

ZYDUS TECHNOLOGIES LIMITED

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

Phone: +91-79-2686 8100 (20 Lines) Fax : +91-79-2686 2365

CIN No.: U24230GJ2009PLC056149

Directors' Report to the Members

Your Board of Directors [the Board] is pleased to present the 9th Annual Report and the audited financial accounts for the financial year ended on March 31, 2017.

Results of Operations:

The Company has set up manufacturing facilities for development and manufacture of NDDS products mainly for release of pains, hormones and cardio vascular therapeutic areas.

The Company has yet not commenced commercial production. Therefore, the expenses incurred are capitalized as pre-operative and project-expenses, except the expenses for running of the Company.

During the year under review, the Company has incurred losses amounting to INR 2.66 million which have been carried forward to the Balance Sheet making the total carried forward losses to INR 21.21 million.

Dividend:

As the Company has not commenced any commercial operations and has incurred loss during the year also, the Board does not recommend any dividend for the year ended on March 31, 2017.

Share Capital

There was no issue of equity or preference share capital during the year. During the year, Preference Shareholders holding 9,00,000, 8% Redeemable Cumulative Preference Shares of Rs.100/- each fully paid up unanimously gave their consent for change in terms of issue of Preference Shares in terms of dividend rate, accumulation of dividend, conversion etc. and now accordingly would be known as "8% Optionally Convertible Non-cumulative Redeemable Preference Shares [OCRPS] of Rs.100/- each." Equity Shareholders at its meeting held on 29th March 2017 unanimously approved the revision in terms by passing a Special Resolution.

The company has not offered any employee stock options to employees or trustees for benefit of employees.

Related Party Transactions:

All contracts / arrangements / transactions entered by the Company during the financial year with Related Parties were in the ordinary course of business and at an arm's length basis.

As provided under section 134[3][h] of the Companies Act, 2013 [the Act] and Rules made thereunder, disclosure of particulars of material transactions entered into by the Company with Related Parties in the prescribed format annexed to this report as **Annexure - A**. Disclosures on Related Party Transactions are set out in Note No. 22 to the Financial Statements.

Directors:

In accordance with the provisions of section 152[6] of the Act and in terms of the Articles of Association of the Company, Dr. Sharad Govil, Director will retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment

The Board of Directors in their meeting held on January 17, 2017 appointed Mr. Rajib Baidya, Director [Operations] for a period of three years with effect from April 3, 2017 subject to the approval of the members at the ensuing Annual General Meeting.

The Board recommends re-appointment of both the Directors to the members for their approval.

Key Managerial Personnel:

The following persons are designated as the Key Managerial Personnel [KMP]:

1. Mr. Rajib Baidya, Whole-Time Director,
2. Mr. Sandip Patel, Chief Financial officer; and
3. Mrs. Dishita P. Shah, Company Secretary.

There is no change in KMP during the year under review.

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 that:

- (a) in preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures;
- (b) such accounting policies have been selected and applied them consistently and made judgments and estimates 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 loss of the Company for that period;
- (c) 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) the annual financial statements have been prepared on going concern basis,
- (e) proper internal financial controls are in place and that the financial controls are adequate and operating effectively and

- (f) the systems to ensure compliance with the provisions of all applicable laws were in place and are adequate and operating effectively.

Board Meetings:

During the year, four Board Meetings were convened and held on May 13, 2016, August 3, 2016, October 21, 2016 and January 17, 2017. The gap between two consecutive meetings was not more than one hundred and twenty days as provided in section 173 of the Act.

Auditors:

i) Statutory Auditors and their Report:

M/s. Mukesh M. Shah & Co., Chartered Accountants, (Firm Registration No. 106625W) Statutory Auditors of the Company shall hold office until the conclusion of the ensuing Annual General Meeting and is eligible for reappointment. Pursuant to provisions of section 139 of the Act and the Rules made thereunder, the Board proposes to reappoint M/s. Mukesh M. Shah & Co., Chartered Accountants as Statutory Auditors of the Company for the remaining period of two year.

The Statutory Auditors have furnished a certificate confirming the eligibility under section 141 of the Act and Rules made thereunder.

The Board based on the recommendations of Audit Committee, recommends the reappointment of M/s Mukesh M. Shah & Co., Chartered Accountants, as the Statutory Auditors of the Company.

The Board has duly reviewed the Statutory Auditor's Report on the Accounts. The observations and comments, appearing in the Auditor's 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) Secretarial Auditor and Secretarial Audit Report:

The Board has appointed M/s. Tushar Vora & Associates, Company Secretaries in Whole-time Practice to undertake the Secretarial Audit of the Company for the financial year 2016-17. The Secretarial Audit Report is annexed herewith as **Annexure - B**. The Board has duly reviewed the Secretarial Auditor's Report and there are no observations and comments appearing in the said report which requires any further explanations / clarifications by the Board as provided under section 134 of the Act.

