

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ZYDUS TECHNOLOGIES LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **ZYDUS TECHNOLOGIES LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2015, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

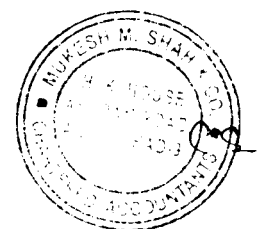
The Company's management is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 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 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 auditors' 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 control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. 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.

Opinion

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

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2015;
- (b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2015 ("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.
 - (c) The financial statements dealt with by this report are in agreement with the books of account.

- (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.; and
- (e) On the basis of the written representations received from the directors as on 31st March, 2015 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2015 from being appointed as a director in terms of section 164(2) of the Act.
- (f) 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:
- The Company has disclosed the impact of pending litigations on its financial position in its financial statements, if any;
 - The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For MUKESH M. SHAH & CO.

Chartered Accountants

Firm Registration No.: 106625W

C.S. Shah
Partner

Chandresh S. Shah

Membership No.: 042132

Place: Ahmedabad

Date: 12-05-2015

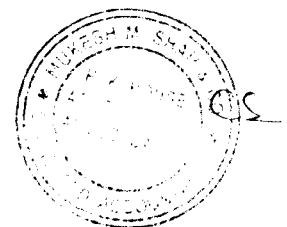


**Annexure referred to in the Independent Auditors' Report of even date to the members of
ZYDUS TECHNOLOGIES LIMITED for the year ended 31st March, 2015.**

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.
2. The Company does not hold any inventory during the year. Hence, this clause of paragraph 4 of the Order is not applicable to the company for the current year.
3. (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, clause (iii)(b) to (iii)(d) of paragraph of the Order are not applicable to the company for the current year.
4. In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
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 Companies Act, 2013 and the rules framed thereunder. Further, we are informed that no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any other Court or Tribunal.
6. In absence of any manufacturing activities carried out by the Company, the requirement of maintenance of cost records pursuant to the Rules made by the Central Government under sub-section 1 of Section 148 of the Companies Act, 2013.



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, Wealth 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 31st March, 2015, there are no such undisputed dues payable for a period of more than six months from the date they became payable.
- (b) No dues are outstanding in respect of sales-tax, income-tax, custom duty, wealth-tax, excise duty, cess on account of any dispute.
8. The Company has accumulated losses at the end of the financial year and has incurred cash losses in the financial year and also in the immediately preceding financial year.
9. The Company has not defaulted in repayment of dues to any banks during the year. The Company did not have any outstanding debentures or dues payable to financial institutions at any time during the year.
10. In our opinion and according to the information and explanations given to us, the Company has not given any guarantees / letter of comforts given by any other company; hence, question of reporting under this clause of the order does not arise;
11. Term loans obtained by the company were applied for the purposes for which the loans were obtained.
12. To the best of our knowledge and based on information and explanations received from the management, no fraud on or by the Company has been noticed or reported during the period covered by our audit.

For MUKESH M. SHAH & CO.

Chartered Accountants

Firm Registration No.: 106625W

C S Shah

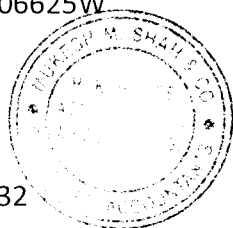
Partner

Chandresh S. Shah

Membership No.: 042132

Place: Ahmedabad

Date: 12-05-2015



Zydus Technologies Limited
Balance Sheet as at March 31, 2015

	Note No.	INR-Thousands	
		As at March 31	
		2015	2014
EQUITY AND LIABILITIES:			
Shareholders' Funds:			
Share Capital	1	590,000	590,000
Reserves and Surplus	2	(15,798)	(12,174)
		574,202	577,826
Non-Current Liabilities:			
Long Term Borrowings	3	3,906,036	2,514,221
Other Long Term Liabilities	4	924	2,768
Long Term Provisions	5	2,974	2,397
		3,911,934	2,519,386
Current Liabilities:			
Trade Payables	6	67,572	73,427
Other Current Liabilities	7	360,282	814,043
Short Term Provisions	8	130	2,187
		427,984	889,657
Total		4,914,120	3,986,869
ASSETS:			
Non-Current Assets:			
Fixed Assets:			
Tangible Assets	9	141,295	152,900
Intangible Assets	9	12	121
Capital work-in-progress		534,144	383,007
Pre-operative & Project Expenses pending capitalisation/ allocation [Net]	10	4,171,790	3,289,642
		4,847,241	3,825,670
Long Term Loans and Advances	11	59,017	94,043
		4,906,258	3,919,713
Current Assets:			
Cash and Bank Balances	12	2,789	63,631
Short Term Loans and Advances	13	2,811	390
Other Current Assets	14	2,262	3,135
		7,862	67,156
Total		4,914,120	3,986,869
Significant Accounting Policies	II		
Notes to the Financial Statements	1 to 25		

As per our report of even date
For Mukesh M. Shah & Co.,
Chartered Accountants
Firm Registration Number:106625W

C S Shah
Chandresh S. Shah
Partner

Membership Number: 042132
Ahmedabad, Dated: 12/05/2015

Dishita

Dishita Shah
Company Secretary

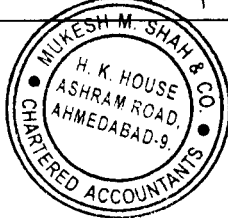
S. D. Patel

Sandip D. Patel
Chief Financial Officer

Rajib Baidya
Rajib Baidya
Director

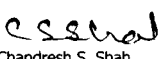
For and on behalf of the Board

Sharvil P. Patel
Sharvil P. Patel
Chairman

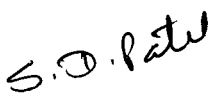


ZyduS Technologies Limited
Statement of Profit and Loss for the year ended March 31, 2015

