions.

b Property, Plant and Equipment:

Property, Plant and Equipment represent a significant proportion of the asset base of the Group. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Management reviews the residual values, useful lives and methods of depreciation of Property, Plant and Equipment at each reporting period end and any revision to these is recognised prospectively in current and future periods. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

Notes to Consolidated Financial Statements

c Employee benefits:

Significant judgments are involved in making estimates about the life expectancy, discounting rate, salary increase, etc. which significantly affect the working of the present value of future liabilities on account of employee benefits by way of defined benefit plans.

d Product warranty and expiry claims:

Significant judgments are involved in determining the estimated stock lying in the market with product shelf life and estimates of likely claims on account of expiry of such unsold goods lying with stockist.

e Impairment of assets and investments:

Significant judgment is involved in determining the estimated future cash flows from the investments, Property, Plant and Equipment and Goodwill to determine its value in use to assess whether there is any impairment in its carrying amount as reflected in the financials.

7 Foreign Currency Transactions:

The Group's consolidated financial statements are presented in Indian Rupees [INR], which is the functional currency of the Parent Company. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

A The transactions in foreign currencies are translated into functional currency by the Groups' entities at their respective functional currency rates of exchange prevailing on the dates of transactions.

B Foreign Exchange gains and losses resulting from settlement of such transactions and from the translation of monetary assets and liabilities [except as covered in "E" below] denominated in foreign currencies at the year end exchange rates are recognised in the Statement of Profit and Loss.

C Foreign exchange differences regarded as an adjustment to borrowing costs are presented in the Statement of Profit and Loss within finance costs. All the other foreign exchange gains and losses are presented in the Statement of Profit and Loss on a net basis.

D Investments in foreign companies are recorded in functional currency of the entity at the rates of exchange prevailing at the time when the investments were made.

E The net gain or loss on account of exchange rate differences either on settlement or on translation, of long term foreign currency monetary items recognised on or after April 1, 2016, is recognised as income or expense in the Statement of Profit and Loss in the year in which they arise. The net gain or loss on long term foreign currency monetary items recognised in the financial statement for the period ended on March 31, 2016, is recognised under "Foreign Currency Monetary Items Translation Difference Account" [FCMITDA], except in case of foreign currency loans taken for funding of Property, Plant and Equipment, where such difference is adjusted to the cost of respective Property, Plant and Equipment. This is as per the exemption given under Ind AS 101 to defer/ capitalize exchange differences arising on long-term foreign currency monetary items. The FCMITDA is amortised during the tenure of loans but not beyond March 31, 2020.

F Group Companies:

a On consolidation, the assets and liabilities of foreign operations are translated into INR at the rate of exchange prevailing at the reporting date and their Statement of Profit and Loss are translated at average exchange rates prevailing during the year. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in profit or loss.

b Any Goodwill arising in the acquisition/ business combination of a foreign operation on or after April 1, 2015 and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the reporting date.

Notes to Consolidated Financial Statements

- c Any Goodwill or fair value adjustments arising in business combinations/ acquisitions, which occurred before the date of transition to Ind AS [April 1, 2015], are treated as assets and liabilities of the entity rather than as assets and liabilities of the foreign operation. Therefore, those assets and liabilities are non-monetary items already expressed in the functional currency of the Parent and no further translation differences occur.
- d Cumulative currency translation differences for all foreign operations are deemed to be zero at the date of transition, viz., April 1, 2015. Gain or loss on a subsequent disposal of any foreign operation excludes translation differences that arose before the date of transition but includes only translation differences arising after the transition date.

8 Revenue Recognition:

- A Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government and is shown net of returns, trade allowances, rebates, value added taxes and volume discounts.
- B Excise duty is a liability of the Group as a manufacturer, which forms part of the cost of production, irrespective of whether the goods are sold or not. Therefore, the recovery of excise duty flows to the Group on its own account and hence revenue includes excise duty.
- C Sales Tax/ Value Added Tax [VAT] is not received by the Group on its own account. Rather, it is tax collected on behalf of the government on value added to the goods by the Group. Accordingly, it is excluded from revenue.
- D The specific recognition criteria described below must also be met before revenue is recognised:

a Sale of Goods:

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. The goods are often sold with volume discounts/pricing incentives and customers have a right to return damaged or expired products.

Revenue from sales is based on the price in the sales contracts/MRP, net of discounts. Historical experience is used to estimate and provide for damage or expiry claims. No element of financing is deemed present as the sales are made with the normal credit terms as per prevalent trade practice and credit policy followed by the Group.

b Service Income:

Service income is recognised as per the terms of contracts with the customers when the related services are performed as per the stage of completion or on the achievement of agreed milestones and are net of service tax, wherever applicable.

c Interest Income:

For all debt instruments measured at amortised cost, interest income is recorded using the effective interest rate [EIR]. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Group estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses.

d Dividend:

Dividend income is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

e Other Income:

Other income is recognised when no significant uncertainty as to its determination or realisation exists.

Notes to Consolidated Financial Statements

9 Government Grants:

- A Government grants are recognised in accordance with the terms of the respective grant on accrual basis considering the status of compliance of prescribed conditions and ascertainment that the grant will be received.
- B Government grants related to revenue are recognised on a systematic and gross basis in the Statement of Profit and Loss over the period during which the related costs intended to be compensated are incurred.
- C Government grants related to assets are recognised as income in equal amounts over the expected useful life of the related asset.
- D When loans or similar assistance are provided by governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as a government grant. The loan or assistance is initially recognised and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and the proceeds received. The loan is subsequently measured as per the accounting policy applicable to financial liabilities. However, in accordance with the exemption as per Ind AS 101, for such loans that existed on April 1, 2015, the Group uses the previous GAAP carrying amount of the loan at the date of transition as the carrying amount of loan.

10 Taxes on Income:

Tax expenses comprise of current and deferred tax.

A Current Tax:

- a Current tax is measured at the amount expected to be paid on the basis of reliefs and deductions available in accordance with the provisions of the Income Tax Act, 1961 for Indian entities or provisions of respective countries where the group operates and generates taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.
- b Current tax items are recognised in co-relation to the underlying transaction either in Statement of Profit and Loss, OCI or directly in Equity.

B Deferred Tax:

- a Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.
- b Deferred tax liabilities are recognised for all taxable temporary differences.
- c Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilized.
- d The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.
- e Deferred tax assets and liabilities are measured at the tax rates [and tax laws] that have been enacted or substantively enacted at the reporting date and are expected to apply in the year when the asset is realised or the liability is settled.
- f Deferred tax items are recognised in co-relation to the underlying transaction either in OCI or directly in equity.
- g Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities.
- h Deferred tax liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries and interest in joint arrangement where the group is able to control the timing of reversal of the

Notes to Consolidated Financial Statements

temporary differences and it is probable that the differences will not reverse in the foreseeable future. Deferred tax assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries and interest in joint arrangement where it is not probable the group is able to control the timing of reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

C MAT/ AMT Credit Entitlement:

- a Minimum Alternate Tax [MAT]/ Alternate Minimum Tax [AMT] paid in a year is charged to the Statement of Profit and Loss as current tax.
- b The Group recognizes MAT/AMT credit available as an asset based on historical experience of actual utilisation of such credit and only when and to the extent there is a convincing evidence that the Group will pay normal income tax during the specified period i.e., the period for which MAT/AMT Credit is allowed to be carried forward. Such asset, if any recognised, is reviewed at each Balance sheet date and the carrying amount is written down to the extent there is no longer a convincing evidence that the Group will be liable to pay normal tax during the specified period.

11 Property, Plant and Equipment:

- A Freehold land is carried at historical cost. All other items of Property, Plant and Equipment are stated at historical cost of acquisition/ construction less accumulated depreciation and impairment loss. Historical cost [Net of Input tax credit received/ receivable] includes related expenditure and pre-operative & project expenses for the period up to completion of construction/ assets are ready for its intended use, if the recognition criteria are met and the present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset, if the recognition criteria for a provision are met. Effective from April 1, 2007, the foreign exchange loss or gain arising on long term foreign currency monetary items that existed in financial statement for the period ended on March 31, 2016 attributable to Property, Plant and Equipment is adjusted to the cost of respective Property, Plant and Equipment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance costs are charged to the Statement of Profit and Loss during the reporting period in which they are incurred, unless they meet the recognition criteria for capitalisation under Property, Plant and Equipment.

On transition to Ind AS, the Group has elected to continue with the carrying value of all its Property, Plant and Equipment recognised as at April 1, 2015 measured as per the previous GAAP and use that carrying value as the deemed cost of the Property, Plant and Equipment.

- B Where components of an asset are significant in value in relation to the total value of the asset as a whole, and they have substantially different economic lives as compared to principal item of the asset, they are recognised separately as independent items and are depreciated over their estimated economic useful lives.
- C Depreciation on tangible assets is provided on "straight line method" based on the useful lives as prescribed under Schedule II of the Companies Act, 2013 which may be different for foreign entities. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used. However, management reviews the residual values, useful lives and methods of depreciation of Property, Plant and Equipment at each reporting period end and any revision to these is recognised prospectively in current and future periods.
- D Depreciation on impaired assets is calculated on its reduced value, if any, on a systematic basis over its remaining useful life.
- E Depreciation on additions/ disposals of the Property, Plant and Equipment during the year is provided on pro-rata basis according to the period during which assets are used.
- F Where the actual cost of purchase of an asset is below INR 10,000/-, the depreciation is provided @ 100 %.

Notes to Consolidated Financial Statements

- G Capital work in progress is stated at cost less accumulated impairment loss, if any.
- H An item of Property, Plant and Equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset [calculated as the difference between the net disposal proceeds and the carrying amount of the asset] is included in the Statement of Profit and Loss when the asset is derecognised.

12 Intangible Assets:

- A Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.
- B Internally generated intangibles are not capitalised and the related expenditure is reflected in Statement of Profit and Loss in the period in which the expenditure is incurred.
- C Trade Marks, Technical Know-how Fees and other similar rights are amortised over their estimated useful life.
- D Capitalised cost incurred towards purchase/ development of software is amortised using straight line method over its useful life as estimated by the management at the time of capitalisation.
- E Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.
- F An item of intangible asset initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset [calculated as the difference between the net disposal proceeds and the carrying amount of the asset] is included in the Statement of Profit and Loss when the asset is derecognised.

13 Research and Development Cost:

- A Expenditure on research and development is charged to the Statement of Profit and Loss of the year in which it is incurred.
- B Capital expenditure on research and development is given the same treatment as Property, Plant and Equipment.

14 Borrowing Costs:

- A Borrowing costs consist of interest and other borrowing costs that are incurred in connection with the borrowing of funds. Other borrowing costs include ancillary charges at the time of acquisition of a financial liability, which is recognised as per EIR method. Borrowing costs also include exchange differences to the extent regarded as an adjustment to the borrowing costs.
- B Borrowing costs that are directly attributable to the acquisition/ construction of a qualifying asset are capitalised as part of the cost of such assets, up to the date the assets are ready for their intended use.

15 Impairment of Assets:

The Property, Plant and Equipment and Intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An Impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purposes of assessing impairment, the assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets [cash generating units]. Non-financial assets other than Goodwill that suffered an impairment loss are reviewed for possible reversal of impairment at the end of each reporting period. An impairment loss is charged to the Statement of Profit and Loss in the year in which an asset is identified

Notes to Consolidated Financial Statements

as impaired. The impairment loss recognised in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

16 Inventories:

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- A Raw Materials, Stores & Spare Parts, Packing Materials, Finished Goods, Stock-in-Trade and Works-in-Progress are valued at lower of cost and net realisable value.
- B Cost [Net of CENVAT and Input tax credit availed] of Raw Materials, Stores & Spare Parts, Packing Materials, Finished Goods & Stock-in-Trade is determined on Moving Average Method.
- C Costs of Finished Goods and Works-in-Progress are determined by taking material cost [Net of CENVAT and Input tax credit availed], labour and relevant appropriate overheads based on the normal operating capacity, but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Write down of inventories to net realisable value is recognised as an expense and included in "Changes in Inventories of Finished goods, Work-in-progress and Stock-in-Trade" and "Cost of Materials Consumed" in the relevant note in the Statement of Profit and Loss.

17 Cash and Cash Equivalents:

Cash and Cash equivalents for the purpose of Cash Flow Statement comprise cash and cheques in hand, bank balances, demand deposits with banks where the original maturity is three months or less and other short term highly liquid investments.

18 Leases:

As a lessee:

The determination of whether an arrangement is [or contains] a lease is based on the substance of the arrangement at the inception of the lease.

Lease under which the Group assumes potentially all the risk and rewards of ownership are classified as finance lease. When acquired, such assets are capitalised at fair value or present value of the minimum lease payment at the inception of the lease, whichever is lower. Lease payments under operating leases are recognised as an expense on straight line basis in the Statement of Profit and Loss over the lease term, unless the payments are structured to increase in line with expected general inflation to compensate lessor's expected inflationary cost increases.

As a lessor:

Lease income from operating leases where the Group is lessor is recognised in income on a straight line basis over the lease term unless the receipts are structured to increase in line with expected general inflation to compensate for the expected inflationary cost increases. The respective leased assets are included in the balance sheet based on their nature.

19 Provisions, Contingent Liabilities and Contingent Assets:

- A Provisions are recognised when the Group has a present obligation as a result of past events and it is probable that the outflow of resources will be required to settle the obligation and in respect of which reliable estimates can be made. A disclosure for contingent liability is made when there is a possible obligation, that may, but probably will not require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision/ disclosure is made. Provisions and contingencies are reviewed at each balance sheet date and adjusted to reflect the correct management estimates. Contingent assets are not recognised but are disclosed separately in financial statements.
- B If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability.

Notes to Consolidated Financial Statements

20 Provision for Product Expiry Claims:

Provisions for product expiry related costs are recognised when the product is sold to the customer. Initial recognition is based on historical experience. The initial estimate of product expiry claim related costs is revised annually.

21 Employee Benefits:

A Short term obligations:

Liabilities for wages and salaries, including leave encashment that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured by the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

B Long term employee benefits obligations:

a Leave Wages and Sick Leave:

The liabilities for earned leave and sick leave are not expected to be settled wholly within 12 months period after the end of the period in which the employees render the related service. They are therefore, measured at the present value of expected future payments to be made in respect of services provided by employees upto the end of the reporting period using the projected unit credit method, as determined by actuarial valuation, performed by an independent actuary. The benefits are discounted using the market yields at the end of reporting period that have the terms approximating to the terms of the related obligation. Gains and losses through re-measurements are recognised in Statement of Profit and Loss.

b Defined Benefit Plans:

i Gratuity:

The Group provides for gratuity, a defined benefit plan covering eligible employees of the Parent, its subsidiaries in India and few overseas subsidiaries. The gratuity contributions of the Parent and its Indian subsidiaries are to be made to separately administered fund through Life Insurance Corporation of India through Employees Group Gratuity Plan. The liability or asset recognised in the balance sheet in respect of defined benefit gratuity plan is the present value of the defined benefit plan obligation at the end of the reporting period less the fair value of the plan assets. The liabilities with regard to the Gratuity Plan are determined by actuarial valuation, performed by an independent actuary, at end of the reporting period using the projected unit credit method. The present value of the defined benefit obligation denominated in INR is determined by discounting the estimated future cash outflows by reference to the market yields at the reporting period on government bonds that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discounting rate to the net balance of the defined benefit obligation and the fair value of plan assets. Such costs are included in employee benefit expenses in the Statement of Profit and Loss. Re-measurements gains or losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in the period in which they occur directly in "other comprehensive income" and are included in retained earnings in the Statement of changes in equity and in the balance sheet. Re-measurements are not reclassified to profit or loss in subsequent periods.

The Group recognises the following changes in the net defined benefit obligation as an expense in the Statement of Profit and Loss:

- i Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non routine settlements and
- ii Net interest expense or income.

ii Group administered Provident Fund:

In case of a specified class of employees of the Parent who are eligible to receive benefits of Group administered

Notes to Consolidated Financial Statements

provident fund, the contributions are deposited to Employees' Provident Fund Trusts. The rate at which the annual interest is payable to the beneficiaries by the trust is being administered by the government. The Group has an obligation to make good the shortfall, if any, between the return from the investments of the Trust and the notified interest rate. Contributions to such provident fund are recognised as employee benefits expenses when they are due in the Statement of Profit and Loss.

c **Defined Contribution Plans - Provident Fund Contribution:**

Specified class of employees receive benefits of provident fund, which is a defined contribution plan. Both the eligible employee and the entities make monthly contributions to the provident fund plan equal to a specified percentage of the covered employee's salary. Amounts collected under the provident fund plan are deposited in a government administered provident fund. The companies have no further obligation to the plan beyond its monthly contributions. Such contributions are accounted for as defined contribution plans and are recognised as employees benefit expenses when they are due in the Statement of Profit and Loss.

For details of significant post employment benefit plans refer Note 21.

C **Employee Separation Costs:**

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

22 **Dividends :**

The final dividend on shares is recorded as a liability on the date of approval by the shareholders and interim dividends are recorded as liability on the date of declaration by the Parent's Board of Directors.

23 **Excise Duty:**

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

24 **Financial Instruments:**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A **Financial Assets:**

a **Initial recognition and measurement:**

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place [regular way trades] are recognised on the settlement date, i.e., the date that the Group settles to purchase or sell the asset.

b **Subsequent measurement:**

For purposes of subsequent measurement, financial assets are classified in four categories:

i **Debt instruments at amortised cost:**

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

- The asset is held with an objective of collecting contractual cash flows
- Contractual terms of the asset give rise on specified dates to cash flows that are "solely payments of principal and interest" [SPPI] on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate [EIR] method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Statement of Profit and Loss. The losses arising from impairment are recognised in the Statement of Profit and Loss.

Notes to Consolidated Financial Statements

ii Debt instruments at fair value through other comprehensive income [FVTOCI]:

A 'debt instrument' is classified as at the FVTOCI if both of the following criterias are met:

- The asset is held with objective of both - for collecting contractual cash flows and selling the financial assets
- The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the OCI. However, the Group recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the Statement of Profit and Loss. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to Statement of Profit and Loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

iii Debt instruments and derivatives at fair value through profit or loss [FVTPL]:

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

Instruments included within the FVTPL category are measured at fair value with all changes recognized in the Statement of Profit and Loss.

iv Equity instruments:

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading are classified as at FVTPL. For all other equity instruments, the Group may make an irrevocable election to present subsequent changes in the fair value in other comprehensive income. The Group has made such election on an instrument by instrument basis. The classification is made on initial recognition and is irrevocable.

If the Group decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to Statement of Profit and Loss, even on sale of investment. However, the Group may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the Statement of Profit and Loss.

c Derecognition:

A financial asset [or, where applicable, a part of a financial asset] is primarily derecognised [i.e. removed from the Group's balance sheet] when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either [a] the Group has transferred substantially all the risks and rewards of the asset, or [b] the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. When the Group has transferred the risk and rewards of ownership of the financial asset, the same is derecognised.

d Impairment of financial assets:

In accordance with Ind AS 109, the Group applies expected credit loss [ECL] model for measurement and recognition of

Notes to Consolidated Financial Statements

impairment loss on the following financial assets and credit risk exposure:

- a Financial assets that are debt instruments, and are measured at amortised cost
- b Trade receivables or any contractual right to receive cash or another financial asset
- c Financial assets that are debt instruments and are measured as at FVTOCI

The Group follows 'simplified approach' for recognition of impairment loss allowance on Point c above.

The application of simplified approach does not require the Group to track changes in credit risk. Rather, it requires the Group to recognise the impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition. For recognition of impairment loss on other financial assets and risk exposure, the Group determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument.

The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the entity expects to receive [i.e., all cash shortfalls], discounted at the original EIR.

ECL impairment loss allowance [or reversal] recognized during the period is recognized as income/ expense in the Statement of Profit and Loss. The balance sheet presentation for various financial instruments is described below:

Financial assets measured as at amortised cost and contractual revenue receivables: ECL is presented as an allowance, i.e., as an integral part of the measurement of those assets in the balance sheet, which reduces the net carrying amount. Until the asset meets write-off criteria, the Group does not reduce impairment allowance from the gross carrying amount.

For assessing increase in credit risk and impairment loss, the Group combines financial instruments on the basis of shared credit risk characteristics.

B Financial Liabilities:

a Initial recognition and measurement:

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

b Subsequent measurement:

Subsequently all financial liabilities are measured as amortised cost except for loans and borrowings, as described below:

Loans and borrowings:

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in Statement of Profit and Loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Statement of Profit and Loss.

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c Derecognition:

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.

d Embedded derivatives:

An embedded derivative is a component of a hybrid [combined] instrument that also includes a non-derivative host contract – with the effect that some of the cash flows of the combined instrument vary in a way similar to a standalone derivative. Derivatives embedded in all other host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in Statement of Profit and Loss, unless designated as effective hedging instruments.

C Reclassification of financial assets:

The Group determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Group's senior management determines change in the business model as a result of external or internal changes which are significant to the Group's operations. Such changes are evident to external parties. A change in the business model occurs when the Group either begins or ceases to perform an activity that is significant to its operations. If the Group reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model as per Ind AS 109.

D Offsetting of financial instruments:

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

25 Derivative Financial Instruments and Hedge Accounting:

Derivatives are recognised initially at fair value and subsequently at fair value through Profit and Loss.

Fair value hedges:

The Group applies fair value hedge accounting for changes in fair value of trade receivables [non-derivative financial assets] attributable to foreign currency risk. The Group designates certain non-derivative foreign currency financial liabilities [hedging instrument] to hedge the risks of changes in fair value of trade receivables attributable to the movement in foreign exchange rates. The Group documents at the time of designation the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking such hedging transactions. The Group also documents its assessment, both at the inception of the hedge and on an ongoing basis, of whether the risk management objectives are met with the hedging relationship.

Changes in fair values of both hedging instruments and hedged items are recognised in foreign exchange gains / losses as a part of other income or other expenses as the case may be. If the hedge no longer meets the criteria for hedge accounting, this accounting treatment is discontinued.

26 Fair Value Measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

Notes to Consolidated Financial Statements

- a In the principal market for the asset or liability, or
- b In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- a Level 1 — Quoted [unadjusted] market prices in active markets for identical assets or liabilities
 - b Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
 - c Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable
- For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation [based on the lowest level input that is significant to the fair value measurement as a whole] at the end of each reporting period.

27 Segment Reporting:

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker [CODM] of the Group.

28 Earnings per share:

Basic earnings per share are calculated by dividing the net profit or loss [excluding other comprehensive income] for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for events such as bonus issue, bonus element in a right issue, shares split and reverse share splits [consolidation of shares] that have changed the number of equity shares outstanding, without a corresponding change in resources. For the purpose of calculating diluted earnings per share, the net profit or loss [excluding other comprehensive income] for the year attributable to equity share holders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

B Standards issued but not yet effective:

In March 2017, the Ministry of Corporate Affairs issued the Companies [Indian Accounting Standards] [Amendments] Rules, 2017, notifying amendments to Ind AS 7 "Statement of cash flows" and Ind AS 102 "Share-based payment". These amendments are in accordance with the recent amendments made by International Accounting Standards Board [IASB] to IAS 7 "Statement of cash flows" and IFRS 2 "Share-based payment", respectively. The amendments are applicable to the Group from April 1, 2017.

Amendment to Ind AS 7:

The amendment to Ind AS 7 requires the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities, to meet the disclosure requirement. The Group is evaluating the requirements of the amendment and its effect on the financial statements.

Notes to Consolidated Financial Statements

Amendment to Ind AS 102:

The amendment to Ind AS 102 provides specific guidance to measurement of cash-settled awards, modification of cash-settled awards and awards that include a net settlement feature in respect of withholding taxes. It clarifies that the fair value of cash-settled awards is determined on a basis consistent with that used for equity-settled awards. Market-based performance conditions and non-vesting conditions are reflected in the "fair values", but non-market performance conditions and service vesting conditions are reflected in the estimate of the number of awards expected to vest. Also, the amendment clarifies that if the terms and conditions of a cash-settled share-based payment transaction are modified with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as such from the date of the modification. Further, the amendment requires the award that include a net settlement feature in respect of withholding taxes to be treated as equity-settled in its entirety. The cash payment to the tax authority is treated as if it was part of an equity settlement. This amendment does not apply to the Group.

Notes to Consolidated Financial Statements

Note: 3 - Property, Plant & Equipment and Intangible Assets:

A. Property, Plant & Equipment:

INR Millions

| | Freehold Land | Leasehold Land | Buildings | Plant and Equipment | Furniture and Fixture | Vehicles | Office Equipment | Total |
|-------------------------------------|---------------|----------------|-----------|---------------------|-----------------------|----------|------------------|--------|
| Gross Block: | | | | | | | | |
| As at April 1, 2015 * | 1,120 | 505 | 8,145 | 23,995 | 787 | 637 | 308 | 35,497 |
| Additions [#] | 26 | 65 | 628 | 3,976 | 68 | 88 | 70 | 4,921 |
| Disposals/ adjustments | (3) | - | (87) | (44) | (14) | (53) | (8) | (209) |
| Other adjustments | 16 | 4 | 190 | 414 | 6 | (7) | 6 | 629 |
| As at March 31, 2016 | 1,159 | 574 | 8,876 | 28,341 | 847 | 665 | 376 | 40,838 |
| Acquired Subsidiaries | - | 3 | - | 9 | 6 | - | - | 18 |
| Additions | 1,932 | 274 | 2,170 | 5,422 | 105 | 122 | 104 | 10,129 |
| Disposals/ adjustments | - | - | (6) | (207) | (3) | (60) | (1) | (277) |
| Other adjustments | (6) | (4) | (75) | (106) | - | - | (4) | (195) |
| As at March 31, 2017 | 3,085 | 847 | 10,965 | 33,459 | 955 | 727 | 475 | 50,513 |
| Depreciation and Impairment: | | | | | | | | |
| As at April 1, 2015 * | - | 39 | 1,669 | 9,435 | 519 | 246 | 173 | 12,081 |
| Depreciation for the year | - | 5 | 241 | 2,309 | 58 | 68 | 52 | 2,733 |
| Impairment for the year | - | - | - | - | - | - | - | - |
| Disposals/ adjustments | - | - | (69) | (37) | (10) | (26) | (6) | (148) |
| Other adjustments | - | - | 31 | 67 | 2 | - | 5 | 105 |
| As at March 31, 2016 | - | 44 | 1,872 | 11,774 | 569 | 288 | 224 | 14,771 |
| Depreciation for the year | - | 11 | 265 | 2,663 | 55 | 74 | 49 | 3,117 |
| Impairment for the year | - | - | - | - | - | - | - | - |
| Disposals/ adjustments | - | - | - | (196) | (1) | (28) | (1) | (226) |
| Other adjustments | - | - | (20) | (31) | 1 | 1 | (4) | (53) |
| As at March 31, 2017 | - | 55 | 2,117 | 14,210 | 624 | 335 | 268 | 17,609 |
| Net Block: | | | | | | | | |
| As at April 1, 2015 * | 1,120 | 466 | 6,476 | 14,560 | 268 | 391 | 135 | 23,416 |
| As at March 31, 2016 | 1,159 | 530 | 7,004 | 16,567 | 278 | 377 | 152 | 26,067 |
| As at March 31, 2017 | 3,085 | 792 | 8,848 | 19,249 | 331 | 392 | 207 | 32,904 |

Notes to Consolidated Financial Statements

Note: 3 - Property, Plant & Equipment and Intangible Assets - Continued:

B. Intangible Assets:

INR Millions

| | Goodwill | Other Intangible Assets | | | | Total |
|-------------------------------------|----------|-------------------------|----------------------|----------------------|-----------------------|--------|
| | | Brands/ Trademarks | Computer Software | Commercial Rights | Technical Know-how | |
| Gross Block: | | | | | | |
| As at April 1, 2015 * | 9,060 | 3,401 | 444 | 439 | 1,111 | 5,395 |
| Additions [#] | 18 | 1,706 | 134 | 149 | 182 | 2,171 |
| Disposals/ adjustments | - | (1) | - | (3) | - | (4) |
| Other adjustments | (1) | 104 | 8 | 81 | 3 | 196 |
| As at March 31, 2016 | 9,077 | 5,210 | 586 | 666 | 1,296 | 7,758 |
| Acquired Subsidiaries | 2,590 | 20 | 5 | 6,111 | - | 6,136 |
| Additions | - | 5,108 | 191 | 1 | 17 | 5,317 |
| Disposals/ adjustments | - | (99) | (6) | - | - | (105) |
| Other adjustments | (24) | (73) | 2 | (166) | 4 | (233) |
| As at March 31, 2017 | 11,643 | 10,166 | 778 | 6,612 | 1,317 | 18,873 |
| Amortisation and Impairment: | | | | | | |
| As at April 1, 2015 * | 110 | 3,233 | 344 | 378 | 1,047 | 5,002 |
| Amortisation for the year | 21 | 101 | 65 | 27 | 6 | 199 |
| Impairment for the year | - | (29) | - | - | 3 | (26) |
| Disposals/ adjustments | - | (1) | - | - | - | (1) |
| Other adjustments | - | 96 | 6 | 15 | 1 | 118 |
| As at March 31, 2016 | 131 | 3,400 | 415 | 420 | 1,057 | 5,292 |
| Amortisation for the year | 20 | 378 | 80 | 161 | 21 | 640 |
| Impairment for the year | - | (20) | - | - | - | (20) |
| Disposals/ adjustments | - | (98) | (4) | - | - | (102) |
| Other adjustments | (2) | (71) | (2) | (16) | (1) | (90) |
| As at March 31, 2017 | 149 | 3,589 | 489 | 565 | 1,077 | 5,720 |
| Net Block: | | | | | | |
| As at April 1, 2015 * | 8,950 | 168 | 100 | 61 | 64 | 393 |
| As at March 31, 2016 | 8,946 | 1,810 | 171 | 246 | 239 | 2,466 |
| As at March 31, 2017 | 11,494 | 6,577 | 289 | 6,047 | 240 | 13,153 |

* Represents deemed cost on the date of transition to Ind AS. Gross block and accumulated depreciation from the previous GAAP have been disclosed for the purpose of better understanding of the original cost of assets.

