Zydus Wellness

August 4, 2018

Listing Department *Code: 531 335*
BSE Limited
1st Floor, P.J. Towers, Dalal Street
Mumbai – 400 001

Listing Department *Code: ZYDUSWELL*
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor, Plot No. C/1, G Block,
Bandra-Kurla Complex, Bandra (East)
Mumbai – 400 051

Re: **Annual Report of the Company for the Financial Year 2017-18.**

Ref: **Regulation 34 of SEBI Listing Regulations**

Dear Sir,

Please find attached herewith the Annual Report of the Company for the Financial Year 2017-18 pursuant to Regulation 34 of the SEBI [Listing Obligations and Disclosure Requirements] Regulations, 2015.

Please receive the same in order.

Thanking you,

Yours faithfully,
For, **ZYDUS WELLNESS LIMITED**

DHAVAL N.SONI
COMPANY SECRETARY

ZYDUS WELLNESS LIMITED Zydus Tower AHMEDABAD

Encl.: As above

Zydus Wellness

WELLNESS FOR ALL

ANNUAL REPORT 2017-18


Sugar Free
Gold
Natura
Green
Nutralite
everyuth
TAN REMOVAL KIT

What's Inside

Safe Harbour Statement

In this Annual Report, we have disclosed forward-looking information (within the meaning of various laws) to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make, contain forward-looking statements that set out anticipated results based on the Management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Corporate Information

Board of Directors

Dr. Sharvil P. Patel
Chairman

Tarun G. Arora
Whole-time Director

Directors

H. Dhanrajgir

Prof. Indiraben J. Parikh

Ganesh Nayak

Kulin S. Lalbhai

Chief Financial Officer

Umesh V. Parikh

Company Secretary

Dhaval N. Soni

Bankers

Bank of Baroda

Ashram Road Branch

Ahmedabad

HDFC Bank Limited

Navrangpura Branch

Ahmedabad

BNP Paribas

Ellisbridge Branch

Statutory Auditors

M/s. Dhirubhai Shah & Co.
Chartered Accountants

Cost Auditors

M/s. Dalwadi & Associates
Cost Accountants

Secretarial Auditors

M/s. Hitesh Buch & Associates
Practicing Company Secretaries

Registered Office

House No. 6 & 7,
Sigma Commerce Zone
Nr. Iscon Temple,
Sarkhej Gandhinagar Highway
Ahmedabad - 380 015
www.zyduswellness.in

Registrar & Share Transfer Agent

M/s. Link Intime India Private Limited,
506-508, Amarnath Business Centre – 1,
Beside Gala Business Centre,
Off C. G. Road, Ellisbridge,
Ahmedabad 380 006

Works

7A, 7B & 8,
Saket Industrial Estate,
Sarkhej Bavla Road,
Ahmedabad
Village: Moraiya,
Taluka: Sanand,
District: Ahmedabad

CIN: L15201GJ1994PLC023490

Wellness for All

Wellness is about health consciousness and is an active daily pursuit. It is a commitment towards one's wellbeing – both internal and external. People today aspire to be healthy and happy in a purposeful manner.

Zydus Wellness Ltd. has been the gateway to wellness in India since 1988.

For more than three decades, we have been crafting experiences that nourish, nurture and energise – ultimately, enhancing your quality of life. Our innovative offerings are uniquely designed to transform and uplift your everyday lives.

With Zydus Wellness Ltd., your journey towards a healthier life begins here.

Introducing Zydus Wellness Ltd.

At Zydus Wellness Ltd., we strive to reimagine wellness and health in a holistic manner.

We deliver the best in health and wellness, enriching millions of lives every day.
We are the creators of industry-leading niche products that cater to the needs of different consumer groups.
At the heart of it all, our objective is to offer our customers a differentiated wellness experience, making them feel good from within.

Our Vision

We bring wellness to your life. We will create new experiences by our products that will nourish, nurture and energise your life. We shall lead the way through innovation.

Our DNA

To build new emergent categories with differentiated product propositions. Philosophy of building products that are good for you.

Our Brands

'Pure Skin, Happy Har Din'

Everyuth is a pioneer and a market leader in the facial care products range. It has a comprehensive offering in the skin care segment: Everyuth Face Wash, Everyuth Peel Off, Everyuth Scrub, Everyuth Tan Removal and Everyuth Face Pack.

'Aap happy, apki health happy'

Nutralite offers premium table spreads as a healthier alternative to butter. Its spreads are free from cholesterol as well as trans fats, and enriched with Omega 3 and Vitamin A, D and E – enabling families to make a smarter choice every day. The range now includes Nutralite Retail, Nutralite Institutional and Nutralite Mayonnaise, available in attractive flavours.

'Smartness Waali Sweetness'

Sugar Free, the flagship brand of Zydus Wellness Ltd. and an artificial sweetener, today, is a household name. The market-leading brand addresses diverse consumer needs, through its variants Sugar Free Gold, Sugar Free Natura and Sugar Free Green.

Our Key Performance Indicators

Revenue from operations (INR mn) — 8.75%

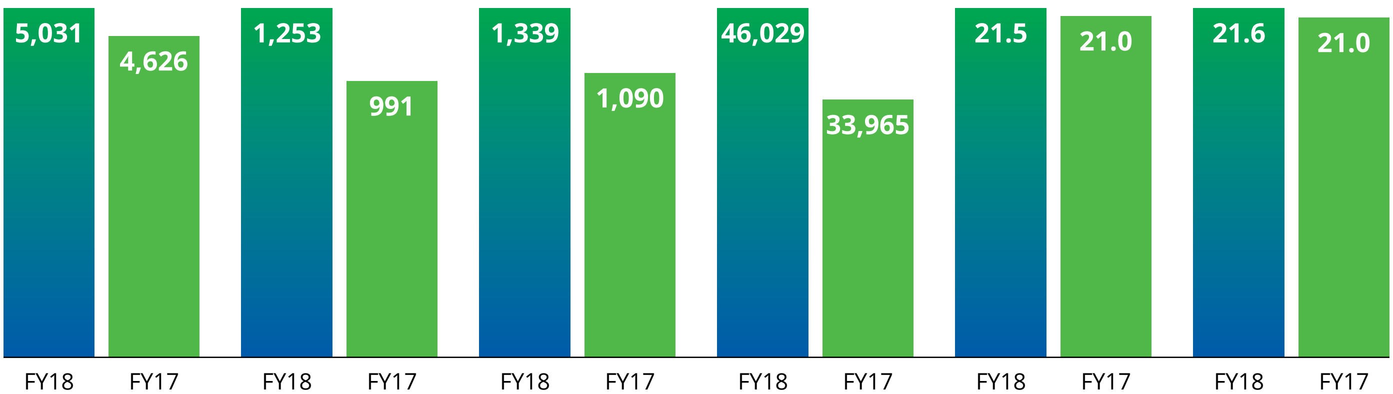
EBITDA (INR mn) — 26.43%

Net profit (INR mn) — 22.84%

Market capitalisation (INR mn) — 35.51%

ROE (%) — 2.38 bps

ROCE (%) — 2.85 pbs



Three Decades of Wellness

1980s & 1990s

1988

Launched Sugar Free with Aspartame

1991

Launched the Everyuth skincare range

2000s

2005

Introduced Sugar Free Natura with Sucralose

2006

Acquired Carnation Nutra (CANFL)

2009

Restructured the Consumer division of Cadila Healthcare Ltd. and it was renamed as Zydus Wellness Ltd.

Our Awards and Accolades

The financial year 2017-18 saw Zydus Wellness Ltd. garner the following awards and accolades.

The recognition we received, from within the Zydus Group and outside, underscores the Company's competitive performance.

- Our Sikkim plant received the Gold Award at the National Award for Manufacturing Competitiveness (NAMC), conducted by International Research Institute of Manufacturing.
- Our flagship brand Sugar Free won the 'Best Integration of Brand and Movie' award at the Prime Time Awards 2017 for its association with the Bollywood film, 'Chef'.
- We were adjudged the 'Best Team – Diamond Team' for the second consecutive year and our Sikkim plant was the first runner-up for the second year in a row at the SLIM (Strategic Lean Integrated Manufacturing) Awards, conducted internally across the Zydus Group.

National Gold Award for Manufacturing Competitiveness

Best Integration of Brand and Movie

2010s

2011

Inaugurated the manufacturing plant in Sikkim

2017

Commissioned the new production facility in Sikkim

Launched Sugar Free Green with Stevia

2018

Introduced Nutralite Mayonnaise in three appealing flavours: vegetable, cheese garlic and achari

Message from the Chairman

Dear Friends,

The financial year 2017-2018 was a special one. It marked the completion of our three-decade journey and the beginning of a promising new decade of wellness.

We started out in a small way as a part of a healthcare organisation, offering consumers alternatives for a healthier lifestyle with India's first aspartame-based sugar substitute, Sugar Free. Zydus Wellness has since evolved into a large business and offers a lot more enriching experiences across the wellness spectrum.

Exploring ways to improve customer experiences

At every step of the way, we grew with the customer at the heart of our explorations. To start with, we kept it simple, asking ourselves if there was a simpler, healthier alternative that we can offer as a choice to the health and fitness conscious consumer. Next, we asked ourselves, can we bring in a culture of innovation that combines newness with wellness? Above all, we looked at how we can improve access to these niche products and grow our reach. In pursuit of this, we have a highly dedicated and creative team that aims to create diverse experiences for the customer. This has guided our journey of growth for over 30 years and keeps us focussed on innovating and bringing a difference in people's lives with wellness.

This journey of three decades has witnessed several shifts in consumer habits, tastes and preferences. Our responses to the new marketplace has seen several pioneering initiatives. Each has been backed by our commitment to offer our best and broaden the spectrum of customers' choices. As we enter a new decade, our resolve deepens, and our vision is unwavering

Building on the momentum

We live in exciting times where we are witnessing an unprecedented convergence of new communication channels, digital commerce and service. These platforms are fully interconnected and increasingly influencing consumers' behaviours. We believe that we are well-positioned to take advantage of the opportunities afforded to us by the rapid advance of global digital techniques that are revolutionising how consumers experience and interact with brands.

Our endeavour is to help shape these experiences in newer, unexplored ways. We are also enhancing our ability to reach our consumers seamlessly and globally, taking these experiences to their doorstep. A wonderful example of this was 'The Sweet Breakup' campaign. Within just six months of launching this initiative, we had wonderful feedback on the fun and novel experience that we were able to offer our consumers across all metros in India.

As we step into a new decade...

As we look to expand our brand portfolio and market presence across geographies, we know that enhancing the brand experience will remain the key to our growth and success. We will therefore, reinforce the unique, consumer experiences each of our brands offer to our customers. We shall continue to focus on and drive growth that is well-balanced and robust across both established and emerging segments.

What encourages us are the innumerable opportunities to broaden the base of our offerings. While doing this, we are committed to the highest quality standards and are constantly upgrading our infrastructure. We are also chiselling away to get those best ideas that deliver value to the customer.

This fast-evolving environment requires the best creative thinkers. Innovative ideas come from everywhere and everyone in our organisation. We have been focussing on creating a workplace that encourages continuous learning and inventiveness. This is critical to our ability to anticipate and create trends, embrace change and swiftly adapt to the shifting needs and demands of our customers.

We remain focussed on our customers, our partners-in-progress, our employees, our communities and you, our shareowners. I am confident that the strategies we have put in place will continue to drive growth in the years to come, enabling us to achieve our goals and meet the high expectations that we all have set for ourselves. This confidence is borne of the fact that our strong team focusses its efforts on the very things that matter most to our success: creating newer experiences, delighting consumers and serving our customers.

We have a simple, clear strategy that we have been executing. As a team we are absolutely committed to continuing the successes made over the three decades and driving profitable growth in future. I am grateful to you for your confidence in our business and your support. Together, we are Zydus Wellness.

Dr. Sharvil P. Patel

"We are committed to the highest quality standards and are constantly upgrading our infrastructure. We are also chiselling away to get those best ideas that deliver value to the customer."

Our Business at a Glance

Zydus Wellness Ltd. is headquartered in Ahmedabad and the Company manufactures an innovative range of health and wellness products across three manufacturing facilities — one in Gujarat and two in Sikkim — that are distributed and marketed pan-India.

The strategic advantages of our business rests on four key pillars: financial strength, product innovation, manufacturing integrity and supply chain efficiency.

Financial Strength

The Company's near debt-free status is a testimony to its robust financial position. Further, during the year under review, Zydus Wellness Ltd. recorded a low debt-equity ratio of 0.04, a strong consolidated cash position of INR 5,619 mn and a healthy market capitalisation value of INR 46,029 mn.

Market capitalisation

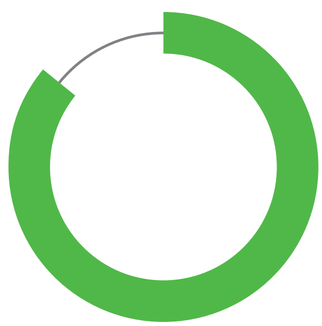
INR **46,029 mn**

March 31, 2018

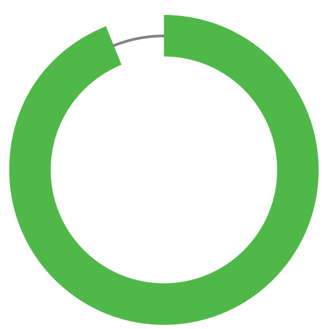
Product Innovation

Each of our products cater to specific needs of diverse consumer groups, offering healthier alternatives to conventional lifestyle choices. As an integrated consumer company, we build niche market spaces by spreading awareness among consumers around the wellness benefits of our power brands. We continuously engage in diversifying products as well as improving and revamping product packaging, to serve the evolving consumer preference landscape. The results are evident in our leadership position across different market segments.

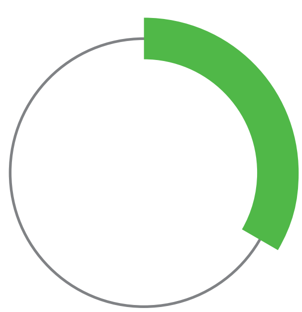
Market Share of Products



86%
Everyuth Peel Off



>94%
Sugar Free



33.6%
Everyuth scrub

Manufacturing Integrity

With the objective of upholding product quality, optimising costs and strengthening competitive advantages, our manufacturing processes, standards and practices are periodically evaluated and measured against industry benchmarks. Some of the productivity and quality-enhancing programmes include:

- Strategic Lean Integrated Management (SLIM) exercise to enhance machine productivity per person
- GEMBA technique to consistently improve shop-floor efficiency and meet production goals
- Kaizen to encourage shop-floor members to share improvement suggestions and augment operational efficiency
- Observe deviations in quality, to address issues in quality
- Partnership with National Institute of Manufacturing Competitiveness, to identify manufacturing process improvement opportunities

Supply Chain Efficiency

Cold chain warehouses

21

Ambient warehouses

27

Distributors

1,000+

Customer touch-points

8,25,000+

Feet-on-street representatives

~1,000+

Our upgraded 'go-to-market' model facilitates meaningful product distribution through strategic channels, in line with the best practices prevalent in the Fast-Moving Consumer Goods (FMCG) sector. We are, at present, adopting automation in distribution in a phased manner to empower our supply chain, extend our sales footprint and enhance customer service – reaching a wider consumer audience with our unique value proposition. In addition, we invest in warehouse capacities, digital sales capabilities (including e-commerce platforms) and last-mile linkages, to help achieve our marketing objectives. As a result, we witnessed an above-industry numeric reach and a significant quarter-on-quarter digital footfall, in the reporting year. In fact, the growth in distribution in rural regions has outpaced the Company's overall growth in distribution.

Offering a Differentiated Consumer Experience

Ever-shifting consumer preference patterns merit innovation in product development, as well as communication. The latter drives connections with key contemporary consumer groups such as the millennials, generates awareness and contributes to brand growth. And it is this insight that underlines Zydus Wellness Ltd.'s marketing strategy and initiatives, across its three power brands.

Sugar Free

- The recent launch of Sugar Free Green, a 100% natural sweetener made from Stevia leaves, was supported by a comprehensive effort towards print, TV, digital, and on-the-ground customer engagement.
- Sugar Free associated with the Saif Ali Khan-starrer 2017 Hindi movie, 'Chef', leading to print and TV collaborations between the actor himself and the brand ambassador Sanjeev Kapoor.
- The brand partnered with the NDTV news channel on World Health Day to broadcast the 'Sugar Free - Health For All' panel discussion with distinguished personalities, such as renowned medical practitioner, Dr. Shashank Joshi, Celebrity Chef Sanjeev Kapoor and prominent clinical nutritionist Ishi Khosla.
- A host of novel digital activations were launched targeting the culinary business, such as a web-series titled 'The Sweet Breakup'. It was a first-of-its-kind YouTube video series, featuring eminent celebrities like Chef Kunal Kapoor and food critics Rocky and Mayur, who used Sugar Free to recreate famous local sweet delicacies.

Nutralite

- Nutralite Premium's revamped packaging was supported by a new advertisement campaign with Chef Sanjeev Kapoor along with on-the-ground brand activations to drive engagement.
- The brand's digital initiatives included a 'Facebook live' interaction with Chef Sanjeev Kapoor and the 'Khane Me Twist' campaign on healthy recipes with Bollywood actress, Shilpa Shetty.
- Nutralite Mayonnaise was launched in various flavours during the reporting period and is geared to be supported by activations in the fiscal 2018-19.