	Note No.	INR-Thousands	
		Year ended March 31	
		2015	2014
EXPENSES:			
Employee Benefits Expense	16	148	128
Finance Costs	17	929	851
Other Expenses	18	1,583	1,718
Loss before Tax		2,660	2,697
Add: Tax Expense:			
Current Tax		875	100
Prior Year Tax Adjustment		88	64
		963	164
Loss for the year		3,624	2,861
Basic & Diluted Earning per Equity Share [EPS] [in Rupees]	19	(0.22)	(0.20)
Significant Accounting Policies	II		
Notes to the Financial Statements	1 to 25		

As per our report of even date
 For Mukesh M. Shah & Co.,
 Chartered Accountants
 Firm Registration Number: 106625W

 Chandresh S. Shah
 Partner
 Membership Number: 042132
 Ahmedabad, Dated: 13/05/2015

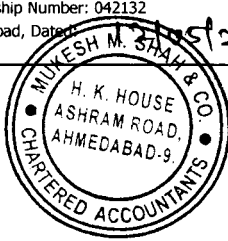

 Dishita Shah
 Company Secretary


 Sandip D. Patel
 Chief Financial Officer


 Rajib Baidya
 Director

For and on behalf of the Board


 Sharvil P. Patel
 Chairman



Zydus Technologies Limited
Cash Flow Statement for the year ended on March 31, 2015

Particulars	INR- Thousands	
	Year ended March 31	
	2015	2014
A Cash flows from operating activities:		
Net profit before taxation and extraordinary items	(2,660)	(2,698)
Adjustments for:		
Interest expenses	929	851
Operating profit before working capital changes	(1,731)	(1,847)
Adjustments for:		
[Increase]/ Decrease in short term advances	(2,421)	333
[Increase]/ Decrease in long term advances	3,412	12,299
[Increase]/ Decrease in other current assets	873	(337)
Increase/ [Decrease] in trade payables	(5,845)	36,784
Increase/ [Decrease] in other current liabilities	5,535	(20,472)
Increase/ [Decrease] in Long term and short term provision	(1,481)	572
Increase/ [Decrease] in other long term liabilities	(1,844)	1,655
Total	(1,770)	30,834
Cash generated from operations	(3,501)	28,987
Direct taxes paid [Net of refunds]	(924)	(202)
Net cash from operating activities	(4,425)	28,784
B Cash flows from investing activities:		
Purchase of fixed assets	(120,549)	(10,230)
Sale of Fixed assets	3,620	-
Pre-operative & Project expenses	(980,039)	(737,908)
Net cash used in investing activities	(1,096,968)	(748,138)
C Cash flows from financing activities:		
Proceeds from Long Term Borrowings	905,035	889,500
Interest paid	135,516	(121,296)
Net cash used in financing activities	1,040,551	768,204
Net increase/(-) decrease in cash and cash equivalents	(60,842)	48,851
Cash and cash equivalents at the beginning of the period	63,631	14,780
Cash and cash equivalents at the close of the period	2,789	63,631

Notes to the cash flow statement

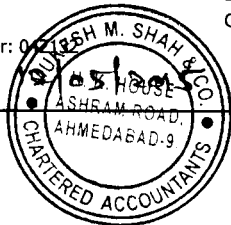
- 1 All figures in brackets are outflows.
- 2 Previous year's figures have been regrouped wherever necessary.
- 3 Cash and cash equivalent at the close [beginning] of the reporting period includes Rs.1 [Rs.40,001] thousands not available for immediate use.

As per our report of even date

For Mukesh M. Shah & Co.,
Chartered Accountants
Firm Registration Number. 106625W

C.S. Shah
Chandresh S. Shah
Partner

Membership Number: 0000000000
Ahmedabad, Dated: 05/04/2015



Dishita
Dishita Shah
Company Secretary

S. D. Patel
Sandip D. Patel
Chief Financial Officer

Rajib
Rajib Baidya
Director

Shantil
Shantil P. Patel
Chairman

I-Company overview:

Zydus Technologies Limited ["the Company"] is an India-based pharmaceutical company. The Company has set up a unit in SEZ to develop, patent, manufacture and market non-oral dosage form generic drugs using novel drug delivery system in selected therapeutic areas for regulated developed Global markets. The product selection will focus on easier to formulate products with low IP barriers, as well as on high margin, limited competition products to achieve sustainable margins. The Company has filed and will continue to file ANDAs [Abbreviated New Drug Application] and remain focused on selected therapeutic areas in regulated markets. The marketing strategy will initially focus on ANDAs products.

II-Significant Accounting Policies:**1 Basis of Accounting:**

The financial statements are prepared under the historical cost convention on the "Accrual Concept" of accountancy in accordance with the accounting principles generally accepted in India and they comply with the Accounting Standards prescribed under section 133 of the Companies Act, 2013 read with Rule 7 of the Companies [Accounts] Rules, 2014 and other pronouncement issued by the Institute of Chartered Accountants of India [ICAI], to the extent applicable, and with the applicable provisions of the Companies Act, 2013.