Impairment of Goodwill:

For the purpose of impairment testing, Goodwill acquired in a business combination is allocated to the Cash Generating Unit [CGU], which represents the operating segment of the Group. The chief operating decision maker reviews the Goodwill for any impairment at the operating segment level. The recoverable amount of a CGU is the higher of its fair value less cost to sell and its value-in-use. The value-in-use is determined based on specific calculations. These calculations use pre-tax cash flow projections for a CGU/ groups of CGU over a period of five years. An average of the range of key assumptions used is mentioned below. As of March 31, 2017, March 31, 2016 and April 1, 2015 the estimated recoverable amount of the CGU exceeded its carrying amount. The carrying amount of the CGU was computed by allocating the Net Assets to operating segments for the purpose of impairment testing. The key assumptions used for the calculations are as follows :

Notes to Consolidated Financial Statements

Note: 3 - Property, Plant & Equipment and Intangible Assets - Continued:

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|-----------------------|-------------------------|-------------------------|------------------------|
| Long Term Growth Rate | 2.0% - 5.5% | 2.0% - 5.5% | 2.0% - 5.5% |
| Discount Rate | 7.17% | 7.86% | 10.53% |

The above discounted rate is based on the Weighted Average Cost of Capital [WACC] of the Parent. These estimates are likely to differ from future actual results of operations and cash flows.

Notes:

- 1 Other adjustments include adjustments on account of borrowing costs and exchange rate difference.
 - 2 Legal titles of some of the immovable properties acquired pursuant to Scheme of Amalgamation of Liva Healthcare Limited, Zydus Animal Health Limited and Zydus Pharmaceuticals Limited with the Parent are in the process of being transferred in the name of the Parent.
 - 3 The Group had purchased a flat in Goa for its Guest House and executed a deed of conveyance after payment of consideration to the seller and payment of stamp duties and registration fees in favour of the Government authorities. The document was presented to the Office of the Sub-Registrar of Assurance at Goa for its necessary registration, the original document duly registered is yet to be received by the Group.
 - 4 A freehold land amounting to INR 120 Millions and Plant and Machinery amounting to INR 725 Millions have been offered as a security in favor of a lender for loan taken by a subsidiary.
- [#] Pursuant to the Business Transfer Agreement [BTA] executed between the Group and Zoetis India Limited ["Zoetis"], the Group has acquired select animal healthcare brands, related licenses, technical knowhow and tangible assets of Zoetis during the previous year. The purchase price for such group of assets is allocated to individual assets based on their respective fair values arrived at on the basis of valuation carried out by an independent valuer.

Note: 4 - Interest in Joint Ventures:

The Group has 50% interest in Zydus Takeda Healthcare Private Limited, Zydus Hospira Oncology Private Limited and Bayer Zydus Pharma Private Limited. The Group's interest in all the three entities is accounted using the "equity method" in the CFS. None of them individually contribute materially to the Group's revenues and assets. Summarised financial information of the Joint Ventures, based on its Ind AS financial statements, are as under:

Notes to Consolidated Financial Statements

Note: 4 - Interest in Joint Ventures - Continued:

INR Millions

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|--|-------------------------|-------------------------|------------------------|
| A Summarised Balance Sheet of three entities: | | | |
| Non-Current Assets | 2,654 | 3,212 | 3,254 |
| Current Assets | 6,678 | 5,904 | 5,206 |
| Non-Current Liabilities | (128) | (4,044) | (3,502) |
| Current Liabilities | (2,776) | (1,722) | (2,462) |
| Equity | 6,428 | 3,350 | 2,496 |
| Carrying amount of investment in Joint Venture @ 50% | 3,214 | 1,675 | 1,248 |
| B Summarised Statement of Profit and Loss of three entities for the year ended March 31: | | | |
| Revenue | 8,396 | 8,268 | |
| Profit before tax | 1,120 | 1,254 | |
| Profit after Tax | 676 | 860 | |
| Other Comprehensive Income for the year, net of tax | (8) | (6) | |
| Total Comprehensive Income for the year, net of Tax | 668 | 854 | |
| Group's share in Profit after Tax for the year @ 50% | 338 | 430 | |
| Group's share in OCI for the year @ 50% | (4) | (3) | |
| C Summarised Contingent Liabilities and Commitments [to the extent not provided for] of three entities @ 50%: | | | |
| a Contingent liabilities: | | | |
| i In respect of guarantees given by Banks and/ or counter guarantees given by the JV | 8 | | 6 |
| ii In respect of the demands raised by the Central Excise, State Excise and Customs Authorities | 8 | 3 | 3 |
| iii In respect of Income Tax matters pending before appellate authorities | 1,131 | 870 | 980 |
| b Commitments: | | | |
| Estimated amount of contracts remaining to be executed on capital account and not provided for [Net of Advances] | 15 | 19 | 5 |

Note: 5-Investments [Non-Current]:

INR Millions

| | Nos. [*] | Face Value [**] | As at March 31, 2017 INR Millions | As at March 31, 2016 INR Millions | As at April 1, 2015 INR Millions |
|---|-------------|--------------------|---|---|--|
| Investments [Valued at fair value through OCI]: | | | | | |
| In fully paid-up Common Stock of: | | | | | |
| Onconova Therapeutic Inc. USA | 65,111 | \$0.01 | 13 | 25 | 98 |
| Pieris Pharmaceuticals Inc., USA | 1,415,539 | \$0.001 | 239 | 178 | 284 |
| | | | 252 | 203 | 382 |

Notes to Consolidated Financial Statements

Note: 5-Investments [Non-Current] - Continued:

INR Millions

| | Nos. [*] | Face Value [**] | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|---|-------------|--------------------|-------------------------|-------------------------|------------------------|
| Investments in Equity Instruments, fully paid-up: | | | | | |
| Quoted: | | | | | |
| Housing Development Finance Corporation Limited | 219,500 | 2 | 330 | 243 | 288 |
| HDFC Bank Limited | 4,000 | 2 | 6 | 5 | 4 |
| Kokuyo Camlin Limited | 72,090 | 1 | 6 | 6 | 5 |
| Camlin Fine Sciences Limited | 152,000 | 1 | 13 | 13 | 13 |
| Accelya Kale Consultants Limited | 383 | 10 | 1 | - | - |
| Saket Projects Limited [INR 50,000/-] | 5,000 | 10 | - | - | - |
| Reliance Industries Limited [INR 229,541, {as at March 31, 2016-INR 181,874}, (as at April 1, 2015-INR143,498)] | 174 | 10 | - | - | - |
| Cairns India Limited | 57,750 | 10 | 18 | 9 | 13 |
| Tanla Solution Limited [INR 97,755, {As at March 31, 2016-INR 76,988}, (as at April 1, 2015 - INR 32,923)] | 2,026 | 1 | - | - | - |
| | | | 374 | 276 | 323 |
| Unquoted: | | | | | |
| Bharuch Enviro Infrastructure Limited [INR 12,140/-] | 1,214 | 10 | - | - | - |
| Narmada Clean Tech | 625,813 | 10 | 6 | 6 | 6 |
| Enviro Infrastructure Company Limited | 50,000 | 10 | 1 | 1 | 1 |
| Gujarat Venture Finance Limited | 50,000 | 10 | 1 | 1 | 1 |
| Saraswat Co-Op Bank Limited [INR 20,350/-] | 2,500 | 10 | - | - | - |
| Shamrao Vithal Co-Op Bank Limited [INR 2,500/-] | 100 | 25 | - | - | - |
| The Green Environment Co-operative Society Limited [INR 5,000/-] | 50 | 100 | - | - | - |
| Shivalik Solid Waste Management Limited [INR 2,00,000/-] | 20,000 | 10 | - | - | - |
| | | | 8 | 8 | 8 |
| | | | 382 | 284 | 331 |
| Investment in Preference Shares | | | | | |
| [Carried at amortised cost] Fully paid-up: | | | | | |
| Unquoted | | | | | |
| 1%, Redeemable Cumulative preference shares of Enviro Infrastructure Company Limited | 900,000 | 10 | 9 | 9 | 9 |
| Total [Aggregate Book Value of Investments] | | | 643 | 496 | 722 |
| a. i. Aggregate book value of quoted investments | | | 626 | 479 | 705 |
| ii. Market value of quoted investments | | | 626 | 479 | 705 |
| b. Aggregate book value of unquoted investments | | | 17 | 17 | 17 |
| Explanations: | | | | | |
| a. In "Nos. [*]" figures of previous year or preceding previous year are same unless stated in []{ }. | | | | | |
| b. In "Face Value [**]", figures in Indian Rupees unless stated otherwise. | | | | | |

Notes to Consolidated Financial Statements

Note: 6-Loans:

INR Millions

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|--|-------------------------|-------------------------|------------------------|
| [Unsecured, Considered Good unless otherwise stated] | | | |
| Loan to a Joint Venture Company | - | - | 150 |
| Total | - | - | 150 |

Note: 7 - Other Financial Assets:

INR Millions

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|---|-------------------------|-------------------------|------------------------|
| [Unsecured, Considered Good unless otherwise stated] | | | |
| Security Deposits | 290 | 167 | 159 |
| Forward Contract value related to investment in a Joint Venture | 2,090 | 1,523 | 1,267 |
| Others | 251 | 224 | 221 |
| Total | 2,631 | 1,914 | 1,647 |

Note: 8 - Deferred Tax:

INR Millions

| | Consolidated Balance Sheet | | | Statement of Profit and Loss | |
|--|----------------------------|-------------------------|------------------------|------------------------------|------------------------------|
| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 | Year ended March 31, 2017 | Year Ended March 31, 2016 |
| Break up of Deferred Tax Liabilities and Assets into major components of the respective balances are as under: | | | | | |
| Deferred Tax Liabilities: | | | | | |
| Depreciation | 2,930 | 2,587 | 2,386 | 343 | 201 |
| Fair Value Adjustment on Financial Instruments | 325 | 325 | 270 | - | 55 |
| | 3,255 | 2,912 | 2,656 | 343 | 256 |
| Deferred Tax Assets: | | | | | |
| Employee benefits/ Payable to Statutory Authorities | 797 | 526 | 184 | 271 | 342 |
| Receivables | 1,624 | 1,368 | 968 | 256 | 400 |
| Unabsorbed depreciation | 3,990 | 1,731 | 289 | 2,259 | 1,442 |
| Others | 850 | 2,463 | 603 | (1,814) | 1,809 |
| Total | 7,261 | 6,088 | 2,044 | 972 | 3,993 |
| Net Deferred Tax [Assets]/ Liabilities | (4,006) | (3,176) | 612 | (629) | (3,737) |
| Out of above: | | | | | |
| a. Disclosed as Deferred Tax Assets | 5,170 | 5,185 | 963 | | |
| b. Disclosed as Deferred Tax Liabilities | 1,164 | 2,009 | 1,575 | | |
| c. Deferred Tax Asset acquired in business combination | 231 | | | | |
| d. Charged to Statement of Profit and Loss | | | | (629) | (3,737) |
| e. Included in OCI | | | | 30 | (51) |

Notes to Consolidated Financial Statements

Note: 8 - Deferred Tax - Contined:

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities related to income taxes levied by the same tax authority.

The Group has tax losses which arose in India of INR 11,649 Millions [March 31, 2016: INR 5,226 Millions, April 1, 2015 INR 6,676 Millions] that are available for offsetting for indefinite period, except losses of INR 69 Millions which are available for offset for eight years against future taxable profits of the companies in which the losses arose. Out of INR 69 Millions, majority of these losses will expire in March 2024. MAT credit of INR 6,344 Millions that are available for set off against future tax liabilities have not been recognised and the same will be eligible for set off upto fifteen years from the year in which the same arises. On the principles of conservative accounting, the deferred tax assets have not been recognised in respect of unabsorbed losses of subsidiaries INR 4,576 Millions [as at March 31, 2016 - INR 4,982 { as at April 1, 2015 - INR 4,866}] Millions as they may not be used to offset taxable profits and there are no other tax planning opportunities or other evidence of recoverability in the near future.

Note: 9 - Other Non-Current Assets:

INR Millions

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|--|-------------------------|-------------------------|------------------------|
| [Unsecured, Considered Good unless otherwise stated] | | | |
| Capital Advances | 1,689 | 1,134 | 909 |
| Balances with Statutory Authorities | 1,156 | 1,133 | 1,194 |
| Total | 2,845 | 2,267 | 2,103 |

Note: 10 - Current Tax Assets [Net]:

INR Millions

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|--|-------------------------|-------------------------|------------------------|
| [Unsecured, Considered Good unless otherwise stated] | | | |
| Advance payment of Tax [Net of provision for taxation] | 712 | 567 | 385 |
| Alternate Minimum Tax Credit Entitlement | 3,785 | 3,611 | 2,711 |
| Total | 4,497 | 4,178 | 3,096 |

Note: 11 - Inventories:

INR Millions

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|--|-------------------------|-------------------------|------------------------|
| [The Inventory is valued at lower of cost and net realisable value] | | | |
| Classification of Inventories: | | | |
| Raw Materials | 6,379 | 3,616 | 4,238 |
| Work-in-progress | 2,288 | 1,658 | 1,756 |
| Finished Goods | 4,034 | 2,768 | 2,992 |
| Stock-in-Trade | 4,400 | 4,706 | 4,294 |
| Stores and Spares | 14 | 11 | 4 |
| Others: | | | |
| Packing Materials | 922 | 612 | 891 |
| Total | 18,037 | 13,371 | 14,175 |
| Amount recognised as an expense in Statement of Profit and Loss resulting from write-down of inventories | | | |
| - Net of reversal of write-down | 32 | 50 | 59 |

Notes to Consolidated Financial Statements

Note: 12 - Investments [Current]:

INR Millions

| | Nos. [**] | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|--|----------------------------------|-------------------------|-------------------------|------------------------|
| Investments in Government Securities [Unquoted] [Valued at amortised cost] | | - | 8 | 7 |
| Investment in Mutual Funds [Quoted] [Valued at fair value through profit or loss][*] | | | | |
| ICICI Prudential Liquid - Direct Plan - Growth | 1639,008.172 [0] {966,172.84} | 394 | | 200 |
| J M Mutual Fund | 2,220,440.42 [0] {0} | 97 | | |
| HDFC Liquid Fund - Direct Plan - Growth | 0 [279,266.72] {0} | | 836 | |
| Tata Money Market Fund - Direct Plan - Growth | 0 [251,682.05] {0} | | 600 | |
| Axis Liquid Fund - Direct Growth | 0 [327,091.61] {129,016.53} | | 547 | 200 |
| DSP Black Rock Liquidity Fund - Direct Plan - Growth | 0 [0] {99,984.05} | | | 200 |
| Religare Invesco Liquid Fund - Direct Plan - Growth | 0 [0] {103,958.38} | | | 200 |
| SBI Premier Liquid Fund - Direct Plan - Growth | 0 [0] {91,120.41} | | | 201 |
| Sundaram Money Fund - Direct Plan - Growth | 0 [0] {6,779,086.52} | | | 200 |
| | | 491 | 1,983 | 1,201 |
| Total | | 491 | 1,991 | 1,208 |

[*] Considered as cash and cash equivalents for Cash Flow Statement.

[**] In "Nos. [**]" figures of previous year or preceding previous year are stated in [] {}.

Note: 13 - Trade Receivables:

INR Millions

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|---------------------------------|-------------------------|-------------------------|------------------------|
| Secured - Considered good | 664 | 664 | 587 |
| Unsecured - Considered good | 22,111 | 16,802 | 15,716 |
| Unsecured - Considered doubtful | 81 | 51 | 34 |
| | 22,856 | 17,517 | 16,337 |
| Less: Impairment allowances | 81 | 51 | 34 |
| Total | 22,775 | 17,466 | 16,303 |

Notes to Consolidated Financial Statements

Note: 14 - Cash and Cash Equivalents:

INR Millions

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|---------------------|-------------------------|-------------------------|------------------------|
| Balances with Banks | 15,425 | 6,375 | 6,166 |
| Cash on Hand | 10 | 12 | 12 |
| Total | 15,435 | 6,387 | 6,178 |

In accordance with MCA notification G.S.R. 308 (E) dated March 30, 2017 details of Specified Bank Notes [SBN] and Other Denomination Notes [ODN] held and transacted during the period from November 8, 2016 to December 30, 2016 is given below:

| Particulars | Total | SBN | ODN |
|---|----------|----------|----------|
| Closing cash on hand as on November 8, 2016 | 11 | 8 | 3 |
| Permitted receipts | 8 | - | 8 |
| Permitted payments | (7) | - | (7) |
| Amount deposited in banks | (8) | (8) | - |
| Closing cash on hand as on December 30, 2016 | 4 | - | 4 |

Note: 15 - Other Current Financial Assets:

INR Millions

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|------------------------------|-------------------------|-------------------------|------------------------|
| [Unsecured, Considered Good] | | | |
| Other advances | 123 | 138 | 115 |
| Total | 123 | 138 | 115 |

Note: 16 - Other Current Assets:

INR Millions

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|-------------------------------------|-------------------------|-------------------------|------------------------|
| [Unsecured, Considered Good] | | | |
| Balances with Statutory Authorities | 1,834 | 1,543 | 1,738 |
| Advances to Suppliers | 728 | 667 | 538 |
| Other Receivables | 10 | 106 | 97 |
| Export Incentive Receivables | 323 | 854 | 256 |
| Prepaid Expenses | 467 | 281 | 279 |
| Total | 3,362 | 3,451 | 2,908 |

Notes to Consolidated Financial Statements

Note: 17 - Equity Share Capital:

INR Millions

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|---|-------------------------|-------------------------|------------------------|
| Authorised: | | | |
| 1,725,000,000 [as at March 31, 2016: 1,725,000,000 {as at April 1, 2015: 345,000,000}] Equity Shares of INR 1/- [INR 1/-] {INR 5/-} each * | 1,725 | 1,725 | 1,725 |
| | 1,725 | 1,725 | 1,725 |
| Issued, Subscribed and Paid-up: | | | |
| 1,023,742,600 [as at March 31, 2016: 1,023,742,600 {as at April 1, 2015: 204,748,520}] Equity Shares of INR 1/- [INR 1/-] {INR 5/-} each, fully paid-up * | 1,024 | 1,024 | 1,024 |
| Total | 1,024 | 1,024 | 1,024 |
| A The reconciliation in number of shares is as under: | | | |
| Number of shares at the beginning of the year | 1,023,742,600 | 204,748,520 | 204,748,520 |
| Add: Issued pursuant to sub-division of face value of the shares from INR 5/- each to INR 1/- each * | - | 818,994,080 | - |
| Number of shares at the end of the year | 1,023,742,600 | 1,023,742,600 | 204,748,520 |
| B The Parent has only one class of equity shares having a par value of INR 1/- per share. Each holder of equity share is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the Annual General Meeting, except in the case of interim dividend. In the event of liquidation of the Parent, the equity shareholders shall be entitled to proportionate share of their holding in the assets remaining after distribution of all preferential amounts. | | | |
| C Details of Shareholder holding more than 5% of aggregate Equity Shares of INR 1/- each [as at March 31, 2016: INR 1/- {as at April 1, 2015: INR 5/-} each], fully paid: | | | |
| Zydus Family Trust | | | |
| Number of Shares | 765,537,230 | 765,537,230 | 153,107,446 |
| % to total share holding | 74.78% | 74.78% | 74.78% |
| * During the previous year, the face value of the equity shares had been sub-divided from INR 5/- each to INR 1/- each per equity share with effect from October 7, 2015, pursuant to the approval of the members through postal ballot process. Accordingly, number of equity shares under the Authorised, Issued, Subscribed and Paid-up capital had been increased. | | | |

Notes to Consolidated Financial Statements

Note: 18 - Other Equity:

INR Millions

| | As at March 31, 2017 | As at March 31, 2016 |
|--|-------------------------|-------------------------|
| Capital Reserve: | | |
| Balance as per last Balance Sheet | 293 | 289 |
| Add/ [Less]: Capital Reserve arising due to consolidation | (12) | 4 |
| | 281 | 293 |
| Other Reserves: | | |
| International Business Development Reserve: [*] | | |
| Balance as per last Balance Sheet | 2,000 | 2,000 |
| General Reserve: [**] | | |
| Balance as per last Balance Sheet | 15,988 | 15,988 |
| Less: Stamp duty paid on issue of Equity Shares | (49) | - |
| | 15,939 | 15,988 |
| Foreign Currency Monetary Items Translation Difference Account: [***] | | |
| Balance as per last Balance Sheet | (108) | 29 |
| Add/ [Less]: Credited/ [Debited] during the year | 116 | (137) |
| | 8 | (108) |
| Fair Value through Other Comprehensive Income [FVTOCI] Reserve: [#] | | |
| Balance as per last Balance Sheet | (226) | - |
| [Less]/ Add: [Debited]/ Credited during the year | 147 | (226) |
| | (79) | (226) |
| Foreign Currency Translation Reserve: | | |
| Balance as per last Balance Sheet | (111) | - |
| [Less]/ Add: Exchange differences on consolidation | 75 | (111) |
| | (36) | (111) |
| Retained Earnings: | | |
| Balance as per last Balance Sheet | 38,132 | 25,878 |
| Add: Profit for the year | 14,877 | 19,339 |
| | 53,009 | 45,217 |
| Less: Items of other Comprehensive income recognised directly in Retained Earnings: | | |
| Re-measurement gains/ [losses] on defined benefit plans [net of tax] | (167) | (182) |
| Share of Other Comprehensive Income of Joint Ventures [net of tax] | (4) | (3) |
| Less: Dividends: | | |
| Dividends | 3,276 | 5,733 |
| Corporate Dividend Tax on Dividend [Net of CDT Credit] | 667 | 1,167 |
| | 3,943 | 6,900 |
| Add: Relinquishment of Financial Liability of a Joint Venture, net of tax and others | 1,568 | - |
| Balance as at the end of the year | 50,463 | 38,132 |
| Total | 68,576 | 55,968 |

Notes to Consolidated Financial Statements

Note: 18 - Other Equity - Continued :

[*] International Business Development Reserve was created pursuant to Composite Scheme of Amalgamation approved by the Hon'able High Court of Gujarat and its utilization shall be as provided in the scheme.

[**] General Reserve can be used for the purposes and as per guidelines prescribed in the Companies Act, 2013.

[***] The Group had opted for accounting the exchange rate differences arising on the Long Term Foreign Currency Monetary Items [LTFCMI] in accordance with the notification dated March 31, 2009 and amended on December 29, 2011 under the Companies [Accounting Standards] Amendment Rules, 2009 on Accounting Standard 11 relating to "the effects of changes in foreign exchange rates". Accordingly, the effects of exchange rate differences arising on translation or settlement of long term foreign currency loans availed for funding acquisition of Property, Plant and Equipment have been adjusted to the cost of respective items of Property, Plant and Equipment. In other cases, such exchange rate difference on the LTFCMI is transferred to "Foreign Currency Monetary Items Translation Difference Account" [FCMITDA]. The option of transferring exchange rate differences to FCMITDA is available on LTFCMI outstanding as on March 31, 2016 only. The FCMITDA is amortised during the tenure of the respective LTFCMI but not beyond March 31, 2020.

[#] The Group has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income. These changes are accumulated within the FVOCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

Note: 19 - Borrowings:

INR Millions

| | Non-current portion | | | Current Maturities | | |
|---|-------------------------|-------------------------|------------------------|-------------------------|-------------------------|------------------------|
| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
| A Term Loans from Banks: | | | | | | |
| Term Loans | | | | | | |
| a Secured | 134 | 100 | - | - | - | 147 |
| b Unsecured | 9,959 | 2,320 | 3,551 | 1,071 | 1,462 | 1,162 |
| External Commercial Borrowings in Foreign Currency: | | | | | | |
| a Secured | 3,062 | 3,838 | 6,640 | 1,084 | 1,875 | 1,855 |
| b Unsecured | 11,484 | 2,651 | 1,251 | 454 | - | - |
| | 24,639 | 8,909 | 11,442 | 2,609 | 3,337 | 3,164 |
| B From Others [Unsecured] | 45 | 55 | 62 | 10 | 10 | 10 |
| Total | 24,684 | 8,964 | 11,504 | 2,619 | 3,347 | 3,174 |
| The above amount includes: | | | | | | |
| Secured borrowings | 3,196 | 3,938 | 6,640 | 1,084 | 1,875 | 2,002 |
| Unsecured borrowings | 21,488 | 5,026 | 4,864 | 1,535 | 1,472 | 1,172 |
| Amount disclosed under the head "Other Current Financial Liabilities" [Note-24] | - | - | - | (2,619) | (3,347) | (3,174) |
| Net amount | 24,684 | 8,964 | 11,504 | - | - | - |

A Securities and Terms of Repayment for Secured Borrowings:

a Term Loans:

- i Loan of INR 2,880 Millions availed by one of the subsidiary is secured by creating charge on plant and machinery and other movable present and future assets of the subsidiary company and additionally secured by creating charge on the immovable Property of the Parent company offered on long term lease to the subsidiary. The loan is repayable in eight equal quarterly installments and first installment shall become due and payable after end of the 9th quarter from December 31, 2018 along with accrued interest for the period. Interest rate is base rate plus 50 bps p.a. The outstanding amount of loan as at March 31, 2017 is INR 100 [as at March 31, 2016: INR 100] Millions.