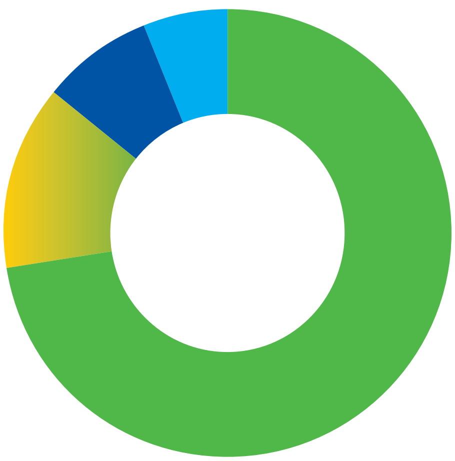
Everyuth

- Everyuth launched Neem Papaya Scrub for acne-prone skin in May 2017; this was supported by an extensive TV campaign.
- Everyuth's Peel Off range was supported by a new TV campaign, while the Orange Peel Off variant, in particular, underwent a packaging change.
- The comprehensive Everyuth Tan-Removal range (comprising Tan-Removal Scrub, Tan Removal Face Pack and Tan-Removal Kit) is a new and differentiated offering that is envisioned to drive growth in the emerging and competitive segment of tan-removal.

Creating Value for our Shareholders

We have always stayed true to our credo of 'Wellness for All' and continue to create value for our shareholders.

Shareholding Pattern

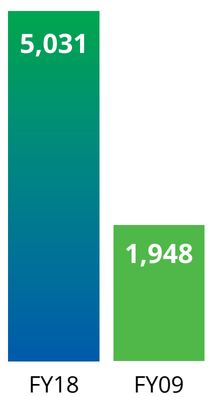


Promoter holding	72.54%
Other holding	13.40%
Institutional holding	8.06%
FII holding	6.00%

Revenue from operations

(INR mn)

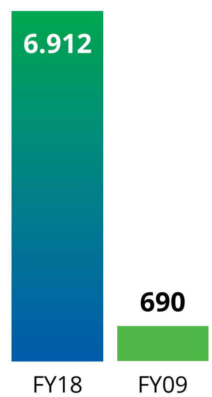
11.12% 9-year CAGR (in %)



Shareholder funds

(INR mn)

29.2% 9-year CAGR (in %)



Market capitalisation

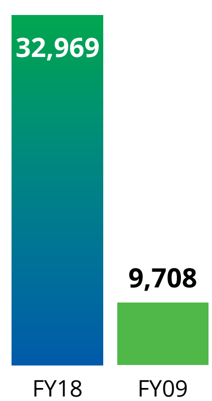
(INR mn)

39.59% 9-year CAGR (in %)

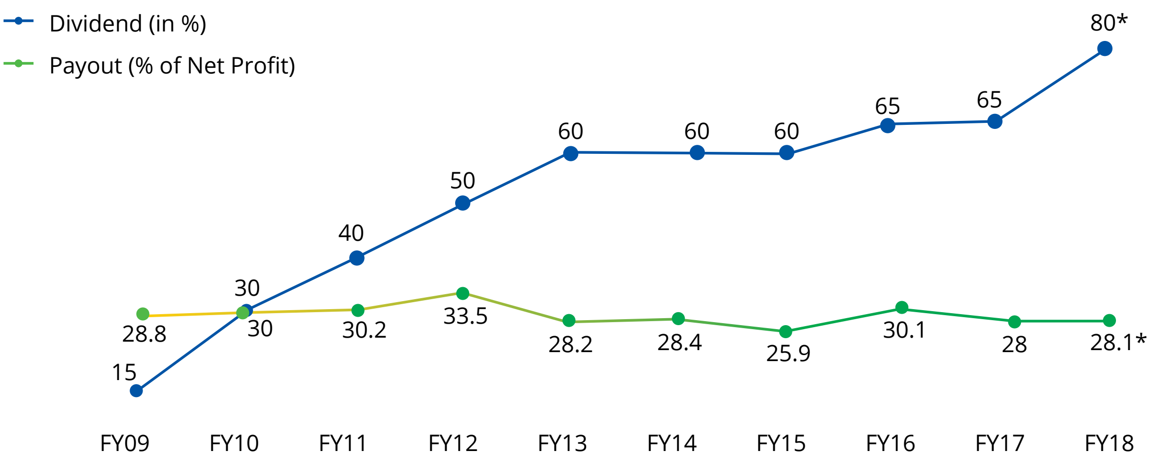
SENSEX

(Points)

14.55% 9-year CAGR (in %)



Dividend Payouts



*Proposed Dividend

Notice

ZYDUS WELLNESS LIMITED
[CIN–L15201GJ1994PLC023490]
Registered Office: House No. 6 & 7, Sigma Commerce Zone,
Nr. Iscon Temple, Sarkhej–Gandhinagar Highway, Ahmedabad – 380 015
Website: www.zyduswellness.in; **Email ID**:investor.grievance@zyduswellness.in
Phone No.: 079-67775888; Fax No.: 079-67775811

Notice is hereby given that the **Twenty Fourth** Annual General Meeting of the members of the Company will be held on Friday, August 3, 2018 at 10.00 a.m. at J. B. Auditorium, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad – 380015, 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, 2018 and the Reports of the Board of Directors and Auditors thereon.

2. To declare dividend on equity shares for the Financial Year 2017-2018.

3. To appoint a Director in place of Mr. Tarun G. Arora [DIN-07185311], who retires by rotation and being eligible offers himself for re-appointment.

SPECIAL BUSINESS:

4. **To ratify remuneration to Cost Auditors**:

   To consider and if thought fit, to pass with or without modification[s], the following resolution as an **Ordinary Resolution**:

   "**RESOLVED THAT** pursuant to provisions of section 148[3] and other applicable provisions, if any, of the Companies Act, 2013, and the Companies [Cost Records and Audit] Rules, 2014, [including any statutory modification(s) or re-enactment thereof for the time being in force], the Company hereby ratifies the remuneration of INR 2.40 Lakhs plus applicable taxes and out of pocket expenses at actuals for the financial year ending on March 31, 2019 to Dalwadi & Associates, Cost Accountants [Firm Registration No. 000338] who were appointed as Cost Auditors to conduct the audit of cost records maintained by the Company pertaining to product 'Nutralite' manufactured by the Company for the financial year 2018–2019."

By order of the Board of Directors

Place: Ahmedabad
Date: May 24, 2018

Dhaval N. Soni
Company Secretary

NOTES:

1. The Explanatory Statement pursuant to provisions of section 102 of the Companies Act, 2013 ["Act"] in respect of business under item No. 4 of the Notice is annexed hereto.

2. The Register of Members and Share Transfer Books shall remain closed from July 20, 2018 [Friday] to August 3, 2018 [Friday] [both days inclusive].

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 the 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 10:00 a.m. on Wednesday, August 1, 2018. 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 authorize its representatives to attend the Meeting are requested to submit to the Company at its Registered Office, a certified copy of Board Resolution / authorization document authorizing 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 provisions of section 125 of the Companies Act, 2013, and the Rules made thereunder. Members are requested to note that after such date, any unclaimed dividend which has been transferred to the Fund, may apply for refund, under sub-

section (4) of section 125 or under proviso to sub-section (3) of section 125, as the case may be, to the authority by making an application in the prescribed Form online available on website www.iepf.gov.in along with fee as may be decided by the IEPF authority.

Financial year ended on	Date of declaration of dividend	Dividend payment %	Expected date of transfer of unpaid dividend to IEPF Account
March 31, 2011	June 30, 2011	40	September 2, 2018
March 31, 2012	July 27, 2012	50	September 29, 2019
March 31, 2013	May 13, 2013	60 @	July 16, 2020
March 31, 2014	July 14, 2014	60	September 16, 2021
March 31, 2015	July 29, 2015	60	October 1, 2022
March 31, 2016	March 4, 2016	65 @	May 7, 2023
March 31, 2017	March 1, 2017	65 @	May 4, 2024

@ Interim Dividend

In compliance with the provisions of section 124(6) of the Companies Act, 2013 [the Act] read with The Investor Education and Protection Fund Authority (Accounting, Auditing, Transfer and Refund) Rules, 2016 dated September 5, 2016 and as amended from time to time [hereinafter referred to as "the said Rules"], the Company has transferred 58,352 Equity Shares of INR 10/- each of such shareholders whose dividend remained unclaimed or unpaid for a consecutive period of seven years or more and whose period of seven years completed during the period from September 7, 2016 to October 31, 2017, to Investor Education and Protection Fund (IEPF) authority constituted by the Ministry of Corporate Affairs on December 12, 2017.

Any shareholder who wishes to claim their shares or unclaimed dividend may apply to the authority by making an application in the prescribed Form online available on website www.iepf.gov.in along with the prescribed documents and fees.

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 Third Annual General Meeting held on August 11, 2017 on its website–www.zyduswellness.in and on the website of Ministry of Corporate Affairs www.mca.gov.in.

6. Members holding shares in physical form are requested to intimate Registrar and Transfer Agent of the Company viz., M/s. Link Intime India Private Limited [Unit: Zydus Wellness Limited], 506 – 508, Amarnath Business Centre – 1, Beside Gala Business Centre, Navrangpura, Off CG Road, 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 seeking reappointment 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 as amended from time to time [the Listing Regulations].

8. Notice of the Twenty Fourth 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 Fourth 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 in the 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 communications including Annual Report, Notices, Circulars, etc. from the Company electronically.

   Members may also note that the Notice of the Twenty Fourth Annual General Meeting and the Annual Report will also be available on the Company's website www.zyduswellness.in 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, by post free of cost. For any communication, the members may also send requests to the Company's email id investor.grievance@zyduswellness.in.

10. **Voting through electronic means:**
    The businesses as set out in the Notice may be transacted through electronic voting system. In compliance with provisions of section 108 of the Act read with the Companies [Management and Administration] Rules, 2014, Standard 8 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 electronic voting 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 e-voting at the venue of 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.zyduswellness.in and on the website of CDSL.

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, July 26, 2018 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 voting period begins on Tuesday, July 31, 2018 at 9:00 am and ends on Thursday, August 2, 2018 at 5:00 pm. During this period members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of July 26, 2018 may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.

(ii) The members should log on to the e-voting website www.evotingindia.com.

(iii) Click on Shareholders.

(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, demat shareholders as well as physical members].
Dividend Bank Details **OR** Date of Birth (DOB)	• Enter the Dividend Bank details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the Company records in order to login. • 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 to be also used by the demat holders for voting for resolutions of any other company on 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 ZYDUS WELLNESS 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 he should 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 use mobile app – "m-voting" for e-voting. m-voting app is available on Apple, Android and Windows based mobiles. Members may login to m-voting using their e-voting credentials to vote for the Company resolutions(s).

(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, user 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
Deputy Manager, CDSL
Address: P J Towers, Dalal Street,
Fort, Mumbai–400001
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 voting 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. Hitesh Buch, Practicing Company Secretary [Membership No. 3145], 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.zyduswellness.in and on the website of CDSL and will be displayed on the Notice Board of the Company at its Registered Office immediately after the declaration of the result 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 meeting are requested to write to the Company at least seven days in advance of the date of 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.

ZYDUS WELLNESS LIMITED

[CIN–L15201GJ1994PLC023490]
Registered Office: House No. 6 & 7, Sigma Commerce Zone,
Nr. Iscon Temple, Sarkhej–Gandhinagar Highway, Ahmedabad – 380 015
Website: www.zyduswellness.in; **Email ID**:investor.grievance@zyduswellness.in
Phone No.: 079-67775888; Fax No.: 079-67775811

Explanatory Statement pursuant to section 102[1] of the Companies Act, 2013:

The following statement sets out all material facts relating to Special Business mentioned in the accompanying Notice dated May 24, 2018.

In respect of item No. 4:
In accordance with the provisions of section 148 of the Companies Act, 2013 [Act] and the Companies [Audit and Auditors] Rules, 2014, the Company is required to appoint a Cost Auditor to audit the cost records of the Company pertaining to product 'Nutralite' 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 of the Company to conduct audit of cost records of the Company for the financial year 2018-2019, at a remuneration of INR 2.40 Lakhs plus applicable taxes and out of pocket expenses at actuals. Dalwadi & Associates, Cost Accountants have furnished certificate regarding their eligibility for appointment as Cost Auditors of the Company. As per the provisions of the Act read with the Rules, the remuneration payable to the Cost Auditors shall be ratified by the members of the Company.

Accordingly, consent of the members is sought for passing an Ordinary Resolution as set out in item No. 4 of the Notice.

None of the Directors or Key Managerial Personnel of the Company or their relatives are in any way, concerned or interested, financially or otherwise, in the resolution set out in item No. 4 of the Notice. Your Directors recommend the passing of this resolution by the members.

By order of the Board of Directors

Place: Ahmedabad
Date: May 24, 2018

Dhaval N. Soni
Company Secretary

Annexure–A

Details of Director seeking re-appointment at the forthcoming Annual General Meeting
[Pursuant to Regulation 36[3] of the SEBI [Listing Obligations and Disclosure Requirements], Regulations, 2015]

Name of the Director	Mr. Tarun G. Arora	
Age	46 years	
Date of Appointment on the Board	May 14, 2015	
Brief resume and nature of expertise in functional areas	Mr. Tarun Arora, has been leading the Zydus Wellness business for three years in the capacity of Chief Operating Officer. He is instrumental in accelerating the growth of the company on back of innovations, expanding the geographies for the business and building high performing leadership team. He has rich experience of 23 years in which he has handled General Management and Leadership Roles with outstanding business growth for large FMCG companies as well as startups. He has played a pivotal role in Business Transformation and post-merger integration projects in his career. He was Chief Executive, India business at Danone Waters prior to joining Zydus. He has also worked with various FMCG companies like Wipro, Bharti Walmart, Godrej and Sara Lee. Mr. Arora brings with him expertise and thought leadership in the areas of Brand Development, strategy and Innovation. He believes in laying strong emphasis on people development and building consumer centric organization for a sustained performance. Mr. Arora is a Bachelor of Science and Post Graduate Diploma in Business Management.	
Relationship between directors inter-se	None	
Directorships held in other Listed Companies	None	
Memberships / Chairmanships of Committees in Listed Companies	Zydus Wellness Limited	
	Name of the Committee	**Position Held**
	Share Transfer Committee	Member
Shareholding of Non - Executive Director	N. A.	

Directors' Report

Dear Members,

Your Directors are pleased to present Twenty Fourth Annual Report and the Financial Statements for the Financial Year ended on March 31, 2018.

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 standalone and consolidated financial performance of the Company, for the Financial Year ended on March 31, 2018 are summarized below:

INR in Lakhs

Particulars	Standalone		Consolidated	
	For the year ended on March 31, 2018	For the year ended on March 31, 2017	For the year ended on March 31, 2018	For the year ended on March 31, 2017
Revenue from Operations and other Income	29,242	25,245	53,821	49,519
Profit before Interest, Depreciation, Amortization and Impairment Expenses & Tax [PBIDT]	13,922	11,297	16,032	13,171
Less: Finance Cost	159	48	170	55
Less: Depreciation, Amortization and Impairment Expenses	351	370	888	716
Profit Before Tax [PBT]	13,412	10,879	14,974	12,400
Less: Tax Expenses	32	(55)	1,323	1,272
Profit After Tax [PAT]	13,380	10,934	13,651	11,128
Attributable to:				
Owners of the Parent	13,380	10,934	13,390	10,898
Non-Controlling Interests	-	-	261	230
Other Comprehensive Income/(Loss) (net of tax)	21	(15)	11	21
Total Comprehensive Income	13,401	10,919	13,662	11,149
Attributable to:				
Owners of the Parent	13,401	10,919	13,401	10,919
Non-Controlling Interests	-	-	261	230
Opening balance in Retained Earnings	47,360	39,483	47,324	39,483
Amount available for appropriation				
Dividend:				
Interim - FY 2016-17	-	2,540	-	2,540
Interim - FY 2015-16	-	2,344	-	2,344
Final - FY 2014-15	-	994	-	994
Corporate Dividend Tax on Interim Dividend (net of CDT Credit)	-	517	-	517
Closing Balance in Retained Earnings	60,740	47,360	60,714	47,324
Earnings Per Share [EPS] [Face Value of shares of INR 10/- each]	34.24	27.99	34.27	27.89

Results of Operations (consolidated):

During the year under review, the consolidated sales revenue grew by 7.1% to INR 49,201 Lakhs from INR 45,934 Lakhs in 2016-17. The profit before tax increased by 20.8% y-o-y to INR 14,974 Lakhs. Net profit after tax (before OCI and after Non-Controlling Interest) increased by 22.9% y-o-y to INR 13,390 Lakhs. The Net Profit margin, as a % to total operating income during the current year is 26.6%. A detailed analysis of performance for the year has been included in the Management Discussion and Analysis Report, which forms part of the Annual Report.

Dividend:

During the year under review, your Directors have recommended a dividend of INR 8/- [80%] per equity share on 3,90,72,089 Equity shares of INR 10/- each fully paid-up for the Financial Year ended on March 31, 2018, amounting to INR 3,768.27 Lakhs (inclusive of Dividend Distribution Tax of INR 642.51 Lakhs).The dividend, if declared, by the members at the ensuing Annual General Meeting (AGM), will be paid to those shareholders, whose names stand registered in the Register of Members on August 3, 2018. In respect of shares held in dematerialized form, it will be paid to the members whose names are furnished by the National Securities Depository Limited and the Central Depository Services (India) Limited, as beneficial owners. The Dividend Payout Ratio for the current year (inclusive of Dividend Distribution Tax) is 28.1% of profits.

During the year, the unclaimed dividend pertaining to the dividend for the financial year ended on March 31, 2010 was transferred to Investor Education and Protection Fund.

As per SEBI Notification, the Company has formulated a Dividend Distribution Policy, which is approved by the Board of Directors [the Board] and is uploaded on Company's website www.zyduswellness.in. The link for the same is http://www.zyduswellness.in/investor/Dividend_Policy-May17.pdf.