Corporate Social Responsibility [CSR]:

The Company does not fall in any of the criteria laid down in section 135 (1) of the Act and Rules made thereunder and therefore is not required to comply with the relevant provisions of the said section during the year under review.

Internal control systems 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 controls whenever the effect of such gaps would have a material effect on the Company's operations.

Extract of annual return:

The relevant information in the prescribed form MGT 9 pertaining to abstract of annual return is attached to this report as **Annexure - C**.

Composition of Audit Committee:

The Board has reconstituted the Audit Committee which now comprises of Mr. Gunwant K. Barot as the Chairman, Dr. Sharvil P. Patel and Mr. Kshitish M. Shah as the members.

Nomination and Remuneration Committee:

During the year under report, Nomination and Remuneration Committee was constituted in terms of the provisions under section 178 of the Companies Act, 2013 read with Rule – 6 of the Companies (Meeting of Board and its Powers) Rules, 2014 which comprises of Mr. Gunwant K. Barot, as the Chairman and Mr. Ganesh N. Nayak, Mr. Kshitish M. Shah and Dr. Sharvil P. Patel as the members.

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 the Companies [Accounts] Rules, 2014, are provided in the **Annexure - D** and forms part of this Report.

General Disclosures:

Your Directors state that the Company has made disclosures in this report, 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.

Particulars of Employees:

No employee of the Company was in receipt of remuneration in excess of the amount specified in section 197 of the Companies Act, 2013 read with Rule – 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, during the year under review.

Independent Directors:

The Independent Directors have submitted the declaration of independence, as required pursuant to provisions of section 149[7] of the Act, stating that they meet the criteria of independence as provided in sub-section [6].

Appreciation:

Your Directors also take this opportunity to place on record the valuable cooperation and continuous support extended by its holding Company, Bank, Government / SEZ authorities for their continued confidence reposed in the Company and look forward to having the same support in all its future endeavors.

On behalf of the Board of Directors



Dr. Sharvil P. Patel
Chairman

Place : Ahmedabad
Date : May 15, 2017

Annexure – “A”

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]

Form for disclosure of particulars of contracts / arrangements entered into by the Company with related parties preferred 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 | Hercon Pharmaceuticals Inc. Fellow subsidiary | Purchase of goods and availing of services | On - going | Availing of services for product development and scale-up | 03.04.2014 & 11.10.2014 | Nil |
| 2 | Zydus Noveltch Inc., Fellow subsidiary | Availing of Services | On-going | Reimbursement of expenses and service charges. | 03.04.2014 & 11.10.2014 | Nil |

On behalf of the Board of Directors



Dr. Sharvil P. Patel
Chairman

Place : Ahmedabad
Date : May 15, 2017

FORM NO. MR-3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31st March, 2017
[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies
(Appointment and Remuneration of Personnel) Rules, 2014]

To,
The Members,
Zydus Technologies Limited

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by ZYDUS TECHNOLOGIES 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 our opinion thereon.

Based on our verification of the Company’s 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 read with Annexure attached herewith and forming part of this report, 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:

I/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 there under;
- (ii) Foreign Exchange Management Act, 1999 and the Rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

As informed to us by the Company, the following laws have specific applicability to the Company:

- (i) Drugs and Cosmetics Act, 1940
- (ii) Petroleum Act, 1934

The Company’s securities are not listed on any stock exchanges in India and, hence, the provisions of the following laws, rules etc. are not applicable to the Company.

- (i) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made there under;
- (ii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- (iii) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - (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, 1992;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
 - (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 Secretarial Standards issued by the Institute of Company Secretaries of India.

Further, as the Company is not listed on any Stock Exchanges in India, the Company is not required to comply with the provisions of Listing Agreement / Listing Regulations, 2015 of any Stock Exchange.

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

We further report that

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.

Adequate notice is given at least seven days in advance to all Directors to schedule the Board Meetings. As informed to us, the Company has also provided agenda and detailed notes on agenda to the 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.

As explained to us, majority decision is carried through while the dissenting members' views are captured and recorded, wherever applicable, 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 during the audit period, there was no major event that took place under the Companies Act, 2013 having bearing on the Company's affairs.

Date: May 15, 2017
Place: Ahmedabad.