Notes to Consolidated Financial Statements

Note: 19 - Borrowings - Contined :

- ii Loan of USD 7.50 Millions is secured by creating charge on plant and machinery of one of the subsidiary companies. The loan is repayable at the end of three years from respective drawdown dates starting from [December 19, 2019] along with accrued interest for the period. Interest rate is reset every month at the rate of 1 month USD LIBOR plus 90 bps p.a. The outstanding amount of loan as at March 31, 2017 is INR 34 [as at March 31, 2016: INR Nil] Millions.

b External Commercial Borrowings [ECB] in Foreign Currency Loans:

- i ECB of USD 20 Millions is secured by hypothecation of a specific trade mark of the Parent. The loan is repayable in three equal yearly installments starting from the end of four years from the date of its origination [March 20, 2014] along with accrued interest for the period. Interest rate is reset every month at the rate of 1 month USD LIBOR plus 160 bps p.a. The outstanding amount of loan as at March 31, 2017 is INR 1,297 [as at March 31, 2016: INR 1,326] Millions.
- ii ECB of USD 15 Millions is secured by hypothecation of a specific trade mark of the Parent. The loan is repayable in three half yearly installments starting from October 17, 2016 along with accrued interest for the period. Interest rates are reset every month at the rate of 1 month USD LIBOR plus 150 bps p.a. The outstanding amount of loan as at March 31, 2017 is INR 652 [as at March 31, 2016: INR 994] Millions.
- iii ECB availed by one of the subsidiary of USD 33.86 Million is secured by hypothecation of a specific trade mark of the Group and pledge of 7,500,000 equity shares held by non-controlling interest holder of one of the subsidiary companies. Loan repayment to bank will start from May 15, 2018 in three yearly equal instalments of USD 11,285,330 each. Interest rates are reset every month at the rate of 1 month USD LIBOR plus 150 bps p.a. The outstanding amount of loan as at March 31, 2017 is INR 2,197 [as at March 31, 2016: INR 2,244] Millions.

B Terms of Repayment for Unsecured Borrowings:

a Term Loans:

- i Term Loan of USD 50 Millions of one of the subsidiary companies is carrying interest at a rate equal to LIBOR plus 95 bps. The term loan is repayable in three installments starting from February 28, 2018. The outstanding amount of loan as at March 31, 2017 is INR 3,244 [as at March 31, 2016: INR Nil] Millions.
- ii Term loan of USD 120 Millions of one of the subsidiary companies is repayable in three yearly installments starting from January 18, 2020 along with interest for the period. Interest rates are reset every month at the rate of 1 month USD LIBOR plus 115 bps p.a. from the utilisation date i.e. January 18, 2017. The outstanding amount of loan as at March 31, 2017 is INR 7,786 [as at March 31, 2016: INR Nil] Millions.

b ECB in Foreign Currency Loans:

- i ECB of USD 20 Millions is repayable in three yearly installments starting from December 26, 2016 along with interest for the period. The first installment is of USD 6 Millions and the last two installments are of USD 7 Millions each. Interest rates are reset every month at the rate of 1 month USD LIBOR plus 120 bps p.a. The outstanding amount as at March 31, 2017 is INR 908 [as at March 31, 2016: INR 1,326] Millions.
- ii ECB of USD 20 Millions is repayable on July 10, 2018 along with interest for the period. Interest rate is reset every month at the rate of 1 month USD LIBOR plus 99 bps p.a. The outstanding amount of loan as at March 31, 2017 is INR 1,298 [as at March 31, 2016: INR 1,325] Millions.
- iii ECB of USD 30 Millions is repayable in three yearly installments starting from January 17, 2020 along with interest for the period. Interest rates are reset every month at the rate of 1 month USD LIBOR plus 100 bps p.a. The outstanding amount as at March 31, 2017 is INR 1,946 [as at March 31, 2016: INR Nil] Millions.
- iv ECB of USD 20 Millions is repayable in three yearly installments starting from March 01, 2020 along with interest for the period. Interest rates are reset every month at the rate of 1 month USD LIBOR plus 100 bps p.a. The outstanding amount as at March 31, 2017 is INR 1,298 [as at March 31, 2016: INR Nil] Millions.

Notes to Consolidated Financial Statements

Note: 19 - Borrowings - Continued:

- v ECB of USD 100 Millions is repayable in three yearly installments starting from March 27, 2021 along with interest for the period. Interest rates are reset every month at the rate of 1 month USD LIBOR plus 110 bps p.a. The outstanding amount as at March 31, 2017 is INR 6,488 [as at March 31, 2016: INR Nil] Millions.

b Rupee Loans:

- i Loan from Department of Science and Technology is repayable in ten yearly equal installments starting from November 1, 2012 along with interest @ 3% p.a. Interest accrued up to October 31, 2012 will be payable in 5 yearly installments along with repayment installment starting from November 1, 2012. The outstanding amount as at March 31, 2017 is INR 51 [as at March 31, 2016: INR 61] Millions.
- ii Biotechnology Industry Research Assistance Council [BIRAC] has sanctioned a loan of INR 12 Millions @ 2% p.a. interest rate. Out of the sanctioned amount, BIRAC has disbursed INR 4 Millions on December 28, 2015. The loan is repayable in ten equal half-yearly installments starting from August 25, 2019 along with interest accrued thereon. The outstanding amount as at March 31, 2017 is INR 4 [as at March 31, 2016: INR 4] Millions.

Note: 20 - Other Financial Liabilities:

INR Millions

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|----------------|-------------------------|-------------------------|------------------------|
| Trade Deposits | 65 | 59 | 55 |
| Others | 563 | 307 | 248 |
| Total | 628 | 366 | 303 |

Note: 21 - Provisions:

INR Millions

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|---------------------------------|-------------------------|-------------------------|------------------------|
| Provision for Employee Benefits | 1,512 | 1,207 | 1,064 |
| Total | 1,512 | 1,207 | 1,064 |

Defined benefit plan and long term employment benefit

A. General description:

Leave wages [Long term employment benefit]:

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

Gratuity [Defined benefit plan]:

The Parent and major Indian subsidiaries have defined benefit gratuity plan. Every employee who has completed continuous services of five years or more 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.

Notes to Consolidated Financial Statements

Note: 21 - Provisions - Continued:

INR Millions

| | As at March 31, 2017 | | | As at March 31, 2016 | | |
|--|----------------------|-------------|----------|----------------------|-------------|----------|
| | Medical Leave | Leave Wages | Gratuity | Medical Leave | Leave Wages | Gratuity |
| B. Change in the present value of the defined benefit obligation: | | | | | | |
| Opening obligation | 126 | 800 | 1,165 | 86 | 629 | 1,000 |
| Interest cost | 9 | 62 | 92 | 5 | 41 | 66 |
| Current service cost | 8 | 56 | 147 | 9 | 109 | 114 |
| Benefits paid | (6) | (119) | (109) | (30) | (61) | (226) |
| Actuarial [gains]/ losses on obligation | 1 | 66 | 208 | 56 | 82 | 211 |
| Closing obligation | 138 | 865 | 1,503 | 126 | 800 | 1,165 |
| C. Change in the fair value of plan assets: | | | | | | |
| Opening fair value of plan assets | - | 164 | 828 | - | 151 | 856 |
| Expected return on plan assets | - | 12 | 65 | - | 9 | 67 |
| Return on plan assets excluding amounts included in interest income | - | 2 | (4) | - | 3 | (8) |
| Contributions by employer | - | - | 152 | - | 1 | 139 |
| Benefits paid | - | - | (109) | - | - | (226) |
| Actuarial [losses]/ gains | - | (3) | (1) | - | - | - |
| Closing fair value of plan assets | - | 175 | 931 | - | 164 | 828 |
| Total actuarial [losses]/ gains to be recognised | (1) | (69) | (209) | (56) | (82) | (211) |
| D. Actual return on plan assets: | | | | | | |
| Expected return on plan assets | - | 12 | 65 | - | 9 | 67 |
| Actuarial [losses]/ gains on plan assets | - | (3) | (1) | - | - | - |
| Actual return on plan assets | - | 9 | 64 | - | 9 | 67 |
| E. Amount recognised in the balance sheet: | | | | | | |
| Liabilities/ [Assets] at the end of the year | 138 | 865 | 1,503 | 126 | 800 | 1,165 |
| Fair value of plan assets at the end of the year | - | (175) | (931) | - | (164) | (828) |
| Difference | 138 | 690 | 572 | 126 | 636 | 337 |
| Unrecognised past service cost | - | - | - | - | - | - |
| Liabilities/ [Assets] recognised in the Balance Sheet | 138 | 690 | 572 | 126 | 636 | 337 |
| F. Expenses/[Incomes] recognised in the Statement of Profit and Loss: | | | | | | |
| Current service cost | 8 | 56 | 147 | 9 | 109 | 114 |
| Interest cost on benefit obligation | 9 | 62 | 92 | 5 | 41 | 66 |
| Expected return on plan assets | - | (12) | (65) | - | (9) | (67) |
| Return on plan assets excluding amounts included in interest income | - | (2) | - | - | (3) | - |
| Net actuarial [gains]/ losses in the year | 1 | 69 | - | 56 | 82 | - |
| Amount included in "Employee Benefit Expense" | 18 | 173 | 174 | 70 | 220 | 113 |
| Return on plan assets excluding amounts included in interest income | - | - | 4 | - | - | 8 |
| Net actuarial [gains]/ losses in the year | - | - | 209 | - | - | 211 |
| Amounts recognized in OCI | - | - | 213 | - | - | 219 |

Notes to Consolidated Financial Statements

Note: 21 - Provisions - Continued:

INR Millions

| | As at March 31, 2017 | | | As at March 31, 2016 | | |
|--|----------------------|-------------|----------|----------------------|-------------|----------|
| | Medical Leave | Leave Wages | Gratuity | Medical Leave | Leave Wages | Gratuity |
| G. Movement in net liabilities recognised in Balance Sheet: | | | | | | |
| Opening net liabilities | 126 | 636 | 337 | 86 | 478 | 144 |
| Expenses as above [P & L Charge] | 18 | 173 | 174 | 70 | 220 | 113 |
| Amount recognised in OCI | - | - | 213 | - | - | 219 |
| Employer's contribution | - | - | (152) | - | (1) | (139) |
| Benefits Paid | (6) | (119) | - | (30) | (61) | - |
| Liabilities/ [Assets] recognised in the Balance Sheet | 138 | 690 | 572 | 126 | 636 | 337 |

H. Principal actuarial assumptions for defined benefit plan and long term employment benefit plan:

| Particulars | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|------------------------------------|------------------------------------|------------------------------------|---------------------|
| Discount rate [*] | 6.95% | 7.80% | 7.80% |
| Annual increase in salary cost [#] | 12% for 1st 4 years, 9% thereafter | 12% for 1st 5 years, 9% thereafter | 7.50% for all years |

[*] The rate of discount is considered based on market yield on Government Bonds having currency and terms in consistence with the currency and terms of the post employment benefit obligations.

[#] The estimates of future salary increases are considered in actuarial valuation, taking into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

I. The categories of plan assets [India] as a % of total plan assets are:

| | As at March 31, 2017 | | | As at March 31, 2016 | | |
|----------------|----------------------|-------------|----------|----------------------|-------------|----------|
| | Medical Leave | Leave Wages | Gratuity | Medical Leave | Leave Wages | Gratuity |
| Insurance plan | 0.00% | 100.00% | 100.00% | 0.00% | 100.00% | 100.00% |

J. Amount recognised in current and previous four years:

INR Millions

| Gratuity: | As at March 31 2017 | As at March 31 2016 | As at March 31 2015 | As at March 31 2014 | As at March 31 2013 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Defined benefit obligation | 1,503 | 1,165 | 942 | 722 | 587 |
| Fair value of Plan Assets | 931 | 828 | 807 | 769 | 610 |
| Deficit/ [Surplus] in the plan | 572 | 337 | 127 | (53) | (26) |
| Actuarial Loss/ [Gain] on Plan Obligation | 208 | 211 | 180 | 125 | (62) |
| Actuarial Loss/ [Gain] on Plan Assets | (1) | - | (5) | (2) | 4 |

The average duration of defined benefit plan obligation at the end of the year is 19.81 to 30.58 years (as at March 31, 2016 : 20.18 to 30.69 years).

Notes to Consolidated Financial Statements

Note: 21 - Provisions - Continued:

Sensitivity analysis:

A quantitative sensitivity analysis for significant assumption is shown below:

| Assumptions | Medical Leave | | Leave Wages | | Gratuity | |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | March 31, 2017 | March 31, 2016 | March 31, 2017 | March 31, 2016 | March 31, 2017 | March 31, 2016 |
| Impact on obligation: | | | | | | |
| Discount rate increase by 0.5% | (5) | (4) | (19) | (21) | (43) | (32) |
| Discount rate decrease by 0.5% | 5 | 4 | 19 | 16 | 49 | 33 |
| Annual salary cost increase by 0.5% | 6 | 4 | 19 | 15 | 45 | 32 |
| Annual salary cost decrease by 0.5% | (6) | (4) | (19) | (19) | (41) | (31) |

The following payments are expected contributions to the defined benefit plan in future years:

INR Millions

| | Year ended March 31, 2017 | Year ended March 31, 2016 |
|--|------------------------------|------------------------------|
| | INR Millions | |
| Within the next 12 months [next annual reporting period] | 463 | 377 |
| Between 2 and 5 years | 866 | 968 |
| Between 5 and 10 years | 736 | 799 |
| Total expected payments | 2,065 | 2,144 |

Note: 22 - Borrowings:

INR Millions

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|--|-------------------------|-------------------------|------------------------|
| Loans repayable on Demand: | | | |
| Working Capital Loans from Banks [Secured] | 7,690 | 1,085 | 3,049 |
| Working Capital Loans from Banks [Unsecured] | 17,079 | 11,024 | 8,708 |
| Total | 24,769 | 12,109 | 11,757 |

A Securities and Terms of Repayment for Secured Borrowings:

- i Working Capital Loans of the Parent, which are, repayable on demand, are secured by hypothecation of inventories of all types, spare and excess stores and spares relating to plant and machineries [consumable stores and spares], including goods in transit, bills receivables and book debts. The value of such current asset is INR 18,619 [as at March 31, 2016 INR 23,648] Millions. Cash credit interest is in the range of 8.30% p.a. to 11.75% p.a. and Packing Credit in Foreign Currency [PCFC] interest is in the range of Nil bps to ten bps over 1 month USD LIBOR. The outstanding amount of loans as at March 31, 2017 is INR 7,665 [as at March 31, 2016: INR 1,068] Millions.
- ii Working Capital Loans of one of the subsidiary company, which are repayable on demand, are secured by hypothecation of book debts and inventory of the subsidiary. The value of such current asset is INR 206 [as at March 31, 2016 INR 204] Millions. Interest is in the range of 3.50% p.a. to 3.85% p.a. The outstanding amount of such loan as at March 31, 2017 is INR 22 [as at March 31, 2016: INR Nil] Millions.
- iii Working Capital Loans of one of the subsidiary company, which are repayable on demand, are secured by hypothecation of receivables of the subsidiary. The value of such current asset is INR 230 [as at March 31, 2016 INR 155] Millions. Interest is in the range of 9.50% p.a. to 10.5% p.a. i.e. at Prime Lending Rate. The outstanding amount of loan as at March 31, 2017 is INR 3 [as at March 31, 2016: INR 17] Millions.

Notes to Consolidated Financial Statements

Note: 22 - Borrowings - Continued:

B Terms of Repayment for Unsecured Borrowings:

- i PCFC loans of the Parent, which are payable during April, 2017 to September, 2017 and availed at interest in the range of Nil bps to 10 bps over 1 month USD LIBOR and working capital loans of the Parent, which are, repayable on demand, is availed at the interest rate of 8.75% p.a. The outstanding amount of loans as at March 31, 2017 is INR 7,791 [as at March 31, 2016: INR 4,975] Millions.
- ii Working capital loan of one of the subsidiary company, which is repayable on demand, is availed at the interest rate of T-bill rate plus 5 bps. The outstanding amount of loan as at March 31, 2017 is INR 250 [as at March 31, 2016: INR Nil] Millions.
- iii Working capital loan of few subsidiary companies, which are repayable on demand, are availed at interest in the range of 60 to 100 bps over LIBOR. The outstanding amount of loan as at March 31, 2017 is INR 9,038 [as at March 31, 2016 is INR 5,853].

Note: 23 - Trade Payables:

INR Millions

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|----------------|-------------------------|-------------------------|------------------------|
| Trade Payables | 16,736 | 13,081 | 10,329 |
| Total | 16,736 | 13,081 | 10,329 |

Note: 24 - Other Financial Liabilities:

INR Millions

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|---|-------------------------|-------------------------|------------------------|
| Current Maturities of Long Term Debt [Refer Note- 19] | 2,619 | 3,347 | 3,174 |
| Interest accrued but not due on borrowings | 17 | 5 | 37 |
| Book overdraft | 344 | 252 | 81 |
| Accrued Expenses | 6,327 | 3,955 | 3,195 |
| Unpaid Dividends | 38 | 34 | 25 |
| Total | 9,345 | 7,593 | 6,512 |

Note: 25 - Other Current Liabilities:

INR Millions

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|----------------------------------|-------------------------|-------------------------|------------------------|
| Advances from Customers | 660 | 336 | 263 |
| Payable to Statutory Authorities | 770 | 593 | 511 |
| Others | 89 | 85 | 70 |
| Total | 1,519 | 1,014 | 844 |

Notes to Consolidated Financial Statements

Note: 26 - Provisions:

INR Millions

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|---|-------------------------|-------------------------|------------------------|
| Provision for Employee Benefits | 456 | 397 | 161 |
| Provision for claims for product expiry and return of goods [*] | 117 | 116 | 105 |
| Total | 573 | 513 | 266 |
| [*] Provision for claims for product expiry and return of goods: | | | |
| 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 Group does not expect such claims to be reimbursed by any other party in future. | | | |
| b. The movement in such provision is stated as under: | | | |
| i. Carrying amount at the beginning of the year | 116 | 105 | |
| ii. Additional provision made during the year | 117 | 116 | |
| iii. Amount used | 116 | 105 | |
| iv. Carrying amount at the end of the year | 117 | 116 | |

Note: 27 - Current Tax Liabilities [Net]:

INR Millions

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|--|-------------------------|-------------------------|------------------------|
| Provision for Taxation [Net of advance payment of tax] | 116 | 300 | 213 |
| Total | 116 | 300 | 213 |

Note: 28 - Contingent Liabilities and Commitments [to the extent not provided for]:

INR Millions

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|---|-------------------------|-------------------------|------------------------|
| A. Contingent Liabilities: | | | |
| a. Claims against the Group not acknowledged as debts | 129 | 119 | 112 |
| b. In respect of guarantees given by Banks and/ or counter guarantees given by the Group | 363 | 273 | 159 |
| c. Other money for which the Group is contingently liable: | | | |
| i. In respect of the demands raised by the Central Excise, State Excise & Service Tax Authority | 845 | 761 | 751 |
| ii. In respect of the demands raised by the Ministry of Chemicals & Fertilizers, Govt. of India under Drug Price Control Order, 1979/ 1995 for difference in actual price and price of respective bulk drug allowed while fixing the price of certain formulations and disputed by the Group, which the Group expect to succeed based on the legal advice | 237 | 206 | 167 |

Notes to Consolidated Financial Statements

Note: 28 - Contingent Liabilities and Commitments [to the extent not provided for] - Continued:

INR Millions

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|---|-------------------------|-------------------------|------------------------|
| iii. In respect of Income Tax matters pending before appellate authorities | 59 | 35 | 43 |
| iv. In respect of Sales Tax matters pending before appellate authorities | 427 | 336 | 134 |
| v. In respect of custom duty liability under EPCG scheme | 90 | 444 | 180 |
| vi. In respect of letters of credit for Imports | 10 | 2 | 3 |
| vii. In respect of other matters [Employees Indemnity on retirement/guaranteed severance package] | 193 | 165 | 88 |
| B. Commitments: | | | |
| a. Estimated amount of contracts remaining to be executed on capital account and not provided for | 4,303 | 3,219 | 2,522 |

Note: 29 - Lease arrangements:

INR Millions

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|--|-------------------------|-------------------------|------------------------|
| A. The Group has taken certain properties on operating leases. Minimum lease payments payable under non-cancellable leases are as under: | | | |
| Within one year | 55 | 55 | 48 |
| After one year but not more than five years | 46 | 104 | 146 |
| More than five years | - | - | 2 |
| Total | 101 | 159 | 196 |

INR Millions

| | Year ended March 31, 2017 | Year ended March 31, 2016 |
|--|------------------------------|------------------------------|
| B. Minimum lease payment recognised as an expenses in Statement of Profit and Loss | 55 | 48 |

Note: 30 - Interim Dividend :

The Board of Directors of the Parent, at its meeting held on March 7, 2017 declared and paid dividend of INR 3.20 per equity share of INR 1/- each.

Notes to Consolidated Financial Statements

Note: 31 - Revenue from Operations:

| | INR Millions | |
|---|------------------------------|------------------------------|
| | Year ended March 31, 2017 | Year ended March 31, 2016 |
| Sale of Products | 94,157 | 92,619 |
| Other Operating Revenues: | | |
| Export Incentives | 859 | 1,226 |
| Royalty Income | 68 | 179 |
| Net Gain on foreign currency transactions and translation [*] | 110 | 340 |
| Miscellaneous Income | 1,059 | 1,806 |
| | <u>2,096</u> | <u>3,551</u> |
| Total | 96,253 | 96,170 |
| [*] includes research related Net Loss on foreign currency transactions and translation | 14 | 57 |

Note: 32 - Other Income:

| | INR Millions | |
|--|------------------------------|------------------------------|
| | Year ended March 31, 2017 | Year ended March 31, 2016 |
| Finance Income: | | |
| Interest Income on Financial Assets measured at Amortised Cost | 573 | 627 |
| Gain on valuation of Forward Contract value related to investment in a Joint Venture | 567 | 256 |
| | <u>1,140</u> | <u>883</u> |
| Dividend Income: | | |
| From FVOCI Investments | 5 | 3 |
| Net Gain on Investments measured at FVTPL | 61 | 139 |
| Other Non-operating Income | 80 | 131 |
| Total | 1,286 | 1,156 |

Note: 33 - Cost of Materials Consumed:

| | INR Millions | |
|---|------------------------------|------------------------------|
| | Year ended March 31, 2017 | Year ended March 31, 2016 |
| Raw Materials [Pharmaceutical Ingredients]: | | |
| Stock at commencement | 3,616 | 4,238 |
| Add: Purchases | 17,498 | 14,901 |
| | <u>21,114</u> | <u>19,139</u> |
| Less: Stock at close | 6,379 | 3,616 |
| | <u>14,735</u> | <u>15,523</u> |
| Packing Materials consumed | 3,575 | 4,227 |
| Total | 18,310 | 19,750 |

Note: 34 - Purchases of Stock-in-Trade:

| | INR Millions | |
|-----------------------------|------------------------------|------------------------------|
| | Year ended March 31, 2017 | Year ended March 31, 2016 |
| Purchases of Stock-in-Trade | 17,529 | 11,320 |
| Total | 17,529 | 11,320 |

Notes to Consolidated Financial Statements

Note: 35 - Changes in Inventories:

| | INR Millions | |
|---|------------------------------|------------------------------|
| | Year ended March 31, 2017 | Year ended March 31, 2016 |
| Stock at commencement: | | |
| Work-in-progress | 1,658 | 1,756 |
| Finished Goods | 2,768 | 2,992 |
| Stock-in-Trade | 4,706 | 4,294 |
| Acquired subsidiaries | 115 | - |
| | 9,247 | 9,042 |
| Less: Stock at close: | | |
| Work-in-progress | 2,288 | 1,658 |
| Finished Goods | 4,034 | 2,768 |
| Stock-in-Trade | 4,400 | 4,706 |
| | 10,722 | 9,132 |
| | (1,475) | (90) |
| Differential Excise Duty on Opening and Closing stock of Finished Goods | 87 | (21) |
| Total | (1,388) | (111) |

Note: 36 - Employee Benefits Expense:

| | INR Millions | |
|---|------------------------------|------------------------------|
| | Year ended March 31, 2017 | Year ended March 31, 2016 |
| Salaries and wages | 13,001 | 11,077 |
| Contribution to provident and other funds | 1,321 | 1,010 |
| Staff welfare expenses | 680 | 529 |
| Total | 15,002 | 12,616 |
| Above expenses includes Research related expenses as follows: | | |
| Salaries and wages | 1,360 | 1,251 |
| Contribution to provident and other funds | 130 | 116 |
| Staff welfare expenses | 57 | 59 |
| | 1,547 | 1,426 |

Note: 37 - Finance Cost:

| | INR Millions | |
|---|------------------------------|------------------------------|
| | Year ended March 31, 2017 | Year ended March 31, 2016 |
| Interest expense [*] | 568 | 410 |
| Other Borrowing Costs | 2 | 1 |
| Net [Gain]/ Loss on foreign currency transactions and translation | (185) | 59 |
| Bank commission & charges | 65 | 58 |
| Total | 450 | 528 |
| [*] The break up of interest expense into major heads is given below: | | |
| On term loans | 376 | 263 |
| On working capital loans | 94 | 56 |
| Others | 98 | 91 |
| | 568 | 410 |

Notes to Consolidated Financial Statements

Note: 38 - Depreciation, Amortisation and Impairment expenses:

INR Millions

| | Year ended March 31, 2017 | Year ended March 31, 2016 |
|--|------------------------------|------------------------------|
| Depreciation, Amortisation and Impairment expenses | 3,750 | 2,921 |
| Total | 3,750 | 2,921 |

Note: 39 - Other Expenses:

INR Millions

| | Year ended March 31, 2017 | Year ended March 31, 2016 |
|---|------------------------------|------------------------------|
| Research Materials | 1,442 | 1,388 |
| Analytical Expenses | 1,175 | 1,551 |
| Consumption of Stores and spare parts | 1,911 | 1,828 |
| Power & fuel | 1,765 | 1,688 |
| Rent | 213 | 202 |
| Repairs to Buildings | 257 | 190 |
| Repairs to Plant and Machinery | 536 | 459 |
| Repairs to Others | 118 | 127 |
| Insurance | 331 | 288 |
| Rates and Taxes [excluding taxes on income] | 323 | 317 |
| Processing Charges | 598 | 426 |
| Managing Directors' Remuneration | 346 | 346 |
| Commission to Directors | 14 | 9 |
| Traveling Expenses | 1,263 | 1,067 |
| Legal and Professional Fees | 2,125 | 2,031 |
| Advertisement Expenses | 750 | 683 |
| Commission on sales | 1,044 | 995 |
| Freight and forwarding on sales | 1,890 | 1,752 |
| Representative Allowances | 904 | 987 |
| Other marketing expenses | 4,613 | 6,366 |
| Bad Debts: | | |
| Bad debts written off | 7 | 8 |
| Impairment allowances | 59 | 22 |
| | 66 | 30 |
| Less: Transferred from impairment allowances | - | (10) |
| | 66 | 20 |
| Doubtful Advances: | | |
| Doubtful advances written off | - | - |
| Impairment allowances | - | - |
| | - | - |
| Less: Transferred from impairment allowances | (2) | - |
| | (2) | - |
| Directors' fees | 22 | 36 |
| Net Loss on disposal of Property, Plant and Equipment [Net of gain] | 8 | 10 |
| Donations | 16 | 23 |
| Miscellaneous Expenses [*] | 4,078 | 4,599 |
| Total | 25,806 | 27,388 |

Notes to Consolidated Financial Statements

Note: 39 - Other Expenses - Continued :