2 Use of Estimates:

The preparation of Financial Statements in conformity with the Accounting Standards generally accepted in India, requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as at the date of the financial statements and reported amounts of revenues and expenses for the reporting year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

3 Fixed Assets, Depreciation and Amortisation:

- A** Fixed Assets are stated at historical cost of acquisition/ construction less accumulated depreciation and impairment loss. 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 put to use.
- B** The loss or gain on exchange rates on long term foreign currency loans attributable to fixed assets is adjusted to the cost of respective fixed assets.
- 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.
- D** Leasehold land is amortized over the period of the lease.
- E** Capitalised costs towards purchase/ development of software are amortised using straight line method over its useful life of four years as estimated by the management at the time of capitalisation.
- F** Where the actual cost of purchase of an asset is below Rs. 10,000/-, the depreciation is provided @ 100 %.
- G** Depreciation on additions/ disposals of the fixed assets during the year is provided on pro-rata basis according to the period during which assets are put to use.

4 Impairment of Assets:

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

5 Borrowing Costs:

- A** Borrowing costs that are directly attributable to the acquisition/ construction/ development 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.
- B** Other Borrowing costs are recognised as an expense in the year in which they are incurred.
- C** Borrowing costs also include exchange differences arising from Foreign Currency borrowings to the extent that they are regarded as an adjustment to interest costs.

6 Revenue Recognition:

- A** Interest income is recognised on time proportionate method.
- B** Revenue in respect of other income is recognised when no significant uncertainty as to its determination or realisation exists.

7 Expenditure during the Construction/ development Period:

The expenditure incidental to setting up of manufacturing facilities and in relation to development of process technologies and obtaining necessary registration with various statutory authorities are shown under "Pre-operative and project expenses pending capitalisation" and will be allocated to fixed assets upon successful implementation of the process technology and commercialisation.

8 Foreign Currency Transactions:

- A** The transactions in foreign currencies are stated at the rates of exchange prevailing on the dates of transactions.
- B** The net gain or loss on account of exchange differences either on settlement or on translation of short term monetary items is capitalised until the commercial exploitation/ production of the products.
- C** Current Assets and Liabilities are restated at prevailing exchange rates at year end.
- D** The net gain or loss on account of exchange differences either on settlement or on translation of long term monetary items including long term forward contracts is recognised under "Foreign Currency Monetary Items Translation Difference Account"[FCMITDA], except in case of foreign currency loans taken for funding of fixed assets, where such difference is adjusted to the cost of respective fixed assets. The FCMITDA is amortised during the tenure of loans but not beyond March 31, 2020.

9 Research and Development Cost:

- A** Expenditure incurred on acquiring in-process product development technologies and subsequent expenditure incurred on further development and registration of products and process are shown as "Pre-operative and project expenses pending capitalisation/ allocation" till the completion of the development process, filing of the dossier and its commercial exploitation.
- B** Capital expenditure on research and development is given the same treatment as Fixed Assets.

10 Preliminary Expenses:

Preliminary expenses are written off to the Statement of Profit and Loss, in the year in which they are incurred.



II-Significant Accounting Policies-Continued:**11 Employees Benefits:****A Defined Contribution Plans:**

The Company contributes on a defined contribution basis to Employees' Provident Fund towards post employment benefits, all of which are administered by the respective Government authorities, and has no further obligation beyond making its contribution, which is expensed in the period to which it pertains.

B Defined Benefit Plans:

The gratuity scheme is administered through the Life Insurance Corporation of India [LIC]. The liability for the defined benefit plan of Gratuity is determined on the basis of an actuarial valuation by an independent actuary at the year end, which is calculated using projected unit credit method. Actuarial gains and losses which comprise experience adjustment and the effect of changes in actuarial assumptions are recognised in the statement of Profit and Loss.

C Leave Liability [Long Term Employee Benefit]:

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

12 Taxes on Income:

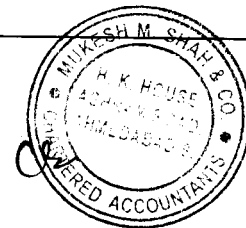
A Tax expenses comprise of current and deferred Tax.

B Current tax is measured at the amount expected to be paid on the basis of reliefs and deductions available under the provisions of the Income Tax Act, 1961.

C Deferred tax reflects the impact of current year timing differences between accounting and taxable income and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and laws that have been enacted or substantively enacted as of the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised and are reviewed at each balance sheet date.

13 Provisions, Contingent Liabilities and Contingent Assets:

Provision is 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. Contingent assets are not recognised in the financial statements. Provisions and contingencies are reviewed at each balance sheet date and adjusted to reflect the correct management estimates.