Transfer of Shares to Investor Education and Protection Fund [IEPF]:

In compliance with the provisions of section 124 of the Companies Act, 2013 and rules made thereunder, the Company has transferred the shares of the shareholders whose dividend has remained unclaimed / unpaid for a consecutive period of seven years to IEPF.

Fixed Deposit:

The Company has not accepted any fixed deposit and, as such, no amount of principal or interest was outstanding as of the Balance Sheet date.

Management Discussion and Analysis [MDA]:

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

Consolidated Financial Statements:

M/s. Zydus Wellness, Sikkim [ZWS], a Partnership Firm, is under the majority control of the Company and hence the accounts of ZWS are consolidated with the accounts of the Company in accordance with the provisions of Ind AS-110 on Consolidated Financial Statements issued by the Ministry of Corporate Affairs and as provided under the provisions of the Companies Act, 2013 [hereinafter referred to as "Act"] read with Schedule III of the Act and Rules made thereunder and the Listing Regulations. The audited Consolidated Financial Statements are provided in the Annual Report.

Though the Company does not have any subsidiary Company, in compliance of the provisions of Regulation 16[1][c] of the Listing Regulations, the Company has formed a policy relating to material subsidiaries, which is approved by the Board and may be accessed on the Company's website at www.zyduswellness.in.

Related Party Transactions:

All transactions entered by the Company during the financial year with related parties were in the ordinary course of business and on an arm's length basis. During the year, the Company has not entered into any transactions with the related parties which could be considered as material in accordance with the policy of the Company on materiality of related party transactions.

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 www.zyduswellness.in.

Disclosures on related party transactions are set out in Note No. 41 to the financial statements.

Directors:

i. Retirement by Rotation:

In accordance with the provisions of section 152[6] of the Act and in terms of Articles of Association of the Company, Mr. Tarun G. Arora, Whole-Time Director [DIN–07185311] will retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment. The Board recommends his re-appointment.

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 the Independent Directors confirming that they are not disqualified from continuing as the Independent Directors.

iii. Profile of Director seeking re-appointment:

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

iv. Key Managerial Personnel:

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

1. Mr. Tarun G. Arora, Whole Time Director,
2. Mr. Amit B. Jain, Chief Fianancial Officer (till February 7, 2018)
3. Mr. Umesh V. Parikh, Chief Financial Officer (w.e.f. February 7, 2018), and
4. Mr. Dhaval N. Soni, Company Secretary.

The Board of Directors at their meeting held on February 7, 2018, on the recommendations of the Nomination and Remuneration Committee and the Audit Committee, appointed Mr. Umesh V. Parikh as the Chief Financial Officer and Key Managerial Personnel of the Company w.e.f. February 7, 2018.

v. Board Evaluation:

Pursuant to the provisions of the Act and Rules made thereunder and as provided under Schedule IV of 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 is provided in the Corporate Governance Report, which is a part of the Annual Report.

vi. Nomination and Remuneration Policy:

The Board has on the recommendations of the Nomination and Remuneration Committee [NRC], framed a Policy on selection and appointment of Director(s), KMP, Senior Management Personnel and their remuneration. The Remuneration Policy is stated in the Corporate Governance Report, which is a part of this 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:

i. that in preparation of the Financial Statements, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any,

ii. 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, 2018 and of the profit of the Company for the year ended on that date,

iii. 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,

iv. that the Financial Statements have been prepared on a going concern basis,

v. that proper internal financial controls were in place and that the financial controls were adequate and operating effectively, and

vi. that the systems to ensure compliance with the provisions of all applicable laws were in place and adequate and operating effectively.

Board Meetings:

Information of meetings of the Board of Directors is given in Corporate Governance Report, forming 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 part of this report. The Board accepts the recommendations of Audit Committee.

The Audit Committee comprises of Mr. Humayun Dhanrajgir, as Chairman, Prof. Indiraben J. Parikh, Mr. Ganesh N. Nayak and Mr. Kulin S. Lalbhai as members.

Composition of other Committees:

Composition of other Committees and other details on the Committees are given in the Corporate Governance Report, forming part of this Report.

Corporate Governance:

The Company has complied with the Corporate Governance requirements under the Act and as stipulated under the 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 a Practicing Company Secretary, confirming the compliance forms a part of this Report.

Auditors:

i. Statutory Auditors and their Report:

Dhirubhai Shah & Co., Chartered Accountants, [Firm Registration No. 102511W] are appointed as Statutory Auditors from the conclusion of Twenty First Annual General Meeting until the conclusion of Twenty Sixth Annual General Meeting. They have furnished a declaration confirming 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 for the Financial Year ended on March 31, 2018 and the observations and comments, appearing in the report are self-explanatory and do not call for any further explanation / clarification by the Board in their Report as provided under section 134 of the Act.

ii. Cost Auditors:

Pursuant to the provisions of section 148[3] of the Act read with Companies [Cost Records and Audit] Amendment Rules, 2014 as amended from time to time, the cost audit records maintained by the Company in respect of its product 'Nutralite' are required to be audited. The Board has, on the recommendation of Audit Committee, appointed Dalwadi & Associates, Cost Accountants [Firm Registration No. 000338] to audit the cost records of the Company for the financial year ending on March 31, 2019 on a remuneration of INR 2.40 Lakhs plus applicable taxes and out of pocket expenses at actuals.

As required under the Act and Rules made thereunder, the remuneration payable to the Cost Auditors is required to be placed before the Members at a general meeting for ratification. Accordingly, a resolution seeking ratification of the remuneration payable to Dalwadi & Associates by the members is included at item No. 4 of the Notice convening Twenty Fourth Annual General Meeting.

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 had appointed Hitesh Buch & Associates, Practicing Company Secretaries, to undertake Secretarial Audit of the Company for the financial year ended on March 31, 2018. The Secretarial Audit Report is attached herewith as **Annexure–"A"**.

The Board has reviewed the Secretarial Auditor's Report and is of the opinion that the observations and comments, appearing in the report are self-explanatory and do not call for any further explanation / clarification by the Board in its Report as provided under section 134 of the Act.

Business Responsibility Report:

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

Corporate Social Responsibility [CSR]:

Pursuant to the provisions of section 135 of the Act and Rules made thereunder, the Board has constituted a CSR Committee under the Chairmanship of Dr. Sharvil P. Patel. The other members of the Committee are Mr. Ganesh N. Nayak and Prof. Indiraben J. Parikh. A 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 as **Annexure–"B"**.

Business Risk Management:

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.

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

Internal Control System and their adequacy:

The Company has Internal Control Systems, commensurate with the size, scale and complexity of its operations. The Internal Audit Department monitors and evaluates the efficacy and adequacy of internal control systems in the Company, its compliances with operating systems, accounting procedures and policies within the Company. Based on the report of internal audit function, process owner undertake the corrective action in their respective areas and thereby strengthen the internal controls. Significant observations and corrective actions thereon are presented to the Audit Committee from time to time.

Internal Financial Control and their 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, 2018, 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 implemented new and / or improved 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 a vigil mechanism and framed a whistle blower policy for Directors and employees to report concerns about unethical behavior, actual or suspected fraud or violation of 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". Every employee is required to review and sign the policy at the time of joining and an undertaking has to 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 conducive work 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 ended on March 31, 2018, 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 prescribed Form No. MGT–9 is attached to this Report as **Annexure-"C"**.

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–"D"**.

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 the **Annexure–"E"** and forms a part of this Report.

General Disclosure:

Your Directors state that the Company has made disclosures in this report for the items prescribed in section 134[3] of the Act read with Rule 8[3] 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.

Acknowledgement:

Your Directors place on record their sincere appreciation for the continued co-operation and support extended to the Company by the Banks. Your Directors also thank 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. Your Directors also thank the Company's vendors, investors, business associates, Stock Exchanges, Government of India, State Government and various departments and statutory and government agencies or bodies for their support and co-operation.

For and on behalf of the Board

Place: Ahmedabad
Date: May 24, 2018

Dr. Sharvil P. Patel
Chairman

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED on MARCH 31, 2018
[Pursuant to section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
Zydus Wellness Limited

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Zydus Wellness 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, the Company has, during the audit period covering the financial year ended on March 31, 2018, 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:

1. 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, 2018 according to the provisions of:

   (i) The Companies Act, 2013 (the Act) and the rules made thereunder;

   (ii) The Securities Contracts (Regulation) Act, 1956 and the rules made thereunder;

   (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder; and

   (iv) 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.

2. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):

   (i) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 with regard to disclosures thereunder;

   (ii) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

   (iii) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (Not Applicable during the period);

   (iv) The Securities and Exchange Board of India (Share based Employee Benefits) Regulations, 2014 (Not Applicable during the period);

   (v) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (Not Applicable during the period);

   (vi) The Securities and Exchange Board of India (Registrars to Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client (Not Applicable during the period);

   (vii) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (Not Applicable during the period); and

   (viii) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (Not Applicable during the period).

3. We have relied on the representation made by the Company and its Officers for the systems and mechanism formed by the Company for compliances under other general laws and regulations applicable to the Company.

4. The Company has complied with Food Safety and Standards Act, 2006 and Legal Metrology Act, 2009 which are specifically applicable to the Company.

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

   (i) Secretarial Standards with regard to Meeting of Board of Directors (SS-1) and General Meetings (SS-2) issued by The Institute of Company Secretaries of India;

(ii) The Listing Agreements entered into by the Company with BSE Limited and National Stock Exchange of India Limited for the period ended on March 31, 2018; and

(iii) The Listing Agreements entered into by the Company with BSE Limited and National Stock Exchange of India Limited pursuant to Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015.

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/Key Managerial Personnel [KMP] that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notices are given to all directors/members of the Committee to schedule the Board/Committee Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, 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.

Majority decisions are 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 during the audit period there were no specific events / actions having a major bearing on the company's affairs.

For **Hitesh Buch & Associates**
Company Secretaries

Hitesh D. Buch
Proprietor
FCS No.: 3145
C P No.: 8195

Place : Ahmedabad
Date : May 24, 2018

To,
The Members,
Zydus Wellness Limited

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

1. Maintenance of secretarial records 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 the test basis to ensure that correct facts are reflected in the 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 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 and 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 the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company

For **Hitesh Buch & Associates**
Company Secretaries

Hitesh D. Buch
Proprietor
FCS No.: 3145
C P No.: 8195

Place : Ahmedabad
Date : May 24, 2018

Annexure–"B" to the Directors' Report

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 Act and the same is placed on the website of the Company. Visit the web link http://www.zyduswellness.in/investor/CSR%20Policy.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 poor patients and carries out medical research. The medical college provides education and other facilities to the medical students. The objectives of the institution, amongst others, include, to help and nurse the marginalized and economically weaker section people of the society.

2. **Composition of the CSR Committee:**

   Dr. Sharvil P. Patel – Chairman,
   Mr. Ganesh N. Nayak – Member; and
   Prof. Indiraben J. Parikh – Member

3. **Average net profit of the Company for the last three financial years:**
   INR 10,695 Lakhs.

4. **Prescribed CSR expenditure [2% of the amount as an item No. 3 above].**
   INR 213.90 Lakhs.

5. **Details of CSR spent during the financial year:**

   i. Total amount to be spent during the financial year– INR 213.90 Lakhs

   ii. Amount unspent, if any: **Nil**

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

CSR Project or Activity identified	Healthcare and Education
Sector in which the project is covered	Promoting education and healthcare, including preventive healthcare
Projects or Programs [1] Local area or other, [2] Specify the state and district where projects or programs were undertaken	Ahmedabad, Gujarat
Amount outlay [Budget] Project or Program wise	INR 213.90 Lakhs
Amt. spent on the Projects or Programs Sub-heads: [1] Direct expenditure on projects of programs, [2] Overheads	INR 213.90 Lakhs
Cumulative expenditure up to the reporting period	INR 213.90 Lakhs
Amount spent: Direct or through implementing Agency	Gujarat Cancer Society

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

Dr. Sharvil P. Patel
Chairman of CSR Committee

Tarun G. Arora
Whole Time Director

Place: Ahmedabad
Date: May 24, 2018

Annexure–"C" to the Directors' Report

FORM NO. MGT–9

Extract of Annual Return

as on the Financial Year ended on March 31, 2018
[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	L15201GJ1994PLC023490
Registration Date	November 1, 1994
Name of the Company	Zydus Wellness Limited
Category / Sub–Category of the Company	Public Limited Company having share capital
Address of the Registered Office and Contact Details	House No. 6 & 7, Sigma Commerce Zone, Near Iscon Temple, Sarkhej–Gandhinagar Highway, Ahmedabad–380 015. Phone No.: +91-79– 67775888 www.zyduswellness.in
Whether listed Company	Yes
Name, address and contact details of Registrar and Transfer Agent	Link Intime India Private Limited 506 to 508, 5th Floor, Amarnath Business Center 1, Besides Gala Business Center, Nr. St. Xavier's College Corner, Off. C. G. Road, Ellisbridge, Ahmedabad – 380 006 Phone and Fax No.: 079–2646 5179 Email: ahmedabad@linkintime.co.in

II. Principal Business Activities of the Company

All business activities contributing 10% or more of the total turnover of the Company shall be stated:

Name and Description of main Products / Service	NIC Code of the Product / Service	% to total turnover of the Company
Table Spread	1517	100%

III. Particulars of Holding Company, Subsidiary and Associate Companies:

Name and address of the Company	CIN	Holding / Subsidiary / Associate	% of shares held	Applicable Section
Cadila Healthcare Limited	L24230GJ1995PLC025878	Holding	72.08	2[46]
Registered Office:				
Zydus Tower, Satellite Cross Roads, Sarkhej–Gandhinagar Highway, Ahmedabad–380 015.				

The Company does not have any subsidiary or associate company.

IV. SHAREHOLDING PATTERN [Equity Share Capital Breakup as percentage of total Equity]

i] Category–wise share holding

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									
i. Individual / HUF	179292	-	179292	0.46	179292	-	179292	0.46	-
ii. Central Govt.	-	-	-	-	-	-	-	-	-
iii. State Govt.[s]	-	-	-	-	-	-	-	-	-
iv. Bodies Corporate	28164395	-	28164395	72.08	28164395	-	28164395	72.08	-
Sub–Total [A][1]	**28343687**	**-**	**28343687**	**72.54**	**28343687**	**-**	**28343687**	**72.54**	**-**
2. Foreign									-
i. NRIs–Individuals	-	-	-	-	-	-	-	-	-
ii. Other–Individuals	-	-	-	-	-	-	-	-	-
iii. Bodies Corporate	-	-	-	-	-	-	-	-	-
iv. Banks / FI	-	-	-	-	-	-	-	-	-
v. Any other	-	-	-	-	-	-	-	-	-
Sub–Total [A][2]									
Total shareholding of promoters [A] = [A][1] + [A][2]	**28343687**	**-**	**28343687**	**72.54**	**28343687**	**-**	**28343687**	**72.54**	**-**
B. Public Shareholding									
1. Institutions									
i. Mutual Funds	787965	559	788524	2.02	1634999	559	1635558	4.19	2.17
ii. Banks / FI	1532355	-	1532355	3.92	1515406	-	1515406	3.88	-0.04
iii. Central Govt.	-	-	-	-	-	-	-	-	-
iv. State Govt.[s]	-	-	-	-	-	-	-	-	-
v. Venture Capital Fund	-	-	-	-	-	-	-	-	-
vi. Insurance Companies	-	-	-	-	-	-	-	-	-
vii. FIIs / FPIs	3070713	46	3070759	7.86	2340796	46	2340842	5.99	-1.87
viii. Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	
ix. Others [specify]	-	-	-	-	-	-	-	-	
Sub–Total [B][1]	**5391033**	**605**	**5391638**	**13.80**	**5491201**	**605**	**5491806**	**14.06**	**0.26**
2. Non–Institutions									
i. Bodies Corporate									
a. Indian	1975666	4500	1980166	5.07	1951779	781	1952560	5.00	-0.07
b. Overseas	-	-	-	-	-	-	-	-	-
ii. Individuals									
a. Individual shareholders holding nominal share capital up to INR 2 Lakhs	2057429	258651	2316080	5.93	1921597	192102	2113699	5.41	-0.52
b. Individual shareholders holding nominal share capital above INR 2 Lakhs	730915	-	730915	1.87	806038	-	806038	2.06	0.19
iii. Others [specify]									
a. Non–Resident Indians	143019	71146	214165	0.55	145990	71001	216991	0.55	-
b. Clearing Member	13305	-	13305	0.03	10994	-	10994	0.03	-
c. Trusts	358	-	358	-	317	-	317	-	-
d. Hindu Undivided Family	81775	-	81775	0.21	77645	-	77645	0.20	-0.01
e. Others	-	-	-	-	58352	-	58352	0.15	0.15
Sub–Total [B][2]	**5002467**	**334297**	**5336764**	**13.66**	**4972712**	**263884**	**5236596**	**13.40**	**-0.26**
Total Public Shareholding [B] = [B][1] + [B][2]	**10393500**	**334902**	**10728402**	**27.46**	**10463913**	**264489**	**10728402**	**27.46**	**-**
C. Shares held by Custodians for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total [A+B+C]	**38737187**	**334902**	**39072089**	**100.00**	**38807600**	**264489**	**39072089**	**100.00**	**-**

ii] Shareholding of Promoters

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding 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	
1.	Cadila Healthcare Limited	28163755	72.08	-	28163755	72.08	-	-
2.	Zydus Family Trust	174495	0.46	-	174495	0.46	-	-
3.	Pripan Investment Pvt. Ltd.	640	-	-	640	-	-	-
4.	Shivani Pankajbhai Patel jointly Pankaj Ramanbhai Patel	533	-	-	533	-	-	-
5.	Pankaj Ramanbhai Patel Jointly Pritiben Pankajbhai Patel	533	-	-	533	-	-	-
6.	Pankaj Ramanbhai Patel jointly Pritiben Pankajbhai Patel (R. B. Patel Will Pankaj Trust)	533	-	-	533	-	-	-
7.	Pankaj Ramanbhai Patel (HUF)	533	-	-	1066	-	-	-
8.	Pankaj Ramanbhai Patel jointly Sharvil Pankajbhai Patel (P. R. Patel Smaller Trust)	533	-	-	533	-	-	-
9.	Pritiben Pankajbhai Patel jointly Pankaj Ramanbhai Patel	533	-	-	533	-	-	-
10.	Pankaj Ramanbhai Patel jointly Sharvil Pankajbhai Patel (Taraban Patel Family Will Trust)	533	-	-	533	-	-	-
11.	Ramanbhai B. Patel - (HUF)	533	-	-	-	-	-	-
12.	Sharvil Pankajbhai Patel	533	-	-	533	-	-	-
	Total	**28343687**	**72.54**	**-**	**28343687**	**72.54**	**-**	**-**