INR Millions

| | Year ended March 31, 2017 | Year ended March 31, 2016 |
|--|------------------------------|------------------------------|
| Above expenses includes Research related expenses as follows: | | |
| Research Materials | 1,442 | 1,388 |
| Analytical expenses | 1,175 | 1,551 |
| Consumption of Stores and spare parts | 857 | 762 |
| Power & Fuel | 139 | 134 |
| Repairs to Buildings | 16 | 17 |
| Repairs to Plant and Machinery | 49 | 24 |
| Repairs to Others | 14 | 15 |
| Insurance | 9 | 5 |
| Traveling Expenses | 60 | 41 |
| Legal and Professional fees | 955 | 717 |
| Loss on disposal of Property, Plant and Equipment | - | 1 |
| Miscellaneous Expenses [excluding Depreciation] | 1,264 | 1,456 |
| Total | 5,980 | 6,111 |
| [*] Miscellaneous Expenses include: | | |
| a Expenditure on Corporate Social Responsibility [CSR] Activities as required u/s 135 of the Companies Act, 2013 | 319 | 192 |
| b Payment to the Statutory Auditors [excluding Service Tax]: | | |
| i. - As Auditor | 35 | 26 |
| - For Other Services | 5 | 4 |
| - Total | 40 | 30 |
| ii. Cost Auditor's Remuneration including fees for other services [excluding Service Tax] | 1 | 1 |

Note: 40 - Exceptional items:

INR Millions

| | Year ended March 31, 2017 | Year ended March 31, 2016 |
|--|------------------------------|------------------------------|
| A. Provision for various expenses related to the closure of business operations in Japan | 3 | 4 |
| B. Payment made under Voluntary Retirement Scheme | - | 21 |
| Total | 3 | 25 |

Note: 41 - Tax Expenses:

INR Millions

| | Year ended March 31, 2017 | Year ended March 31, 2016 |
|---|------------------------------|------------------------------|
| The major components of income tax expense are: | | |
| A Statement of Profit and Loss: | | |
| Profit or loss section: | | |
| Current income tax: | | |
| Current income tax charge | 1,921 | 5,516 |
| Adjustments in respect of current income tax of previous year | (3) | (5) |
| | 1,918 | 5,511 |
| Deferred tax: | | |
| Relating to origination and reversal of temporary differences | (629) | (3,737) |
| Tax expense reported in the Statement of Profit and Loss | 1,289 | 1,774 |

Notes to Consolidated Financial Statements

Note: 41 - Tax Expenses - Continued:

| | INR Millions | |
|---|------------------------------|------------------------------|
| | Year ended March 31, 2017 | Year ended March 31, 2016 |
| OCI Section: | | |
| Tax related to items recognised in OCI during in the year: | | |
| Net loss/ (gain) on remeasurements of defined benefit plans | 45 | 46 |
| Tax charged to OCI | 45 | 46 |
| B Reconciliation of tax expense and accounting profit multiplied by India's domestic tax rate: | | |
| Profit before tax | 16,119 | 20,987 |
| Enacted Tax Rate in India (%) | 34.61% | 34.61% |
| Expected Tax Expenses | 5,579 | 7,264 |
| Adjustments for: | | |
| Tax effect due to non-taxable income for Indian tax purposes | (410) | (1,823) |
| Effect of unrecognized deferred tax assets/ liabilities | 326 | (1,352) |
| Effect of non-deductible expenses | 177 | 146 |
| Effect of additional deductions in taxable income | (5,255) | (3,770) |
| Effect of MAT/AMT Tax Credit not recognised | 1,066 | 1,197 |
| Others | (194) | 112 |
| Total | (4,290) | (5,490) |
| Tax Expenses as per Statement of Profit and Loss | 1,289 | 1,774 |

Note: 42 - Calculation of Earnings per Equity Share [EPS]:

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

| | | INR Millions | |
|---|--------------|------------------------------|------------------------------|
| | | Year ended March 31, 2017 | Year ended March 31, 2016 |
| A. Profit attributable to Shareholders | INR-Millions | 15,168 | 19,643 |
| B. Basic and weighted average number of Equity shares outstanding during the year | Numbers | 1,023,742,600 | 1,023,742,600 |
| C. Nominal value of equity share | INR | 1 | 1 |
| D. Basic & Diluted EPS | INR | 14.82 | 19.19 |

Notes to Consolidated Financial Statements

Note: 43 - Segment Information:

INR Millions

| | Year ended March 31, 2017 | Year ended March 31, 2016 |
|--|------------------------------|------------------------------|
| A. The Chief Operating Decision Maker [CODM] reviews the Group as a single "Pharmaceuticals" segment. | | |
| B. Geographical market: | | |
| a. Revenue [*]: | | |
| i. India | 43,872 | 40,081 |
| ii. US | 38,839 | 42,925 |
| iii. Others | 13,542 | 13,164 |
| iv. Total | 96,253 | 96,170 |
| b. Non-current operating assets [**]: | | |
| i. India | 55,530 | 39,187 |
| ii. US | 13,582 | 4,914 |
| iii. Others | 3,872 | 2,886 |
| iv. Total | 72,984 | 46,987 |
| [*] The revenue information above is based on the locations of the customers. | | |
| [**] Non-current assets for this purpose consist of Property, Plant and Equipment and intangible assets. | | |
| C. Revenues derived from single external customer which amount to 10% or more of the Group's revenue | 9,851 | 12,984 |

Notes to Consolidated Financial Statements

Note: 44 - Group Information:

Consolidated Financial Statements as at March 31, 2017 comprise the Financial Statements [FS] of Cadila Healthcare Limited [CHL] and its subsidiaries as well as its interest in Joint Ventures, which are as under:

| No. | Name | Principal activities | Country of incorporation | Status of FS at March 31, 2017 | % equity Interest as at | | |
|----------|--|-----------------------------------|--------------------------|--------------------------------|-------------------------|----------------|---------------|
| | | | | | March 31, 2017 | March 31, 2016 | April 1, 2015 |
| A | Indian subsidiaries: | | | | | | |
| 1 | Zydus Healthcare Limited [Formerly known as German Remedies Limited] | Human Pharmaceutical Formulations | India | Audited | 100.00 | 100.00 | 100.00 |
| 2 | Zydus Wellness Limited | Consumer Health & Wellness | India | Audited | 72.08 | 72.08 | 72.08 |
| 3 | Liva Pharmaceuticals Limited | Human Pharmaceutical Formulations | India | Audited | 100.00 | 100.00 | 100.00 |
| 4 | Zydus Technologies Limited | Human Pharmaceutical Formulations | India | Audited | 85.00 | 85.00 | 85.00 |
| 5 | Biochem Pharmaceutical Industries Limited | Human Pharmaceutical Formulations | India | Audited | Note-1 | Note-1 | 100.00 |
| 6 | Alidac Pharmaceuticals Limited | Human Pharmaceutical Formulations | India | Audited | 100.00 | 100.00 | 100.00 |
| 7 | Dialforhealth India Limited | Retail Pharmacy | India | Audited | 100.00 | 100.00 | 100.00 |
| 8 | Dialforhealth Greencross Limited | Retail Pharmacy | India | Audited | 100.00 | 100.00 | 100.00 |
| 9 | Dialforhealth Unity Limited | Retail Pharmacy | India | Audited | 55.00 | 55.00 | 55.00 |
| B | Foreign subsidiaries: | | | | | | |
| 1 | Zydus Lanka (Private) Limited | Human Pharmaceutical Formulations | Sri Lanka | Audited | 100.00 | 100.00 | 100.00 |
| 2 | Zydus International Private Limited | Investment and Holding | Ireland | Audited | 100.00 | 100.00 | 100.00 |
| 3 | Zydus Netherlands B.V. | Investment and Holding | Netherlands | Unaudited | 100.00 | 100.00 | 100.00 |
| 4 | Zydus France, SAS | Human Pharmaceutical Formulations | France | Unaudited | 100.00 | 100.00 | 100.00 |
| 5 | Laboratorios Combix S.L. | Human Pharmaceutical Formulations | Spain | Unaudited | 100.00 | 100.00 | 100.00 |
| 6 | Bremer Pharma GmbH | Animal Health and Veterinary | Germany | Audited | 100.00 | 100.00 | 100.00 |
| 7 | Etna Biotech S.R.L. | Research and Development | Italy | Unaudited | 100.00 | 100.00 | 100.00 |
| 8 | ZAHL B.V. | Investment and Holding | Netherlands | Unaudited | 100.00 | 100.00 | 100.00 |
| 9 | ZAHL Europe B. V. | Investment and Holding | Netherlands | Unaudited | 100.00 | 100.00 | 100.00 |
| 10 | Zydus Healthcare (USA) LLC | Human Pharmaceutical Formulations | U. S. A. | Unaudited | 100.00 | 100.00 | 100.00 |
| 11 | Zydus Pharmaceuticals (USA) Inc. | Human Pharmaceutical Formulations | U. S. A. | Audited | 100.00 | 100.00 | 100.00 |
| 12 | Nesher Pharmaceuticals (USA) LLC | Human Pharmaceutical Formulations | U. S. A. | Audited | 100.00 | 100.00 | 100.00 |
| 13 | Sentynl Therapeutics, Inc | Human Pharmaceutical Formulations | U. S. A. | Unaudited | 100.00 | Note-2 | Note-2 |

Notes to Consolidated Financial Statements

Note: 44 - Group Information - Continued:

| No. | Name | Principal activities | Country of incorporation | Status of FS at March 31, 2017 | % equity Interest as at | | |
|----------|--|-----------------------------------|--------------------------|--------------------------------|-------------------------|----------------|---------------|
| | | | | | March 31, 2017 | March 31, 2016 | April 1, 2015 |
| 14 | Zydus Noveltch Inc., USA | Human Pharmaceutical Formulations | U. S. A. | Unaudited | 85.00 | 85.00 | 85.00 |
| 15 | Hercon Pharmaceuticals, LLC | Human Pharmaceutical Formulations | U. S. A. | Unaudited | 85.00 | 85.00 | 85.00 |
| 16 | Zydus Worldwide DMCC | Human Pharmaceutical Formulations | Dubai | Audited | 100.00 | 100.00 | 100.00 |
| 17 | Zydus Discovery DMCC | Human Pharmaceutical Formulations | Dubai | Audited | 100.00 | 100.00 | 100.00 |
| 18 | Zydus Nikkho Farmaceutica Ltda. | Human Pharmaceutical Formulations | Brazil | Unaudited | 100.00 | 100.00 | 100.00 |
| 19 | Zydus Healthcare SA (Pty) Ltd. | Human Pharmaceutical Formulations | South Africa | Unaudited | 100.00 | 100.00 | 100.00 |
| 20 | Simayla Pharmaceuticals (Pty) Ltd | Human Pharmaceutical Formulations | South Africa | Unaudited | 100.00 | 100.00 | 100.00 |
| 21 | Script Management Services (Pty) Ltd. | Human Pharmaceutical Formulations | South Africa | Unaudited | 100.00 | 100.00 | 100.00 |
| 22 | Zydus Healthcare Philippines Inc. | Human Pharmaceutical Formulations | Philippines | Unaudited | 100.00 | 100.00 | 100.00 |
| 23 | Alidac Healthcare (Myanmar) Limited | Human Pharmaceutical Formulations | Myanmar | Audited | 100.00 | Note-3 | Note-3 |
| 24 | Zydus Pharmaceuticals Mexico SA De CV | Human Pharmaceutical Formulations | Mexico | Unaudited | 100.00 | 100.00 | 100.00 |
| 25 | Zydus Pharmaceuticals Mexico Service Company SA De CV. | Manpower Supply & Administration | Mexico | Unaudited | 100.00 | 100.00 | 100.00 |
| 26 | Zydus Pharma Japan Co. Ltd. [Note - 4] | Human Pharmaceutical Formulations | Japan | Unaudited | 100.00 | 100.00 | 100.00 |
| C | Partnership firm: | | | | | | |
| 1 | M/s. Zydus Wellness- Sikkim | Consumer Health & Wellness | India | Audited | 98.00 | 98.00 | 98.00 |
| D | Joint Ventures: | | | | | | |
| 1 | Zydus Takeda Healthcare Private Limited | API | India | Unaudited | 50.00 | 50.00 | 50.00 |
| 2 | Zydus Hospira Oncology Private Limited | Human Pharmaceutical Formulations | India | Audited | 50.00 | 50.00 | 50.00 |
| 3 | Bayer Zydus Pharma Private Limited | Human Pharmaceutical Formulations | India | Audited | 50.00 | 50.00 | 50.00 |

Notes:

- Biochem Pharmaceutical Industries Limited merged with ZHL w.e.f. March 31, 2016.
- The Parent has incorporated Zydus Holdings Inc. [ZHI] as a wholly owned subsidiary in US on December 5, 2016. On January 19, 2017, ZHI has acquired Sentyln Therapeutics Inc. [Sentyln]. Post-acquisition, on same day ZHI has been merged with Sentyln.
- The Parent has incorporated Alidac Healthcare (Myanmar) Limited as a wholly owned subsidiary in Myanmar on June 17, 2016.
- Zydus Pharma Japan Co. Ltd. has been liquidated in December 2016.

Notes to Consolidated Financial Statements

Note: 45-Statutory Group Information:

Additional information as required by Paragraph 2 of the General Instructions for Preparation of Consolidated Financial Statements to Schedule III to the Companies Act, 2013:

| | Net Assets i.e. total assets minus total liabilities | | Share in Profit / [Loss] | | Share in other Comprehensive income | | Share in total Comprehensive income | |
|--|---|---------------|--|---------------|--|--------------|--|---------------|
| | As % of Consolidated Net Asset | INR-Millions | As % of Consolidated Profit / [Loss] | INR-Millions | As % of Consolidated Profit / [Loss] | INR-Millions | As % of Consolidated Profit / [Loss] | INR-Millions |
| Parent: | | | | | | | | |
| Cadila Healthcare Limited | 93.00 | 66,181 | 44.49 | 6,619 | 112.17 | 57 | 44.72 | 6,676 |
| Subsidiaries: | | | | | | | | |
| Indian: | | | | | | | | |
| Zydus Wellness Limited | 7.83 | 5,571 | 7.35 | 1,093 | (1.97) | (1) | 7.32 | 1,092 |
| Zydus Healthcare Limited | 79.96 | 56,898 | 6.78 | 1,008 | (154.08) | (78) | 6.23 | 930 |
| Alidac Pharmaceuticals Limited | 1.36 | 965 | 0.73 | 109 | 0.06 | 0 | 0.73 | 109 |
| Liva Pharmaceuticals Limited | 0.08 | 58 | (0.03) | (4) | - | - | (0.03) | (4) |
| Zydus Technologies Limited | 0.80 | 569 | (0.02) | (3) | - | - | (0.02) | (3) |
| Dialforhealth India Limited | 0.16 | 117 | 0.06 | 9 | - | - | 0.06 | 9 |
| Dialforhealth Unity Limited | (0.00) | (2) | (0.00) | (0) | - | - | (0.00) | (0) |
| Dialforhealth Greencross Limited | 0.00 | 1 | (0.00) | (0) | - | - | (0.00) | (0) |
| M/s. Zydus Wellness- Sikkim | 3.30 | 2,346 | 7.72 | 1,149 | 5.91 | 3 | 7.72 | 1,152 |
| Foreign: | | | | | | | | |
| Zydus Lanka (Private) Limited | 0.00 | 0 | (0.00) | (0) | - | - | (0.00) | (0) |
| Zydus International Private Limited | 14.95 | 10,637 | 0.63 | 94 | - | - | 0.63 | 94 |
| Zydus Netherlands B.V. | 7.47 | 5,312 | (0.17) | (25) | - | - | (0.17) | (25) |
| Zydus France, SAS | 0.73 | 523 | (0.09) | (13) | - | - | (0.09) | (13) |
| Laboratorios Combix S.L. | 0.36 | 253 | (0.36) | (54) | - | - | (0.36) | (54) |
| Bremer Pharma GmbH | 0.24 | 169 | (0.14) | (21) | - | - | (0.14) | (21) |
| Etna Biotech S.R.L. | 0.02 | 15 | 0.02 | 3 | - | - | 0.02 | 3 |
| Z AHL B.V. | 0.53 | 379 | (0.02) | (3) | - | - | (0.02) | (3) |
| Z AHL Europe B. V. | 0.07 | 52 | (2.02) | (300) | - | - | (2.01) | (300) |
| Zydus Healthcare (USA) LLC | 0.04 | 27 | 0.02 | 3 | - | - | 0.02 | 3 |
| Zydus Pharmaceuticals (USA) Inc. | 14.91 | 10,612 | 10.05 | 1,495 | - | - | 10.01 | 1,495 |
| Nesher Pharmaceuticals (USA) LLC | (6.36) | (4,523) | (5.27) | (784) | - | - | (5.25) | (784) |
| Sentynl Therapeutics, Inc | 3.16 | 2,251 | 0.66 | 99 | - | - | 0.66 | 99 |
| Zydus Noveltch Inc., USA | (0.10) | (71) | (0.04) | (6) | - | - | (0.04) | (6) |
| Hercon Pharmaceuticals, LLC | (1.46) | (1,038) | (1.59) | (236) | - | - | (1.58) | (236) |
| Zydus Worldwide DMCC | 1.24 | 885 | (1.31) | (195) | - | - | (1.31) | (195) |
| Zydus Discovery DMCC | 0.40 | 287 | (1.33) | (197) | - | - | (1.32) | (197) |
| Zydus Nikkho Farmaceutica Ltda. | 2.72 | 1,936 | (0.06) | (9) | - | - | (0.06) | (9) |
| Zydus Healthcare SA (Pty) Ltd. | 0.90 | 641 | 0.17 | 25 | - | - | 0.17 | 25 |
| Simayla Pharmaceuticals (Pty) Ltd | (0.68) | (483) | (0.00) | (0) | - | - | (0.00) | (0) |
| Script Management Services (Pty) Ltd. | 0.00 | 3 | 0.00 | 0 | - | - | 0.00 | 0 |
| Zydus Healthcare Philippines Inc. | 0.45 | 321 | (0.01) | (1) | - | - | (0.01) | (1) |
| Zydus Pharmaceuticals Mexico SA De CV | (0.16) | (112) | 0.23 | 35 | - | - | 0.23 | 35 |
| Zydus Pharmaceuticals Mexico Service Company SA De CV. | (0.00) | (0) | 0.09 | 14 | - | - | 0.09 | 14 |
| Alidac Healthcare (Myanmar) Limited | 0.68 | 483 | 0.01 | 2 | - | - | 0.01 | 2 |
| Zydus Pharma Japan Co. Ltd. | - | - | (0.01) | (2) | - | - | (0.01) | (2) |
| Minority Interests in all subsidiaries | (2.19) | (1,561) | (1.96) | (291) | - | - | (1.95) | (291) |
| Share of Joint Ventures [as per equity method] | - | - | 2.27 | 338 | (7.88) | (4) | 2.24 | 334 |
| Total Eliminations/ Consolidation Adjustments | (124.42) | (88,540) | 33.13 | 4,929 | 145.78 | 74 | 33.51 | 5,003 |
| Grand Total | 100.00 | 71,161 | 100.00 | 14,877 | 100.00 | 51 | 100.00 | 14,928 |

Notes to Consolidated Financial Statements

Note: 46-Related Party Transactions:

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

a Joint Venture Companies:

| | |
|---|------------------------------------|
| Zydus Takeda Healthcare Private Limited | Bayer Zydus Pharma Private Limited |
| Zydus Hospira Oncology Private Limited | |

b Key Managerial Personnel:

| | |
|----------------------------|---|
| Mr. Pankaj R. Patel | Chairman & Managing Director [C.M.D.] |
| Dr. Sharvil P. Patel | Joint Managing Director & son of C.M.D. |
| Mr. Mukesh M. Patel | Non-Executive Director |
| Mr. H. Dhanrajgir | Independent Director |
| Mr. Apurva Diwanji | Independent Director |
| Mr. Nitin Raojibhai Desai | Independent Director |
| Ms. Dharmishtaben N. Rawal | Independent Director |
| Mr. Nitin D. Parekh | Executive Officer [Chief Financial Officer] |
| Mr. Upen H. Shah | Executive Officer [Company Secretary] |

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

| | |
|---|--|
| Cadmach Machinery Company Private Limited | Pripan Investment Private Limited |
| Zydus Hospitals and Healthcare Research Private Limited | Zydus Hospital LLP |
| Zydus Hospitals (Vadodra) Private Limited | Zandra Infrastructure LLP |
| Zydus Hospitals (Rajkot) Private Limited | M/s. C. M. C. Machinery |
| MabS Biotech Private Limited | M/s. Cadam Enterprises |
| Zydus Infrastructure Private Limited | Zandra Herbs and Plantations LLP |
| Cadila Laboratories Private Limited | Mukesh M. Patel & Co. |
| Zest Aviation Private Limited | M/s. International Tax and Investments Consultants |
| Western Ahmedabad Effluent Conveyance Company Private Limited | |

Notes to Consolidated Financial Statements

Note: 46-Related Party Transactions - Continued:

B Transactions with Related Parties:

The following transactions were carried out with the related parties in the ordinary course of business and at arm's length terms:

a Details relating to parties referred to in Note 46-A [a & c]

INR Millions

| Nature of Transactions | Value of the Transactions | | | |
|---|------------------------------|------------------------------|---|------------------------------|
| | Joint Venture Companies | | Enterprises significantly influenced by Directors and/ or their relatives | |
| | Year ended March 31, 2017 | Year ended March 31, 2016 | Year ended March 31, 2017 | Year ended March 31, 2016 |
| Purchases: | | | | |
| Goods: | | | | |
| Zydus Hospira Oncology Private Limited | 62 | 6 | - | - |
| Cadmach Machinery Company Private Limited | - | - | 8 | 8 |
| Others | - | - | - | 2 |
| Total | 62 | 6 | 8 | 10 |
| Property, Plant and Equipment: | | | | |
| Cadmach Machinery Company Private Limited | - | - | 72 | 12 |
| M/s. Cadam Enterprises | - | - | - | 4 |
| Total | - | - | 72 | 16 |
| Services: | | | | |
| Zydus Hospira Oncology Private Limited | 4 | - | - | - |
| Zydus Infrastructure Private Limited | - | - | 24 | 10 |
| Others | - | - | 9 | 6 |
| Total | 4 | - | 33 | 16 |
| Sales: | | | | |
| Goods: | | | | |
| Bayer Zydus Pharma Private Limited | 357 | 230 | - | - |
| Zydus Takeda Healthcare Private Limited | 71 | 134 | - | - |
| Total | 428 | 364 | - | - |
| Services: | | | | |
| Bayer Zydus Pharma Private Limited | 5 | 4 | - | - |
| Finance: | | | | |
| Inter Corporate Loans repaid: | | | | |
| Bayer Zydus Pharma Private Limited | - | 150 | - | - |
| Interest Received: | | | | |
| Bayer Zydus Pharma Private Limited | 20 | 25 | - | - |

Notes to Consolidated Financial Statements

Note: 46-Related Party Transactions - Continued:

INR Millions

| Nature of Transactions | Value of the Transactions | | | | | |
|---|------------------------------|------------------------------|------------------------------|---|------------------------------|-----------------------------|
| | Joint Venture Companies | | | Enterprises significantly influenced by Directors and/ or their relatives | | |
| | Year ended March 31, 2017 | Year ended March 31, 2016 | Year ended April 31, 2015 | Year ended March 31, 2017 | Year ended March 31, 2016 | Year ended April 1, 2015 |
| Outstanding: | | | | | | |
| Payable: | | | | | | |
| Cadila Laboratories Private Limited | - | - | - | 22 | 22 | 22 |
| Receivable: | | | | | | |
| Bayer Zydus Pharma Private Limited | 434 | 219 | 343 | - | - | - |
| Zydus Takeda Healthcare Private Limited | 2 | 30 | 24 | - | - | - |
| Zydus Infrastructure Private Limited | - | - | - | 124 | - | - |
| Total | 436 | 249 | 367 | 124 | - | 0 |

b Details relating to persons referred to in Note 46-A [b] above:

INR Millions

| | Year ended March 31, 2017 | Year ended March 31, 2016 |
|--|------------------------------|------------------------------|
| (i) Salaries and other employee benefits to Chairman & Managing Director, Joint Managing Director and other executive officers | 348 | 352 |
| (ii) Commission and Sitting Fees to Non Executive/ Independent Directors | 18 | 9 |
| (iii) Outstanding payable to above (i) and (ii) | 295 | 293 |

Note: 47-Business Combination:

Summary of acquisition:

On December 5, 2016, the Parent incorporated its wholly owned subsidiary, Zydus Holdings Inc. [ZHI] in the USA, which acquired USA based specialty pharmaceutical company, Sentyln Therapeutics Inc. ['Sentyln'] on January 19, 2017. On acquisition of Sentyln, ZHI was merged with Sentyln.

The acquisition was made with an objective of making a foray into the specialty pain market in the US. With this acquisition the Group has gained access to the specialty distribution network and a large prescriber base. Sentyln provides healthcare professionals with treatment solutions that enable them to meet the needs of individual patients. This acquisition will also enable the group to leverage its existing assets in the US.

The entire purchase consideration is settled by way of Cash. The Cash paid for purchase consideration is INR 9,047 Millions. The assets and liabilities recognised as a result of the acquisition are as follows:

| Particulars | INR-Millions |
|--|--------------|
| Inventories | 106 |
| Trade Receivables | 1,044 |
| Cash and cash equivalents | 713 |
| Other Current Assets | 67 |
| Property, Plant and Equipment | 22 |
| Deferred Tax Assets | 358 |
| Intangible Assets | 6,130 |
| Non Interest bearing Current Liabilities | (1,983) |
| Net Identifiable assets acquired | 6,457 |
| Goodwill | 2,590 |
| Total purchase consideration paid | 9,047 |

Notes to Consolidated Financial Statements

Note: 47-Business Combination - Continued:

| Consideration transferred settled in Cash | INR Millions |
|--|--------------|
| Consideration transferred | 9,047 |
| Less: Cash and cash equivalents acquired | 713 |
| Net Cash outflow on acquisition | 8,334 |
| The fair value of trade and other receivables acquired as part of the business combination amounted to | 1,044 |

The above is the same as the Contractual amount of such receivables.

The excess of the purchase consideration paid over the fair value of assets acquired has been attributed to Goodwill and it is not expected to be deductible for tax purposes.

Initial recognition and measurement of the assets and liabilities on acquisition date are determined on the basis of available facts and information. Considering that the acquisition was completed shortly before the end of the reporting period, such provisional amounts are subject to change within the measurement period as provided by Ind AS 103.