Zydus Technologies Limited
Notes to the Financial Statements

	INR-Thousands			
	As at March 31			
	2015	2014		
Note : 1 - Share Capital:				
Authorised:				
50,000,000 [as at March 31, 2014 : 50,000,000] Equity Shares of Rs.10/- each	500,000	500,000		
1,000,000 [as at March 31, 2014 : 1,000,000] Preference Shares of Rs.100/- each	100,000	100,000		
	600,000	600,000		
Issued, Subscribed and Paid-up:				
50,000,000 [as at March 31, 2014 : 50,000,000] Equity Shares of Rs.10/- each fully paid up	500,000	500,000		
900,000 [as at March 31, 2014 : 900,000] 8% Redeemable Cumulative Preference shares of Rs. 100/- each fully paid up	90,000	90,000		
	590,000	590,000		
A There is no change in the number of shares as at the beginning and end of the year.				
a Number of Equity shares at the beginning and at the end of the year	50,000,000	50,000,000		
b Number of Preference shares at the beginning and at the end of the year	900,000	900,000		
B The Company has equity shares and preference shares. All equity shares rank pari passu and carry equal rights with respect to voting and dividend. In the event of liquidation of the Company, the equity shareholders shall be entitled to proportionate share of their holding in the assets remained after distribution of all preferential amounts.				
C Preference shares are redeemable at par at the option of the company within ten years from the date of allotment, February 10, 2010. The Preference shares shall carry a preferential right with respect to dividend on the paid up capital in the event of distribution of profits by the company. In case of winding up of the Company, preference shareholders shall be entitled to rank as regards repayment of capital and dividend up to the commencement of winding up, in priority to equity shares.				
D Details of share holders holding more than 5% of Shares:				
a Equity Shares:				
i Cadila Healthcare Limited and its nominees [Holding Company]				
Number of Shares	42,500,000	42,500,000		
% to total share holding	85%	85%		
ii Essgee Enterprises LLC				
Number of Shares	7,072,122	7,072,122		
% to total share holding	14%	14%		
b Preference shares:				
Cadila Healthcare Limited [Holding Company]				
Number of Shares	900,000	900,000		
% to total share holding	100%	100%		
Note: 2-Reserves and Surplus:				
Surplus in Statement of Profit and Loss:				
Balance as per last Balance Sheet	(12,174)	(9,313)		
Add: Loss for the year	(3,624)	(2,861)		
Balance as at the end of the year	(15,798)	(12,174)		
Note: 3 - Long Term Borrowings:				
	INR-Thousands			
	Non-current portion		Current Maturities	
	As at March 31			
	2015	2014	2015	2014
A Term Loans from a Bank [Secured] [*]				
Rupee Term Loan	-	1,250,000	-	750,000
External Commercial Borrowings in Foreign Currency	2,117,015	-	-	-
Buyer's Credit in foreign currency	-	-	146,520	-
B Loans and Advances From Holding Company				
Cadila Healthcare Limited [Unsecured] [**]	1,791,021	1,264,221	114,700	-
Total	3,908,036	2,514,221	261,220	750,000
The above amount includes:				
Secured borrowings	2,117,015	1,250,000	146,520	750,000
Unsecured borrowings	1,791,021	1,264,221	114,700	-
Amount disclosed under the head "Other Current Liabilities" [Note-7]	-	-	(261,220)	(750,000)
Net amount	3,908,036	2,514,221	-	-



Zydus Technologies Limited
Notes to the Financial Statements

Note: 3 - Long Term Borrowings - Continued:

[*] Securities and Terms of Repayment for Secured Long Term Borrowings:

- a. Rupee loan of Rs. 2,000 Millions was converted into External Commercial Borrowings in Foreign Currency on 15, May 2014, equivalent to US\$ 33.855 mn. ECB is secured by hypothecation of all movable properties of the Company, both present and future, excluding current assets and further secured by an equitable mortgage of all immovable properties and hypothecation of all future intellectual property rights. [Besides pledge of 7,500,000 [as at March 31, 2014 : 7,500,000] equity shares of the company held by joint venture partner and promoter of the company and corporate guarantee from Cadila Healthcare Limited. Loan repayment to bank will start from May 15, 2018 in three yearly equal instalments of USD 11.285 Millions and will end on May 15, 2020. The interest rate on ECB Loan is 6 months USD Libor plus Spread (3.5%)
- b. Capital expenditure Buyer's credit of EUR 1.71 Millions was availed on April 30, 2014 and EUR 0.47 Millions was availed on August 11, 2014. Interest rates are reset every 6 months. Interest is in the range of 45 Bps to 60 Bps over 6 Month EUR Libor. The outstanding amount as at March 31, 2015 is Rs. 147 [as at March 31, 2014: Rs. NIL] Millions. Secured by hypothecation of specific machinery purchased out of this facility and corporate guarantee from Cadila Healthcare Limited.

[**] Terms of Repayment for Unsecured Long Term Borrowings:

The Loans from the Holding company will be repaid within 3 to 5 years from the date of execution of loan agreements from time to time or as may be decided mutually by both the parties. The applicable interest rate on the loan is SBI BPLR Less 2% p.a.

	INR-Thousands	
	As at March 31	
	2015	2014

Note: 4 - Other Long Term Liabilities:

Others : Employee car deposits	924	2,768
Total	924	2,768

Note: 5 - Long Term Provisions:

Provision for Employee benefits [Refer Note: 8 - Short Term Provisions]	2,974	2,397
Total	2,974	2,397

Disclosure pursuant to Accounting Standard - 15 [Revised] 'Employee Benefits':

Defined benefit plan and long term employment benefit:

A General description:

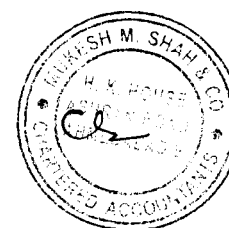
Leave wages [Long term employment benefit]:

The leave encashment scheme is unfunded liability and is administered by the company. The employees of the company are entitled to leave as per the leave policy of the company. The leave wages are payable to all eligible employees for each day of accumulated leave on death or on resignation or upon retirement on attaining superannuation age.

Gratuity [Defined benefit plan]:

The Company has a defined benefit gratuity plan. Every employee who has completed continuous service of five years or more gets 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.