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
1. Pankaj Ramanbhai Patel - HUF				
At the beginning of the year	533	0.0014	533	0.0014
Date wise Increase / Decrease in Promoters' shareholding during the year specifying the reasons for increase / decrease [e.g. allotment / transfer / bonus / sweat equity, etc.]				
Purchase on March 26, 2018	533	0.0014	533	0.0014
At the end of the year	1066	0.0028	1066	0.0028
2. Ramanbhai B. Patel - HUF				
At the beginning of the year	533	0.0014	533	0.0014
Date wise Increase / Decrease in Promoters' shareholding during the year specifying the reasons for increase / decrease [e.g. allotment / transfer / bonus / sweat equity, etc.]				
Sale on March 26, 2018	533	0.0014	533	0.0014
At the end of the year	0	0	0	0

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.	Matthews India Fund	**At the beginning of the year**			**1670471**	**4.28**
	Changes in the holdings as per the beneficiary position downloaded from the Depositories.	**At the end of the year**			**1670471**	**4.28**
2.	Life Insurance Corporation of India	**At the beginning of the year**			**1238775**	**3.17**
	Changes in the holdings as per the beneficiary position downloaded from the Depositories.	**At the end of the year**			**1238775**	**3.17**
3.	Reliance Capital Trustee Co. Ltd-A/c Reliance Small Cap Fund	**At the beginning of the year**			**409055**	**1.05**
	Changes in the holdings as per the beneficiary position downloaded from the Depositories.	07.04.2017	1850	-	410905	1.05
		14.04.2017	4725	0.01	415630	1.06
		21.04.2017	10625	0.03	426255	1.09
		28.04.2017	12500	0.04	250109	1.13
		05.05.2017	62025	0.16	500780	1.29
		12.05.2017	8350	0.02	509130	1.31
		26.05.2017	20185	0.05	529315	1.36
		02.06.2017	1090	-	530405	1.36
		09.06.2017	986	-	531391	1.36
		16.06.2017	1529	-	532920	1.36
		23.06.2017	8901	0.02	541821	1.38
		30.06.2017	10131	0.03	551952	1.41
		07.07.2017	7638	0.02	559590	1.43
		14.07.2017	20	-	559610	1.43
		27.10.2017	2400	0.01	562010	1.44
		03.11.2017	5	-	562015	1.44
		08.12.2017	561600	1.44	1123615	2.88
		29.12.2017	1188	-	1124803	2.88
		12.01.2018	1631	-	1126434	2.88
		09.02.2018	38334	0.10	1164768	2.98
		31.03.2018	3000	0.01	1167768	2.99
		At the end of the year			**1167768**	**2.99**
4.	Prazim Trading and Investment Co. Pvt. Ltd.	**At the beginning of the year**			**824004**	**2.11**
	Changes in the holdings as per the beneficiary position downloaded from the Depositories.	**At the end of the year**			**824004**	**2.11**
5.	Tarish Investment and Trading Co. Pvt. Ltd.	**At the beginning of the year**			**574917**	**1.47**
	Changes in the holdings as per the beneficiary position downloaded from the Depositories.	**At the end of the year**			**574917**	**1.47**

Sr. No.	Name of the Shareholder	Date wise increase / decrease			Cumulative shareholding	% of total share capital
		Date	Increase / Decrease	% of total share capital		
6.	PPFAS Mutual Fund - Parag Parikh Long Term Value Fund	**At the beginning of the year**			**371729**	**0.95**
	Changes in the holdings as per the beneficiary position downloaded from the Depositories.	13.10.2017	9423	0.02	381152	0.97
		20.10.2017	1322	-	382474	0.97
		27.10.2017	1991	0.01	384465	0.98
		03.11.2017	99	-	384564	0.98
		17.11.2017	1596	0.01	386160	0.99
		16.03.2018	100	-	386260	0.99
		At the end of the year			**386260**	**0.99**
7.	Akash Bhanshali	**At the beginning of the year**			**364000**	**0.93**
	Changes in the holdings as per the beneficiary position downloaded from the Depositories.	**At the end of the year**			**364000**	**0.93**
8.	General Insurance Corporation of India	**At the beginning of the year**			**288029**	**0.74**
	Changes in the holdings as per the beneficiary position downloaded from the Depositories.	23.02.2018	-7720	0.02	280309	0.72
		02.03.2018	-4203	0.01	276106	0.71
		16.03.2018	-2893	0.01	273213	0.70
		At the end of the year			**273213**	**0.70**
9.	Nitinbhai Raojibhai Desai	**At the beginning of the year**			**183093**	**0.47**
	Changes in the holdings as per the beneficiary position downloaded from the Depositories.	**At the end of the year**			**183093**	**0.47**
10.	Matthews Asia Funds	**At the beginning of the year**			**137956**	**0.35**
	Changes in the holdings as per the beneficiary position downloaded from the Depositories.	**At the end of the year**			**137956**	**0.35**

v] Shareholding of Directors and Key Managerial Personnel:

A. Directors [other than KMP]:

Particulars	Dr. Sharvil P. Patel	Ganesh N. Nayak	Humayun R. Dhanrajgir	Kulin S. Lalbhai	Prof. Indiraben J. Parikh
At the beginning of the year:					
• Number of Shares	533	6,550	-	-	-
• % of total shares held		0.017	-	-	-
Date wise increase / decrease in shareholding:	-	-	-	-	-
At the end of the year:					
• Number of Shares	533	6,550	-	-	-
• % of total shares held		0.017	-	-	-

B. Key Managerial Personnel:

Particulars	Tarun G. Arora Whole time Director	Umesh V. Parikh Chief Financial Officer	Dhaval N. Soni Company Secretary
At the beginning of the year:			
• Number of Shares	200	-	-
• % of total shares held	-	-	-
Date wise increase / decrease in shareholding Purchased on June 6, 2018	100	-	-
At the end of the year:			
• Number of Shares	300	-	-
• % of total shares held	-	-	-

V] INDEBTEDNESS

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

(INR in Lakhs)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	-	2,500	-	2,500
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	8	-	8
Total (i+ii+iii)	**2,508**	**-**	**2,508**	
Change in Indebtedness during the financial year				
Addition	-	2,500	-	2,500
Reduction	-	2,508	-	2,508
Net Change	**-**	**-8**	**-**	**-8**
Indebtedness at the end of the financial year				
i) Principal Amount	-	2,500	-	2,500
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	1	-	1
Total (i+ii+iii)	**-**	**2,501**	**-**	**2,501**

VI] REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing / Whole Time Director:

INR (in Lakh)

Sr. No.	Particulars of Remuneration	Tarun G. Arora, Whole Time Director
1.	Gross Salary	
	a. Salary as per provisions contained in section 17[1] of the Income Tax Act, 1961.	302.99
	b. Value of perquisites u/s 17[2] of the Income Tax Act, 1961.	0.29
	c. Profits in lieu of salary under section 17[3] of Income Tax Act, 1961.	
2.	Stock Option	-
3.	Sweat Equity	-
4.	Commission	
	- as % of profit	
	- others, specify	-
5.	Others, please specify	-
	Total [A]	**303.28**
	Ceiling as per the Act	677.00

B. Remuneration to other Directors:

1. Independent Directors:

INR (in Lakh)

Particulars of Remuneration	Name of Directors			Total
	Humayun Dhanrajgir	Indira J. Parikh	Kulin S. Lalbhai	
• Fee for attending Board & Committee Meetings	5.50	7.00	4.50	17.00
• Commission	6.00	6.00	6.00	18.00
• Others, please specify	-	-	-	-
Total [B] [1]	**11.50**	**13.00**	**10.50**	**35.00**

2. Non–Executive Directors:

INR (in Lakh)

Particulars of Remuneration	Name of Directors		Total
	Dr. Sharvil P. Patel	Ganesh N. Nayak	
• Fee for attending Board & Committee Meetings	4.50	8.50	13.00
• Commission	-	-	-
• Others, please specify	-	-	-
Total [B] [1]	4.50	8.50	13.00
Total [B][1] + [B][2]	**-**	**-**	**48.00**

C. Remuneration to Key Managerial Personnel other than Managing Director / Manager / Whole Time Director

INR (in Lakh)

Sr. No.	Particulars of Remuneration	Key Managerial Personnel			Total Amount
		Amit B. Jain, Chief Financial Officer (up to February 7, 2018)	Umesh V. Parikh Chief Financial Officer (w.e.f February 7, 2018)	Dhaval N. Soni, Company Secretary	
1.	Gross Salary				
	a. Salary as per provisions contained in section 17[1] of the Income Tax Act, 1961.	45.58	13.57	14.01	73.16
	b. Value of perquisites u/s 17[2] of the Income Tax Act, 1961.	0.81	0.03	-	0.84
	c. Profits in lieu of salary under section 17[3] of Income Tax Act, 1961.				
2.	Stock Option	-		-	-
3.	Sweat Equity	-		-	-
4.	Commission				
	- as % of profit				
-	- others, specify	-		-	-
5.	Others, please specify	-		-	-
	Total [C]	**46.39**	**13.60**	**14.01**	**74.00**

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					
Punishment			None		
Compounding					
B. DIRECTORS					
Penalty					
Punishment			None		
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty					
Punishment			None		
Compounding					

For and on behalf of the Board

Place: Ahmedabad
Date: May 24, 2018

Dr. Sharvil P. Patel
Chairman

Annexure–"D" to the Directors' Report

Details pertaining to remuneration as required under 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.
Dr. Sharvil P. Patel	Not applicable, as no Managerial Remuneration was paid.
Mr. Humayun Dhanrajgir	120%
Prof. Indiraben J. Parikh	120%
Mr. Kulin S. Lalbhai	120%
Mr. Ganesh N. Nayak	Not applicable, as no Managerial Remuneration was paid.
Mr. Tarun G. Arora	5%

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

Name of the Director	% increase in the remuneration in the financial year
Dr. Sharvil P. Patel	Not applicable, as no Managerial Remuneration was paid.
Mr. Humayun Dhanrajgir	20%
Prof. Indiraben J. Parikh	20%
Mr. Kulin S. Lalbhai	20%
Mr. Ganesh N. Nayak	Not applicable, as no Managerial Remuneration was paid.
Mr. Tarun G. Arora	5%
Mr. Umesh V. Parikh, Chief Financial Officer*	Not applicable
Mr. Amit B. Jain**	9%
Mr. Dhaval N. Soni, Company Secretary	14%

* appointed as a Chief Financial Officer [KMP] w.e.f. February 7, 2018.

** Resigned as a Chief Financial Officer [KMP] w.e.f. February 7, 2018.

c. the Percentage increase in the median remuneration of employees in the financial year was 21.5%.

d. There were 212 permanent employees on the roll of the Company as on March 31, 2018

e. The profits before tax for the financial year ended on March 31, 2018 increased by 20.8% and the average increase in remuneration of employees was 12.60%.

f. The profits before tax for the financial year ended on March 31, 2018 increased by 20.8% and the remuneration of Key Managerial Personnel, viz. [1] Whole Time Director, [2] Chief Financial Officer; and [3] Company Secretary increased by 5%, 9% and 14% respectively.

g. The market capitalization of the Company was INR 4,58,355 Lakhs as on March 31, 2018 as against INR 3,39,654 Lakhs as on March 31, 2017.

Whereas, Price Earnings Ratio of the Company was 34.23 as on March 31, 2018 as against 31.06 as on March 31, 2017.

h. The Company came out with Initial Public Offer in October, 1995 at a price of INR 10/- per share. The market price of the share as on March 31, 2018 was INR 1,173.10 on BSE Limited and INR 1,177.55 on the National Stock Exchange of India Limited. The increase in price is 1173%, apart from the dividend received by the shareholders.

i. The average annual increase in the salaries of the employees, other than managerial personnel was 12.7%, whereas the average increase in the managerial remuneration was 10% for the financial year.

j. The members have, at the Annual General Meeting of the Company held on July 29, 2015 approved the payment of commission to the Independent Directors within the ceiling of 1% of the Net Profits of the Company, subject to maximum of INR 100 Lakhs in aggregate, as computed under the applicable provisions of the Act. The said commission is decided each year by the Board of Directors and distributed amongst the Independent Directors.

k. There was no employee receiving remuneration higher than the highest paid Director during the financial year.

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.

Annexure "E" to the Directors' Report

Information pertaining to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo as provided under section 134[3][m] of the Companies Act, 2013 read with Rule No. 8 of the Companies [Accounts] Rules, 2014

A.	**Conservation of Energy:**	
1.	Steps taken or impact on conservation of energy	Replacement of tube lights with LED Lights
2.	Steps taken for utilization of alternate sources of energy	Nil.
3.	Capital Investment on energy conservation equipments	INR 2.23 Lakhs
B.	**Technology absorption:**	
1.	Efforts made towards technology absorption	Not Applicable
2.	Benefits derived	Not Applicable
3.	Details of technology imported in last three years	
	a. Details of technology imported	Nil
	b. Year of import	Not Applicable
	c. Whether the technology been fully absorbed	Not Applicable
	d. If not fully absorbed, areas where absorption has not taken place, and the reasons thereof	Not Applicable
4.	Expenditure incurred on Research and Development	INR 190.96 Lakhs

C. Foreign exchange earnings and outgo:

During the year, the foreign exchange in terms of actual outflows was INR 21.89 Lakhs.

For and on behalf of the Board

Place: Ahmedabad
Date: May 24, 2018

Dr. Sharvil P. Patel
Chairman

Business Responsibility Report

The Directors present the Business Responsibility Report of the Company for the financial year ended on March 31, 2018.

Section A General Information about the Company

1.	Corporate Identity Number (CIN) of the Company			L15201GJ1994PLC23490
2.	Name of the Company			Zydus Wellness Limited
3.	Address of the Registered Office of the Company			House No. 6 & 7, Sigma Commerce Zone, Sarkhej-Gandhinagar Highway, Ahmedabad – 380 015
4.	Website			www.zyduswellness.in
5.	Email id			dhavalsoni@zyduscadila.com
6.	Financial year reported			2017-2018
7.	Sector(s) that the Company is engaged in (industrial activity code-wise):			
	Group	**Class**	**Sub Class**	Description
		1517		Manufacturing and marketing of table spread.
8.	Key products / Services			The Company manufactures and markets health and wellness products.
9.	Locations where business activity is undertaken by the Company			The Company's business and operations are based at Ahmedabad, where the manufacturing is 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 part of this Annual Report.
10.	Markets served by the Company – Local / State/ National			As a strong player in health and wellness space in India.

Section B Financial Details of the Company

Paid-up Capital (INR)	3,907 Lakhs
Total turnover (INR)	13,684 Lakhs*
Total profit after taxes (INR) [After OCI]	13,401 Lakhs

*Net of sales promotions.

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 INR 213.90 Lakhs 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 strong player in health and wellness space in India

Section C Other Details

Sr. No.	Details	Information
1.	Does the Company have any Subsidiary Company/Companies?	No
2.	Do the Subsidiary Company / Companies participate in the BR initiatives of the parent Company? If yes, then indicate the number of such subsidiary company (ies).	Not applicable
3.	Do any other entity/entities (e.g. suppliers, distributors, etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities (less than 30%, 30-60%, more than 60%)	No

Section D BR Information

1. Details of Director / Directors responsible for BR:

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

Sr. No.	Particulars	Details
1	DIN Number (if applicable)	07185311
2	Name	Mr. Tarun G. Arora
3	Designation	Whole Time Director

b) Details of the BR head:

Sr. No.	Particulars	Details
1	DIN Number (if applicable)	Not Applicable
2	Name	Mr. Dhaval N. Soni
3	Designation	Company Secretary and Compliance Officer
4	Telephone Number	079 – 268 68 100
5	E-mail ID	dhavalsoni@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	42	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	42	Yes
Businesses should promote the well-being of all employees.	Building people to build our business	42	Yes
Businesses should respect the interest of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.	Zydus Shrishti	42	Yes
Businesses should respect and promote human rights.	Human Rights	43	Yes
Businesses should respect, protect, and make efforts to restore the environment.	Green Impact	43	Yes
Business, when engaged in influencing public and regulatory policy, should do so in a responsible manner.	Policy advocacy	43	Yes
Business should support inclusive growth and equitable development.	Zydus Shrishti	43	Yes
Business should engage with and provide value to their customers and consumers in a responsible manner.	The Zydus Way of manufacturing and marketing of health and wellness products	43	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	Y1	Y	Y	Y	Y
2	Has the policy been formulated in consultation with the relevant stakeholders?	Y	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 standards.**								
4	Has the policy been approved by the Board? If yes, has it been signed by WTD / Owner / CEO / appropriate Board Director?	Y	Y2	Y3	Y	N	Y	Y	Y	Y4
All statutory policies are approved by the Board of Directors, whereas other policies are signed by the Chairman or the respective business 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	Y	Y	Y
The policies are implemented and being reviewed regularly by the respective business head.										
6	Indicate the link for the policy to be viewed online?	www.zyduswellness.in								
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.zyduswellness.in.								
8	Does the Company have in-house structure to implement the policy / policies?	Y	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 head of the Department attends to any grievances pertaining to their department and address the grievances. The Company has formed an Investors' / Stakeholders' Relationship Committee to redress any grievances of shareholders and investors. The Company also has a dedicated customer relationship cell to address customer related grievances.								
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.								