Note: 48-Material partly-owned subsidiaries:

Financial information of a subsidiary that have material non-controlling interests [NCI] is provided below:

| Name of Subsidiary - Zydus Wellness Limited | INR Millions | | |
|---|-------------------------|-------------------------|------------------------|
| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
| Summarised balance sheet: | | | |
| Current assets | 5,551 | 4,461 | 3,980 |
| Current liabilities | 462 | 174 | 148 |
| Net current assets | 5,089 | 4,287 | 3,832 |
| Non-current assets | 496 | 517 | 530 |
| Non-current liabilities | 14 | 18 | 19 |
| Net non-current assets | 482 | 499 | 511 |
| Net assets | 5,571 | 4,786 | 4,343 |
| Accumulated NCI | 1,555 | 1,336 | 1,213 |

| | INR Millions | |
|---|------------------------------|------------------------------|
| | Year ended March 31, 2017 | Year ended March 31, 2016 |
| Summarised Statement of Profit and Loss: | | |
| Profit for the year | 1,093 | 1,033 |
| Other Comprehensive Income for the year | (1) | (2) |
| Total comprehensive income | 1,092 | 1,031 |
| Profit allocated to NCI | 305 | 288 |
| Dividends paid to NCI | 72 | 142 |

Notes to Consolidated Financial Statements

Note: 49-Financial Instruments:

A Fair values hierarchy:

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: quoted prices [unadjusted] in active markets for financial instruments.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data rely as little as possible on entity specific estimates.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

B Financial assets and liabilities measured at fair value - recurring fair value measurements:

INR Millions

| | As at March 31, 2017 | | | Total |
|---|----------------------|----------|--------------|--------------|
| | Level 1 | Level 2 | Level 3 | |
| Financial assets: | | | | |
| Financial assets at FVTPL: | | | | |
| Mutual funds | 491 | | | 491 |
| Derivative not designated as hedge: | | | | |
| Forward Contract value related to investment in a Joint Venture | | | 2,090 | 2,090 |
| Financial Investments at FVOCI: | | | | |
| Quoted equity instruments | 626 | | | 626 |
| Unquoted equity instruments | | 8 | | 8 |
| Total financial assets | 1,117 | 8 | 2,090 | 3,215 |
| Financial liabilities | - | - | - | - |

INR Millions

| | As at March 31, 2016 | | | Total |
|---|----------------------|----------|--------------|--------------|
| | Level 1 | Level 2 | Level 3 | |
| Financial assets: | | | | |
| Financial assets at FVTPL: | | | | |
| Mutual funds | 1,983 | | | 1,983 |
| Derivative not designated as hedge: | | | | |
| Forward Contract value related to investment in a Joint Venture | | | 1,523 | 1,523 |
| Financial Investments at FVOCI: | | | | |
| Quoted equity instruments | 479 | | | 479 |
| Unquoted equity instruments | | 8 | | 8 |
| Total financial assets | 2,462 | 8 | 1,523 | 3,993 |
| Financial liabilities | - | - | - | - |

Notes to Consolidated Financial Statements

Note: 49-Financial Instruments - Continued:

INR Millions

| | As at April 1, 2015 | | | Total |
|---|---------------------|----------|--------------|--------------|
| | Level 1 | Level 2 | Level 3 | |
| Financial assets: | | | | |
| Financial assets at FVTPL: | | | | |
| Mutual funds | 1,201 | | | 1,201 |
| Derivative not designated as hedge: | | | | |
| Forward Contract value related to investment in a Joint Venture | | | 1,267 | 1,267 |
| Financial Investments at FVOCI: | | | | |
| Quoted equity instruments | 705 | | | 705 |
| Unquoted equity instruments | | 8 | | 8 |
| Total financial assets | <u>1,906</u> | <u>8</u> | <u>1,267</u> | <u>3,181</u> |
| Financial liabilities | - | - | - | - |

C Fair value of instruments measured at amortised cost:

Financial assets and liabilities measured at amortised cost for which fair values are disclosed:

Financial Assets:

The carrying amounts of trade receivables, Loans and advances to related parties and other financial assets [other than derivatives], cash and cash equivalents are considered to be the approximately equal to the fair values.

Financial Liabilities:

Fair values of loans from banks, other financial liabilities and trade payables are considered to be approximately equal to the carrying values.

D Valuation process and technique used to determine fair value:

Specific valuation techniques used to value financial instruments include:

- a The use of quoted market prices for similar instruments.
- b Fair value of Forward Contract value related to investment in a Joint Venture has been determined considering the estimated exercise price and value of the underlying entity. The valuation has been derived using the Present Value Technique under Income Approach. The valuation includes significant unobservable inputs like Weighted Average Cost of Capital [WACC], revenue forecast, etc.

Significant unobservable inputs:

Budgeted Sales growth rate : 9% - 24% per annum

Weighted Average Cost of Capital : 15.5% per annum

For recurring fair value measurements using significant unobservable inputs [Level 3], the effect of the measurement on profit or loss or other comprehensive income for the period is provided below:

Notes to Consolidated Financial Statements

Note: 49-Financial Instruments - Continued:

Sensitivity analysis for valuation of Forward Contract value related to investment in a Joint Venture:

a Sensitivity in the value for 50 basis points change in Weighted Average Cost of Capital [WACC]-

INR Millions

| | As at March 31, 2017 | | As at March 31, 2016 | | As at April 1, 2015 | |
|---------------------------------|----------------------|--------|----------------------|--------|---------------------|--------|
| | -0.50% | +0.50% | -0.50% | +0.50% | -0.50% | +0.50% |
| Impact on value of the contract | 39 | (39) | 50 | (50) | 55 | (55) |

b Sensitivity in the value for 200 bps change in Revenue -

INR Millions

| | As at March 31, 2017 | | As at March 31, 2016 | | As at April 1, 2015 | |
|---------------------------------|----------------------|--------|----------------------|--------|---------------------|--------|
| | -2.00% | +2.00% | -2.00% | +2.00% | -2.00% | +2.00% |
| Impact on value of the contract | (63) | 63 | (58) | 58 | (50) | 50 |

Note: 50 - Financial Risk Management:

A Financial instruments by category:

INR Millions

| | As at March 31, 2017 | | | Total |
|--|----------------------|------------|----------------|---------------|
| | FVTPL | FVOCI | Amortised Cost | |
| Financial assets: | | | | |
| Investments: | | | | |
| Equity instruments | | 634 | | 634 |
| Preference shares | | | 9 | 9 |
| Mutual funds | 491 | | | 491 |
| Non Current Other Financial Assets | | | 541 | 541 |
| [other than Forward Contract value related to investment in a JV] | | | | |
| Forward Contract value related to investment in a Joint Venture | 2,090 | | | 2,090 |
| Trade receivables | | | 22,775 | 22,775 |
| Cash and Cash Equivalents | | | 15,435 | 15,435 |
| Other Current Financial Assets | | | 123 | 123 |
| Total | 2,581 | 634 | 38,883 | 42,098 |
| Financial liabilities: | | | | |
| Borrowings [including current maturities and interest accrued but not due] | | | 52,089 | 52,089 |
| Non Current Other Financial Liabilities | | | 628 | 628 |
| Trade payables | | | 16,736 | 16,736 |
| Book Overdraft | | | 344 | 344 |
| Other Current Financial Liabilities | | | 6,365 | 6,365 |
| Total | - | - | 76,162 | 76,162 |

Notes to Consolidated Financial Statements

Note: 50 - Financial Risk Management - Continued:

INR Millions

| | As at March 31, 2016 | | | Total |
|--|----------------------|------------|----------------|---------------|
| | FVTPL | FVOCI | Amortised Cost | |
| Financial assets: | | | | |
| Investments: | | | | |
| Equity instruments | | 487 | | 487 |
| Preference shares | | | 9 | 9 |
| Mutual funds | 1,983 | | | 1,983 |
| Government Securities | | | 8 | 8 |
| Non Current Other Financial Assets | | | 391 | 391 |
| [other than Forward Contract value related to investment in a JV] | | | | |
| Forward Contract value related to investment in a Joint Venture | 1,523 | | | 1,523 |
| Trade receivables | | | 17,466 | 17,466 |
| Cash and Cash Equivalents | | | 6,387 | 6,387 |
| Other Current Financial Assets | | | 138 | 138 |
| Total | 3,506 | 487 | 24,399 | 28,392 |
| Financial liabilities: | | | | |
| Borrowings [including current maturities and interest accrued but not due] | | | 24,425 | 24,425 |
| Non Current Other Financial Liabilities | | | 366 | 366 |
| Trade payables | | | 13,081 | 13,081 |
| Book Overdraft | | | 252 | 252 |
| Other Current Financial Liabilities | | | 3,989 | 3,989 |
| Total | - | - | 42,113 | 42,113 |

INR Millions

| | As at April 1, 2015 | | | Total |
|---|---------------------|------------|----------------|---------------|
| | FVTPL | FVOCI | Amortised Cost | |
| Financial assets: | | | | |
| Investments: | | | | |
| Equity instruments | | 713 | | 713 |
| Preference shares | | | 9 | 9 |
| Mutual funds | 1,201 | | | 1,201 |
| Government Securities | | | 7 | 7 |
| Non Current Loans | | | 150 | 150 |
| Non Current Other Financial Assets | | | 380 | 380 |
| [other than Forward Contract value related to investment in a JV] | | | | |
| Forward Contract value related to investment in a JV | 1,267 | | | 1,267 |
| Trade receivables | | | 16,303 | 16,303 |
| Cash and Cash Equivalents | | | 6,178 | 6,178 |
| Other Current Financial Assets | | | 115 | 115 |
| Total | 2,468 | 713 | 23,142 | 26,323 |

Notes to Consolidated Financial Statements

Note: 50 - Financial Risk Management - Continued:

INR Millions

| | As at April 1, 2015 | | | Total |
|---|---------------------|-------|----------------|---------------|
| | FVTPL | FVOCI | Amortised Cost | |
| Financial liabilities: | | | | |
| Borrowings [including current maturities and interest accrued but not due] | | | 26,472 | 26,472 |
| Non Current Other Financial Liabilities | | | 303 | 303 |
| Trade Payable | | | 10,329 | 10,329 |
| Book Overdraft | | | 81 | 81 |
| Other Current Financial Liabilities | | | 3,220 | 3,220 |
| Total | - | - | 40,405 | 40,405 |

B Risk Management:

The Group's activities expose it to market risk, liquidity risk and credit risk. This note explains the sources of risk which the entity is exposed to and how the entity manages the risk and the related impact in the financial statements. The Group's risk management is done in close co-ordination with the board of directors and focuses on actively securing the Group's short, medium and long-term cash flows by minimizing the exposure to volatile financial markets. Long-term financial investments are managed to generate lasting returns. The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below:

a Credit risk:

Credit risk arises from the possibility that counter party may not be able to settle their obligations as agreed. The Group is exposed to credit risk from investment in preference shares measured at amortised cost, loans and advances to related parties, trade receivables, bank deposits and other financial assets. The Group periodically assesses the financial reliability of the counter party taking into account the financial condition, current economic trends, analysis of historical bad debts and ageing of accounts receivable. Individual customer limits are set accordingly.

- i. Investments at Amortised Cost : They are strategic investments in the normal course of business of the Group. The Group closely monitors the performance of these Companies.
- ii. Bank deposits : The Group maintains its Cash and cash equivalents and Bank deposits with reputed and highly rated banks. Hence, there is no significant credit risk on such deposits.
- iii. Loans to related parties : They are given for business purposes. The Group reassesses the recoverability of loans periodically. Interest recoveries from these loans are regular and there is no event of defaults.
- iv. The counter party to the forward contract value related to the Investment in a Joint Venture is the associate entity of co-venturer of one of Joint Venture. The contract is governed by a shareholder's agreement which has the needful representations by the counter party. The Group is exposed to insignificant credit risk in relation to the same.
- v. Trade Receivable: The Group trades with recognized and credit worthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis with the result that the Group's exposure to bad debts is not significant.
- vi. There are no significant credit risks with related parties of the Group. The Group is exposed to credit risk in the event of non-payment by customers. Credit risk concentration with respect to trade receivables is mitigated by the Group's large customer base. Adequate expected credit losses are recognized as per the assessments.

Notes to Consolidated Financial Statements

Note: 50-Financial Risk Management-Continued:

The history of trade receivables shows an allowance for bad and doubtful debts of INR 81 Millions as at March 31, 2017 [INR 51 Millions as at March 31, 2016]. The Group has made allowance of INR 59 Millions [Previous Year- INR 22 Millions], against trade receivables of INR 22,775 Millions [Previous year - INR 17,466 Millions].

b Liquidity risk:

- a Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. Due to the nature of the business, the Group maintains flexibility in funding by maintaining availability under committed facilities.
- b Management monitors rolling forecasts of the Group's liquidity position and cash and cash equivalents on the basis of expected cash flows. The Group takes into account the liquidity of the market in which the entity operates. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

Maturities of financial liabilities:

The tables below analyse the group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| INR Millions | | | | | |
|--|----------------------|--------------|--------------|---------------|---------------|
| | As at March 31, 2017 | | | | Total |
| | < 1 year | 1-2 year | 2-3 year | > 3 years | |
| Non-derivative Financial Liabilities: | | | | | |
| Borrowings [including current maturities and interest] | 27,919 | 3,426 | 7,489 | 15,214 | 54,048 |
| Other non current financial liabilities | | 138 | 49 | 441 | 628 |
| Trade payable | 16,736 | | | | 16,736 |
| Accrued Expenses | 6,327 | | | | 6,327 |
| Unpaid dividend | 38 | | | | 38 |
| Other Current Financial Liabilities | 344 | | | | 344 |
| Total | 51,364 | 3,564 | 7,538 | 15,655 | 78,121 |

| INR Millions | | | | | |
|--|----------------------|--------------|--------------|--------------|---------------|
| | As at March 31, 2016 | | | | Total |
| | < 1 year | 1-2 year | 2-3 year | > 3 years | |
| Non-derivative Financial Liabilities: | | | | | |
| Borrowings [including current maturities and interest] | 15,663 | 2,894 | 4,217 | 2,116 | 24,890 |
| Other non current financial liabilities | | 25 | | 341 | 366 |
| Trade payable | 13,081 | | | | 13,081 |
| Accrued Expenses | 3,955 | | | | 3,955 |
| Unpaid dividend | 34 | | | | 34 |
| Other Current Financial Liabilities | 252 | | | | 252 |
| Total | 32,985 | 2,919 | 4,217 | 2,457 | 42,578 |

Notes to Consolidated Financial Statements

Note: 50-Financial Risk Management - Continued:

INR Millions

| | As at April 1, 2015 | | | | Total |
|--|---------------------|--------------|--------------|--------------|---------------|
| | < 1 year | 1-2 year | 2-3 year | > 3 years | |
| Non-derivative Financial Liabilities: | | | | | |
| Borrowings [including current maturities and interest] | 15,071 | 3,361 | 2,911 | 5,878 | 27,221 |
| Other non current financial liabilities | | | | 303 | 303 |
| Trade payable | 10,329 | | | | 10,329 |
| Accrued Expenses | 3,195 | | | | 3,195 |
| Unpaid dividend | 25 | | | | 25 |
| Other Current Financial Liabilities | 81 | | | | 81 |
| Total | 28,701 | 3,361 | 2,911 | 6,181 | 41,154 |

c Foreign currency risk:

The Group is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the US Dollar and Euro. Foreign exchange risk arises from recognised assets and liabilities denominated in a currency that is not the Group's functional currency. The Group's operations in foreign currency creates natural foreign currency hedge. This results in insignificant net open foreign currency exposures considering the volumes and operations of the Group.

Sensitivity:

The sensitivity of profit or loss and equity to changes in the exchange rates arises mainly from foreign currency denominated financial instruments:

| | March 31, 2017 | | | March 31, 2016 | | |
|--------|------------------|----------------|-------------------------|------------------|----------------|-------------------------|
| | Movement in Rate | Impact on PAT* | Impact on Other Equity* | Movement in Rate | Impact on PAT* | Impact on Other Equity* |
| | | INR Millions | INR Millions | | INR Millions | INR Millions |
| USD | 4.00% | (522) | 10 | +5.00% | (10) | 10 |
| USD | -4.00% | 522 | (10) | -5.00% | 10 | (10) |
| EUR | 8.00% | 29 | | 12.00% | 70 | |
| EUR | -8.00% | (29) | | -12.00% | (70) | |
| Others | 5.00% | 9 | | 5.00% | 5 | |
| Others | -5.00% | (9) | | -5.00% | (5) | |

* Holding all other variables constant

Sensitivity impact on profit after tax includes exposures for which the Group has the policy of capitalising exchange differences to reserves - FCMITDA or eligible items of Property, Plant and Equipment [refer Note 2 for detailed policy]. The outstanding amount of such foreign currency loans are INR 6,352 [as at March 31, 2016 INR 8,364] Millions.

Notes to Consolidated Financial Statements

Note: 50-Financial Risk Management - Continued:

d Interest rate risk:

Liabilities:

The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing. As at March 31, 2017, the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. The Group's investments in Fixed Deposits are at fixed interest rates.

Sensitivity*:

Below is the sensitivity of profit or loss and equity to changes in interest rates:

| | Movement in Rate | As at March 31, 2017 | As at March 31, 2016 |
|----------------|------------------|-------------------------|-------------------------|
| | | INR Millions | INR Millions |
| Interest rates | +0.50% | (170) | (80) |
| Interest rates | -0.50% | 170 | 80 |

* Holding all other variables constant

e Price risk:

Exposure:

The group's exposure to price risk arises from investments in equity and mutual fund held by the group and classified in the balance sheet as fair value through OCI and at fair value through profit or loss respectively. To manage its price risk arising from investments in equity securities and mutual fund, the group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the group.

Sensitivity*:

The table below summarises the impact of increases/ decreases of the index on the group's equity and profit for the period.

| | Movement in Rate | As at 31st March, 2017 | | As at 31st March, 2016 | |
|-------------------------------------|---------------------|------------------------|---------------------------|------------------------|---------------------------|
| | | Impact on PAT | Impact on Other Equity | Impact on PAT | Impact on Other Equity |
| | | INR Millions | INR Millions | INR Millions | INR Millions |
| Equity Instruments [Quoted]: | | | | | |
| Increase | +10.00% | | 63 | | 48 |
| Decrease | -10.00% | | (63) | | (48) |
| Mutual Funds [Quoted]: | | | | | |
| Increase | +2.00% | 10 | | 40 | |
| Decrease | -2.00% | (10) | | (40) | |

* Holding all other variables constant

Notes to Consolidated Financial Statements

Note: 50-Financial Risk Management-Continued:

C Hedge:

Disclosure of effects of hedge accounting on financial position:

Hedged item - Changes in fair value of trade receivables attributable to changes in foreign exchange rates

Hedging instrument - Changes in fair value of certain foreign currency borrowings attributable to foreign exchange rates

As at March 31, 2017

| Type of hedged risk | Carrying amount of hedging instrument (USD Millions) | | Carrying amount of hedging instrument (INR Millions) | | Maturity Date | Hedge Ratio | Balance sheet classification | Changes in fair value relating to hedged risk |
|---|--|-------------|--|-------------|-------------------------|-------------|------------------------------|---|
| | Assets | Liabilities | Assets | Liabilities | | | | |
| Fair Value Hedge: | | | | | | | | |
| Hedging instrument: Certain Foreign currency borrowings | | 88 | | 5,709 | Range - Within 6 months | 1.1 | Borrowings | 228 |
| Hedged item: Certain foreign currency receivables | 88 | | 5,709 | | Range - Within 6 months | | Trade receivables | 228 |

As at March 31, 2016

| Type of hedged risk | Carrying amount of hedging instrument (USD Millions) | | Carrying amount of hedging instrument (INR Millions) | | Maturity Date | Hedge Ratio | Balance sheet classification | Changes in fair value relating to hedged risk |
|---|--|-------------|--|-------------|-------------------------|-------------|------------------------------|---|
| | Assets | Liabilities | Assets | Liabilities | | | | |
| Fair Value Hedge: | | | | | | | | |
| Hedging instrument: Certain Foreign currency borrowings | | 75 | | 4,971 | Range - Within 6 months | 1.1 | Borrowings | 37 |
| Hedged item: Certain foreign currency receivables | 75 | | 4,971 | | Range - Within 6 months | | Trade receivables | 37 |

As at April 1, 2015

| Type of hedged risk | Carrying amount of hedging instrument (USD Millions) | | Carrying amount of hedging instrument (INR Millions) | | Maturity Date | Hedge Ratio | Balance sheet classification |
|--|--|-------------|--|-------------|---------------|-------------------------|------------------------------|
| | Assets | Liabilities | Assets | Liabilities | | | |
| Fair Value Hedge: | | | | | | | |
| Hedging instrument : Certain Foreign currency borrowings | | | 75 | | 4,690 | Range - Within 6 months | Borrowings |
| Hedged item: Certain foreign currency receivables | 75 | | | | 4,690 | Range - Within 6 months | Trade receivables |

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item, and so a qualitative assessment of effectiveness is performed. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the dollar offset method to assess effectiveness. There was no hedge ineffectiveness in any of the periods presented above.

Notes to Consolidated Financial Statements

Note: 51-Capital Management:

The Group's capital management objectives are:

- a to ensure the Group's ability to continue as a going concern
- b to provide an adequate return to shareholders
- c maintain an optimal capital structure to reduce the cost of capital.

Management assesses the Group's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the subordination levels of the Group's various classes of debt. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

| | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|--|-------------------------|-------------------------|------------------------|
| Net debts | 36,146 | 16,050 | 19,056 |
| Total equity | 71,161 | 58,350 | 46,975 |
| Net debt to equity ratio [No. of times] | 0.51 | 0.28 | 0.41 |

Loan covenants:

Under the terms of the major borrowing facilities, the group is required to comply with the following financial covenant:

- Total Debt to Net Worth must be less than 2:1

This is in line with the Group's covenants as agreed with external Lenders.

Note: 52- First Time Adoption of Ind AS:

The accounting policies set out in the note here have been applied in preparing the financial statements for the year ended March 31, 2017, the comparative information presented in these financial statements for the year ended March 31, 2016 and in the preparation of an opening Ind AS balance sheet at April 1, 2015 [the Group's date of transition].

In preparing its opening Ind AS balance sheet, the Group has adjusted the amounts reported previously in financial statements prepared in accordance with the accounting standards notified under Companies [Accounting Standards] Rules, 2006 [as amended] and other relevant provisions of the Act [Indian GAAP]. An explanation of how the transition from previous GAAP to Ind AS has affected the Group's financial position, financial performance and cash flows is set out in the following notes.

Exemptions and exceptions availed:

Set out below are the applicable Ind AS 101 optional exemptions and mandatory exceptions applied in the transition from previous GAAP to Ind AS.

A Deemed cost:

Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its Property, Plant and Equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition after making necessary adjustments for consequential impacts of applying standards other than that of Property, Plant and Equipment. This exemption can also be used for intangible assets covered by Ind AS 38 Intangible Assets. Accordingly, the Group has elected to measure all of its Property, Plant and Equipment and intangible assets at their previous GAAP carrying values.

B Leases:

Appendix C to Ind AS 17 requires an entity to assess whether a contract or arrangement contains a lease. In accordance with Ind AS 17, this assessment should be carried out at the inception of the contract or arrangement. Ind AS 101 provides an option to make this assessment on the basis of facts and circumstances existing at the date of transition to Ind AS, except where the effect is expected to be not material. The Group has elected to apply this exemption for such contracts/arrangements.

Notes to Consolidated Financial Statements

Note: 52- First Time Adoption of Ind AS: - Continued:

C Designation of previously recognised financial instruments:

Ind AS 101 allows an entity to designate investments in equity instruments at FVOCI on the basis of the facts and circumstances at the date of transition to Ind AS. The Group has elected to apply this exemption for its investment in equity investments [other than investment in subsidiary].

D Estimates:

An entity's estimates in accordance with Ind ASs at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with previous GAAP [after adjustments to reflect any difference in accounting policies], unless there is objective evidence that those estimates were in error. Ind AS estimates as at April 1, 2015 are consistent with the estimates as at the same date made in conformity with previous GAAP.

E Classification of financial assets:

As per the requirements of Ind AS 101 the Group has assessed classification of financial assets on the basis of the facts and circumstances that existed at the date of transition to Ind AS.

F De-recognition of financial assets and liabilities:

Ind AS 101 requires a first-time adopter to apply the de-recognition provisions of Ind AS 109 prospectively for transactions occurring on or after the date of transition to Ind AS. However, Ind AS 101 allows a first time adopter to apply the de-recognition requirements in Ind AS 109 retrospectively from a date of entity's choosing; provided that the information needed to apply Ind AS 109 to financial assets or financial liabilities derecognised as a result of past transactions was obtained at the time of initially accounting for those transactions. The Group has elected to apply the de-recognition provision of Ind AS 109 prospectively from the date of transition to Ind AS.

G Government Loans:

As per Ind AS 101, if a first-time adopter did not, under its previous GAAP, recognise and measure a government loan at a below-market rate of interest on a basis consistent with Ind AS requirements, it shall use its previous GAAP carrying amount of the loan at the date of transition to Ind AS as the carrying amount of the loan in the opening Ind AS Balance Sheet. An entity shall apply Ind AS 109 to the measurement of such loans after the date of transition to Ind AS. The Group has applied this exception to the loans from the government authorities existing as at April 1, 2015.

H Long term foreign currency Monetary items:

A first-time adopter may continue the policy adopted for accounting for exchange differences arising from translation of long-term foreign currency monetary items recognised in the financial statements for the period ending immediately before the beginning of the first Ind AS financial reporting period as per the previous GAAP. The Group has opted for the above exemption for the long-term foreign currency monetary items recognised upto April 1, 2016.

I Business combinations:

Ind AS 101 provides an option to apply Ind AS 103 prospectively from the transition date or from a specified date from a transition date. This provides relief from full retrospective application that would require restatement of all business combinations prior to transition date. The Group has elected to apply Ind AS 103 prospectively to the business combinations occurring after its transition date. Business combinations occurred prior to date of transition have not been restated. The Group applies the requirements of Ind AS 103 to business combinations occurring after the date of transition to Ind AS.

J Cumulative Translation Differences:

Ind AS 101 permits cumulative translation gains or losses to be reset to zero at the transition date. This provides relief from determining cumulative translation differences in accordance with Ind AS 21 from the date a subsidiary or equity method investee was formed or acquired. The Group has elected to reset all cumulative translation gains or losses to zero by transferring it to opening retained earnings at its transition date.

Notes to Consolidated Financial Statements

Note: 53 - Reconciliation with previous GAAP:

INR Millions

| | Note No. | As at March 31, 2017 | As at March 31, 2016 |
|--|----------|-------------------------|-------------------------|
| A Reconciliation of equity: | | | |
| Equity as per previous GAAP | | 54,873 | 44,205 |
| Add [Less]: Adjustments: | | | |
| a. Fair valuation of Forward Contract value related to investment in a Joint Venture | 1 | (9) | (64) |
| b. Fair valuation of investments in Mutual Funds | 2 | 15 | 1 |
| c. Reversal of capitalised foreign exchange differences on account of change in classification of certain financial assets | 3 | (36) | |
| d. Preference shares issued by JV to the Parent of the Group | 4 | (109) | (109) |
| e. Fair valuation of investment in equity instruments through OCI | 5 | 165 | 390 |
| f. Proposed dividend [including Corporate Dividend Tax] | 6 | | 3,035 |
| g. Other adjustments | | (20) | (197) |
| h. Deferred Tax adjustments | 8 | 3,471 | (286) |
| Total | | 3,477 | 2,770 |
| Equity as per Ind AS | | 58,350 | 46,975 |
| B Reconciliation of Total Comprehensive Income for the year ended March 31, 2016: | | | |
| Profit after Tax as per previous GAAP | | 15,526 | |
| Add [Less]: Adjustments | | | |
| a. Fair valuation of Forward Contract value related to investment in a Joint Venture | 1 | 55 | |
| b. Fair valuation of investments in Mutual Funds | 2 | 14 | |
| c. Reversal of capitalised foreign exchange differences on account of change in classification of certain financial assets | 3 | (36) | |
| d. Actuarial loss on employee defined benefit plan recognised in OCI | 7 | 228 | |
| e. Other adjustments | | 145 | |
| f. Deferred Tax adjustments | 8 | 3,711 | |
| g. Net Profit after tax as per Ind AS | | 19,643 | |
| h. Other Comprehensive Income (Net of Tax) | | (522) | |
| Total Comprehensive Income for the year as per Ind AS | | 19,121 | |

1 Fair valuation of Forward Contract value related to investment in a Joint Venture

Fair value of forward contract value related to investment in a Joint Venture is recognised under Ind AS and was not required to be recognised under previous GAAP.

The impact on this has resulted in reduction of Equity by INR 64 Millions as at the date of transition to Ind AS and gain of INR 55 Millions in the Statement of Profit and Loss for the year ended March 31, 2016.

2 Fair valuation of investments in Mutual Funds

Under previous GAAP, investment in mutual funds, being current investments, were accounted at the lower of cost or fair value.

Under Ind AS, mutual funds are not equity instruments and the cash flows do not represent solely payments for principal and interest and hence are to be accounted at fair value through Profit and Loss.

The impact on this account has resulted in increase in Equity by INR 1 Million as at the date of transition to Ind AS and INR 14 Millions in the Statement of Profit and Loss for the year ended March 31, 2016.