	INR-Thousands					
	As at March 31					
	2015		2014			
	Med. Leave	Pre. Leave	Gratuity	Med. Leave	Pre. Leave	Gratuity
B Change in the present value of the defined benefit obligation:						
Opening defined benefit obligation	24	4,529	2,448	27	3,986	2,026
Interest cost	2	316	224	2	297	147
Current service cost	6	511	778	5	468	712
Benefits paid	-	(3,402)	(238)	-	(649)	(420)
Actuarial [gains]/ losses on obligation	(8)	1,126	(1,456)	(10)	427	(17)
Closing defined benefit obligation	24	3,080	1,756	24	4,529	2,448
C Change in the fair value of plan assets:						
Opening fair value of plan assets	-	-	3,367	-	-	3,514
Adjustment to Opening Fund	-	-	40	-	-	-
Expected return on plan assets	-	-	339	-	-	302
Expenses deducted from Fund	-	-	(6)	-	-	-
Contributions by employer	-	-	45	-	-	-
Benefits paid	-	-	(239)	-	-	(420)
Actuarial gains/ [losses]	-	-	(86)	-	-	(29)
Closing fair value of plan assets	-	-	3,461	-	-	3,367
Total actuarial gains/[losses] to be recognised	8	(1,126)	1,370	10	(427)	(12)
D Actual return on plan assets:						
Expected return on plan assets	-	-	339	-	-	302
Actuarial gains/ [losses] on plan assets	-	-	(86)	-	-	(29)
Actual return on plan assets	-	-	253	-	-	273
E Amount recognised in the Balance Sheet:						
[Assets]/ Liabilities at the end of the year	24	3,080	1,756	24	4,529	2,448
Fair value of plan Assets at the end of the year	-	-	(3,461)	-	-	(3,367)
Difference	24	3,080	(1,705)	24	4,529	(919)
Unrecognised past Service cost	-	-	-	-	-	-
[Assets]/ Liabilities recognised in the Balance Sheet [*]	24	3,080	(1,705)	24	4,529	(919)



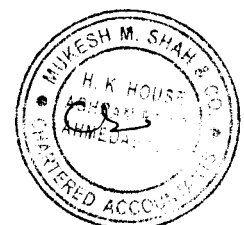
Zydus Technologies Limited
Notes to the Financial Statements

Note: 5 - Long Term Provisions - Continued:

	INR-Thousands					
	As at March 31					
	Med. Leave	2015 Pre. Leave	Gratuity	Med. Leave	2014 Pre. Leave	Gratuity
F [Incomes]/ Expenses recognised in the Pre-operative & Project Expenses pending capitalisation/ allocation [Net]						
Current service cost	6	511	778	5	468	712
Interest cost on benefit obligation	2	316	224	2	297	147
Expected return on plan assets	-	-	(339)	-	-	(302)
Net actuarial [gains]/ losses in the year	(8)	1,126	(1,370)	(10)	427	12
Net [benefits]/ expense	<u>0</u>	<u>1,953</u>	<u>(707)</u>	<u>(3)</u>	<u>1,192</u>	<u>569</u>
G Movement in net liability recognised in Balance Sheet:						
Opening net liability	24	4,529	(919)	27	3,986	(1,488)
Expenses as above [P & L Charge]	0	1,953	(748)	(3)	1,192	569
Expenses deducted from Fund	-	-	6	-	-	-
Employer's contribution	-	(3,402)	(45)	-	(649)	-
Actuarial gains/ [losses] on plan assets	-	-	-	-	-	-
[Assets]/ Liabilities recognised in the Balance Sheet	<u>24</u>	<u>3,080</u>	<u>(1,706)</u>	<u>24</u>	<u>4,529</u>	<u>(919)</u>
H Principal actuarial assumptions as at Balance sheet date:						
Discount rate	7.80%	7.80%	7.80%	9.17%	9.17%	9.17%
[The rate of discount is considered based on market yield on Government Bonds having currency and terms consistence with the currency and terms of the post employment benefit obligations]						
Expected rate of return on plan Assets [The expected rate of return assumed by the Insurance company is generally based on their Investment patterns as stipulated by the Government of India]	0.00%	0.00%	8.25%	0.00%	0.00%	9.15%
Annual increase in salary cost	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
[The estimates of future salary increases 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:						
Insurance Plan	0.00%	0.00%	100.00%	0.00%	0.00%	100%
J Amount recognised in current and previous four years:						
Gratuity:	As at March 31					
	2011	2012	2013	2014	2015	
Defined benefit obligation	1,241	1,335	2,016	2,448	1,756	
Fair value of Plan Assets	2,150	2,758	3,514	3,367	3,461	
Deficit/ [Surplus] in the plan	(909)	(1,423)	(1,488)	(919)	(1,705)	
Actuarial Loss/ [Gain] Plan Obligation	1,302	(860)	(3)	(17)	(1,456)	
Actuarial Loss/ [Gain] on Plan Assets	(30)	(10)	(10)	(29)	(86)	

The expected contributions for Defined Benefit Plan for the next financial year will be in line with FY 2014-15.

	INR-Thousands	
	As at March 31	
	2015	2014
Note: 6 - Trade Payables:		
Micro, Small and Medium Enterprises [*]	-	-
Others	67,572	73,427
Total	<u>67,572</u>	<u>73,427</u>
[*] Disclosure in respect of Micro, Small and Medium Enterprises:		
A Principal amount remaining unpaid to any supplier as at year end	-	-
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	-	-
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.		