1. The Policy is embedded in the Company's Code of Conduct, HR policies and various other HR practices.
2. The Policy is embedded in the Company's Quality and Environmental Policies, which interalia relate to safe and sustainable products.
3. The policies for the wellbeing of employees are for internal circulation to the employees and approved by the Board of Directors.
4. The Company fulfills the requirements by introducing innovative products and services. The Company has a customer complaint redressel system.

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

4. Governance related to BR:

a) Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess 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 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 shall publish BR Report as a part of Annual Report. The BR Report is posted on the Company's website – www.zyduswellness.in.

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 has 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 / Vigil Mechanism approved by the Board and is applicable to all employees / Directors 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 Code of Ethics for its employees, which is very detailed 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 internal 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]

The Company's manufacturing facility is accredited by the leading agencies in India. The Accreditations were 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.

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 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.

The waste generated in the Company's manufacturing operations is recycled/reused wherever possible or disposed of safely. Company's manufacturing facility has its own Effluent Treatment Plant, which ensures discharge of waste below the norms prescribed by the Pollution Control Board.

Important raw materials and solvents are recovered and reused. It is a part of operational management.

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, 2018 is provided in the below table:

Sr. No.	Category of Employees	No. of Employees
1.	Management staff	75
2.	Marketing field staff	91
3.	Others	46
4.	Total	212
5.	Contractual employees	130
6.	Permanent Woman employees	5
7.	Permanent employees with disabilities	0

2. The Company does not have a recognised employees association. The Company has not received any complaint relating to child labour, forced labour, involuntary labour and sexual harassment during the year gone by.

3. The permanent and contractual employees at the Company's manufacturing site and corporate office 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.157 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. The Company recognizes its employees, business associates, 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 Company works actively to enhance the employability of youth, leading to income generation and economic empowerment in the marginalized section of the communities.

The company invests in shop floor work's skill development and upgradation, health check-ups and ensures other quality of life parameters. The Company has processes in place to ensure upholding of the rights of its employees and protect against any form of discrimination.

PRINCIPLE 5: [Businesses should respect and promote human rights]:
The Company is committed to promote the human rights and is adhered to it 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 contractual staff. The Factories Act, 1948 provides the overarching framework for the Company's policy on human rights for the employees working at the Company's factory. 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 neighboring 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 to protect the environment & complies the relevant requirements prescribed under the environmental laws from various statutory bodies. Company's manufacturing facility does consume energy as per the prescribed standards, but also ensures efficient utilization of energy i.e. implementing energy efficient techniques for green environment through various audits. The Company has well designed effluent treatment plant, which treats manufacturing process contaminated waste water & disposes of within the norms prescribed by the Pollution Control Board.

The Company follows all applicable rules & regulations directed by Authorities for Employees' Health and Safety and it is covered at group level. There is a centralized EHS Cell, both at a group level and at the plant level, at a group level, there is a dedicated EHS portal on "Environment Health and Safety". All relevant updated EHS documents, guidelines, polices, SOPs, checklists, etc. are being regularly updated to the employees through this EHS portal and necessary compliance perspective actions are tracked. Further, at regular intervals, EHS Interaction like seminars, group meetings, focused training etc. are organized for awareness amongst the all level of employees.

PRINCIPLE 7: [Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner]:
The Company and the Group is a member of following Chambers:

A. Federation of Indian Chambers of Commerce and Industry (FICCI); and

B. Gujarat Chamber of Commerce & Industry.

The Company interacts with Government / Regulatory Authorities on any public policy framework through above institutions. The Company puts forth its views whenever new standards or regulatory developments pertaining to the areas concerning access to the best practices, corporate governance, corporate social responsibility, etc.

PRINCIPLE 8: [Businesses should support inclusive growth and equitable development]:
The CSR initiatives of the holding Company are spearheaded by Ramanbhai Foundation and the Company also follows the same in line with the holding Company. 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 GCS Medical College, Hospital and Research Centre which has been set up in public private partnership by the Gujarat Cancer Society (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. This makes it one of the most comprehensive and self-sustaining healthcare centers of world class standards. GCS' mission is to provide cancer care encompassing prevention, diagnosis, prognosis, treatment, education, rehabilitation, clinical research and after-care at one location. 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]:
The Company displays all product information on the product labels, which are mandatory and as may be required for the use of the products by the consumers.

The Company never engages in any unfair trading practices, irresponsible advertising or anti-competitive behavior. The Company has various checks and balances to ensure that the business of the Company is done in a fair and responsible manner.

The Company carries out the customer satisfaction survey to measure the satisfaction among its customers.

Corporate Governance Report

Company's Philosophy on Corporate Governance Code:

Zydus Wellness 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 Corporate Governance 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.

Under the overall supervision and control of the Board, the Whole Time Director is accountable for the overall working of the Company. The Board gives strategic directions, lays down the policy guidelines and the Whole Time Director 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 Whole Time Director looks after the day-to-day business affairs of the Company, the Board reviews the overall business operations at least once in a quarter based on updates on the Company's performance provided by the Whole Time Director.

a. Composition of the Board:

The Composition of the Board, 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 Non-Executive Chairman, Dr. Sharvil P. Patel, who is also a promoter Director. As on March 31, 2018, your Company's Board comprised of six Directors, which includes one Executive Director and five Non-Executive Directors, including three Independent Directors (including one women Director), 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, HR, 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, four Board meetings were held on May 27, 2017, August 10, 2017, November 13, 2017 and February 7, 2018.

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. The Agenda for the board meeting covers items set out as guidelines in Regulation 17 of the 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 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 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 meetings approved by the Chairman arecirculated 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 of the status on the decisions taken at the Board / Committee meetings is placed for the information to the Board / Committee members.

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

1. Annual revenue and capital expenditure plans / budgets,
2. Quarterly financial results and results of operations of the Company,
3. Minutes of the meetings of the Board of Directors and Committees of the Board,
4. Quarterly report on fatal or serious accidents or dangerous occurrences, any material effluent or pollution problems,
5. Substantial non-payment for goods sold or services rendered, if any,
6. 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, and
7. Compliance or non-compliance of any regulatory, statutory nature or listing requirements and 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 consumer goods, industry, marketing, accountancy, finance, HR 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 more than 5 committees have been ensured and complied with. None of the Independent Directors serve as an Independent Director in more than seven listed companies.

The following table provide details of 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, 2018.

Name of the Directors	Category and Position	No. of Board Meeting		Whether attended last AGM [Yes / No]	Member [Chairman][1] of Other Board Committees[2]	Number of other Directorships held
		Held	Attended			
Dr. Sharvil P. Patel	Non-Executive Chairman	4	4	Yes	3 [2]	4
Mr. Humayun Dhanrajgir	Non-Executive and Independent Director	4	3	Yes	9 [2]	7
Mr. Kulin S. Lalbhai	Non-Executive and Independent Director	4	3	Yes	1	4
Prof. Indiraben J. Parikh	Non-Executive and Independent Woman Director	4	4	Yes	9	9
Mr. Ganesh N. Nayak	Non-Executive Director	4	4	Yes	2 [1]	3
Mr. Tarun G. Arora	Whole Time Director	4	4	Yes	1	-

1 Figures in [ ] indicate the number of Board Committees of which a Director is a Chairman.

2 Other Board Committees mean Audit Committee and Stakeholders' Relationship Committee.

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 roles and 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.zyduswellness.in/investor/Policy%20on%20Familiarization%20Programme%20for%20Independent%20Directors.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 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) Corporate Social Responsibility [CSR] Committee, and
F) 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 respective Committee Chairman.

A. Audit Committee:

I. 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 / half yearly unaudited / annual audited financial statements and Limited Review Report / Audit Reports of the Statutory Auditors before recommending 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 performances,

5. Review of inter-corporate loans and investments, if any,

6. Review of 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 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 / reappointment of the Statutory and Cost Auditors after due consideration of their independence and effectiveness,

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 four meetings during 2017-18 on May 27, 2017, August 10, 2017, November 13, 2017 and February 07, 2018. The time gap between any two meetings was less than 120 days. The composition of the Audit Committee as at March 31, 2018 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	Attended
Mr. Humayun Dhanrajgir Chairman	Non–Executive / Independent	4	3
Mr. Kulin S. Lalbhai	Non–Executive / Independent	4	3
Prof. Indiraben J. Parikh	Non–Executive / Independent	4	4
Mr. Ganesh N. Nayak	Non–Executive	4	4

All the members of the Audit Committee have requisite qualification 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 11, 2017 to respond to the shareholder's 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 during the year. The representative of the Cost Auditors attends the Audit Committee meeting, where the Cost Audit Report is tabled for discussion. Whole Time Director, Chief Financial Officer and Management Auditor are invited to attend and participate in these meetings. The Company Secretary acts as a secretary to the Committee.

The Company continues to derive benefit from the deliberations of the Audit Committee meetings as the members are experienced in the areas of finance, HR, 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, 2018, the Share Transfer Committee comprises the following members:

1. Dr. Sharvil P. Patel – Chairman,
2. Mr. Ganesh N. Nayak – Member, and
3. Mr. Tarun G. Arora – Member.

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 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, 2018 and details of attendance of the Committee members at the meetings are given in the following table. The Committee met four times during the year.

Name of the Member	No. of Meetings held	No. of Meetings Attended
Mr. Ganesh N. Nayak, Chairman	4	4
Mr. Humayun Dhanrajgir	4	3
Mr. Tarun G. Arora	4	4

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

The Committee ensures that the shareholders' / investors' grievances and correspondence are attended and resolved expeditiously. During the year under review, 11 investor grievances were received and all of them have been resolved. There was no investor grievance remaining unattended and pending as on March 31, 2018.

10,994 equity shares remained in the in-transit account with National Securities Depository Limited and Central Depository Services [India] Limited as at March 31, 2018.

III. Number of requests / complaints:

During the year, the Company has resolved investor grievances expeditiously. The Company and / or its Registrar and Share 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	-	-	-	-
Shareholders	-	11	11	-
Shareholder queries / requests:				
- Dividend Related	-	20	20	-
- Transfer / Transmission	-	35	35	-
- Demat / Remat	-	212	212	-
- Changes of address /Bank mandates	-	75	75	-

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

II. Composition and Meetings:

The composition of the Committee as on March 31, 2018 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 Dr. Sharvil P. Patel and Mr. Ganesh N. Nayak, other members are Independent Directors.

Name of the Member	No. of Meetings held	No. of Meetings Attended
Mr. Humayun Dhanrajgir, Chairman	2	1
Dr. Sharvil P. Patel	2	2
Mr. Kulin Lalbhai	2	2
Prof. Indiraben J. Parikh	2	2
Mr. Ganesh N. Nayak	2	2

The Company Secretary acts as a Secretary to the Committee.

III. Nomination and Remuneration Policy and details of remuneration paid / payable to the Directors for the year ended March 31, 2018:

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:

1. To guide the Board in relation to the appointment and removal of Directors, Key Managerial Personnel and Senior Management Personnel,
2. To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board, and
3. 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/ KMP and Senior Management Employees.

b. Remuneration to the Independent / Non-Executive Directors:

i) An Independent / Non-Executive Director is paid sitting fees for each meeting of the Board or Committee of the Board attended by him, 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 has approved the payment of sitting fees at INR 50,000/- to each Independent / Non-Executive Director towards each of the Board / Committee meetings attended by him / her.

ii) An Independent 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 Independent Directors shall not exceed 1% of the net profit of the Company and subject to the limits approved by the members.

iii) In determining the quantum of commission payable to the Independent Directors, the Nomination and Remuneration Committee considers the overall performance of the Company and the onerous responsibilities required to be shouldered by the Independent Directors. The commission is being paid on uniform basis to reinforce the principles of collective responsibility of the Board.

iv) An Independent Director is also reimbursed the expenses incurred by him / her for attending the Board and / or Committee of Board meetings.

v) 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, 2018.

c. Remuneration to Whole Time Director:

Mr. Tarun G. Arora is the Whole Time Director on the Board. On the recommendation of the Nomination and Remuneration Committee, the Board decides and approve the remuneration payable to Mr. Tarun G. Arora within the ceiling fixed by members as per the resolution passed at the Annual General Meeting held on July 29, 2015.

As per the recommendation of the Nomination and Remuneration Committee, Mr. Tarun G. Arora, Whole Time Director was paid remuneration of INR 303.28 Lakhs by way of salary and allowances for the financial year ended on March 31, 2018.

The Company has entered into an agreement with Mr. Tarun G. Arora, Whole Time Director for 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.

d. Remuneration to Senior Management Employees:

The Whole Time Director with the help of HR-Head carry 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 predetermined process after assessing the candidate's capability to shoulder higher responsibility.

e. Details of the commission / sitting fees paid to the Independent / Non-Executive Directors for the year 2017-18 are given below:

[INR in Lakhs]

		Sitting Fees						
Name of the Independent / Non-Executive Directors	**Commission @**	**Board Meetings**	**Audit Committee Meetings**	**CSR Committee Meetings**	**NRC Committee Meetings**	**Investors/ Stakeholders' Relationship Committee Meetings**	**Other Meetings ***	**Total**
Dr. Sharvil P. Patel	-	2.00	-	1.50	1.00	-	-	4.50
Mr. Humayun R. Dhanrajgir	6.00	1.50	1.50	-	0.50	1.50	0.50	11.50
Prof. Indiraben J. Parikh	6.00	2.00	2.00	1.50	1.00	-	0.50	13.00
Mr. Ganesh N. Nayak	-	2.00	2.00	1.50	1.00	2.00	-	8.50
Mr. Kulin S. Lalbhai	6.00	1.50	1.50	-	1.00	-	0.50	10.50

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

* Other Meetings include Meeting of Committee of Directors and Meeting of Independent Directors.

f. **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. **Corporate Social Responsibility [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, 2018 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
Dr. Sharvil P. Patel, Chairman	3	3
Mr. Ganesh N. Nayak	3	3
Prof. Indiraben J. Parikh	3	3

F. **Committee of Directors:**
Committee of Directors comprises of three members namely; [1] Dr. Sharvil P. Patel, [2] Mr. Tarun G. Arora and [3] Mr. Ganesh N. Nayak. The Committee looks after the businesses, which are administrative in nature and within the overall board approved directions and framework. The Company Secretary acts as the Secretary to the Committee.

4. Independent Directors' Meeting:

During the year under review, a separate meeting of the Independent Directors was held on February 7, 2018, 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 and that is necessary to effectively and reasonably perform its duties.

During the year under review the attendance of the Independent Directors to their Committee meeting was as under:

Name of the Member	No. of Meetings held	No. of Meetings Attended
Mr. Humayun Dhanrajgir	1	1
Mr. Kulin Lalbhai	1	1
Prof. Indiraben J. Parikh	1	1

The Company Secretary acts as a Secretary to the Committee.

5. Disclosures:

A. **Related Party Transactions:**
All transactions entered into with the Related Parties as defined under the Act 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 Act. There were no materially significant transactions with the related parties during the financial year which were in the conflict of interest of the Company. Suitable disclosures as required by the Accounting Standard [Ind AS 24] have been made in the notes to the Financial Statements.

The Board has approved a policy for 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 Board members and Senior Management Personnel. The Code of Conduct is available on the website of the Company www.zyduswellness.in. All Board Members and the Senior Management Personnel have affirmed compliance with the Code of Conduct for the year under review. The declaration of Whole Time Director is given below:

To the shareholders of
Zydus Wellness Limited

Sub.: Compliance with Code of Conduct

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

Place: Ahmedabad
Date: May 24, 2018

Tarun G. Arora
Whole Time 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, 2018:

Name of the Director	No. of shares held	Details of shares bought [+] / sold [-] during 2017–18
Dr. Sharvil P. Patel	533	-
Mr. Humayun Dhanrajgir	-	-
Prof. Indiraben J. Parikh	-	-
Mr. Kulin S. Lalbhai	-	-
Mr. Ganesh N. Nayak	6,550	-
Mr. Tarun G. Arora	300	+ 100

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 reappointment of Director:**

The particulars about the brief resume and other information for the Director seeking reappointment as required to be disclosed under this section are provided as annexure to the notice convening the Twenty Fourth 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, and guidelines of SEBI. Further, during last three years, no penalties or strictures are imposed on the Company by the Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets.

H. **CEO / CFO Certification:**

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

I. **Unclaimed Shares:**

As per the notification issued by the Ministry of Corporate Affairs, 58,352 Equity shares held by 1005 shareholders were transferred to IEPF Suspense Account for which the Company has complied with the necessary requirements.

6. Means of Communication:

i) The Company has 31,233 shareholders as on March 31, 2018. The main channel of communication to the shareholders is through Annual Report, which includes interalia, the Directors' Report, Management Discussion and Analysis, Report on Corporate Governance, Business Responsibility Report and Audited Financial Statements.

ii) The Annual General Meeting is a platform for face-to-face communication with the shareholders, where the Whole Time Director makes presentation on the performance, operating and financial results of the Company. The Chairman, Whole Time Director and other Key Managerial Personnel also respond to the specific queries of the shareholders.

iii) The Company also 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 such as "Financial Express" in English and Gujarati respectively. The results are also posted on the website of the Company www.zyduswellness.in and the same are not sent individually to the shareholders.

v) 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 web-site.

vi) The Company files with the Stock Exchanges the updated Investors' Presentation and copy thereof is also posted on the website of the Company. Information to the Stock Exchanges is filed online on NEAPS for NSE and BSE Online Portal for BSE.