3 Reversal of capitalised foreign exchange differences on account of change in classification of certain financial assets

Under previous GAAP, foreign exchange gains/ losses on certain long term foreign currency monetary items were capitalised as foreign currency monetary items translation difference account (FCMITDA) in the Balance Sheet to be amortised over the period of respective financial item as permitted by AS 11 and the effects of changes in foreign exchange rates of such items were routed through FCMITDA amortisation.

Notes to Consolidated Financial Statements

Note: 53 - Reconciliation with previous GAAP - Continued:

Under Ind AS, financial instruments are required to be classified into debt and equity as per the terms and conditions of the instrument. Certain financial instruments have been classified as equity investments under Ind AS and accordingly recognised at the historical exchange rates.

Consequently, the foreign exchange gains amortised in Statement of Profit and Loss under previous GAAP on these items of INR 36 millions for the year ended March 31, 2016 have been reversed.

4 Preference shares issued by JV to the Parent of the Group

Under previous GAAP, the holder recognised investment in preference shares at the transaction price reduced by repayments made. Further, the issuer recognised the preference shares as part of equity.

Under Ind AS, investments in preference shares are financial assets as per Ind AS 109. Such financial assets are not equity instruments and the cash flows represent solely payments for principal and interest, as such they are initially recognised at fair value and subsequently at amortised cost. The difference between the fair value and the transaction price is accounted for basis the underlying reason for deviation from fair value. In the case of investment in preference shares of joint venture, the difference is accounted for as an additional investment in the joint venture. The issuer classifies the instrument between equity and liability based on the economic substance rather than legal form. Any amounts which the issuer is contractually obligated to pay in cash is recognised as a liability.

The net impact of such transaction in the consolidated equity of the Group is INR 109 millions.

5 Fair valuation of investments in equity instruments through OCI

Under previous GAAP, long term investments in equity shares were carried at cost less provision for diminution (other than temporary), wherever applicable.

Under Ind AS, investments in equity instruments (other than subsidiaries and joint ventures) are required to be recognised and measured at fair value through Profit and Loss or can be irrevocably designated as fair value through other comprehensive income. The Group has designated investment in certain equity instruments at fair value through other comprehensive income.

Consequently, the impact of INR 390 millions has been recognised in retained earnings at the transition date and INR 226 millions were recognised in OCI for the year ended March 31, 2016.

6 Proposed dividend [including Corporate Dividend Tax]

Under previous GAAP, dividend on equity shares recommended by the Board of Directors after end of the reporting period but before the date of approval of financial statements was considered as an adjusting event and consequently, provision for proposed dividend was recognised as a liability in the financial statements in the reporting period relating to which dividend was proposed.

Under Ind AS, such dividend is recognised in the reporting period in which the same is approved by the members in a general meeting.

Consequently, the impact of INR 3,035 millions has been recognised in retained earnings at the transition date.

7 Actuarial loss on employee defined benefit plan recognised in OCI

Under previous GAAP, remeasurement of defined benefit plans (gratuity), arising primarily due to change in actuarial assumptions was recognised as employee benefits expense in the Statement of Profit and Loss. Under Ind AS, such remeasurement (excluding the net interest expenses on the net defined benefit liability) of defined benefit plans is recognised in OCI. Consequently, the related tax effect of the same is also recognised in OCI.

For the year ended March 31, 2016, remeasurement of gratuity liability resulted in actuarial loss of INR 226 millions which has now been reduced from employee benefits expense in the Statement of Profit and Loss and recognised separately in OCI.

The above changes do not affect Equity as at date of transition to Ind AS and as at March 31, 2016.

Notes to Consolidated Financial Statements

Note: 53 - Reconciliation with previous GAAP - Continued:

8. Deferred Tax adjustments

Under previous GAAP, deferred tax expense in consolidated financial statements was computed by performing line by line addition of tax expenses of the Parent and subsidiaries. No adjustment to tax expense was made on consolidation. Deferred tax was accounted as per the income statement approach which required creation of deferred tax asset/ liability on temporary differences between taxable profit and book profit.

Under Ind AS, deferred tax is accounted as per the Balance Sheet approach which requires creation of deferred tax asset/ liability on temporary differences between the carrying amount of an asset/ liability in the Balance Sheet and its corresponding tax base. The adjustment in equity and net profit, as discussed above, resulted in additional temporary differences on which deferred taxes are calculated. Further, under Ind AS, deferred tax impacts due to consolidation are also considered, including deferred tax on account of unrealised profits relating to transactions within the Group is required to be recognised.

The impact of these has resulted in recognition of deferred tax liability of INR 286 Millions as at the date of transition to Ind AS and deferred tax assets of INR 3,711 Millions in the Statement of Profit and Loss for the year ended March 31, 2016.

Others:

Sale of goods:

- Under the previous GAAP, revenue from sale of products was presented exclusive of excise duty. Under Ind AS, revenue from sale of goods is presented inclusive of excise duty. The excise duty paid is presented on the face of the Statement of Profit and Loss as part of expenses.
- Under Ind AS, the Group recognises revenue at the fair value of consideration received or receivable. Any sales incentive, free goods, discounts or rebates in any form given to customers are considered as selling price reductions and are accounted as reduction from revenue. Under previous GAAP, some of these costs were included in 'other expenses'. Consequently, for the year ended March 31, 2016, there is decrease in 'other expenses' of INR 407 millions with a corresponding reduction in 'Sale of Products'.

C Effect of Ind AS adoption on Statement of cash flows for the year ended March 31, 2016:

| Particulars | INR Millions | | |
|---|---------------|--------------------------------|------------|
| | Previous GAAP | Effect of transition to Ind AS | Ind AS |
| Cash flows from operating activities | 19,899 | (964) | 18,935 |
| Cash flows from investing activities | (9,039) | 404 | (8,635) |
| Cash flows from financing activities | (9,527) | 179 | (9,348) |
| Changes in cash flows | 1,333 | (381) | 952 |
| Opening Cash and cash equivalents | 7,904 | (525) | 7,379 |
| Effect of exchange rates on Cash and cash equivalents | 39 | - | 39 |
| Closing Cash and cash equivalents | 9,276 | (906) | 8,370 |

Notes to Consolidated Financial Statements

Note: 53 - Reconciliation with previous GAAP - Continued:

1. The Group has 50% interest in Zydus Takeda Healthcare Private Limited, Zydus Hospira Oncology Private Limited and Bayer Zydus Pharma Private Limited [collectively referred as 'Joint Ventures']. As per Previous GAAP, the investment in joint ventures were to be recorded as per proportionate consolidation method.

Under Ind AS, such interest in Joint Ventures needs to be accounted for using the equity method as against the proportionate consolidation. Consequently, cash and cash equivalents were reduced by INR 528 millions as at the date of transition and by INR 938 millions as at March 31, 2016.

2. Under previous GAAP, cash and cash equivalents represented by short term highly liquid mutual funds were recognised at cost. Under Ind AS, such cash and cash equivalents, being financial instruments, are required to be recognised at fair value. Consequently, cash and cash equivalents were increased by INR 1 million as at the date of transition and by INR 15 millions as at March 31, 2016.

Note: 54-Demerger of Indian Human Formulation Undertaking ['IHFU']:

Pursuant to the Scheme of Arrangement u/s 230 to 232 of the Companies Act, 2013 between the Parent Company, Zydus Healthcare Ltd., a 100% subsidiary of the Parent ['ZHL'] and their respective shareholders and creditors ['Scheme-2'] as sanctioned by the Hon'able National Company Law Tribunal, Ahmedabad Bench ['NCLT'] vide its order dated May 18, 2017 and effective date being May 19, 2017, the India Human Formulations Undertaking ['IHFU'] of the Parent Company comprising all the businesses, undertakings, activities, properties and liabilities as specified in the Scheme-2 pertaining to the India Human Formulations Business of the Parent Company was transferred to and vested in ZHL on a going concern basis by way of a Slump Sale with effect from the appointed date being April 1, 2016.

Note: 55-Merger of Zydus Healthcare Limited and Biochem Pharmaceutical Industries Limited:

Pursuant to the Scheme of Amalgamation ['Scheme-1'] between Zydus Healthcare Limited [ZHL] and Biochem Pharmaceutical Industries Limited [Biochem], both 100% subsidiaries of the Parent Company, which was sanctioned by the Hon'able National Company Law Tribunal, Ahmedabad bench ['NCLT'] vide its order dated March 15, 2017 and effective date being March 27, 2017, Biochem has been amalgamated with ZHL with effect from the appointed date being March 31, 2016.

Signatures to Significant Accounting Policies and Notes 1 to 55 to the Financial Statements

As per our report of even date

For and on behalf of the Board

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

Chartered Accountants

Firm Registration Number: 106625W

Mukesh M. Shah

Partner

Membership Number: 030190

Ahmedabad, Dated: May 27, 2017

Nitin D. Parekh

Chief Financial Officer

Upen H. Shah

Company Secretary

Pankaj R. Patel

Chairman & Managing Director

Dr. Sharvil P. Patel

Joint Managing Director

Statement containing the salient features of the financial statements of Subsidiaries/ Associates/ Joint Ventures

[Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of the Companies (Accounts) Rules, 2014]

Part: "A" - Subsidiaries:

| Sr. No. | Name of the Subsidiary | Reporting year ended | Reporting Currency | Exchange Rate | Share Capital | Reserves and Surplus | Total Assets | Total Liabilities | Investments other than investments in subsidiaries | INR - Millions | | | | | % of share-holding |
|---------|--|----------------------|--------------------|---------------|---------------|----------------------|--------------|-------------------|--|--|--------------------------------|-------------------------|-------------------------------|-------------------|--------------------|
| | | | | | | | | | | Turnover & Other income from Operations* | Profit/(Loss) before Taxation* | Provision for Taxation* | Profit/(Loss) after taxation* | Proposed Dividend | |
| 1 | Zydus Wellness Limited | March 31, 2017 | INR | 1.00 | 39070 | 51,81,20 | 6,047.30 | 475.40 | 300.10 | 2,279.00 | 1,087.90 | (5.50) | 1,093.40 | - | 72.08% |
| 2 | Zydus Healthcare Limited (Formerly known as German Remedies Limited) | March 31, 2017 | INR | 1.00 | 18,12,500 | 38,77,50,00 | 64,69,80,00 | 7,80,00,00 | 18,000 | 29,31,40,00 | 1,88,50,00 | 877.00 | 1,00,80,00 | - | 100.00% |
| 3 | Alliada Pharmaceuticals Limited | March 31, 2017 | INR | 1.00 | 953.30 | 12.16 | 1,47,3.23 | 507.77 | 190.54 | 1,12,6.26 | 137.73 | 28.90 | 108.82 | - | 100.00% |
| 4 | Liva Pharmaceuticals Limited | March 31, 2017 | INR | 1.00 | 20.00 | (5.19) | 2,72,4.91 | 2,710.10 | - | 18.60 | (47.25) | (43.36) | (3.89) | - | 100.00% |
| 5 | Zydus Technologies Limited (#) | March 31, 2017 | INR | 1.00 | 5900.00 | (21.21) | 6,99,8.00 | 6,42,9.21 | - | - | (2.53) | 0.13 | (2.66) | - | 85.00% |
| 6 | Dialforhealth India Limited | March 31, 2017 | INR | 1.00 | 2500.00 | (12,93.4) | 213.17 | 92.51 | - | 24.14 | 7.74 | - | 7.74 | - | 100.00% |
| 7 | Dialforhealth Unity Limited | March 31, 2017 | INR | 1.00 | 0.91 | (3.32) | 0.02 | 2.43 | - | - | (0.04) | - | (0.04) | - | 100.00% |
| 8 | Dialforhealth Greencross Limited | March 31, 2017 | INR | 1.00 | 2.50 | (1.97) | 0.58 | 0.04 | - | - | (0.02) | - | (0.02) | - | 55.00% |
| 9 | Zydus Lanka (Private) Limited (#) | March 31, 2017 | LKR | 0.45 | 0.90 | (0.80) | 0.14 | 0.04 | - | - | (0.27) | - | (0.27) | - | 100.00% |
| 10 | Zydus Healthcare Philippines Inc. | December 31, 2016 | PHP | 1.39 | 360.68 | (48.92) | 352.69 | 40.93 | - | 395.67 | 1.29 | 2.31 | (1.02) | - | 100.00% |
| 11 | Zydus International Private Limited | December 31, 2016 | Euro | 71.48 | 13,191.85 | (1,84,46.1) | 12,710.36 | 1,363.12 | - | 98.70 | 83.91 | 3.64 | 80.27 | - | 100.00% |
| 12 | Zydus Netherlands BV. | December 31, 2016 | Euro | 71.48 | 6,057.86 | (601.00) | 5,607.39 | 1,505.4 | - | - | (2.90) | - | (2.90) | - | 100.00% |
| 13 | Zydus France, SAS | December 31, 2016 | Euro | 71.48 | 555.90 | (27.25) | 1,212.71 | 694.07 | - | 2,111.13 | 27.36 | 0.52 | 27.36 | - | 100.00% |
| 14 | Laboratorios Comib S.L. | December 31, 2016 | Euro | 71.48 | 534.74 | (28,44.9) | 495.93 | 245.68 | - | 701.51 | (57.86) | - | (58.38) | - | 100.00% |
| 15 | Etna Biotech S.R.L. | December 31, 2016 | Euro | 71.48 | 6.43 | 18.30 | 53.04 | 28.31 | - | 41.02 | 3.34 | - | 3.34 | - | 100.00% |
| 16 | ZAHV BV. | March 31, 2017 | Euro | 69.12 | 1.24 | 36.70 | 58.82 | 20.88 | - | - | (366.25) | - | (366.25) | - | 100.00% |
| 17 | ZAHL Europe BV | March 31, 2017 | Euro | 69.12 | 1.24 | 51.08 | 59.24 | 6.91 | - | - | (300.30) | - | (300.30) | - | 100.00% |
| 18 | Brenner Pharma GmbH | March 31, 2017 | Euro | 69.12 | 33.18 | 135.82 | 290.93 | 121.93 | - | 541.11 | (21.47) | - | (21.47) | - | 100.00% |
| 19 | Zydus Pharmaceuticals (USA) Inc. | December 31, 2016 | USD | 67.95 | 156.29 | 6,885.24 | 26,802.00 | 19,760.47 | - | 34,973.57 | 1,978.34 | (12.77) | 1,991.10 | - | 100.00% |
| 20 | Nesher Pharmaceuticals (USA) LLC | December 31, 2016 | USD | 67.95 | 0.68 | (4,999.97) | 4,094.87 | 9,094.16 | - | 2,431.43 | (1,429.33) | - | (1,429.33) | - | 100.00% |
| 21 | Zydus Healthcare (USA) LLC | December 31, 2016 | USD | 67.95 | 13.59 | 13.12 | 197.94 | 171.23 | - | 17.81 | 0.54 | 0.20 | 0.34 | - | 100.00% |
| 22 | Zydus Noveltch Inc. | December 31, 2016 | USD | 67.95 | 339.75 | (411.78) | 1,554.29 | 1,626.32 | - | 94.55 | (141.72) | - | (141.72) | - | 85.00% |
| 23 | Hercion Pharmaceuticals LLC | December 31, 2016 | USD | 67.95 | 6.80 | (999.19) | 551.16 | 1,543.55 | - | 233.72 | (200.44) | - | (200.44) | - | 100.00% |
| 24 | Zydus Worldwide DMCC | March 31, 2017 | USD | 64.88 | 1,136.24 | (251.73) | 10,459.05 | 9,574.54 | - | 61,506 | (194.67) | - | (194.67) | - | 100.00% |
| 25 | Zydus Discovery DMCC | March 31, 2017 | USD | 64.88 | 519.95 | (233.26) | 1,181.90 | 895.21 | - | - | (197.35) | - | (197.35) | - | 100.00% |
| 26 | Zydus Healthcare S.A. (Pty) Ltd | December 31, 2016 | ZAR | 4.97 | 698.31 | (88.91) | 1,068.49 | 459.10 | - | 798.98 | 35.78 | 4.11 | 31.68 | - | 100.00% |
| 27 | Simayla Pharmaceuticals (Pty) Ltd | December 31, 2016 | ZAR | 4.97 | 0.00 | (502.30) | 0.03 | 502.33 | - | - | (0.03) | - | (0.03) | - | 100.00% |
| 28 | Script Management Services (Pty) Ltd | December 31, 2016 | ZAR | 4.97 | 0.00 | 3.08 | 3.40 | 0.32 | - | 68.82 | - | 0.01 | (0.01) | - | 100.00% |
| 29 | Zydus Nikkho Farmaceutica Ltda. | December 31, 2016 | BRL | 20.90 | 3,045.57 | (1,250.61) | 2,692.72 | 897.76 | - | 2,198.81 | 78.10 | 1.75 | 76.36 | - | 100.00% |
| 30 | Alliada Healthcare (Myanmar) Limited (#) | December 31, 2016 | MMK | 0.05 | 481.03 | 1.52 | 518.35 | 35.81 | - | 4.41 | 1.52 | - | 1.52 | - | 100.00% |
| 31 | Zydus Pharmaceuticals Mexico SA De CV | December 31, 2016 | MXN | 3.30 | 558.74 | (639.66) | 331.68 | 412.60 | - | 403.00 | (4.02) | (30.90) | 26.87 | - | 100.00% |
| 32 | Zydus Pharmaceuticals Mexico Services Company SA De CV. | December 31, 2016 | MXN | 3.30 | 18.48 | (21.17) | 28.34 | 31.02 | - | 166.28 | 0.18 | 1.70 | (1.52) | - | 100.00% |

For and on behalf of the Board

Nitin D. Parekh

Upen H. Shah

Dr. Sharvil P. Patel

Pankaj R. Patel

Chief Financial Officer

Company Secretary

Joint Managing Director

Chairman & Managing Director

Ahmedabad, Date: May 27, 2017

(*) The Company has incorporated Alliada Healthcare (Myanmar) Limited as a wholly owned subsidiary in Myanmar on June 17, 2016.

* Converted using average exchange rates prevailing during the year.

(#) Subsidiaries are yet to commence commercial operations.

Zydus Pharma Japan Co. Ltd. has been liquidated in December 2016.

Statement pursuant to section 129[3] of the Companies Act, 2013 related to Associate Companies and Joint Ventures

Part: "B" - Joint Ventures:

| Sr. No. | Name of the Joint Venture | Latest Audited Balance Sheet Date | Shares held by the Company | | | Description of how there is significant influence | Reason why the Joint Venture is not consolidated | "Net worth attributable to Shareholding as per latest audited balance sheet [INR-Millions]" | Profit / [Loss] for the year | |
|---------|---|-----------------------------------|----------------------------|--------------------------------|-----------------------|---|--|---|--|--|
| | | | No. of Shares | Amount invested [INR-Millions] | Extent of holding [%] | | | | Considered in consolidation [INR-Millions] | Not considered in consolidation [INR-Millions] |
| 1 | Zydus Hospira Oncology Private Limited | March 31, 2017 | 7,500,000 | 75 | 50.00% | N.A. | N.A. | 2,032 | 286 | - |
| 2 | Zydus Takeda Healthcare Private Limited | March 31, 2016 | 10,000,000 | 100 | 50.00% | N.A. | N.A. | 923 | 169 * | - |
| 3 | Bayer Zydus Pharma Private Limited | March 31, 2017 | 25,000,000 | 250 | 50.00% | N.A. | N.A. | 259 | (117) | - |

* Based on unaudited financial statements for the year ended March 31, 2017.

For and on behalf of the Board

Nitin D. Parekh

Chief Financial Officer

Upen H. Shah

Company Secretary

Dr. Sharvil P. Patel

Joint Managing Director

Pankaj R. Patel

Chairman & Managing Director

Ahmedabad, Dated: May 27, 2017



CADILA HEALTHCARE LIMITED

[CIN L24230GJ1995PLC025878]

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

Email: investor.grievance@zyduscadila.com | Website: www.zyduscadila.com

Phone Numbers: +91 79 268 68 100 [20 lines] | Fax Number: +91 79 268 62 365

NOTICE

Notice is hereby given that the Twenty Second Annual General Meeting of the members of the Company will be held on Friday, the August 11, 2017 at 1.00 p.m. at J. B. Auditorium, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad-380 015, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited financial statements [including consolidated financial statements] of the Company for the year ended on March 31, 2017 and the reports of the Board of Directors and Auditors thereon.
2. To confirm the Interim Dividend of Rs. 3.20 per equity share of Re. 1 each as a final dividend for the Financial Year 2016-2017.
3. To appoint a Director in place of Mr. Mukesh M. Patel [DIN 00053892], who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint Statutory Auditors and fix their remuneration and for the purpose to pass with or without modification[s], the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to the provisions of section 139 of the Companies Act, 2013 read with the Companies [Audit and Auditors] Rules, 2014 and other applicable provisions, if any, including any statutory modification(s) or re-enactment(s) thereof for the time being in force, Deloitte Haskins & Sells LLP, Chartered Accountants, ICAI Firm Registration No. 117366W/W-100018, be and are hereby appointed as the Statutory Auditors of the Company, to hold office from conclusion of Twenty Second Annual General Meeting till conclusion of Twenty Seventh Annual General Meeting, subject to ratification by the members at every Annual General Meeting to be held during the said period.

RESOLVED FURTHER THAT the Board of Directors [the Board] or Audit Committee thereof, be and is hereby authorised to

decide and finalize the terms and conditions of appointment, including the remuneration to the Statutory Auditors."

SPECIAL BUSINESS:

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

"RESOLVED THAT subject to the provisions of sections 2[54], 196, 197 and other applicable provisions of the Companies Act, 2013, [the Act] read with Schedule V of the Act and Rules made thereunder, including any statutory modification(s) or re-enactment(s) thereof for the time being in force and Article 89 of Articles of Association of the Company, consent of the members be and is hereby accorded to the re-appointment of Dr. Sharvil P. Patel [DIN-00131995] as a Joint Managing Director [Designated as a Key Managerial Personnel] of the Company for a period of five years with effect from April 1, 2017 to March 31, 2022 and payment of salary, commission and perquisites (herein after referred to as "remuneration") upon terms and conditions as set out in the draft agreement proposed to be executed between the Company and the appointee, with an authority to the Board of Directors to alter and vary the terms and conditions of the said re-appointment and / or agreement in such a manner as may be agreed to between the Board of Directors and the appointee.

RESOLVED FURTHER THAT the remuneration payable to Dr. Sharvil P. Patel, in each financial year during the currency of his tenure of appointment shall not exceed the overall ceiling of the total managerial remuneration of 5% of the net profits

as provided under the provisions of section 197 and Schedule V of the Companies Act, 2013 or such other limits as may be prescribed from time to time.

RESOLVED FURTHER THAT notwithstanding anything to the contrary herein contained, wherein in any financial year during the currency of his tenure, the Company has no profits or the profits are inadequate, the Joint Managing Director will be paid minimum remuneration within the ceiling limit prescribed under section II of part II of Schedule V of the Companies Act, 2013 or any modification or re-enactment thereof.

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

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

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

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

"RESOLVED THAT pursuant to the provisions of section 148[3] and other applicable provisions, if any, of the Companies Act, 2013, and the Companies [Audit and Auditors] Rules, 2014 [including any statutory modification(s) or re-enactment(s) thereof for the time being in force], the Company hereby ratifies the remuneration of Rs. 1.00 mio plus applicable service tax and out of pocket expenses at actuals for the Financial Year ending on March 31, 2018 to Dalwadi & Associates, Cost Accountants [Registration No. 000338], who were appointed as Cost Auditors to conduct the audit of cost records maintained by the Company pertaining to Drugs and Pharmaceuticals manufactured by the Company for the Financial Year 2017-2018."

7. To consider and if thought fit, to pass with or without

modification(s), the following resolution as a **Special Resolution**:

"RESOLVED THAT in supersession of the earlier special resolution passed by the members at the Twenty First Annual General Meeting held on August 3, 2016, the consent of the members be and is hereby accorded pursuant to the provisions of sections 23, 41, 42, 62 and 71 and other applicable provisions, if any, of the Companies Act, 2013 and Rules made thereunder (including any statutory modification(s) or re-enactments thereof for the time being in force), as amended from time to time, Foreign Exchange Management Act, 1999, as amended from time to time ("FEMA"), and regulations thereunder including the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000, as amended from time to time ("FEMA 20 Regulations"), as amended or restated and the FEMA (Transfer or Issue of any Foreign Security) Regulations, 2004, as amended or restated ("FEMA 120 Regulations"), Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended from time to time ("ICDR Regulations"), Listing Agreement entered into by the Company with the stock exchanges read with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), where equity shares of the Company of the face value Re. 1/- each are listed, all ministries, departments or other authorities of the Government of India ("GOI"), the Reserve Bank of India ("RBI"), the Stock Exchanges and/or any other competent authorities, and in accordance with applicable laws and regulations including the rules, regulations, guidelines, notifications, circulars and clarifications issued by the GOI, RBI, Securities and Exchange Board of India ("SEBI"), the Stock Exchanges and/or any other competent authorities from time to time, enabling provisions of the Memorandum and Articles of Association of the Company, the Issue of Foreign Convertible (through Depository Receipt Mechanism) Scheme, 1993, as amended from time to time and clarifications issued thereon from time to time and subject to other applicable laws, rules, regulations, guidelines, notifications and circulars issued by various competent authorities / bodies, whether in India or abroad and subject to such approvals, consents, permissions and sanctions of the SEBI, GOI, RBI, Department of Industrial Policy & Promotion ("DIPP") and all other appropriate and / or competent authorities or bodies and subject to such conditions and modifications, as may be prescribed by any of them in granting such approvals, consents, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred as "Board" which term shall include any Committee thereof, which the Board may

have constituted to exercise its powers including the powers conferred by this Resolution), the consent of the Company be and is hereby accorded to the Board to offer, create, issue and allot in one or more tranches, to investors whether Indian or Foreign, including Foreign Institutions, Qualified Institutional Buyers ("QIB"), Non-Resident Indians, Corporate Bodies, Mutual Funds, Banks, Insurance Companies, Pensions Funds, trusts, stabilizing agents or otherwise or any combination thereof, whether or not such investors are shareholders, promoters, Directors or associates of the Company, through issue of Equity Shares and / or Global Depository Receipts ("GDRs") and / or American Depository Receipts ("ADRs") and / or Convertible Bonds / Debentures or any equity linked instruments ("Securities") representing either Equity Shares or a combination of any other Securities in one or more tranches and/or in one or more series (with different tenures), whether rupee denominated or denominated in foreign currency, to any eligible person as permissible under applicable law including Qualified Institutional Buyers, foreign/resident investors (whether institutions, incorporated bodies, mutual funds and/or individuals or otherwise), Foreign Institutional Investors, Venture Capital Funds, Foreign Venture Capital Investors, Indian and/or multilateral financial institutions, Foreign Portfolio Investors, Mutual Funds, stabilizing agents and/or other entities, authorities and/or any other categories of investors, whether they be holders of Equity Shares of the Company or not (collectively called the "Investors") whether or not such Investors are members of the Company as may be decided by the Board in their discretion and permitted under applicable laws and regulations, through private placement issue and / or Qualified Institutional Placement ("QIP") and / or any other permitted modes, as the Board may deem appropriate, in terms of the SEBI Regulations or as per other applicable rules and regulations, through one or more placement(s) of Securities for an amount not exceeding Rs. 10,000 Crores (Rupees Ten Thousand Crores only) in Indian Rupees or its equivalent in Indian rupees or one or more foreign currencies, inclusive of such premium as may be fixed on such Securities by offering the Securities in one or more countries through public issue(s) of prospectus, private placement(s), follow on offer or a combination thereof at such time or times, at such price or prices, at a discount or premium to the market price or prices, including discounts as permitted under applicable law in such manner and on such terms and conditions including security, rate of interest, conversion etc., as may be decided by and deemed appropriate by the Board in its absolute discretion including the discretion to determine the categories of Investors to whom the offer, issue and allotment shall be

made to the exclusion of all other categories of Investors at the time of such offer, issue and allotment considering the prevailing market conditions and other relevant factors wherever necessary in consultation with the lead managers, or other advisor(s) for such issue(s), either in foreign currency or equivalent Indian rupees inclusive of such premium as may be determined by the Board, in any convertible foreign currency, as the Board in its absolute discretion may deem fit and appropriate.