Zydus Technologies Limited
Notes to the Financial Statements

	INR-Thousands	
	As at March 31	
	2015	2014
Note: 7 - Other Current Liabilities:		
Current Maturities of Long Term Debt [Refer Note: 3]	261,220	750,000
Interest accrued but not due on borrowings	83,808	54,324
Others:		
Provision for Expenses	1,643	1,472
Payable to Statutory Authorities	10,923	4,940
Payable to Employees	2,689	3,307
Total	15,255	9,719
	360,282	814,043
Note: 8 - Short Term Provisions:		
Provision for Taxation [Net of advance payment of taxes of Rs. Nil {As at March 31,2014: Rs. 68} Thousands]	-	32
Provision for Employee Benefits [Refer Note: 5]	130	2,155
Total	130	2,187

	INR-Thousands							Intangible Asset Computer Software
	Tangible Assets							
	Leasehold Land	Buildings	Plant and Equipment	Furniture and Fixtures	Vehicles	Office Equipment	Total Tangible Assets	
Gross Block:								
As at March 31, 2013	70,057	18,562	69,980	6,773	5,689	828	171,889	1,687
Additions	-	-	480	-	2,206	-	2,686	17
Disposals	-	-	-	-	-	-	-	-
As at March 31, 2014	70,057	18,562	70,460	6,773	7,895	828	174,575	1,704
Additions	-	-	41	-	-	-	41	-
Disposals	-	-	-	-	(3,620)	-	(3,620)	-
As at March 31, 2015	70,057	18,562	70,501	6,773	4,275	828	170,996	1,704
Depreciation, Amortisation and Impairment:								
As at March 31, 2013	2,169	1,052	9,946	1,208	1,216	126	15,717	1,161
Charge for the year	707	303	3,881	425	604	38	5,958	422
Disposals	-	-	-	-	-	-	-	-
As at March 31, 2014	2,876	1,355	13,827	1,633	1,820	164	21,675	1,583
Charge for the year	708	286	4,742	762	694	491	7,683	109
Other Adjustments [Refer foot note (b)]	-	-	1,279	-	-	-	1,279	-
Disposals	-	-	-	-	(936)	-	(936)	-
As at March 31, 2015	3,584	1,641	19,848	2,395	1,578	655	29,701	1,692
Net Block:								
As at March 31, 2014	67,181	17,207	56,633	5,140	6,075	664	152,900	121
As at March 31, 2015	66,473	16,921	50,653	4,378	2,697	173	141,295	12

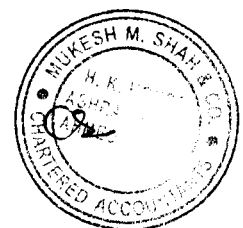
Note:

- a. The Company is setting up an industrial undertaking for manufacturing of Novel Drug Delivery System in non oral dosage forms in Pharma SEZ. It is also developing process technologies for the said products and apply necessary registrations with various regulatory authorities for the said products. The expenditure incurred on the same is shown under "Pre-operative and Project expenses pending capitalisation/ allocation" under "Fixed Assets" in the Balance Sheet. Such expenses will be allocated to respective items of fixed assets upon successful implementation of process technologies so developed and commencement of its commercial exploitation. Depreciation on the Assets used for the development of various products/ process technologies are added to the pre-operative and project expenses pending capitalisation/ allocation.
- b. Effective from April 1, 2014, the Company has started providing depreciation on tangible assets on "straight line method" over the revised remaining useful lives of the tangible assets in alignment with useful lives prescribed in Schedule II to the Companies Act, 2013. Consequently, the depreciation charge for the year ended March 31, 2015 is higher by Rs.1279 Thousands.