7. General Body Meetings:

I. Details of last three Annual General Meetings held are provided hereunder:

Year	Date and Time	Venue
2016-2017	23rd AGM on August 11, 2017 at 12:00 noon.	J. B. Auditorium, Ground Floor, Ahmedabad Management Association [AMA], ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad–380 015.
2015-2016	22nd AGM on August 3, 2016 at 10:00 a.m.	J. B. Auditorium, Ground Floor, Ahmedabad Management Association [AMA], ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad–380 015.
2014-2015	21st AGM on July 29, 2015 at 10:00 a.m.	J. B. Auditorium, Ground Floor, Ahmedabad Management Association [AMA], 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 resolution in the previous three Annual General Meetings.

Sr.No.	Nature of Special Resolution Passed	Relevant provisions	AGM details
1.	To maintain and keep the Statutory Registers at a place other than the Registered office of the Company.	Section 94 of the Act	23rd AGM held on August 11, 2017

III. Postal Ballot:

During the year, the Company has not sought shareholders' approval through Postal Ballot.

8. General Shareholder Information:

i. Annual General Meeting [AGM]:

Date and Time of 24th AGM	August 3, 2018 at 10:00 a.m.
Venue of 24th AGM	J B Auditorium, Ahmedabad Management Association [AMA], ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad–380 015
Financial Year	April 1, 2017 to March 31, 2018
Date of Book Closure	July 20, 2018 to August 3, 2018
Registered Office Address	House No. 6 & 7, Sigma Commerce Zone, Near Iscon Temple, Sarkhej–Gandhinagar Highway, Ahmedabad–380 015
Dividend Payment Date	On or after August 8, 2018.
Compliance Officer	Mr. Dhaval N. Soni, Company Secretary
Website	www.zyduswellness.in

ii. Tentative financial calendar:

First Quarter Results	On or before August 14, 2018
Half Yearly Results	On or before November 14, 2018
Third Quarter Results	On or before February 14, 2019
Audited Results for the year 2018-19	On or before May 30, 2019

iii. Listing of shares:

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

iv. Listing Fees:

The Company has paid annual listing fees for the financial year 2018–19 to the above Stock Exchanges.

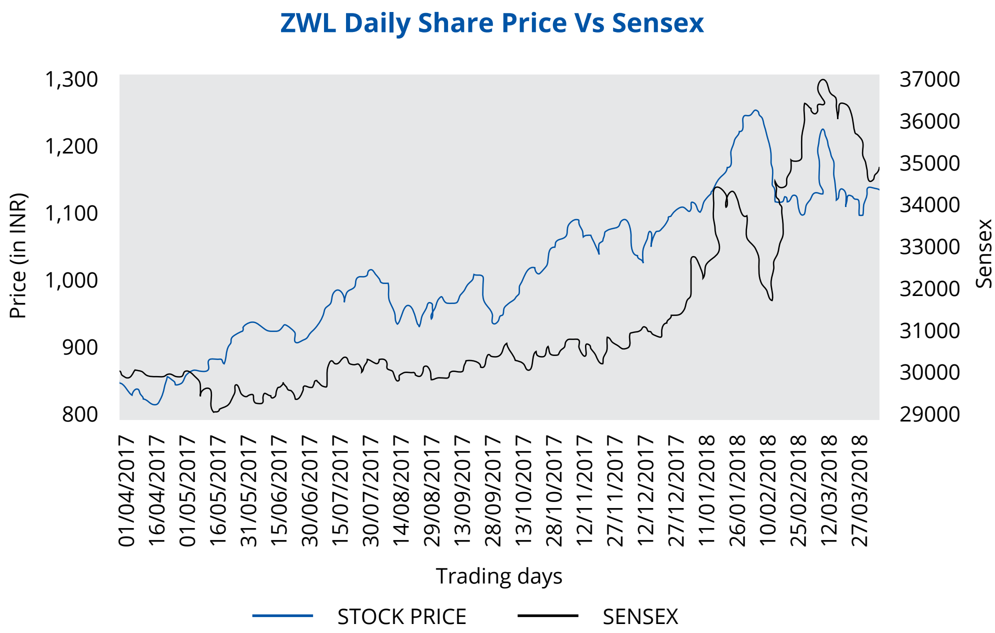
v. Stock Code:

Name of the Stock Exchange	Stock Code	Closing Price as on March 31, 2018 [INR]
BSE Limited	531335	1173.10
National Stock Exchange of India Limited	ZYDUSWELL	1177.55

vi. Stock Price and BSE Sensex data:

Month	BSE Sensex	BSE Limited			National Stock Exchange of India Limited		
		High (INR)	Low (INR)	Av. Volume (In Nos.)	High (INR)	Low (INR)	Av. Volume (In Nos.)
Apr., 17	29918.40	883.40	863.20	729	880.20	859.15	4261
May, 17	31145.80	900.00	809.00	1703	885.00	811.65	9112
Jun., 17	30921.61	863.80	822.75	575	868.00	825.00	3347
Jul., 17	32514.94	923.00	844.55	883	924.00	846.55	6016
Aug., 17	31730.49	900.50	845.00	1097	899.00	846.45	3594
Sept., 17	31283.72	924.70	863.00	569	925.55	859.95	7306
Oct., 17	33213.13	990.00	870.80	1518	988.00	875.10	4659
Nov., 17	33149.35	984.20	875.80	24791	985.00	871.00	15613
Dec., 17	34056.83	1067.80	914.95	1994	1072.00	905.55	12572
Jan., 18	35965.02	1165.00	988.00	1505	1167.30	977.90	10815
Feb., 18	34184.04	1298.00	942.00	3071	1299.00	916.00	34636
Mar., 18	32968.68	1320.00	1115.00	1245	1319.90	1132.00	11404

vii. Chart “A” Stock Performance: Zydus Wellness Limited [ZWL]:



viii. Registrar and Share Transfer Agent:

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, (ABC Complex)
Beside Gala Business Centre,Off C. G. Road,
Ellisbridge, Ahmedabad–380 006
E-mail:ahmedabad@linkintime.co.in
Phone: 079–2646 5179; Fax: 079–2646 5179

ix. Share Transfer System:

A Share Transfer Committee 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 a half yearly basis.

x. Reconciliation of Share Capital Audit:

A practicing Company Secretary carries out secretarial audit in each of the quarters in the financial year 2017-18, to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and total issued and listed capital. The audit reports confirm that the total issued / paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with depositories.

xi. Distribution of shareholding of Equity Shares as at March 31, 2018:

No. of Equity Shares	No. of Folios	% of total folios	No. of Shares	% of shareholding
1 to 500	30,570	97.8772	15,90,300	4.0702
501 to 1000	334	1.0694	2,47,882	0.6344
1001 to 2000	163	0.5219	2,33,241	0.5970
2001 to 3000	57	0.1825	1,43,120	0.3663
3001 to 4000	25	0.0800	87,886	0.2249
4001 to 5000	16	0.0512	73,289	0.1876
5001 to 10000	21	0.0672	1,45,567	0.3726
10001 & above	47	0.1506	3,65,50,804	93.5471
Grand total	31,233	100.00	3,90,72,089	100.00
Shareholders in Physical Mode	3,245	10.39	2,64,489	0.68
Shareholders in Demat Mode	27,988	89.61	3,88,07,600	99.32
Grand Total	**31,233**	**100.00**	**3,90,72,089**	**100.00**

xii. Shareholding Pattern as at March 31, 2018:

Category	No. of Shares held		Total shares	% of shareholding
	Physical	Electronic		
Promoter's holding	0	2,83,43,687	2,83,43,687	72.54
Mutual Funds	559	16,34,999	16,35,558	4.19
Banks, FIs and Insurance Companies	0	15,15,406	15,15,406	3.88
Foreign Institutional Investors / Foreign Portfolio Investor	46	23,40,796	23,40,842	5.99
NRIs / Foreign National	71,001	1,45,990	2,16,991	0.56
Other Corporate Bodies	781	20,21,125	20,21,906	5.17
Indian Public / HUF / Trusts	1,92,102	28,05,597	29,97,699	7.67
Total	**2,64,489**	**3,88,07,600**	**3,90,72,089**	**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 99.32% of the equity shares have been dematerialized. ISIN number for dematerialization of the equity shares of the Company is INE768C01010.

xiv. Location of the Company's manufacturing plant:
The Company's manufacturing plant is located at 7A, 7B & 8, Saket Industrial Estate, Sarkhej–Bavla Highway, Moraiya, Tal.: Sanand, Dist.: Ahmedabad.

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. Dhaval N. Soni,
Company Secretary and Compliance Officer
Tele. Nos. 079 – 26868100 - Extension–338

investor.grievance@zyduswellness.in is a special e-mail ID for investors' complaints and other communications.

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

xvi. Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity:
The Company has not issued any GDRs/ADRs, warrants or any convertible instruments.

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 the Stock Exchanges, SEBI or any other statutory authority. A Practicing Company Secretary has 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 a Non–Executive Chairman.

ii. The quarterly / half yearly results are not sent to the shareholders. However, the same are published in the newspapers and also posted on the Company's website.

iii. The Company's financial statements for the financial year 2017–2018 do not contain any audit qualification.

iv. The internal auditors report to the Audit Committee.

Whole Time Director [WTD] and Chief Financial Officer [CFO] Certification

To
The Board of Directors
Zydus Wellness Limited

Re: Certificate in compliance with Regulation 17[8] of SEBI [Listing Obligations and Disclosure Requirements] Regulations, 2015 [the Listing Regulations].

Dear Sirs / Madam,

In compliance with Regulation 17[8] of the Listing Regulations read with schedule II of 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:

(i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

(ii) these statements together present 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 the 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 take to rectify these deficiencies.

(d) We have indicated to the auditors and the Audit Committee;

(i) significant changes in internal control over financial reporting during the year,

(ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements,and

(iii) that there are no instances of significant fraud of which we have become aware and the involvement therein of the management or an employee having a significant role in the Company's internal control system.

Tarun G. Arora
Whole Time Director

Umesh V. Parikh
Chief Financial Officer

Place: Ahmedabad
Date: May 24, 2018

Corporate Governance Compliance Certificate

To
The Members of
Zydus Wellness Limited

We have examined the compliance of the conditions of Corporate Governance by Zydus Wellness Limited, for the year ended on March 31, 2018 as stipulated in SEBI [Listing Obligations and Disclosure Requirements] Regulations, 2015 [the Listing Regulations].

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 clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and 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 Regulation 17 to 27 & Part E of Schedule II of the Listing Regulations.

We state that in respect of the investor grievances received during the year ended March 31, 2018, no such investor grievances remained unattended/pending for more than 30 days.

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

For **Hitesh Buch & Associates**
Company Secretaries

Hitesh D. Buch
Proprietor
FCS No.: 3145
CP No. 8195

Place: Ahmedabad
Date: May 24, 2018

Management Discussion and Analysis

Overview, 2017-18

State of the Indian economy

As per the latest Advanced Estimate (AE) of the Central Statistics Office (CSO), growth in India's GDP at constant prices for 2017-18 was estimated at 6.6 per cent, compared to 7.1 per cent in the previous fiscal. Growth in India's GVA (Gross Value Added) at constant basic prices for the financial year 2017-18 was estimated to be 6.4 per cent, compared to 7.1 per cent in 2016-17. At the sectorial level, agriculture, industry and services sectors grew at the rate of 3 per cent, 4.8 per cent and 8.3 per cent respectively in 2017-18. The average Wholesale Price Index (WPI) Inflation rate for 12 months (April 2017 to March 2018) was 2.9 per cent (provisional) compared to 1.7 per cent during the corresponding period in 2016-17. (Source: Monthly Economic Report, Ministry of Finance, Govt. of India)

According to the latest forecast of International Monetary Fund, India's economy is forecasted to grow 7.4% in 2018-19 from 6.7% in 2017-18 and accelerate further in 2019-20 to 7.8%, lifted by strong private consumption as well as fading transitory effects of the currency exchange initiative and implementation of the national goods and services tax. Over the medium term, growth is expected to gradually rise with continued implementation of structural reforms that raise productivity.

FMCG and Health & Wellness

The business environment for Fast-Moving Consumer Goods (FMCG) companies has been challenging over the last few years. Although India continues to be one of the fastest growing large economies in the world, the year under review was far from normal for the industry. Regulatory changes like demonetisation and the Goods and Services Tax (GST) have impacted the FMCG sector performance. However, the trade channels have recovered well post GST implementation, although some structural impact may take longer to settle down, especially for the wholesale sector.

Despite the macro-economic and structural challenges, FMCG continues to be grounded with potential to improve growth rates over the coming years. There is a major shift in consumer behavior due to favorable demographics, growing awareness due to technology and easier access to products and services, which offers significant potential for industry growth.

The FMCG growth over the last 4-5 years has trailed, with overall consumer spends delivering 8 to 9 per cent average growth. However, with the structural reforms putting economy back on the growth trajectory, FMCG could gain from it. Consumers today are increasing spends on products and services that enhance their lifestyle and provide convenience. They are ready to invest more on offerings which conform to their aspirations or are contributing to their health and wellness. At the same time, access will play a critical role in shaping the future of consumer consumption. We have seen rural consumers behaving increasingly like those in urban India in choice of brands, while the differentiator has been the pack sizes and distribution reach. The go-to-market models for consumer companies will undergo a considerable shift over next three to five years with technology transforming the entire value chain. Ecommerce, which is already contributing valuable share of business for select companies, could gain higher reach, possibly into rural as well with business model innovations.

The value of Health and Wellness segment within the consumer space has got heightened and will increasingly attract larger share of consumer spending. Increasing awareness, higher disposable incomes and evolving lifestyles will facilitate higher demand for wellness products. Consumers have demonstrated willingness to pay a premium for products that contribute to enhanced health for themselves and their families.

Zydus Wellness Ltd., emerging consumer health player

Zydus Wellness is a strong and emerging player in the health and wellness space in India. The focus for the year under review was to drive growth on the back of volume-led initiatives and new product launches in all segments of presence. As the year progressed, the Company reported an improvement in the growth rates of all brands viz. Sugar Free, Everyuth & Nutralite. Its flagship portfolio maintained leadership across respective categories in 2017-18.

Sugar Free – India's largest selling low calorie sweetener

*Range of Sugar Free products

Sugar Free has maintained its number one position with a market share of 94.2% (Source: Nielsen, MAT March 2018). All variants of Sugar Free (Sugar Free Gold, Sugar Free Natura and Sugar Free Green) continued to lead their respective segments.

The sugar substitute category growth improved to 10.1% from 9.3% a year ago, primarily driven by various category-building initiatives both through conventional touch points like festival-linked and state specific consumer activations and digital touch points, like scaling up Sugar Free Green up to 2% share of the category and the web series hosted on YouTube "The Sweet Breakup" which was about making Sugar Free mainstream for culinary preparations. The Company also collaborated with popular news channel NDTV on World Health Day to telecast "Sugar Free – Health For All" program which presented Sugar Free as a safe alternative to sugar.

The focus will be to remain agile on balancing our investments between TV, digital and on-ground activations to increase awareness and build penetration for sugar substitutes as the healthy, ideal and safe alternative.

Everyuth – 'Pure Skin, Happy Har Din'

*Range of Everyuth products

In 2017-18, the Everyuth skin cleansing category was led by healthy double digit growth rates across all segments in which the Company operates.

In the **Peel Off segment**, Everyuth maintained its leadership position with market share of 86 per cent. The Peel Off Mask category has grown by 20.9 per cent. (Source: Nielsen, MAT March 2018). The Company relaunched the Golden glow peel off with new packaging. Continued support through various media activities and TV campaign helped drive category penetration.

*Everyuth Peel Off range

In the **Scrub segment,** Everyuth maintained its number one position with a market share of 33.6 per cent, which is an increase of 200 basis points over the same period last year. (Source: Nielsen, MAT March 2018). In 2017-18, the Company launched Neem Papaya scrub in May for problem-prone skin which was backed by a new TV campaign in August.

*Everyuth scrub range

In the **Face Wash segment**, to further drive the growth, a new advertising campaign was launched to support the Tulsi Turmeric face wash from May.

*Everyuth Face wash range

Going forward, the focus will be on a series of new product launches, like the recently launched Tan Removal Scrub & Tan Removal Face Pack. The tan removal range has a unique combination of chocolate and cherry. This launch will be supported by a 360-degree media campaign.

*Everyuth Tan Removal range

Nutralite – ‘Aap happy, apki health happy’

During 2017-18, Nutralite has continued to deliver strong volume growth supported by a new advertisement campaign with celebrity chef Sanjeev Kapoor and on-ground activations to drive trails. This growth rate was largely led by the institutional segment. The retail segment has also shown good traction during the year. The Company continued to use the digital platform innovatively with digital initiatives like “Facebook live” (live with Chef Sanjeev Kapoor), “KhaneMe Twist” campaign and Nutralite healthy recipes campaign on Shilpa Shetty’s digital assets.

The Company launched Nutralite Mayonnaise in three flavors for the retail segment in Jan 18. This will be supported with Print, TV, digital and on-ground activation campaigns.

Going forward, the focus is to build Nutralite around its taste and health credentials with more innovations waiting in the pipeline.

*Nutralite Mayonnaise range

Go to Market – Capacity and capability building

The Company has continued its effort to enhance distribution both in terms of numeric reach as well as depth of products available through the financial year 2017-18. Significant focus was given to direct distribution of new launches and strategic SKUs (stock keeping units) within the existing portfolio. Our investments in capability building at the last mile and visual merchandising have helped achieve our in-market objectives.