RESOLVED FURTHER THAT the Securities issued in foreign markets shall be deemed to have been made abroad and / or in the market and / or at the place of issue of the Securities in the international market and may be governed by the applicable laws.

RESOLVED FURTHER THAT in the event of issue of GDRs / ADRs, the pricing shall be determined in compliance with principles and provisions set out in the Issue of Foreign Currency Convertible Bonds (through Depository Receipt Mechanism) Scheme, 1993 and other applicable provisions, as amended from time to time and other applicable provisions.

RESOLVED FURTHER THAT in the event that convertible securities which are convertible into Equity Shares of the Company (whether, immediately or after a designated date and in any event within 60 (sixty) months from the date of allotment in accordance with the ICDR Regulations) are issued along with Non-Convertible Debentures to Qualified Institutional Buyers under Chapter VIII of the ICDR Regulations, the relevant date for the purpose of pricing of such securities/warrants, shall be either:

- (a) the date of the meeting in which the Board or the Committee of Directors duly authorised by the Board decides to open the issue of such convertible securities simultaneously with Non-Convertible Debentures; or
- (b) the date on which the holders of such convertible securities become entitled to apply for the Equity Shares, as the Board may decide and specify in the placement document/s, and such price as determined in accordance with Regulation 85 of the ICDR Regulations shall not be less than the price determined as per the pricing formula provided therein.

RESOLVED FURTHER THAT in the event the Equity Shares are issued in the course of QIP under Chapter VIII of ICDR Regulations, the pricing shall be determined in compliance with principles and provisions set out in the regulation 85 of Chapter VIII of the ICDR Regulations and the Board may offer a discount of not more than 5% (five per cent) on the

price calculated for the QIP or such other discount as may be permitted under said ICDR Regulations.

RESOLVED FURTHER THAT in the event the Equity Shares are issued in the course of QIP under Chapter VIII of ICDR Regulations, the relevant date for the purpose of the pricing of the Equity Shares shall be the meeting in which the Board decides to open the issue.

RESOLVED FURTHER THAT the Board be and is hereby authorised to enter into any arrangement with any agencies or bodies for the issue of GDRs and / or ADRs represented by underlying equity shares in the share capital of the Company with such features and attributes as are prevalent in international / domestic capital markets for instruments of this nature and to provide for the tradability and free transferability thereof in accordance with market practices as per the domestic and / or international practice and regulations and under the norms and practices prevalent in the domestic / international capital markets and subject to applicable laws and regulations and the Articles of Association of the Company.

RESOLVED FURTHER THAT for the purpose of giving effect to any offer, issue or allotment of Securities, the Board be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things as it may, in absolute discretion, deem necessary or desirable for such purpose, including without limitation, the determination of the terms thereof, finalization and approval of the offer document(s), private placement offer letter, determining the form, proportion and manner of the issue, including the class of investors to whom the Securities are to be allotted, number of Securities to be allotted, issue price, premium / discount amount on issue / conversion / exercise / redemption, rate of interest, redemption period, fixing record date, listings on one or more stock exchanges in India or abroad, entering into arrangements for managing, underwriting, marketing, listing and trading, to issue placement documents and to sign all deeds, documents and writings and to pay any fees, commissions, remuneration, expenses relating thereto and for other related matters and with power on behalf of the Company to settle all questions, difficulties or doubts that may arise in regard to such offer(s) or issue(s) or allotment(s) as it may, in its absolute discretion, deem fit.

RESOLVED FURTHER THAT the Securities to be created, issued, allotted and offered in terms of this resolution shall be subject to the provisions of the Memorandum and Articles of Association of the Company.

RESOLVED FURTHER THAT the Equity Shares so issued shall in all respects rank pari passu with the existing Equity Shares of the Company and shall be listed with the Stock Exchanges, where the Company's existing Equity Shares are listed.

RESOLVED FURTHER THAT the Board be and is hereby authorised to appoint merchant bankers, underwriters, depositories, custodians, registrars, trustees, bankers, lawyers, advisors and all such agencies as may be involved or concerned in the issue and to remunerate them by way of commission, brokerage, fees or the like (including reimbursement of their actual expenses) and also to enter into and execute all such arrangements, contracts / agreements, memorandum, documents, etc., with such agencies, to seek the listing of Securities on one or more recognized stock exchange(s), to affix common seal of the Company on any arrangements, contracts / agreements, memorandum, documents, etc. as may be required.

RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board be and is hereby authorised in consultation with the merchant banker(s), advisors and / or other intermediaries as may be appointed in relation to the issue of Securities to take all actions and to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, desirable or expedient for the issue and allotment of Securities and listing thereof with the stock exchanges or otherwise as may be required in relation to the issue and to resolve and settle all questions and difficulties that may arise in the issue, offer and allotment of Securities, including finalization of the number of Securities to be issued in each tranche thereof, form, terms and timing of the issue of Securities including for each tranche of such issue of Securities, identification of the investors to whom Securities are to be offered, utilization of the proceeds and other related, incidental or ancillary matters as the Board may deem fit at its absolute discretion, to make such other applications to concerned statutory or regulatory authorities as may be required in relation to the issue of Securities and to agree to such conditions or modifications that may be imposed by any relevant authority or that may otherwise be deemed fit or proper by the Board and to do all such acts, deeds, matters and things in connection therewith and incidental thereto as the Board in its absolute discretion deems fit and to settle any questions, difficulties or doubts that may arise in relation to any of the aforesaid or otherwise in relation to the issue of Securities.

RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate (to the extent permitted by law) all or any of the powers herein conferred to any Committee formed for the purpose or to an officer of the Company.”

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

“**RESOLVED THAT** pursuant to the provisions of section 42 and other applicable provisions, if any, of the Companies Act, 2013 [the Act] read with Rule 14 of the Companies [Prospectus and Allotment of Securities] Rules, 2014 on Private Placement of securities and Regulations 19 to 22 of the Securities and Exchange Board of India [Issue and Listing of Debt Securities] Regulations, 2008 read with schedule I thereof [including any statutory modification[s] or re-enactment thereof, for the time being in force] and subject to the provisions of Articles of Association of the Company, approval of the members be and is hereby accorded to authorize the Board of Directors of the Company to offer and invite subscription for the Secured Redeemable Non-convertible Debentures [“Bonds”], to the extent of Rs. 3,500 crores [Rupees Three Thousand Five Hundred crores], in one or more tranches, during the

current financial year ending on March 31, 2018, through private placement in conformity with rules, regulations and enactments as applicable from time to time subject to the total borrowings of the Company not exceeding the borrowing powers approved by the shareholders under section 180 (1) (c) of the Act and to do, from time to time, all such acts, deeds and things as may be deemed necessary in respect of issue of Bonds including but not limited to the face value, issue price, issue size, timing, amount, security, coupon / interest rate[s], yield, listing, allotment and other terms and conditions of issue of Bonds as they may, in their absolute discretion, deem necessary.

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorized to do or cause to be done all such acts, deeds and other things as may be required or considered necessary or incidental thereto to give effect to this resolution.”

By order of the Board of Directors

Place : Ahmedabad
Date : June 26, 2017

Upen H. Shah
Company Secretary

NOTES:

1. The Explanatory Statements pursuant to the provisions of section 102 of the Companies Act, 2013, in respect of the business under items 4 to 8 of the Notice are annexed hereto.
2. The Register of Members and Share Transfer Books will be closed from July 31, 2017 to August 11, 2017 [both days inclusive] for the purpose of AGM.
3. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF, ON A POLL ONLY AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.** A person can act as a proxy on behalf of members not exceeding 50 [fifty] and holding in aggregate not more than 10% of the total share capital of the Company. In case a proxy is proposed to be appointed by a member holding more than 10% of the total share capital of the Company, then such proxy shall not act as a proxy for any other person or member.

Proxies in order to be effective, must be received at the

Registered Office of the Company, not less than 48 hours before the commencement of the Annual General Meeting i.e. by 1:00 p.m. on Wednesday, August 9, 2017. A Proxy form is sent herewith. Proxy form submitted on behalf of the Companies, Societies, etc. must be supported by an appropriate resolution / authority together with specimen signature, as applicable.

4. Corporate members intending to send their authorised representatives to attend the Meeting are requested to send to the Company at its Registered Office, a certified copy of the Board Resolution / authorization document authorising their representative to attend and vote on their behalf at the Meeting.
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 the Investor Education and Protection Fund [IEPF] on the respective dates mentioned there against pursuant to the provisions of section 125 of the Companies Act, 2013 and the Rules made thereunder.

| Accounting Year ended | Date of declaration of dividend | Dividend payment % | Expected date of transfer of unpaid dividend to IEPF Account |
|-----------------------|---------------------------------|--------------------|--|
| March 31, 2010 | July 27, 2010 | 100% | August 2, 2017 |
| March 31, 2011 | July 19, 2011 | 125% | July 25, 2018 |
| March 31, 2012 | August 8, 2012 | 150% | August 11, 2019 |
| March 31, 2013 | May 30, 2013 | 150%@ | June 15, 2020 |
| March 31, 2014 | July 30, 2014 | 180% | August 4, 2021 |
| March 31, 2015 | August 12, 2015 | 240% | August 17, 2022 |
| March 31, 2016 | March 8, 2016 | 320%@ | March 13, 2023 |
| March 31, 2017 | March 7, 2017 | 320%@ | March 14, 2024 |

@ Interim Dividend

Pursuant to the IEPF [Uploading of information regarding unpaid and unclaimed amount lying with the Companies] Rules, 2012, the Company has uploaded the information in respect of the Unclaimed Dividends as on the date of the Twenty First Annual General Meeting held on August 3, 2016 on its website—www.zyduscadila.com and on the website of Ministry of Corporate Affairs www.mca.gov.in

6. Members holding shares in physical form are requested to intimate the Registrar and Transfer Agent of the Company viz., Link Intime India Private Limited [Unit: Cadila Healthcare Limited], 5th Floor, 506 to 508, Amarnath Business Centre -1 (ABC-1), Beside Gala Business Centre, Nr. St. Xavier's College Corner, Off. C G Road, Ellisbridge, Ahmedabad-380 006, changes, if any, in their registered address along with pin code number and relevant evidences. Members holding shares in electronic form shall update such details with their respective Depository Participant.
7. The information of the Director[s] seeking appointment / re-appointment at the ensuing Annual General Meeting is provided at **Annexure-A** to this Notice as prescribed under Regulation 36[3] of the SEBI [Listing Obligations and Disclosure Requirements] Regulations, 2015.

8. Notice of the Twenty Second Annual General Meeting of the Company, inter alia, indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent to the members, whose email Ids are registered with the Company or Depository Participant(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Notice of the Twenty Second Annual General Meeting of the Company, inter alia, indicating the process and manner of e-voting along with Attendance Slip and Proxy Form are being sent through permitted mode.

9. Members who have not registered their e-mail addresses so far are requested to register their e-mail address for receiving all communication including Annual Report, Notices, Circulars, etc. from the Company electronically.

Members may also note that the Notice of the Twenty Second Annual General Meeting and the Annual Report will also be available on the Company's website www.zyduscadila.com for download. The physical copies of the documents will also be available at the Company's Registered Office for inspection during normal business hours on working days. Even after registering for e-communication, members are entitled to receive such communication in physical form, upon making a request for the same free of cost. For any communication, the members may also send requests to the Company's investor email id investor.grievance@zyduscadila.com.

10. E-Voting [voting through electronic means]:

The businesses as set out in the Notice may be transacted through electronic voting system. In compliance with the provisions of section 108 of the Companies Act, 2013 read with the Companies [Management and Administration] Rules, 2014, Standard 2 of the Secretarial Standards on General Meetings and in compliance with Regulation 44 of the Listing Regulations, the Company is pleased to offer the facility of voting through electronic means, as an alternate, to all its members to enable them to cast their votes electronically. The Company has made necessary arrangements with Central Depository Services (India) Limited (CDSL) to facilitate the members to cast their votes from a place other than venue of the AGM [remote e-voting]. The facility for voting shall be made available at the AGM through polling paper and the members attending the Meeting who have not cast their vote by remote e-voting shall be able to exercise their right at the meeting. Please note that the voting through electronic means is optional for the members.

A person whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date shall be entitled to avail the facility of remote e-voting or voting at the AGM. Persons who are not members as on the cut-off date should treat this notice for information purpose only.

The Notice will be displayed on the website of the Company www.zyduscadila.com and on the website of CDSL www.cdslindia.com.

The members who have cast their vote by remote e-voting prior to AGM may also attend the AGM, but shall not be entitled to cast their vote again.

The Members whose names appear in the Register of Members / List of Beneficial Owners as on Thursday, August 3, 2017 i.e. the date prior to commencement of book closure date are entitled to vote on Resolutions set forth in the Notice. Eligible members who have acquired shares after the dispatch of the Annual Report and holding shares as on the cut-off date may approach the Company for issuance of the USER ID and Password for exercising their right to vote by electronic means.

Members are requested to follow the instructions below to cast their vote through e-voting:

- (i) The remote e-voting period will commence at 9:00 a.m. on Tuesday, August 8, 2017 and end at 5:00 p.m. on Thursday, August 10, 2017. During this period members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date i.e. August 4, 2017, may cast their vote by remote e-voting. The remote e-voting module shall be disabled by CDSL for voting thereafter.
- (ii) The members should log on to the remote e-voting website www.evotingindia.com
- (iii) Click on Shareholders - Login
- (iv) Now Enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 digits Client ID,
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (v) Next enter the Image Verification as displayed and Click on Login.
- (vi) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.

(vii) If you are a first time user follow the steps given below:

For Members holding shares in Demat Form and Physical Form

| | |
|---|---|
| PAN | Enter your 10 digit alpha–numeric PAN issued by Income Tax Department [applicable for both, members holding shares in demat mode and members holding shares in physical mode]. |
| Dividend Bank Details OR Date of Birth (DOB) | Enter the Dividend Bank details or Date of Birth (DOB) (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to login. <ul style="list-style-type: none">• If both the details are not recorded with the depository or company, please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (iv). |

(viii) After entering these details appropriately, click on “SUBMIT” tab.

(ix) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach ‘Password Creation’ menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is also to be used by the demat holders for voting on resolutions of any other company in which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

(x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.

(xi) Click on the EVSN for CADILA HEALTHCARE LIMITED on which you choose to vote.

(xii) On the voting page, you will see “RESOLUTION DESCRIPTION” and against the same the option “YES/NO” for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.

(xiii) Click on the “RESOLUTIONS FILE LINK” if you wish to view the entire Resolution details.

(xiv) After selecting the resolution you have decided to vote on, click on “SUBMIT”. A confirmation box will be displayed. If you wish to confirm your vote, click on “OK”, else to change your vote, click on “CANCEL” and accordingly modify your vote.

(xv) Once you “CONFIRM” your vote on the resolution, you will not be allowed to modify your vote.

(xvi) You can also take a print of the vote cast by clicking on “Click here to print” option on the Voting page.

(xvii) If Demat account holder has forgotten the login password then enter the User ID and the image verification code and click on Forgot Password and enter the details as prompted by the system.

(xviii) Members can also cast their vote using CDSL’s “mobile app”–CDSL m-voting available for iphone as well as android and windows based mobiles. Please follow the instructions as promoted by the “mobile app” while voting on your mobile phones.

(xix) Note for Non–Individual Members and Custodians

- Non–Individual members (i.e. other than Individuals, HUF, NRI etc.) and Custodians are required to log on to www.evotingindia.com and register themselves as Corporates.
- A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com
- After receiving the login details a Compliance User should be created using the admin login and password. The Compliance Users would be able to link the account(s) for which they wish to vote on.
- The list of accounts linked in the login should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
- A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.

(xx) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions (“FAQs”) and e-voting manual available at www.evotingindia.com under help section or write an email to helpdesk.evoting@cdslindia.com

Contact Details:

Name: Mr. Rakesh Dalvi

Designation: Deputy Manager, CDSL

Address: Phirozee Jeejeebhoy Towers, Dalal Street,
Fort, Mumbai – 400 001

Email id: helpdesk.evoting@cdslindia.com

Tel: 18002005533

A member can opt for only one mode of voting i.e. either through remote e-voting or at the Meeting. If a member casts votes by both modes, then voting done through remote e-voting shall prevail.

The Company has appointed Mr. Dilip P. Shah, Practicing Chartered Accountant [Membership No. 30492], to act as the Scrutinizer for conducting the voting and remote e-voting process in a fair and transparent manner.

The Scrutinizer will submit his report to the Chairman after completion of the scrutiny. The result of the voting on the Resolutions at the Meeting shall be announced by the Chairman or

any other person authorised by him immediately after the results are declared.

The results declared along with the Scrutinizer's Report, will be posted on the website of the Company www.zyduscadila.com and on the website of the CDSL www.cdslindia.com and will be displayed on the Notice Board of the Company at its Registered Office immediately after the declaration of the results by the Chairman or any other person authorised by him and communicated to the Stock Exchanges.

Request to the members:

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



CADILA HEALTHCARE LIMITED

[CIN L24230GJ1995PLC025878]

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

Email: investor.grievance@zyduscadila.com | Website: www.zyduscadila.com

Phone Numbers: +91 79 268 68 100 [20 lines] | Fax Number: +91 79 268 62 365

EXPLANATORY STATEMENT PURSUANT TO SECTION 102[1] OF THE COMPANIES ACT, 2013

The following statement sets out all material facts relating to the business under items 4 to 8 of the accompanying notice dated June 26, 2017.

Item No. 4

Mukesh M. Shah & Co., Chartered Accountants, the existing Statutory Auditors, have been in the office for a period of more than 10 years at the commencement of the Companies Act, 2013 [the Act], which provides a transition period of 3 years for appointing new statutory auditors.

Further, the Ministry of Corporate Affairs vide its Companies (Removal of Difficulties) Third Order, 2016 dated June 30, 2016 provided that *"every company, existing on or before the commencement of this act which is required to comply with provisions of this sub-section [139(2)], shall comply with the requirements of this sub-section within a period which shall not be later than the date of the first annual general meeting of the company held, within the period specified under sub-section (1) of section 96, after three years from the date of commencement of this Act."*

As per the above order, the Company is required to appoint new Statutory Auditors at the ensuing Annual General Meeting.

Members of the Audit Committee have proposed and recommended to the Board, the appointment of and fixing of remuneration of Deloitte Haskins & Sells LLP, Chartered Accountants, ICAI Firm Registration No. 117366W/W-100018 as Statutory Auditors of the Company for a period of five years from the conclusion of Twenty Second Annual General Meeting till the conclusion of Twenty Seventh Annual General Meeting.

Deloitte Haskins & Sells LLP, Chartered Accountants have given consent and confirmed that if they are appointed as Statutory Auditors by the members, they comply with all the conditions as prescribed under section 141 of the Act for being appointed as Statutory Auditors.

The Board recommends the appointment of Deloitte Haskins & Sells LLP, Chartered Accountants as Statutory Auditors and to pass an Ordinary Resolution as set out in this Notice.

None of the Directors, Key Managerial Personnel of the Company or their respective relatives is in any way, concerned or interested, financially or otherwise, in the said resolution.

Item No. 5

The present term of Dr. Sharvil P. Patel as the Joint Managing Director of the Company has expired on March 31, 2017. The Board of Directors at its meeting held on January 31, 2017, on the recommendation of Nomination and Remuneration Committee, approved the re-appointment of Dr. Sharvil P. Patel, which shall be subject to approval of the members at the ensuing Annual General Meeting.

Dr. Sharvil P. Patel is the Joint Managing Director of Cadila Healthcare Ltd., one of the leading global healthcare provider and the 4th largest pharmaceutical company in India. 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 on Breast Cancer at John Hopkins, Bayview Medical Centre, USA, Dr. Sharvil P. Patel possesses both Pharma and Research expertise.

Young and astute with a natural bias for leading new streams of thoughts and initiatives, Dr. Sharvil P. Patel is a member of the Zydus Executive Board which oversees and reviews the different business verticals of the group and spearheads organization-wide initiatives. Combining 'big picture' thinking with a fine eye for details, Dr. Patel's leadership inspires people to look at an expansive canvas of thoughts and ideas while focusing on a well-defined implementation roadmap.

Dr. Sharvil P. Patel has also brought in a new dimension to the consumer business—giving it a much larger positioning in the wellness domain. He officiates as the Chairman on the Board of Zydus Wellness Ltd. The company is creating several novel experiences for the health conscious consumers and has a basket of niche products and iconic brands such as Sugar Free, Everyuth and Nutralite.

From a turnover of Rs. 250 crores in 1995, the group posted revenues of over Rs. 9800 crores in FY16. The group launched Exemptia, the world's first biosimilar for Adalimumab, the largest selling therapy worldwide for inflammatory arthritis. Zydus is also the only Indian Pharma Company to launch in India its own patented NCE—Lipaglyn, the novel drug for the treatment of diabetic dyslipidemia. The group employs more than 20,000 people worldwide. As a leading healthcare provider, it aims to become a global research based pharmaceutical company by 2020. Dr. Patel has played a very significant role in the progress and achievements of the group.

To continue to avail the benefits of the expertise and experience of the dynamic young Joint Managing Director to achieve the new milestone, it is proposed to re-appoint Dr. Sharvil P. Patel as the Joint Managing Director of the Company for a further period of five years from April 1, 2017 on the existing terms and conditions, including payment of remuneration as set out in the resolution and draft agreement.

The remuneration payable to Dr. Sharvil P. Patel, in each financial year during the currency of his tenure of appointment shall not exceed the overall ceiling of the total managerial remuneration of 5% of the net profits as provided under the provisions of section 197 and Schedule V of the Companies Act, 2013 or such other limits as may be prescribed from time to time.

Further, notwithstanding anything to the contrary herein contained, wherein in any financial year during the currency of his tenure, the Company has no profits or the profits are inadequate, the Joint Managing Director will be paid minimum remuneration within the ceiling limit prescribed under section II of part II of Schedule V of the Companies Act, 2013 or any modification or re-enactment thereof.

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

- a. Contribution to provident fund, superannuation fund or annuity fund, if any, to the extent these either singly or put together are not taxable under the Income Tax Act, 1961,
- b. Gratuity payable at the rate not exceeding half a month's salary

for each completed year of service, and

- c. Encashment of leave at the end of the tenure of re-appointment of the Joint Managing Director.

The draft Agreement describing the other terms and conditions, which will be executed between the Company and the Joint Managing Director is available for inspection by the members of the Company at the Registered Office between 11.00 a.m. to 1.00 p.m. on any working day upto the date of Annual General Meeting. It will also be available at the venue of the meeting for inspection by any member. Dr. Sharvil P. Patel satisfies all the conditions set out in Part-I of Schedule V of the Companies Act, 2013.

None of the Directors and Key Managerial Personnel and their relatives, save and except Dr. Sharvil P. Patel and his father Mr. Pankaj R. Patel and their relatives is concerned or interested in the passing of the said resolution.

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

Item No. 6

In accordance with the provisions of section 148 of the Companies Act, 2013 [the Act] and the Companies [Audit and Auditors] Rules, 2014 [the Rules], the Company is required to appoint a Cost Auditor to audit the cost records of the Company pertaining to Drugs and Pharmaceuticals manufactured by the Company.

On the recommendation of the Audit Committee, the Board of Directors have approved the appointment of Dalwadi & Associates, Cost Accountants, [Registration Number 000338] as the Cost Auditors to conduct audit of cost records of the Company for the Financial Year 2017-2018, at a remuneration of Rs. 1.00 mio plus service tax and out of pocket expenses.

Dalwadi & Associates, Cost Accountants have furnished certificate regarding their eligibility for appointment as Cost Auditors of the Company. As per the provisions of section 148(3) of the Act, read with the Rules, the remuneration payable to the Cost Auditor shall be ratified by the members of the Company.

The Board recommends the Ordinary Resolution as set out in this Notice for the approval of the Members of the Company.

None of the Directors, Key Managerial Personnel of the Company or their respective relatives is in any way, concerned or interested, financially or otherwise, in the said resolution.

Item No. 7

The members of the Company approved the Special Resolution at the Twenty First Annual General Meeting held on August 3, 2016, authorising the Board of Directors (including any Committee

thereof authorized for the purpose) to raise funds through issuance of Equity Shares and / or Global Depository Receipts ("GDRs") and / or American Depository Receipts ("ADRs") and / or Convertible Bonds / Debentures or any equity linked instruments ("Securities") as may be appropriate, who may or may not be the existing shareholders, through private placement and / or Qualified Institutional Placement ("QIP") and / or any other permitted modes at a price to be determined as per the SEBI (Issue of Capital and Disclosure Requirement) Regulations, 2009 or as per other applicable rules and regulations, for an amount not exceeding Rs. 10,000/- Crores (Rupees Ten Thousand Crores Only) in Indian Rupees and / or an equivalent amount in any foreign currency under section 62 read with section 179 of the Act and other applicable laws. While no specific instrument or instruments of Securities have been identified at this stage, the Board may opt for an appropriate instrument in the best interest of the Company. Such issue shall be subject to the provisions of the Act and Rules made thereunder, Articles of Association of the Company, ICDR Regulations and other applicable laws.

The Company has been pursuing, both through organic process and inorganic opportunities, for its growth. This would require sufficient resources including funds to be available and to be allocated, from time to time. The generation of internal funds may not always be adequate to meet all the requirements of the Company's growth plans. It would be therefore, prudent for the Company to have requisite enabling approvals in place for meeting the fund requirements of its organic and inorganic growth, capital expenditure, long term working capital, refinancing the existing borrowings and also such other corporate purposes as may be permitted under the applicable laws and as may be specified in the appropriate approvals. This would also help the Company to take quick and effective action to capitalize on the opportunities, as and when available.

The requirement of funds is proposed to be met both from equity and debt issuance of appropriate securities as defined in the resolutions and from both domestic and international markets. Prudence would require the funding to be structured with an appropriate mix of equity and debt to meet with the objective of optimization of the cost.

Pursuant to the provisions of section 62(1) of the Companies Act, 2013 (hereinafter referred to as "the Act") and Rules made thereunder, in case the Company proposes to issue equity shares to any persons other than existing shareholders, whether or not such persons are shareholders, approval of shareholders through a Special Resolution is required.

Pursuant to the provisions of section 42 and 62 of the Act read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, a Company offering or making an invitation to subscribe aforesaid Equity Shares is required to obtain prior approval of the shareholders by way of a Special Resolution. If approved by the shareholders, QIP shall be completed within one year from the date of passing of Special Resolution.

Since the QIP issue was not completed within one year from the date of the passing of Special Resolution, it is proposed to obtain the consent of the members once again.

In view of the above, it is proposed to seek approval from the shareholders of the Company by way of Special Resolution to offer, create, issue and allot Equity Shares, in one or more tranches, to investors inter alia through QIP by way of private placement and to authorize the Board of Directors (including any Committee thereof authorized for the purpose) to do all such acts, deeds and things in the matter.

The Board may offer a discount of not more than 5% on the price calculated for the QIP or such other discount as may be permitted under said ICDR Regulations.

The resolutions contained in Item No. 7 of the accompanying Notice, accordingly, seek shareholders' approval through Special Resolution for raising funds as above through issue of Securities in one or more tranches and authorizing Board of Directors (including any Committee thereof authorized for the purpose) of the Company to complete all the formalities in connection with the issuance of Securities.