FOR TUSHAR VORA & ASSOCIATES
Company Secretaries

TUSHAR M VORA
Proprietor
FCS No. 3459
C P No.: 1745

“Annexure to Secretarial Audit Report”

To
The Members
Zydus Technologies Limited

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 process as considered appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification as done on test basis is to reasonably 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. In respect of other laws, Rules and regulations other than those specifically mentioned in our report above, we have limited our review, analysis and reporting up to process and system adopted by the Company for compliance with the same and have not verified detailed compliance, submissions, reporting under such laws etc. nor verified correctness and appropriateness thereof including financial records and books of accounts of the Company.
4. Wherever required, we have obtained the Management representation about the compliance of laws, Rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, Rules, Regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to compliance in totality or the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

FOR TUSHAR VORA & ASSOCIATES
Company Secretaries

Place: Ahmedabad
Date: May 15, 2017

TUSHAR M VORA
Proprietor
FCS No. 3459
C P No.: 1745

Annexure – "C"

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]

| | |
|--|--|
| | U24230GJ2009PLC0056149 |
| | February 16, 2009 |
| | Zydus Technologies Limited |
| | Public Limited Company Limited by shares |
| | "Zydus Tower", Satellite Cross Roads, Sarkhej-Gandhinagar Highway, Ahmedabad – 380 015. Phone +91-79-2686 8100 (20 lines) Fax +91-79-2686 8337 |
| | No |
| | Not Applicable |

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

| Business Activity | NIC Code of the Product / Service | % to total turnover of the Company |
|-------------------|-----------------------------------|------------------------------------|
| NDDS Products | 2100 | Production not yet commenced |

III. Particulars of holding, subsidiary and Associate Companies:

| Sr. No. | Name and Address of the Company | CIN No. | Holding/Subsidiary/Associate | % of Shares held | Applicable Section |
|---------|---|-----------------------|------------------------------|------------------|--------------------|
| 1. | Cadila Healthcare Limited Zydus Tower, Satellite Cross Roads, Ahmedabad – 380 015 | L24230GJ1995PLC025878 | Holding | 85 | 2[46] |

I) Category-wise Shareholding:

| | No. of Shares held at the beginning of the year | | | | No. of Shares held at the end of the year | | | | % Change during the year |
|--------------------------|---|-----------------|------------|-------|---|-----------------|------------|---|--------------------------|
| | Physical | Total | % of Total | Demat | Physical | Total | % of Total | | |
| A. Promoters | | | | | | | | | |
| (1) Indian | | | | | | | | | |
| a) Individual/HUF | - | - | - | - | - | - | - | - | - |
| b) Central Govt. | - | - | - | - | - | - | - | - | - |
| c) State Govt.(s) | - | - | - | - | - | - | - | - | - |
| d) Bodies Corporate | - | 42500000 | 85% | - | 42500000 | 42500000 | 85% | - | - |
| e) Bank / FI | - | - | - | - | - | - | - | - | - |
| f) Any other | - | - | - | - | - | - | - | - | - |
| Sub-Total (A)(1): | - | 42500000 | 85% | - | 42500000 | 42500000 | 85% | - | - |

| Category of Shareholder | 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 | |
| C. Shares held by Custodian for GDRs & ADRs | - | - | - | - | - | - | - | - | - |
| Grand Total (A+B+C) | - | 50000000 | 50000000 | 100% | - | 50000000 | 50000000 | 100% | - |

ii) Shareholding of Promoters:

| Shareholder's 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 | |
| Mr. Pankaj Ramanbhai Patel | *5,000 | - | Nil | *5000 | - | Nil | - |
| Dr. Sharvil Pankajbhai Patel | *5,000 | - | Nil | *5000 | - | Nil | - |
| Cadila Healthcare Limited | 42,489,950 | 85% | Nil | 42,489,950 | 85% | Nil | - |
| Mrs. Taraben Ramanbhai Patel Jtly with Cadila Healthcare Limited | *10 | - | Nil | *10 | - | Nil | - |
| Mrs. Pritiben Pankajbhai Patel Jtly with Cadila Healthcare Limited | *10 | - | Nil | *10 | - | Nil | - |
| Mrs. Shivani Pranav Patel Jtly with Cadila Healthcare Limited | *10 | - | Nil | *10 | - | Nil | - |
| Dr. Rita Yatinbhai Desai Jtly with Cadila Healthcare Limited | *10 | - | Nil | *10 | - | Nil | - |
| Mrs. Arati Rajivbhai Mehta Jtly with Cadila Healthcare Limited | *10 | - | Nil | *10 | - | Nil | - |
| Dr. Sharad Govil | 427,878 | 00.86% | 00.86% | 427,878 | 00.86% | 00.86% | - |
| Essgee Enterprises LLC | 7,072,122 | 14.14% | 14.14% | 7,072,122 | 14.14% | 14.14% | - |
| Total | 50,000,000 | 100.00% | 15% | 50,000,000 | 100.00% | 15% | - |

* Shares held as nominees of Cadila Healthcare Limited

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 | No change during 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.): | | | | |
| At the end of the year | | | | |