The Company has invested in scaling up infrastructure for direct servicing of organised retail. Ecommerce has been the big theme for the year on the back of resources deployed to scale up our presence in the digital space. The Company has seen sequential improvement over the quarters in the ecommerce space for us and believe it can be a valuable contributor to our business, especially for activating our new products.

Going ahead, the Company started investing in IT infrastructure with our channel partners to enhance better visibility of transactions as well as analytics. This will play an important role along with our strong sales processes to bring our Company at par with the best-in-class consumer firms.

Building international presence

In an effort to build its international business, the Company entered new markets like Tanzania and South Africa and enhanced its portfolio with the launch of Nutralite in Middle East countries like Oman and UAE.

Going forward, the Company plans to expand its presence in international markets like Malaysia, Bahrain, Singapore and a few others. The Company would also be expanding Nutralite to more countries along with developing new products exclusively for international markets.

Consolidated financial highlights

INR in Mio.

	As at March 31, 2018	As at March 31, 2017
Total Income from operations	**5,031**	4,625
EBIDTA	**1,253**	991
EBIDTA Margin %	**24.9%**	21.4%
Profit Before Tax	**1,497**	1,240
PBT Margin %	**29.8%**	26.8%
Net Profit	**1,339**	1,090
Net Profit Margin %	**26.6%**	23.6%

a. The Government of India has introduced the Goods and Service Tax (GST) with effect from July 1, 2017, which replaces excise duty and various other indirect taxes. As per Ind AS 18, Revenue from operations for the period from July 2017 to March 2018 is reported net of GST. Revenue from operations of periods upto June 30, 2017, are reported inclusive of excise duty which is now subsumed in GST.

b. In compliance with Ind AS 20 on Government Grants, the amount of budgetary support under Goods and Services Tax, in relation to the eligible units under Industrial Promotion Schemes have been recognized as “Other Operating Income”. In past periods such credits during excise regime were netted off from the excise cost reported in the Statement of Profit and Loss.

c. Capital Subsidy granted pursuant to Central Investment Subsidy Scheme for investment in Plant and Machinery at Sikkim is accounted in accordance with Ind AS 20 “Accounting for Government Grant and Disclosure of Government Assistance”.

d. In view of the accounting impact as shared in note (a) to (c) above, the comparable total revenue from operations growth is 17.2 per cent, while the reported total Revenue from operations grew by 8.8 per cent.

Net worth
The net worth as on March 31, 2018 was INR 6,912 Mio., higher by 24.1 per cent from the previous year. The return on adjusted net worth (RONW = Net Profit excluding exceptional items of tax / average net worth adjusted for deferred expenses and exceptional items) stood at 21.5 per cent for 2017-18.

The Book Value per share increased to INR 177 as at March 31, 2018 from INR 143 in the previous year.

Fixed Assets and Capital Expenditure
The gross block (including capital work in progress) at the end of 2017-18 was INR 1,546 Mio. Capital expenditure in 2017-18 was INR 99.6 Mio.

GST transition
The country witnessed transition to a new tax regime with GST implementation, followed by multiple rounds of tax slab changes. This was a year of uncertainty in the market and hence, there was impact on the trade. The Company could adapt to GST transition and restoration to normal business swiftly.

Risk identification, Risk mitigation and Internal controls
The Company's business comprises manufacturing and marketing of consumer wellness products. Its presence in these segments exposes it to various risks which are explained below.

Risk of fluctuations in prices of key inputs
Prices of the key ingredients used in the products manufactured and marketed by the Company remain volatile due to several market factors, including changes in government policies and fluctuations in the foreign exchange rates. However, the Company keeps a close watch on the prices and enters into long-term contracts, wherever feasible, to minimise the risk of fluctuations in input prices.

Risk of competition and price pressure
Though the Company's products enjoy leading positions in their respective categories, the risk of competition from existing players as well as from new entrants remains high. However, the Company's strength in the market place, coupled with its continuous thrust on improving quality of its products and offering newer ones in the wellness segment provide it an edge over competition. The Company supplies its products in both retail as well as institutional segments. Both have their own nuances in terms of customer expectations, competition and pricing. However, the Company is well-focused on increasing its share in all segments through a sound marketing strategy and a balanced approach.

Risk of litigation related to quality of products, intellectual properties and other litigation
Being in the consumer healthcare and wellness segment, the Company's products and their manufacturing and supply chain processes are required to maintain high quality standards. Any deviation from prescribed regulations or any variation in quality from standards laid down by regulatory authorities can lead to actions from these authorities or litigation from its customers. The Company also faces the risk of litigation from its competitors or customers on claims it makes for values which its products offer. The Company always strives to ensure the highest standard of quality for its products and processes, and continuously works on improving quality. It also maintains a high level of accuracy in the area of product claims.

Having strong brand equity in each of the segments, the Company faces the risk of unauthorised and illegitimate use of its brand names, packaging designs and other intellectual properties related to its products by other players. The Company ensures protection of its intellectual property through appropriate registrations and other legal means.

Under-penetration of category
The Company is continuously investing in the development of its brands and the category it operates in. Some of the categories in which the Company operates are under-penetrated currently, which poses as one of the risks against the aspirations and growth strategy of the Company. The Company innovates constantly to meet the expectation of all customers and therefore offers unique product propositions which would help to grow the brands and their respective categories.

Risk management and Internal Control Systems
The Company has established a well-defined process of risk management, wherein the identification, analysis and assessment of various risks, measuring of the probable impact of such risks, formulation of risk mitigation strategy and their implementation takes place in a structured manner. Though the various risks associated with the business cannot be eliminated completely, all efforts are made to minimise the impact of such risks on the operations of the Company. Necessary internal control systems are also put in place by the Company on various activities across the board to ensure that business operations are directed towards attaining the stated organisational objectives with optimum utilisation of the resources. Apart from these internal control procedures, a well-defined and established system of internal audit is in operation to independently review and strengthen these control measures, which is carried out by a reputed firm of Chartered Accountants. The Audit Committee of the Company regularly reviews the reports of the internal auditors and recommends actions for further improvement of operations in general and financial controls in particular.

Independent Auditor's Report

To the Members of
Zydus Wellness Limited

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of Zydus Wellness Limited ('the Company'), which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss (including other comprehensive income), and the Statement of Cash Flows and the Statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information (herein after referred to as "standalone financial statements").

Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors 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 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 Rule 7 of the Companies (Accounts) Rules, 2014.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting 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 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 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 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 evidence about the amounts and the disclosures in the standalone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone 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 the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone 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, of the state of affairs of the Company as at March 31, 2018, and its profit including other comprehensive income, 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, a statement on the matters specified in the paragraph 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 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;

d. In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;

e. On the basis of written representations received from the directors as on March 31, 2018, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018, 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 Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B"; and

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 Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements – Refer Note 27 to the standalone financial statements;

    ii. The company did not have any long-term contracts including derivatives contracts for which there were any material foreseeable losses;

    iii. There has been no delay in transferring amounts, required to be transferred to the Investor Education and Protection Fund by the Company.

For **Dhirubhai Shah & Co**
Chartered Accountants
Firm Registration Number: 102511W

Harish B. Patel
Partner
Membership number: 014427

Ahmedabad
May 24, 2018

Annexure - A to the Auditors' Report

The Annexure referred to in Independent Auditors' Report to the members of the Company on the standalone financial statements for the year ended March 31, 2018, we report that:

i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The Company has a regular program of physical verification of its fixed assets. In accordance with this program, fixed assets were verified during the year and no material discrepancies were noticed on such verification. In our opinion, this periodicity of physical verification 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.

ii. The inventory has been physically verified at reasonable intervals. No material discrepancies were noticed on such verification.

iii. The Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013 ('the Act'), and therefore, the provisions of clauses (iii)(a), (iii)(b) & (iii)(c) of the Order are not applicable to the Company.

iv. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 185 and 186 of the Act, with respect to the loans and investments made.

v. The Company has not accepted any deposits from the public.

vi. The Central Government has prescribed maintenance of cost records under section 148(1) of the Act. We have broadly reviewed the accounts and records of the Company in this connection and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, carried out a detailed examination of the same.

vii. (a) The Company is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, value added tax, duty of customs, service tax, GST, cess and other statutory dues with the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, sales tax, value added tax, custom duty, service tax, excise, GST were in arrears, as at March 31, 2018 for a period of more than six months from the date they become payable.

(b) According to the information and explanations given to us, the particulars of dues of Sales Tax as at March 31, 2018, which have not been deposited on account of any dispute, are as follows:

Financial period to which it relates	Act	Nature of Dues	Forum where dispute is pending	Amount (INR in Lakhs)
2003-04	APVAT Act, 2005	Sales tax	High Court of Andhra Pradesh	1.70
2004-05				2.77
2009-10			The Appellate Dy. Commissioner	9.32
2009-10				19.40
2010-11				20.19
2011-12			High Court of Andhra Pradesh	1.44
2012-13	UPVAT Act, 2008		Dy. Commissioner of Commercial Tax	0.73
2009-10	KVAT Act, 2003		Dy. Commissioner (Appeals)	12.31
2009-10	MVAT Act, 2005		Joint Commissioner (Appeals)	341.40
2010-11			Joint Commissioner (Appeals)	261.21

viii. In our opinion and according to the information and explanation given to us, the Company has not defaulted in repayment of loans to bank. The company has not borrowed or raised any money from debenture holders.

ix. The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, paragraph 3 (ix) of the Order is not applicable.

x. According to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.

xi. According to the information and explanations give to us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.

xii. 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.

xiii. 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 sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the standalone financial statements as required by the applicable accounting standards.

xiv. 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.

xv. 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.

xvi. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For **Dhirubhai Shah & Co**
Chartered Accountants
Firm Registration Number: 102511W

Harish B. Patel
Partner
Membership number: 014427

Ahmedabad
May 24, 2018

Annexure - B to the Auditors' Report

Report on the Internal Financial Controls under 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 Zydus Wellness Limited ("the Company") as of March 31, 2018 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is 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 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 Companies Act, 2013.

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 Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. 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 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 judgment, including the assessment of the risks of material misstatement of the standalone 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 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 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 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, 2018, 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 **Dhirubhai Shah & Co**
Chartered Accountants
Firm Registration Number: 102511W

Harish B. Patel
Partner
Membership number: 014427

Ahmedabad
May 24, 2018

Balance Sheet
as at March 31, 2018

INR (in Lakhs)

Particulars	Note No.	As at March 31, 2018	As at March 31, 2017
ASSETS:			
Non-Current Assets:			
Property, Plant and Equipment	3	**1,554**	1,739
Capital Work-in-Progress		**22**	9
Goodwill	4	**2,282**	2,282
Other Intangible Assets	4	**6**	10
Financial Assets:			
Investments	5	**245**	245
Loans	6	**32**	36
Other Financial Assets	7	**4**	3
Other Non-Current Assets	8	**40**	34
Current Tax Asset [Net]	9	**342**	602
		4,527	4,960
Current Assets:			
Inventories	10	**626**	626
Financial Assets:			
Investments	11	**29,117**	25,163
Trade Receivables	12	**104**	46
Cash and Cash Equivalents	13	**1,323**	1,103
Bank Balance Other Than Cash and Cash Equivalents	14	**37,897**	28,375
Loans	15	**30**	131
Other Current Assets	16	**292**	69
Total		**73,916**	60,473
EQUITY AND LIABILITIES:			
Equity:			
Equity Share Capital	17	**3,907**	3,907
Other Equity	18	**65,212**	51,812
		69,119	55,719
Liabilities:			
Non-Current Liabilities:			
Financial Liabilities:			
Other Financial Liabilities	19	**50**	54
Provisions	20	**28**	15
Deferred Tax Liabilities [Net]	21	**30**	68
		108	137
Current Liabilities:			
Financial Liabilities:			
Borrowings	22	**2,500**	2,500
Trade Payables	23	**1,625**	1,543
Other Financial Liabilities	24	**327**	337
		4,452	4,380
Other Current Liabilities	25	**182**	181
Provisions	26	**55**	56
		4,689	4,617
Total		**73,916**	60,473
Significant Accounting Policies	2		
Notes to the Financial Statements	1 to 43		

As per our report of even date
For **Dhirubhai Shah & Co**
Chartered Accountants
Firm Registration Number: 102511W

For and on behalf of the Board

Dr. Sharvil P. Patel
Chairman

Harish B. Patel
Partner
Membership Number: 014427
Ahmedabad, Dated: May 24, 2018

Umesh V. Parikh
Chief Financial Officer

Dhaval N. Soni
Company Secretary

Tarun G. Arora
Whole Time Director

Statement of Profit and Loss

for the year ended March 31, 2018

INR (in Lakhs)

Particulars	Note No.	Year ended March 31 2018	Year ended March 31 2017
Revenue from Operations	29	**26,488**	22,790
Other Income	30	**2,754**	2,455
Total Income		**29,242**	25,245
EXPENSES:			
Cost of Materials Consumed	31	**8,178**	7,161
Purchases of Stock-in-Trade	32	**2**	33
Changes in Inventories of Finished goods, Work-in-progress and Stock-in-Trade	33	**(64)**	(164)
Excise duty on sales		**73**	271
Employee Benefits Expense	34	**2,648**	2,222
Finance Costs	35	**159**	48
Depreciation, Amortisation and Impairment expenses	36	**351**	370
Other Expenses	37	**4,483**	4,425
Total Expenses		**15,830**	14,366
Profit before Tax		**13,412**	10,879
Less: Tax Expense:			
Current Tax		**70**	(1)
Deferred Tax	21	**(38)**	(54)
		32	(55)
Profit for the year		**13,380**	10,934
OTHER COMPREHENSIVE INCOME:	38		
Items that will not be reclassified to profit or loss:			
Re-measurement gains/ (losses) on post employment defined benefit plans [Net of Tax]		**21**	(15)
Other Comprehensive Income for the year [Net of tax]		**21**	(15)
Total Comprehensive Income for the year [Net of Tax]		**13,401**	10,919
Net profit attributable to:			
Owners		**13,380**	10,934
Other Comprehensive Income attributable to:			
Owners		**21**	(15)
Total Comprehensive Income attributable to:			
Owners		**13,401**	10,919
Basic & Diluted Earning per Equity Share [EPS] [in Rupees]	39	**34.24**	27.99
Significant Accounting Policies	2		
Notes to the Financial Statements	1 to 43		

As per our report of even date
For **Dhirubhai Shah & Co**
Chartered Accountants
Firm Registration Number: 102511W

For and on behalf of the Board

Dr. Sharvil P. Patel
Chairman

Harish B. Patel
Partner
Membership Number: 014427
Ahmedabad, Dated: May 24, 2018

Umesh V. Parikh
Chief Financial Officer

Dhaval N. Soni
Company Secretary

Tarun G. Arora
Whole Time Director

Cash Flow Statement

for the year ended March 31, 2018

INR (in Lakhs)

Particulars	Year ended March 31 2018		Year ended March 31 2017	
A Cash flows from operating activities:				
Profit before Tax		**13,412**		10,879
Adjustments for:				
Depreciation, Impairment and Amortisation expenses	**351**		370	
Loss on sale of assets [Net]	**1**		4	
Profit on sale of investments [Net]	**(217)**		(55)	
Interest income	**(2,433)**		(2,398)	
Fair value gain on financial instrument at fair value through statement of profit and loss	**(104)**		(2)	
Interest expenses	**159**		48	
Re-measurement of Employees benefits [Net]	**35**		1	
Provisions for probable product expiry claims and return of goods	**(2)**		8	
Total		**(2,210)**		(2,024)
Operating profit before working capital changes		**11,202**		8,855
Adjustments for:				
[Increase] in trade receivables	**(56)**		(27)	
[Increase] / Decrease in Other Non Current Assets	**(5)**		(1)	
[Increase] / Decrease in inventories	**(1)**		(258)	
Decrease in Non Current Financial Assets-Loan	**3**		10	
[Increase] / Decrease in Current Financial Assets	**101**		(66)	
Increase in Other Current Assets	**(237)**		(20)	
Increase / [Decrease] in Other Current Financial Liabilities	**(20)**		(19)	
Increase in trade payables	**97**		382	
Increase in other Non Current Financial Liablities	**(4)**		11	
Total		**(122)**		12
Cash generated from operations		**11,080**		8,867
Direct taxes paid [Net of refunds]		**190**		(56)
Net cash from operating activities		**11,270**		8,811
B Cash flows from investing activities:				
Purchase of fixed assets	**(167)**		(138)	
Proceeds from sale of fixed assets	**10**		17	
Profit on sale of Mutual Fund	**217**		55	
[Decrease] / Increase in Investment in Partnership Firm	**7,800**		(10,898)	
Investment in Mutual Funds [Net]	**(11,650)**		6,414	
Investment in Fixed Deposit [Net]	**(9,936)**		(5,070)	
Interest received	**2,846**		1,802	
Net cash used in investing activities		**(10,879)**		(7,818)

Cash Flow Statement

for the year ended March 31, 2018

INR (in Lakhs)

Particulars	Year ended March 31 2018		Year ended March 31 2017	
C Cash flows from financing activities:				
Proceeds from Short Term Borrowings	**2,500**		2,500	
Repayment of Short Term Borrowings	**(2,500)**		0	
Interest paid	**(159)**		(48)	
Dividends paid	**(12)**		(2,549)	
Tax on dividends paid	**0**		(517)	
Net cash used in financing activities		**(171)**		(614)
Net increase in cash and cash equivalents		**220**		379
Cash and cash equivalents at the beginning of the year		**1,103**		724
Cash and cash equivalents at the end of the year		**1,323**		1,103

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 comprise of:

		As at March 31 2018	As at March 31 2017
a	Cash on Hand	**1**	3
b	Balances with Banks	**1,322**	1,100
c	**Total**	**1,323**	1,103