The Board recommends the Special Resolution as set out in this Notice for the approval of the Members of the Company.

Directors or Key Managerial Personnel of the Company or their relatives may be deemed to be concerned or interested in the resolution to the extent of their shareholding in the Company.

Item No. 8

Rule 14 of the Companies [Prospectus and Allotment of Securities] Rules, 2014 prescribed, inter alia, under section 42 of the Companies Act, 2013 deals with the private placement of securities by a Company. It provides that in case of an offer or invitation to subscribe for non-convertible debentures on private placement, the Company shall obtain previous approval of its members by means of a Special Resolution only once in a year for all the offers or invitations for such debentures during the year.

In order to augment long term resources for financing, inter alia, the ongoing capital expenditure and for general corporate

purposes, the Company may offer or invite for subscription Secured Redeemable Non-convertible Debentures, in one or more series or tranches on a private placement.

Accordingly, consent of the members is sought for passing a Special Resolution as set out at Item No. 8 of the Notice. This resolution enables the Board of Directors of the Company to offer or invite for subscription Non-convertible Debentures, as may be required by the Company, from time to time during the current financial year ending on March 31, 2018.

None of the Directors or Key Managerial Personnel of the Company

or their relatives is, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 8 of the Notice.

The Board recommends passing of the Special Resolution as set out in this Notice for the approval of the Members of the Company.

By order of the Board of Directors

Place : Ahmedabad

Date : June 26, 2017

Upen H. Shah
Company Secretary

Details of Directors seeking appointment / re-appointment at the forthcoming Annual General Meeting

(Pursuant to the Listing Regulations)

| | |
|--|---|
| Name of the Director | Mr. Mukesh M. Patel |
| Age | 63 years |
| Date of Appointment on the Board | August 1, 1997 |
| Brief resume and nature of expertise in functional areas | <p>An Eminent Advocate and International Tax Expert, Mr. Mukesh Patel enjoys over four decades extensive experience in the legal profession, with expertise in the fields of Tax Planning, Appellate Matters, International Taxation, Tax and Investment Planning for Non-Resident Indians and Foreign Collaborations.</p> <p>Over the past 40 years, he has been actively involved in Legal Education and Tax Journalism, as a Visiting Faculty with the Gujarat Law Society, the Indian Institute of Management, Ahmedabad and the Gujarat National Law University, as a Columnist through his well read weekly columns on Direct Taxes with 'Sandesh', 'Gujarat Samachar', 'The Times of India' and 'Ahmedabad Mirror.'</p> <p>He has authored a number of acclaimed books on Personal Tax & Investment Planning and Self Development, both in English and Gujarati and also hosted popular TV Shows 'Tax Planning with Mukesh Patel' on CNBC Bazaar, 'Tax Free' on Doordarshan and 'Money Magic' on Zee Gujarati.</p> <p>As an Institution Builder, he has groomed and nurtured several leading institutions with his dynamic vision and leadership during his Presidential Tenure, prominent among them being the Ahmedabad Management Association, the Gujarat Chamber of Commerce & Industry, the Indian Red Cross Society, Ahmedabad, the Indo-Japan Friendship Association, Gujarat, the All Gujarat Federation of Tax Consultants and Dehgam Taluka Education Society.</p> <p>He has served as Chairman of the Ahmedabad Stock Exchange and as a member of the National Executive Committee of FICCI and ASSOCHAM. He is also a Director on the Board of a number of leading public companies. In October, 2015, he was appointed by the Finance Minister, as an Expert on the Justice Easwar Committee for Simplification of the Income-tax Act, Rules and Procedures.</p> <p>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. His studied and thought provoking annual presentations on the Analysis of the Union Budget for nearly four decades now are very eagerly looked forward to.</p> <p>Widely travelled around the world, he is an ardent photographer. A champion supporter of the Red Cross and an ardent crusader of the Voluntary Blood Donation Movement, he is a Centurion Blood Donor, having himself donated blood for 150 times.</p> <p>In April, 2017 he was conferred with 'The Order of the Rising Sun', the highest Decoration & Recognition from the Emperor of Japan and the Japanese Government, in appreciation of his 45 year long association and contributions for the cause of furthering Indo-Japanese Relations on academic, business and cultural fronts.</p> |
| Relationship between Directors inter-se | None |

| | |
|---|--|
| Name of the listed companies in which the person holds Directorships and Memberships of Committees of the Board | <p>Other Directorships:</p> <ol style="list-style-type: none"> 1. The Sandesh Limited 2. Johnson Controls-Hitachi Air Conditioning India Limited <p>COMMITTEES:</p> <p>A. AUDIT COMMITTEE:</p> <p>Chairman:</p> <ol style="list-style-type: none"> 1. Johnson Controls-Hitachi Air Conditioning India Limited 2. The Sandesh Limited <p>Member:</p> <ol style="list-style-type: none"> 1. Cadila Healthcare Limited <p>B. STAKEHOLDERS' / INVESTORS' RELATIONSHIP COMMITTEE:</p> <p>Chairman:</p> <ol style="list-style-type: none"> 1. Cadila Healthcare Limited <p>Member:</p> <ol style="list-style-type: none"> 1. Johnson Controls-Hitachi Air Conditioning India Limited |
| Shareholding of Non-Executive Director | 12,000 |
| Name of the Director | Dr. Sharvil P. Patel |
| Age | 38 years |
| Date of Appointment on the Board | August 1, 1997 |
| Brief resume and nature of expertise in functional areas | <p>Dr. Sharvil P. Patel is the Joint Managing Director of Cadila Healthcare Ltd., one of the leading global healthcare providers and the 4th largest pharmaceutical company in India. 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 P. Patel combines both pharma and research expertise.</p> <p>Young and astute with a natural bias for leading new streams of thoughts and initiatives, Dr. Sharvil P. Patel is a member of the Zydus Executive Board which oversees the different business verticals of the group and spearheads organization-wide initiatives. Combining 'big picture' thinking with a fine eye for details, Dr. Patel's leadership inspires people to look at an expansive canvas of thoughts and ideas while focusing on a well-defined implementation roadmap.</p> <p>Dr. Sharvil P. Patel has also brought in a new dimension to the consumer business—giving it a much larger positioning in the wellness domain. He officiates as the Chairman on the Board of Zydus Wellness Ltd., which is creating several novel experiences for the health conscious consumers and has a basket of niche products and iconic brands such as Sugar Free, Everyuth and Nutralite.</p> |
| Relationship between Directors inter-se | Dr. Sharvil P. Patel, Joint Managing Director is the son of Mr. Pankaj R. Patel, Chairman and Managing Director. |
| Name of the listed companies in which the person holds Directorships and Memberships of Committees of the Board | <p>Other Directorships:</p> <ol style="list-style-type: none"> 1. Zydus Wellness Limited <p>Committees:</p> <p>NIL</p> |
| Shareholding of Non-Executive Director | N.A. |



CADILA HEALTHCARE LIMITED

[CIN L24230GJ1995PLC025878]

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

Email: investor.grievance@zyduscadila.com | Website: www.zyduscadila.com

Phone Numbers: +91 79 268 68 100 [20 lines] | Fax Number: +91 79 268 62 365

ATTENDANCE SLIP

TWENTY SECOND ANNUAL GENERAL MEETING

I/We hereby record my/our presence at the Twenty Second Annual General Meeting of the Company at J. B. Auditorium, Ahmedabad Management Association, Dr. Vikram Sarabhai Marg, Ahmedabad – 380 015 on August 11, 2017 at 1.00 p.m.

Member's Folio/DP ID-Client ID No.

Member's/Proxy's name in Block

Member's/Proxy's Signature

Note:

1. Please complete the Folio / DP ID-Client ID No. and name, sign this Attendance Slip and hand it over at the Attendance Verification Counter at the ENTRANCE OF THE MEETING HALL.
2. Electronic copy of the Annual Report for Financial Year 2016-17 and Notice of the Annual General Meeting (AGM) along with Attendance Slip and Proxy Form are being sent to all the members whose email address is registered with the Company/Depository Participant unless any member has requested for a hard copy of the same. Members receiving electronic copy and attending the AGM can print copy of this Attendance Slip.
3. Physical copy of the Annual Report for Financial Year 2016-17 and Notice of the Annual General Meeting along with Attendance Slip and Proxy Form is sent in the permitted mode(s) to all members whose email address is not registered or have requested for a hard copy.



CADILA HEALTHCARE LIMITED

[CIN L24230GJ1995PLC025878]

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Phone Numbers: +91 79 268 68 100 [20 lines] | Fax Number: +91 79 268 62 365

PROXY FORM

Name of the member (s): _____

Registered address: _____

E-mail Id: _____

Folio / DP ID-Client ID No. _____

I/We being the member(s) holding shares of the above named Company hereby appoint:

(1) Name:.....

Address:

E-mail ID:..... Signature:.....or failing him/her;

(2) Name:.....

Address:

E-mail ID:..... Signature:.....or failing him/her;

(3) Name:.....

Address:

E-mail ID:..... Signature:.....

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the Twenty Second Annual General Meeting of the Company, to be held on Friday, August 11, 2017 at 1.00 p.m. at J B Auditorium, Ahmedabad Management Association, Dr. Vikram Sarabhai Marg, Ahmedabad-380 015 and at any adjournment thereof in respect of such resolutions as are indicated below:

| Sr. No. | Particulars of Resolution | Optional | |
|---------|--|----------|---------|
| | | For | Against |
| | Ordinary Business: | | |
| 1. | Adoption of Financial Statements [including consolidated financial statements] for the year ended on March 31, 2017. | | |
| 2. | Confirmation of Interim Dividend declared and paid as a final dividend. | | |
| 3. | Re-appointment of Mr. Mukesh M. Patel, Director retiring by rotation. | | |
| 4. | Appointment of Statutory Auditors. | | |
| | Special Business: | | |
| 5. | Re-appointment of Dr. Sharvil P. Patel as a Joint Managing Director of the Company. | | |
| 6. | Ratification of remuneration to Cost Auditors. | | |
| 7. | Issue of securities through Qualified Institutional Placement / Foreign Currency Convertible Bonds, etc. | | |
| 8. | Issue of Secured / Unsecured Redeemable Non-Convertible Debentures / Bonds. | | |

Signed this day of 2017

Signature of member

Signature of Proxy holder(s)

Notes:

1. This form of proxy, in order to be effective, should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.
2. For the Resolutions, Explanatory Statements and Notes, please refer to the Notice of the Twenty Second Annual General Meeting.
3. It is optional to put a 'X' in the appropriate column against the Resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all Resolutions, your Proxy will be entitled to vote in the manner as he/she thinks appropriate.
4. Please complete all details including details of member(s) in above box before submission.

Forward-looking statement

In this annual report, we have disclosed forward-looking information 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 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion on 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.

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



Cadila Healthcare Ltd.

'Zydus Tower', Satellite Cross Roads,
Ahmedabad 380 015, Gujarat, India.

www.zyduscadila.com

CIN : L24230GJ1995PLC025878

May 27, 2017

FORM A

[Pursuant to Regulation 33[3][d] of the SEBI [Listing Obligations and Disclosure Requirements] Regulations, 2015]

| | | |
|----|---|-----------------------------|
| 1. | Name of the Company | Cadila Healthcare Limited |
| 2. | Annual financial statement for the year ended | March 31, 2017 [standalone] |
| 3. | Type of Audit Observation | Un-modified |
| 4. | Frequency of observation | Not Applicable |

For, CADILA HEALTHCARE LIMITED


PANKAJ R. PATEL
CHAIRMAN AND MANAGING DIRECTOR

For, CADILA HEALTHCARE LIMITED

parekh nitin d
NITIN D. PAREKH
CHIEF FINANCIAL OFFICER

For, CADILA HEALTHCARE LIMITED

N.R. Desai
NITIN R. DESAI
CHAIRMAN OF AUDIT COMMITTEE

For, MUKESH M. SHAH & CO.
Chartered Accountants
Firm Registration No. 106625W
Statutory Auditors


MUKESH M. SHAH
PARTNER
MEMBERSHIP NO. 030190

Regd. Office :
Zydus Tower,
Satellite Cross Roads,
Ahmedabad 380 015 India
Phone : +91-79-2686 8100 (20 Lines)
Fax : +91-79-2686 2366
www.zyduscadila.com
CIN:L24230GJ1995PLC025878

May 27, 2017

FORM A

[Pursuant to Regulation 33[3][d] of the SEBI [Listing Obligations and Disclosure Requirements] Regulations, 2015]

| | | |
|----|---|-------------------------------|
| 1. | Name of the Company | Cadila Healthcare Limited |
| 2. | Annual financial statement for the year ended | March 31, 2017 [consolidated] |
| 3. | Type of Audit Observation | Un-modified |
| 4. | Frequency of observation | Not Applicable |

For, CADILA HEALTHCARE LIMITED



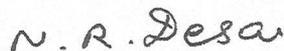
PANKAJ R. PATEL
CHAIRMAN AND MANAGING DIRECTOR

For, CADILA HEALTHCARE LIMITED



NITIN D. PAREKH
CHIEF FINANCIAL OFFICER

For, CADILA HEALTHCARE LIMITED



NITIN R. DESAI
CHAIRMAN OF AUDIT COMMITTEE

For, MUKESH M. SHAH & CO.
Chartered Accountants
Firm Registration No. 106625W
Statutory Auditors



MUKESH M. SHAH
PARTNER
MEMBERSHIP NO. 030190



CADILA HEALTHCARE LIMITED

[CIN L24230GJ1995PLC025878]

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ADDENDUM TO THE NOTICE OF THE TWENTY SECOND ANNUAL GENERAL MEETING OF CADILA HEALTHCARE LIMITED

In continuation to the Notice of the Twenty Second Annual General Meeting ["AGM"] of the members of Cadila Healthcare Limited ["the Company"] dated June 26, 2017 which is being sent herewith, **NOTICE** is hereby given that the following additional special business will also be transacted at the AGM and this Notice be read in consonance with the aforesaid notice.

SPECIAL BUSINESS:

9. Appointment of Mr. Ganesh N. Nayak as a Director of the Company:

To consider and if thought fit, to pass with or without modification[s], the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to the provisions of sections 150 and 152 and all other applicable provisions of the Companies Act, 2013 ["the Act"] read with the Companies [Appointment and Qualifications of Directors] Rules, 2014 [including any statutory modification[s] or re-enactment[s] thereof for the time being in force] and relevant provisions of SEBI [Listing Obligations and Disclosure Requirements] Regulations, 2015, Mr. Ganesh N. Nayak [DIN: 00017481], who was appointed as an Additional Director by the Board of Directors at its Board meeting held on July 12, 2017 and who holds office up to the date of this AGM and in respect of whom the Company has received a notice in writing under section 160 of the Act from a member proposing his candidature for the Office of Director be and is hereby appointed as a Director of the Company, liable to retire by rotation."

10. Appointment of Mr. Ganesh N. Nayak, as a Whole Time Director of the Company, to be designated as Chief Operating Officer and Executive Director:

To consider and if thought fit, to pass with or without modification[s], the following resolutions as an **Ordinary Resolution**:

"RESOLVED THAT subject to the provisions of sections 196, 197 and other applicable provisions of the Companies Act, 2013, [the Act] read with Schedule V of the Act and Rules made thereunder, including any statutory modification(s) or re-enactment(s) thereof for the time being in force, consent of the members be and is hereby accorded to the appointment of Mr. Ganesh N. Nayak [DIN-00017481] as a Whole Time Director of the Company, to be designated as Chief Operating Officer and Executive Director for a period of three years with effect from July 12, 2017 and payment of salary and perquisites [herein after referred to as "remuneration"] upon terms and conditions as set out in the draft agreement proposed to be executed between the Company and the appointee, with an authority to the Board of Directors to alter and vary the terms and conditions of the said appointment and / or agreement in such a manner as may be agreed to between the Board of Directors and the appointee.

RESOLVED FURTHER THAT the remuneration payable to Mr. Ganesh N. Nayak, in each financial year during the currency of his tenure of appointment shall be as may be recommended by the Nomination and Remuneration Committee and approved by the Board of Directors based on his performance evaluation, which shall not exceed the overall ceiling of the total managerial remuneration of 5% of the net profits as provided under the provisions of section 197 and Schedule V of the Companies Act, 2013 or such other limits as may be prescribed from time to time.

RESOLVED FURTHER THAT notwithstanding anything to the contrary herein contained, wherein in any financial year during the currency of his tenure, the Company has no profits or the profits are inadequate, the Whole Time Director will be paid

Minimum Remuneration within the ceiling limit prescribed under section II of part II of Schedule V of the Companies Act, 2013 or any modification or re-enactment thereof.

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

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

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

11. Appointment of Dr. Sharvil P. Patel as the Managing Director of the Company:

To consider and if thought fit, to pass with or without modification[s], the following resolution as an **Ordinary Resolution**:

"**RESOLVED THAT** in continuation of Resolution No. 5 of the Notice convening Twenty Second Annual General Meeting dated June 26, 2017 regarding the appointment of Dr. Sharvil P. Patel as a Joint Managing Director, consent of the members be and is hereby accorded for appointment of Dr. Sharvil P. Patel as a Managing Director of the Company and all other terms and conditions mentioned in the said resolution proposing his appointment shall remain unaltered."

By order of the Board of Directors

Place : Ahmedabad

Date : July 12, 2017

Upen H. Shah
Company Secretary

Notes:

1. The Explanatory Statement pursuant to the provisions of section 102 of the Companies Act, 2013, in respect of the Special Business as proposed above to be transacted at the ensuing AGM is annexed hereto.
2. Brief profile and other required information about Dr. Sharvil P. Patel is provided in the Notice dated June 26, 2017, convening the AGM. Brief profile and other information about Mr. Ganesh N. Nayak, as required under Regulation 36 of the SEBI [Listing Obligations and Disclosure Requirements] Regulations, 2015 is annexed hereto.
3. Relevant documents referred to in this Addendum to Notice of AGM are open for inspection by the members at the Registered Office of the Company on all working days during normal business hours upto the date of AGM.
4. This Addendum to the Notice of AGM is available along with the Notice of AGM on the website of the Company and Company's Registrar and Transfer Agents – Link Intime India Private Limited [Link Intime]. The revised Proxy Form including the resolutions proposed hereinabove at Item Nos. 9 to 11 are available on the website of the Company. The members desirous of receiving the hard copy of the revised Proxy Form, are requested to write to the Company or Link Intime.
5. All the processes, notes and instructions relating to e-voting set out for and applicable to the ensuing AGM shall mutatis-mutandis apply to the e-voting for the resolutions proposed in this Addendum to the Notice of AGM. Further, Scrutinizer appointed for the ensuing AGM will act as a Scrutinizer for the resolutions proposed in this Addendum to the Notice of AGM.

Explanatory Statement pursuant to section 102[1] of the Companies Act, 2013:

Item No. 9 and 10:

Mr. Ganesh N. Nayak [DIN-00017481], aged 62 years, has graduated with Bachelor of Science, MBA from Newport University, California, USA and has done General Management Programme from Harvard Business School, Boston, USA. He is the Chief Operating Officer and Executive Director of the Company. He spearheads the business of the Zydus Cadila Group, including its Joint Ventures and Alliances. Mr. Ganesh N. Nayak joined the Group in 1977. With experience of more than 40 years, he has contributed significantly to the growth of the Company over the years. The Company has successfully undertaken several expansion plans during his association. With strategic insight and business acumen, Mr. Ganesh N. Nayak has played a key role in several M&A deals and alliances. Strategic management skills, long standing expertise in sales and marketing and new insights from the Harvard Business School have catapulted Mr. Ganesh N. Nayak to the global league of marketing professionals.

The Board of Directors on recommendation of the Nomination and Remuneration Committee [NRC] at its meeting held on July 12, 2017 had appointed Mr. Ganesh N. Nayak as an Additional Director on the Board.

In terms of section 160 of the Act, the Company has received a Notice in writing from a member alongwith a deposit of Rs. 1,00,000/- signifying his intention to propose the candidature of Mr. Ganesh N. Nayak for the office of a Director, liable to retire by rotation. Mr. Ganesh N. Nayak has furnished his consent / declaration for his appointment as required under the Act and the Rules made thereunder.

Considering the vast experience and knowledge in the field of marketing and pharmaceutical business, and his strategic leadership and marketing acumen, it would be in the interest of the Company that Mr. Ganesh N. Nayak be appointed as a Director of the Company.

It is also proposed to appoint Mr. Ganesh N. Nayak as a Whole Time Director, to be designated as Chief Operating Officer and Executive Director, for a period of three years with effect from July 12, 2017. Mr. Nayak fulfills all the conditions prescribed in Part I of Schedule V of the Companies Act, 2013. Mr. Nayak, will be paid salary and perquisites in each financial year during the currency of his tenure of appointment based on his performance evaluation by the Nomination and Remuneration Committee to the Board of Directors, which shall not exceed the overall ceiling of the total managerial remuneration of 5% of the net profits as provided under the provisions of section 197 of the Companies Act, 2013 or such other limits as may be prescribed from time to time.

Mr. Nayak shall be paid Minimum Remuneration in any financial year, where the profits of the Company are inadequate or the Company does not earn profits as provided in Part II of Schedule V of the Companies Act, 2013.

Your Directors recommend resolution Nos. 9 and 10 of the Addendum to the Notice, for the appointment of Mr. Ganesh N. Nayak [DIN-00017481] as an Additional Director and a Whole Time Director, to be designated as Chief Operating Officer and Executive Director and he shall be liable to retire by rotation, as set forth in this Addendum to the Notice of AGM.

Save and except Mr. Ganesh N. Nayak, none of the other Directors, Key Managerial Personnel or their relatives are, in any way, concerned or interested, financially or otherwise, in the resolutions at Item Nos. 9 and 10.

Item No. 11:

As per Item No. 5 of the Notice convening the AGM dated June 26, 2017, it is proposed for approval of members the re-appointment of Dr. Sharvil P. Patel as a Joint Managing Director.

The Board of Directors of the Company at its meeting held on July 12, 2017 approved the appointment of Dr. Sharvil P. Patel as the Managing Director of the Company, for a period of five years from April 1, 2017 till March 31, 2022. The other terms and conditions, including remuneration, for appointment of Dr. Sharvil P. Patel as Managing Director shall not change as proposed, in the Resolution No. 5 of the Notice convening the AGM dated June 26, 2017.

Your Directors recommend the appointment of Dr. Sharvil P. Patel [DIN-00131995] as a Managing Director.

Save and except Dr. Sharvil P. Patel and Mr. Pankaj R. Patel, who is father of Dr. Sharvil P. Patel, none of the other Directors, Key Managerial Personnel or their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution at Item No. 11.

For and on behalf of the Board of Directors

Place : Ahmedabad

Date : July 12, 2017

Cadila Healthcare Ltd.

Upen H. Shah
Company Secretary

Additional information on the Director being appointed, as required under regulation 36 of the SEBI [Listing Obligations and Disclosure Requirement] Regulations, 2015:

| Name of the Director | Mr. Ganesh N. Nayak | | | | | | | | | |
|---|--|--|---------------------|---------------|------------------------|------------|--|--------------------------|--|---|
| Age | 62 years | | | | | | | | | |
| Date of Appointment on the Board | July 12, 2017 | | | | | | | | | |
| Brief resume and nature of expertise in functional areas | <p>Mr. Ganesh N. Nayak [DIN-00017481], aged 62 years, has graduated with Bachelor of Science, MBA from Newport University, California, USA and has done General Management Programme from Harvard Business School, Boston, USA. He is the Chief Operating Officer and Executive Director of the Company. He spearheads the business of the Zydus Cadila Group, including its Joint Ventures and Alliances. Mr. Ganesh N. Nayak joined the Group in 1977. With experience of more than 40 years, he has contributed significantly to the growth of the Company over the years. The Company has successfully undertaken several expansion plans during his association. With strategic insight and business acumen, Mr. Ganesh N. Nayak has played a key role in several M&A deals and alliances. Strategic management skills, long standing expertise in sales and marketing and new insights from the Harvard Business School have catapulted Mr. Ganesh N. Nayak to the global league of marketing professionals.</p> | | | | | | | | | |
| Relationship between Directors inter-se | None | | | | | | | | | |
| Name of the listed companies in which the person holds Directorships and memberships of Committees of the Board | <table border="1"> <thead> <tr> <th>Name of the Company</th> <th>Position held</th> </tr> </thead> <tbody> <tr> <td>Zydus Wellness Limited</td> <td>- Director</td> </tr> <tr> <td></td> <td>- Member–Audit Committee</td> </tr> <tr> <td></td> <td>- Chairman–Stakeholders / Investors’ Relationship Committee</td> </tr> </tbody> </table> | | Name of the Company | Position held | Zydus Wellness Limited | - Director | | - Member–Audit Committee | | - Chairman–Stakeholders / Investors’ Relationship Committee |
| Name of the Company | Position held | | | | | | | | | |
| Zydus Wellness Limited | - Director | | | | | | | | | |
| | - Member–Audit Committee | | | | | | | | | |
| | - Chairman–Stakeholders / Investors’ Relationship Committee | | | | | | | | | |
| Shareholding of Non-Executive Director | N.A. | | | | | | | | | |



CADILA HEALTHCARE LIMITED

[CIN L24230GJ1995PLC025878]

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

Email: investor.grievance@zyduscadila.com | Website: www.zyduscadila.com

Phone Numbers: +91 79 268 68 100 [20 lines] | Fax: +91 79 268 62 365

Name of the member (s) : _____

Registered address : _____

E-mail Id : _____

Folio / DP ID-Client ID No. : _____

I/We being the member(s) holding shares of the above named Company hereby appoint:

(1) Name:.....

Address:

E-mail ID:..... Signature:.....or failing him/her;

(2) Name:.....

Address:

E-mail ID:..... Signature:.....or failing him/her;

(3) Name:.....

Address:

E-mail ID:..... Signature:.....

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the Twenty Second Annual General Meeting of the Company, to be held on Friday, August 11, 2017 at 1.00 p.m. at J B Auditorium, Ahmedabad Management Association, Dr. Vikram Sarabhai Marg, Ahmedabad-380 015 and at any adjournment thereof in respect of such resolutions as are indicated below:

| Sr. No. | Particulars of Resolution | Optional | |
|---------|--|----------|---------|
| | | For | Against |
| | Ordinary Business: | | |
| 1. | Adoption of Financial Statements [including consolidated financial statements] for the year ended on March 31, 2017. | | |
| 2. | Confirmation of Interim Dividend declared and paid as a final dividend. | | |
| 3. | Re-appointment of Mr. Mukesh M. Patel, Director retiring by rotation. | | |
| 4. | Appointment of Statutory Auditors. | | |
| | Special Business: | | |
| 5. | Re-appointment of Dr. Sharvil P. Patel as a Joint Managing Director of the Company. | | |
| 6. | Ratification of remuneration to Cost Auditors. | | |
| 7. | Issue of securities through Qualified Institutional Placement / Foreign Currency Convertible Bonds, etc. | | |
| 8. | Issue of Secured / Unsecured Redeemable Non-Convertible Debentures / Bonds. | | |
| 9. | Appointment of Mr. Ganesh N. Nayak as a Director liable to retire by rotation. | | |
| 10. | Appointment of Mr. Ganesh N. Nayak as a Whole Time Director, to be designated as Chief Operating Officer and Executive Director. | | |
| 11. | Appointment of Dr. Sharvil P. Patel as a Managing Director of the Company. | | |

Signed this day of 2017

Signature of member

Signature of Proxy holder(s)

Notes:

1. This form of proxy, in order to be effective, should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.
2. For the Resolutions, Explanatory Statement and Notes, please refer to the Notice of the Twenty Second Annual General Meeting.
3. It is optional to put a 'X' in the appropriate column against the Resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all Resolutions, your Proxy will be entitled to vote in the manner as he/she thinks appropriate.
4. Please complete all details including details of member(s) in above box before submission.