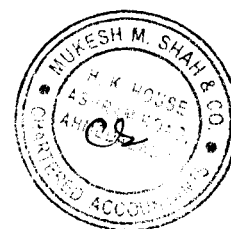


Zyduz Technologies Limited
Notes to the Financial Statements

	INR-Thousands	
	As at March 31	
	2015	2014
Note: 10 - Pre-operative & Project Expenses pending capitalisation/ allocation [Net]:		
Salaries and wages	21,509	27,179
Company's contribution to provident & other funds	1,072	1,456
Staff Welfare Expenses	1,309	1,473
Consumption of Stores and spare parts	1,421	2,156
Power & fuel	6,377	6,291
Insurance	6,818	5,618
Repairs to Buildings	965	1,096
Repairs to Plant and Machinery	1,029	1,294
Repairs to Others	1,787	1,264
Rent	18	18
Rates and Taxes	800	-
Finance Cost:		
Interest on term Loan	101,524	250,648
Interest others	208,486	103,106
Net loss on foreign currency transactions and translation on ECB loan	117,015	-
Managing Directors' /Whole Time Directors' Remuneration	6,852	14,293
Legal and Professional Fees	36,199	56,260
Consumption of Materials for development Products & processes	45,004	9,024
Product/ process Validation and Registration charges	308,670	393,782
Depreciation, Impairment and Amortisation expenses	9,071	6,380
Other Expenses	12,601	14,869
Net Loss on foreign currency transactions and translation	981	-
	889,508	896,207
Less:		
Interest on Fixed Deposits with Bank	2,675	122
Interest on Deposit with UGVCL	156	333
Sundry Income	104	84
Net Gain on foreign currency transactions and translation	4,425	3,838
	7,360	4,377
Total Expenses for the year [Net]	882,148	891,830
Add: Balance Brought forward of previous year	3,289,642	2,397,812
Total	4,171,790	3,289,642
Notes:		
[1] Borrowing costs are capitalised on qualifying assets.	427,025	353,753
[2] Expenditure incurred on acquiring in-process Product Development Technologies are shown under "Pre-operative & Project Expenses pending capitalisation/ allocation" till the completion of the development process and filling of the dossier and commencement of its commercial exploitation.		
Note: 11 - Long Term loans and Advances:		
[Unsecured , Considered Good]		
Advances for Capital Goods	151	31,726
Security Deposits	1,847	1,847
Other Loans and Advances:		
Balances with Custom/ Central Excise/ Sales Tax Authorities	30	30
Service Tax Refund Receivables [*]	56,981	60,392
Advance payment of Tax [Net of Provision for taxation Rs.975,000 {as at March 31, 2014: Rs. 100,000}]	8	48
Total	59,017	94,043
[*] Service Tax Refund Receivables amounting to Rs.56,981 [as at March 31, 2014: Rs.60,391] Thousands are in respect of service tax paid on the value of services availed by the Company's unit situated in Special Economic Zone, which is eligible for refund under the applicable statutory provisions. The Company has preferred an appeal before CESTAT/ Commissioner of Appeals of Service Tax against the order of the Service Tax Department denying refund of service tax amounting to Rs.27,320 [as at March 31, 2014: Rs.32,821] Thousands. During the financial year the Company has received total Rs.3,451 [Rs. 1,9598 as at March 31, 2014] Thousands against these refund claims. In view of the above, the Company is confident of recovery of the pending refund claims and hence, no provision is considered necessary in accounts.		
Note: 12 - Cash and Bank Balances:		
Balances with Banks [*]	2,766	63,629
Cash on Hand	23	2
Total	2,789	63,631
[*] Balances with Banks include balances to the extent held with the Scheduled / Nationalised banks:		
- As Margin money deposits against :		
a Guarantees	-	-
b Import letter of credit opened	-	40,000
- Held with the Government Authority	1	1
Bank deposits with maturity of more than 12 months	1	1
Bank deposits with maturity of less than 12 months	-	40,000



Zydus Technologies Limited Notes to the Financial Statements			
		INR-Thousands	
		As at March 31	
		2015	2014
Note: 13 - Short Term Loans and Advances:			
[Unsecured, Considered Good]			
Others:			
Advances to Employees		236	341
Balances with Custom/ Central Excise/ Sales Tax Authorities		3	3
Others		2,572	46
Total		2,811	390
Note: 14 - Other Current Assets:			
[Unsecured, Considered Good]			
Interest Receivables		141	279
Prepaid Expenses		2,121	2,856
Total		2,262	3,135
Note: 15 - Contingent Liabilities and commitment [to the extent not provided for]:			
A Contingent Liability:			
Arrears of dividend on Cumulative Redeemable Preference Shares		37,006	29,806
B Estimated amount of contracts remaining to be executed on capital account and not provided for [Net of Advances of Rs. 3582 (Previous Year: Rs. 26630) Thousands]		21,455	132,660
		INR-Thousands	
		Year ended March 31	
		2015	2014
Note: 16 - Employee Benefits Expense:			
Salaries and wages		118	118
Company's contribution to provident & other funds		10	10
Staff Welfare Expenses		20	-
Total		148	128
Note: 17 - Finance Cost:			
Interest expense - on Long Term borrowings		929	851
Total		929	851
Note: 18 - Other Expenses:			
Legal & Professional Expenses		1,300	1,413
Payment to Auditors [*]		283	281
Donations		-	25
Total		1,583	1,719
[*] Payment to the auditors as [Excluding Service Tax]:			
i Auditor		225	220
ii For other services		58	61
iii Total		283	281
Note: 19 - Calculation of Earnings per Equity Share [EPS]:			
The numerators and denominators used to calculate the basic and diluted EPS are as follows:			
A Loss after tax	INR	(3,624)	(2,861)
B Dividend on cumulative Preference shares [*]	INR	(7,200)	(7,200)
C Loss after tax attributable to Equity Shareholders	INR	(10,824)	(10,061)
D Basic and weighted average number of Equity shares outstanding during the year	Numbers	50,000,000	50,000,000
E Nominal value of equity share	INR	10.00	10.00
F Basic & Diluted EPS:	INR	(0.22)	(0.20)
[*] The dividend payable to the preference shareholders of Rs. 7,200,000 [previous year: Rs. 7,200,000] is added in the loss for the year for calculation of EPS.			



Zydus Technologies Limited
Notes to the Financial Statements

	INR-Thousands	
	Year ended March 31	
	2015	2014
Note: 20 - Value of Imports calculated on CIF basis:		
Research Materials	22,417	6,047

Note: 21 - Expenditure in Foreign Currency:		
Professional Fees	23,741	57,611
Others [Including Travelling, Bio study, Research & Development expenses etc.]	275,408	514,540

Note: 22 - Related Party Transactions:

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

a Holding Company:

Cadila Healthcare Limited

b Fellow Subsidiaries/ Concerns:

