

Report of the Audit Committee of Cadila Healthcare Limited

Members:

Mr. Mukesh M. Patel	-	Chairman
Mr. Humayun Dhanrajgir	-	Member
Mr. Apurva S. Diwanji	-	Member

Background:

The Board of Directors of Cadila Healthcare Limited ("Cadila" or "the Company") at its meeting held on Monday, April 22, 2013 has approved, in principle, the Draft Scheme of Amalgamation ("Draft Scheme") of Zydus Animal Health Limited (Z AHL), Liva Healthcare Limited (LHL) and Zydus Pharmaceuticals Limited (ZPL), wholly owned subsidiaries of the Company, with the Company, as per the terms and conditions mentioned in the Draft Scheme with an appointed date of April 1, 2012.

Recently, SEBI vide its Circular No. CIR/CED/DIL/5/2013 (the Circular) dated February 4, 2013 has, amongst other requirements, sought a report from the Audit Committee of the listed entity recommending the Draft Scheme taking into consideration, inter-alia, the Valuation Report.

In view of the above circular, members of the Audit Committee of the Company ("the Committee") discussed and approved the proposed merger at the Audit Committee meeting held on April 22, 2013 and have made this report after perusing the following necessary documents.

- ▲ Draft Scheme of Amalgamation
- ▲ Certificate obtained from the Statutory Auditors of the Company i.e. M/s. Mukesh M. Shah & Co., Chartered Accountants on the Accounting Treatment prescribed in clause 24 (i) of the Listing Agreement.

The report of the Audit Committee is made in order to comply with the requirements of the said circular.

Proposed Scheme of Amalgamation

The Committee noted that the salient features of the Scheme were as under.

Rational of merger:

1. Z AHL, LHL and ZPL are the wholly owned subsidiary Companies of the Company.
2. This Scheme is proposed for Amalgamation of Z AHL, LHL and ZPL with the Company. The amalgamation would, inter alia:
 - a) enable the business of the merged Companies to be carried on more efficiently and advantageously with better economies of scale;

- b) bring more productive and optimum utilization of various resources;
- c) strengthen the financial position and ability to raise resources for conducting business;
- d) achieve synergies in business activities;
- e) eliminate unnecessary duplication of costs; and
- f) improve organizational capability and leadership.

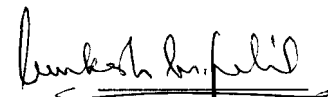
The Committee further took note of clause No. 11 of the Draft Scheme, which provides that *“upon the Scheme being effective, and in consideration of the transfer of and vesting of the undertakings of the ZAHL, LHL and ZPL in the Company in terms of the Scheme, all the equity shares issued by ZAHL, LHL and ZPL and held by the Company and / or its nominees shall stand cancelled and extinguished and in lieu thereof, no allotment of any shares in the Company shall be made to any person whatsoever.”*

The Committee further noted that since ZAHL, LHL and ZPL are wholly owned subsidiaries of the Company and as a result of the amalgamation, all the shares issued by ZAHL, LHL and ZPL and held by the Company will stand cancelled. Therefore there is no requirement to obtain a Valuation Report from an Independent Chartered Accountant as the Company will not issue any shares.

The Committee further noted that, the Statutory Auditors of the Company has reviewed the relevant clause No. 13 of the Draft Scheme pertaining to “Accounting Treatment” and have issued a certificate that the Accounting Treatment proposed in the Draft Scheme is in compliance of Accounting Standard No. AS – 14 pertaining to “Accounting for Amalgamation” issued by the Institute of Chartered Accountants of India, the said certificate was placed before the meeting.

Recommendation of the Audit Committee:

The Audit Committee hereby recommends the Draft Scheme of Amalgamation of ZAHL, LHL and ZPL, wholly owned subsidiaries of the Company, with the Company.


Mukesh M. Patel

Chairman of the Audit Committee

Date : April 22, 2013
Place : Ahmedabad.