Dialforhealth India Limited	Zydus Healthcare S.A. (Pty) Ltd [South Africa]
Dialforhealth Unity Limited	Simayla Pharmaceuticals (Pty) Ltd [South Africa]
Dialforhealth Greencross Limited	Script Management Services (Pty) Ltd [South Africa]
German Remedies Limited	Zydus Nikkho Farmaceutica Ltda. [Brazil]
Zydus Wellness Limited	Zydus Pharma Japan Co. Ltd. [Japan]
M/s. Zydus Wellness, Sikkim, a Partnership Firm	Laboratorios Combix S.L. [Spain]
Liva Pharmaceuticals Limited	Zydus Pharmaceuticals Mexico SA De CV [Mexico]
Biochem Pharmaceutical Industries Limited	Zydus Pharmaceuticals Mexico Services Company SA De C.V. [Mexico]
Zydus BSV Pharma Private Limited	Z AHL B.V. [the Netherlands]
M/s. Zydus Healthcare, a Partnership Firm	Z AHL Europe B.V. [the Netherlands]
Zydus International Private Limited [Ireland]	Bremer Pharma GmbH [Germany]
Zydus Netherlands B.V. [the Netherlands]	Zydus Lanka (Private) Limited [Sri Lanka]
Zydus France, SAS [France]	Etna Biotech S.R.L. [Italy]
Zydus Pharmaceuticals (USA) Inc.[USA]	Zydus Healthcare Philippines Inc. [Philippines]
Nesher Pharmaceuticals (USA) Inc.[USA]	Zydus Worldwide DMCC [Dubai]
Hercon Pharmaceutical Inc.,USA [USA]	Zydus Discovery DMCC [Dubai]
Zydus Healthcare (USA) LLC [USA]	
Zydus Noveltech Inc. [USA]	

c Directors and their relatives:

Dr. Sharvil P. Patel	Chairman	Dr. Sharad Kumar Govil	Director
Shri Manubhai K Patel	Managing Director (upto 31st May, 2014)	Shri Rajib Baidya	Director [From 3rd April,2014]
Shri Ganesh Nayak	Director		

d Enterprises significantly influenced by Directors and/or their relatives:

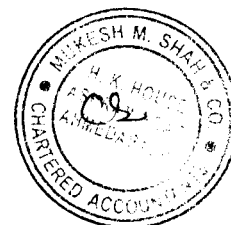
Zydus Infrastructure Private Limited

B Transactions with Related Parties:

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

a Details relating to parties referred to in items 22- A[a, b & d]

Nature of Transactions	Value of the Transactions [INR] Thousands				Enterprises significantly influenced by Directors and/or their relatives	
	Holding Company		Fellow subsidiaries Year ended March 31		2015	2014
	2015	2014	2015	2014		
Purchases:						
Goods:						
Cadila Healthcare Limited		605				
Hercon Pharmaceutical Inc.			236			
Services:						
Cadila Healthcare Limited	245	260				
Zydus Noveltech Inc.			128,339	154,614		
Zydus Infrastructure Private Limited					1,792	2,220
Hercon Pharmaceutical Inc.			122,005	108,187		
Others						
Total	245	260	250,344	262,801	1,792	2,220



Zydus Technologies Limited
Notes to the Financial Statements

Note: 22 - Related Party Transactions - Continued

Nature of Transactions	Value of the Transactions [INR] Thousands				Enterprises significantly influenced by Directors and/or their relatives	
	Holding Company		Fellow subsidiaries Year ended March 31		2015	2014
	2015	2014	2015	2014		
Sales:						
Goods:						
Cadila Healthcare Limited	735	1,889				
Hercon Pharmaceutical Inc.				395		
Fixed Assets:						
Cadila Healthcare Limited	1,199					
Finance:						
Inter Corporate Loans accepted:						
Cadila Healthcare Limited	641,500	889,500				
Interest on Loan :						
Cadila Healthcare Limited	207,393	103,106				
			As at March 31			
Outstanding:						
Payable :						
Cadila Healthcare Limited	1,964,701	1,296,887				
Hercon Pharmaceutical Inc.			34,862	30,971		
Zydus Noveltch Inc.			25,837	39,247		
Total	1,964,701	1,296,887	60,699	70,218		
					INR-Thousands Year ended on March 31	
					2015	2014
b Details relating to persons referred to in item 22- A[c & e] above:						
Remuneration:						
Shri Manubhai K Patel					2,382	14,293
Shri Rajib Baidya					4,097	-
					As at March 31	
					2015	2014
Outstanding remuneration payable:						
Shri Manubhai K Patel					-	1,191
Shri Rajib Baidya					373	-

Note: 23

The company operates in one segment only, namely "manufacturing of Novel Drug Delivery System in non oral dosage forms". Therefore, the segment reporting is not applicable.

Note: 24

As there are no timing differences resulting into Deferred Tax assets/ Liabilities for the current year, the provision for Deferred Tax has not been made.

Note: 25

Previous year's figures have been regrouped/ reclassified wherever necessary to correspond with the current year's classifications/ disclosure.

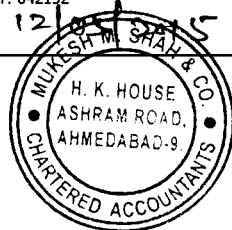
Signatures to Significant Accounting Policies and Notes 1 to 25 to the Financial Statements

As per our report of even date

For Mukesh M. Shah & Co.,
Chartered Accountants
Firm Registration Number:106625W

C.S. Shah
Chandresh S. Shah
Partner

Membership Number: 042132
Ahmedabad, Dated: 12/05/2015



Dishita
Dishita Shah
Company Secretary

S.D. Patel
Sandip D. Patel
Chief Financial Officer

Rajib
Rajib Baidya
Director

For and on behalf of the Board

Sharvil P. Patel
Sharvil P. Patel
Chairman