As per our report of even date
For **Dhirubhai Shah & Co**
Chartered Accountants
Firm Registration Number: 102511W

For and on behalf of the Board

Dr. Sharvil P. Patel
Chairman

Harish B. Patel
Partner
Membership Number: 014427
Ahmedabad, Dated: May 24, 2018

Umesh V. Parikh
Chief Financial Officer

Dhaval N. Soni
Company Secretary

Tarun G. Arora
Whole Time Director

Statement of Change in Equity

for the year ended March 31, 2018

a Equity Share Capital:

	No. of Shares	INR (in Lakhs)
Equity Shares of INR 10/- each, Issued, Subscribed and Fully Paid-up:		
As at March 31, 2017	3,90,72,089	3,907
As at March 31, 2018	3,90,72,089	3,907

b Other Equity:

INR (in Lakhs)

	Reserves and Surplus		Items of OCI	
	General Reserve	Retained Earnings	FVTOCI Reserve	Total
As at March 31, 2016	4,500	39,483	(33)	43,950
Add: Profit for the year	0	10,934	0	10,934
Add [Less]: Other Comprehensive income	0	0	(15)	(15)
Total Comprehensive Income	**4,500**	**50,417**	**(48)**	**54,869**
Transactions with Owners in their capacity as owners:				
Dividends	0	(2,540)	0	(2540)
Corporate Dividend Tax on Dividend	0	(517)	0	(517)
As at March 31, 2017	4,500	47,360	(48)	51,812
Add: Profit for the year	0	13,380	0	13,380
Add [Less]: Other Comprehensive income	0	0	20	20
As at March 31, 2018	4,500	60,740	(28)	65,212

As per our report of even date
For **Dhirubhai Shah & Co**
Chartered Accountants
Firm Registration Number: 102511W

For and on behalf of the Board

Dr. Sharvil P. Patel
Chairman

Harish B. Patel
Partner
Membership Number: 014427
Ahmedabad, Dated: May 24, 2018

Umesh V. Parikh
Chief Financial Officer

Dhaval N. Soni
Company Secretary

Tarun G. Arora
Whole Time Director

Notes to the Financial Statements

Note: 1 - Company overview:

Zydus Wellness Limited ["the Company"] was incorporated on November 1, 1994 and operates as an integrated consumer company with business encompassing the entire value chain in the development, production, marketing and distribution of health and wellness products. The product portfolio of the Company includes brands like Sugar free, Everyuth and Nutralite. The Company's shares are listed on the National Stock Exchange of India Limited [NSE] and BSE Limited [BSE]. The registered office of the company is located at House No. 6 & 7, Sigma Commerce Zone, Near Iscon Temple, Sarkhej-Gandhinagar Highway, Ahmedabad, Gujarat - 380015. These financial statements were authorised for issue in accordance with a resolution passed by Board of the Directors at its meeting held on May 24, 2018.

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 had 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]. Effective from April 1, 2016, 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. The adoption was carried out in accordance with Ind AS 101, First-time Adoption of Indian Accounting Standards.

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 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.

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.

Notes to the Financial Statements

Note: 2 – Significant Accounting Policies: (contd...)

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.

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 stated 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 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.

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], Goods and Service Tax [GST] 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 or the agreed milestones are achieved and are net of service tax, wherever applicable.

Notes to the Financial Statements

Note: 2 – Significant Accounting Policies: (contd...)

c **Interest Income:**
For all debt instruments measured either at amortised cost or at fair value through other comprehensive income [OCI], 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 [for example, prepayment, extension, call and similar options] 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 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 correlation to the underlying transaction either in P&L, 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 credits and any 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 correlation 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 the Financial Statements

Note: 2 – Significant Accounting Policies: (contd…)

6 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. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance costs 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 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 residual 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 put to use.

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 income statement when the asset is derecognised.

7 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 Goodwill arising on acquisition of business is assessed at each balance sheet date for any impairment loss.

D Trade Marks, Technical Know-how Fees and other similar rights are amortised over their estimated economic life.

E 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.

F Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit

Notes to the Financial Statements

Note: 2 – Significant Accounting Policies: (contd...)

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.

G 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 income statement when the asset is derecognised.

8 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.

9 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.

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.

10 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.

11 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 expenses and included on “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.

12 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.

13 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

Notes to the Financial Statements

Note: 2 – Significant Accounting Policies: (contd...)

inception of the lease, whichever is lower. Lease payments under operating leases are recognised as an expenses on straight line basis in Net Profit 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.

14 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.

15 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.

16 Employee Benefits:

A Short term obligations:
Liabilities for wages and salaries, including leave encashments 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 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:
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.

Notes to the Financial Statements

Note: 2 – Significant Accounting Policies: (contd...)

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 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;

ii Net interest expense or income.

c **Defined Contribution Plans - Provident Fund Contribution:**
Eligible 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.

17 Dividends :

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

18 Excise Duty:

Excise duty is accounted at a concessional rate as per Notification No. 1/2011-CE without availing CENVAT credit.

19 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 settle to purchase or sell the asset.

b **Subsequent measurement:**
For purposes of subsequent measurement, financial assets are classified as follows:

Investment in mutual funds instruments at fair value through profit or loss [FVTPL]:

FVTPL is for investment in mutual funds instruments. Any such instruments, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL. Such instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

c **Derecognition:**
A financial asset is primarily derecognised 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

Notes to the Financial Statements

Note: 2 – Significant Accounting Policies: (contd…)

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 provided above.The application of simplified approach require 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:

a Financial assets measured as at amortised cost, contractual revenue receivables and lease receivables: ECL is presented as an allowance 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.

b Financial guarantee contracts: ECL is presented as a provision in the balance sheet, i.e. as a liability.

For assessing increase in credit risk and impairment loss, the Company 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 profit or 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.

Notes to the Financial Statements

Note: 2 – Significant Accounting Policies: (contd...)

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 though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or 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.

20 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

Notes to the Financial Statements

Note: 2 – Significant Accounting Policies: (contd...)

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.

21 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 2018, the Ministry of Corporate Affairs [MCA] issued the Companies [Indian Accounting Standards] Amendment Rules, 2018 notifying Ind AS 115 "Revenue from Contract with Customers" and Appendix B to Ind AS 21 "Foreign currency transactions and advance consideration". Both these amendments are applicable to the Company from April 1, 2018.

Ind AS 115:

On March 28, 2018, the MCA notified the Ind AS 115. The core principle of the new standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further, the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The standard permits two possible methods of transition:

a) Retrospective approach – Under this approach the standard will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors.

b) Retrospectively with cumulative effect of initially applying the standard recognized at the date of initial application (Cumulative catch – up approach)

The effective date for adoption of Ind AS 115 is financial period beginning on or after April 1, 2018. The Company will adopt the standard on April 1, 2018 by using the cumulative catch-up transition method and accordingly, comparatives for the year ending or ended March 31, 2018 will not be retrospectively adjusted. The effect on adoption of Ind AS 115 is expected to be insignificant.

Appendix B to Ind AS 21:

Appendix B to Ind AS 21 "Foreign currency transactions and advance consideration" clarifies the date of transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency. This amendment will come into force from April 1, 2018. The Company has evaluated the effect of this on the financial statements and the impact is not material.

Notes to the Financial Statements

Note: 3 - Property, Plant and Equipment:

INR (in Lakhs)

	Freehold Land	Leasehold Land	Buildings	Plant and Equipment	Furniture and Fixtures	Vehicles	Office Equipment	Total
Gross Block:								
As at March 31, 2016	49	3	529	3,122	249	169	134	4,255
Additions	0	0	0	91	2	29	5	127
Disposals	0	0	0	(8)	0	(35)	0	(43)
Other adjustments	0	0	0	0	0	0	0	0
As at March 31, 2017	49	3	529	3,205	251	163	139	4,339
Additions	0	0	14	145	0	7	7	173
Disposals	0	0	0	(18)	0	(12)	0	(30)
Other adjustments	0	0	0	0	0	0	0	0
As at March 31, 2018	49	3	543	3,332	251	158	146	4,482
Depreciation and Impairment:								
As at March 31, 2016	0	3	169	1,866	74	51	94	2,257
Depreciation for the year	0	0	17	293	23	19	13	365
Impairment for the year	0	0	0	0	0	0	0	0
Disposals	0	0	0	(7)	0	(15)	0	(22)
As at March 31, 2017	0	3	186	2,152	97	55	107	2,600
Depreciation for the year	0	0	18	276	21	19	13	347
Impairment for the year	0	0	0	0	0	0	0	0
Disposals	0	0	0	(17)	0	(2)	0	(19)
As at March 31, 2018	0	3	204	2,411	118	72	120	2,928
Net Block:								
As at March 31, 2017	49	0	343	1,053	154	108	32	1,739
As at March 31, 2018	49	0	339	921	133	86	26	1,554

Note: 4 - Intangible Assets:

	Goodwill	Other Intangible Assets				
		Brands/ Trademarks	Computer Software	Commercial Rights	Technical Know-how	Total
Gross Block:						
As at March 31, 2016	2,282	5	19	10	2	36
Additions	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Other adjustments	0	0	0	0	0	0
As at March 31, 2017	2,282	5	19	10	2	36
Additions	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Other adjustments	0	0	0	0	0	0
As at March 31, 2018	2,282	5	19	10	2	36
Amortisation and Impairment:						
As at March 31, 2016	0	5	5	10	1	21
Amortisation for the year	0	0	5	0	0	5
Impairment for the year	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
As at March 31, 2017	0	5	10	10	1	26
Amortisation for the year	0	0	4	0	0	4
Impairment for the year	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
As at March 31, 2018	0	5	14	10	1	30
Net Block:						
As at March 31, 2017	2,282	0	9	0	1	10
As at March 31, 2018	2,282	0	5	0	1	6

Notes to the Financial Statements

Note: 5 - Non Current Financial Asset - Investments:

INR (in Lakhs)

	As at March 31, 2018	As at March 31, 2017
Long Term Investments:		
Investment in the Fixed Capital of a Partnership Firm [*]	**245**	245
Total [Aggregate Book Value of Investments]	**245**	245
[*] The Company is a partner in M/s Zydus Wellness - Sikkim, relevant details of which are as under:		
Fixed Capital	**250**	250
Current Capital	**15,672**	23,212
Total Capital of the Firm	**15,922**	23,462
Name of Partners and their Profit Sharing Ratio:		
Zydus Wellness Limited	**98%**	98%
Zydus Wellness Staff Welfare Trust	**2%**	2%

Note: 6 - Loans:

	As at March 31, 2018	As at March 31, 2017
[Unsecured, Considered Good unless otherwise stated]		
Security Deposits	**32**	33
Others:		
Considered good	**0**	3
Total	**32**	36

Note: 7 - Other Financial Assets:

	As at March 31, 2018	As at March 31, 2017
[Unsecured, Considered Good unless otherwise stated]		
Deposits	**4**	3
Total	**4**	3

Note: 8 - Other Non-Current Assets:

	As at March 31, 2018	As at March 31, 2017
[Unsecured, Considered Good unless otherwise stated]		
Balances with Statutory Authorities	**38**	32
Capital Advances	**2**	2
Total	**40**	34

Notes to the Financial Statements

Note: 9 - Current Tax Asset [Net]:

INR (in Lakhs)

	As at March 31, 2018	As at March 31, 2017
[Unsecured, Considered Good unless otherwise stated]		
Advance payment of Tax [Net of provision for taxation of INR 258 Lakhs {as at March 31, 2017: INR 285 Lakhs}]	**342**	602
Total	**342**	602

Note:10 - Inventories:

	As at March 31, 2018	As at March 31, 2017
[The Inventory is valued at lower of cost and net realisable value]		
Classification of Inventories:		
Raw Materials	**105**	160
Work-in-progress	**1**	0
Finished Goods	**464**	407
Stock-in-Trade	**2**	4
Others:		
Packing Materials	**54**	55
Total	**626**	626
The above includes Goods in transit as under:		
Finished Goods	**47**	27

Note: 11 - Current Financial Assets - Investments:

		Nos. [*]	As at March 31, 2018	As at March 31, 2017
Investment in Current Capital of a Partnership Firm [*]			**14,362**	22,162
Investment in Mutual Funds [Quoted] [Valued at fair value through profit or loss]:				
	Reliance Liquidity Fund - Direct Plan-Growth	215132.11 [0]	**5,631**	0
	DSP Blackrock Liquidity Fund - Direct Plan- Growth	367105.68 [0]	**9,124**	0
	ICICI - Liquid - Direct Plan - Growth	0 [1246890.57]	**0**	3,001
			14,755	3,001
Total			**29,117**	25,163
A	Aggregate amount of quoted investments		**14,755**	3,001
	Aggregate amount of unquoted investments		**14,362**	22,162
B	Explanations:			
In "Nos. [*]" figures of previous year are stated in [ ].				

Note: 12 - Trade Receivables:

	As at March 31, 2018	As at March 31, 2017
Unsecured Considered good	**104**	46
Impairment Allowance	**0**	0
Total	**104**	46

Notes to the Financial Statements

Note: 13 - Cash and Cash Equivalents:

INR (in Lakhs)

	As at March 31, 2018	As at March 31, 2017
Balances with Banks - in Current Accounts	**1,322**	1,100
Cash on Hand	**1**	3
Total	**1,323**	1,103

Note: 14 - Bank Balance other than Cash and Cash Equivalents:

	As at March 31, 2018	As at March 31, 2017
Earmarked balances with bank for unpaid dividend	**66**	78
Fixed Deposit with banks	**37,831**	28,297
Total	**37,897**	28,375

Note: 15 - Current Financial Assets:

	As at March 31, 2018	As at March 31, 2017
[Unsecured, Considered Good]		
Advances recoverable in cash or in kind or for value to be received	**30**	131
Total	**30**	131

Note: 16 - Other Current Assets:

	As at March 31, 2018	As at March 31, 2017
[Unsecured, Considered Good]		
Balances with Statutory Authorities	**277**	39
Advances to Suppliers	**0**	15
Prepaid Expenses	**15**	15
Total	**292**	69

Notes to the Financial Statements

Note: 17 - Equity Share Capital:

INR (in Lakhs)

	As at March 31, 2018	As at March 31, 2017
Authorised:		
4,50,00,000 [as at March 31, 2017: 4,50,00,000]	**4,500**	4,500
Equity Shares of INR 10/- each		
Total	**4,500**	4,500
Issued, Subscribed and Paid-up:		
3,90,72,089 [as at March 31, 2017: 3,90,72,089]	**3,907**	3,907
Equity Shares of INR 10/- each fully paid up		
Total	**3,907**	3,907

		As at March 31, 2018	As at March 31, 2017
A	There is no change in the numbers of equity shares at the beginning and end of the year		
	Number of shares at the beginning and end of the year	**3,90,72,089**	3,90,72,089
B	The Company has only one class of equity shares having a par value of INR 10/- each 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 10/- each		
	[as at March 31, 2017: INR 10/- each], fully paid:		
	Cadila Healthcare Limited		
	Number of Shares	**2,81,63,755**	2,81,63,755
	% to total share holding	**72.08%**	72.08%
D	Number of Shares held by Holding Company		
	Cadila Healthcare Limited	**2,81,63,755**	2,81,63,755

Note: 18 - Other Equity:

INR (in Lakhs)

	As at March 31, 2018	As at March 31, 2017
General Reserve: [*]		
Balance as per last Balance Sheet	**4,500**	4,500
Fair Value through Other Comprehensive Income [FVTOCI] Reserve:		
Balance as per last Balance Sheet	**(48)**	(33)
[Less]/ Add: [Debited]/ Credited during the year	**21**	(15)
	(27)	(48)
Retained Earnings:		
Balance as per last Balance Sheet	**47,360**	39,483
Add: Profit for the year	**13,379**	10,934
	60,739	50,417
Less: Dividends:		
Dividends	**0**	2,540
Corporate Dividend Tax on Dividend	**0**	517
	0	3,057
Balance as at the end of the year	**60,739**	47,360
Total	**65,212**	51,812

[*] General Reserve can be used for the purposes and as per guidelines prescribed in the Companies Act, 2013.

Notes to the Financial Statements

Note: 19 - Other Financial Liabilities:

INR (in Lakhs)

	As at March 31, 2018	As at March 31, 2017
Trade Deposits	**21**	22
Others	**29**	32
Total	**50**	54

Note: 20 - Provisions:

	As at March 31, 2018	As at March 31, 2017
Provision for Employee Benefits	**28**	15
Total	**28**	15

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.

INR (in Lakhs)

		As at March 31, 2018			As at March 31, 2017		
		Medical Leave	Leave Wages	Gratuity	Medical Leave	Leave Wages	Gratuity
B	**Change in the present value of the defined benefit obligation:**						
	Opening defined benefit obligation	**16**	**113**	**182**	12	120	159
	Interest cost	**1**	**7**	**12**	1	9	13
	Current service cost	**2**	**22**	**38**	2	18	27
	Benefits paid	**0**	**(32)**	**(17)**	0	(45)	(30)
	Actuarial [gains] / losses on obligation	**4**	**47**	**(27)**	1	11	13
	Closing defined benefit obligation	**23**	**157**	**188**	16	113	182
C	**Change in the fair value of plan assets:**						
	Opening fair value of plan assets	**0**	**124**	**142**	0	114	143
	Expected return on plan assets	**0**	**9**	**10**	0	9	11
	Adjustment of Opening fund	**0**	**0**	**0**	0	0	0
	Return on planned assets	**0**	**0**	**(1)**	0	0	(2)
	Contributions by employer	**0**	**0**	**31**	0	0	20
	Benefits paid	**0**	**0**	**(16)**	0	0	(30)
	Actuarial [losses] / gains	**0**	**0**	**0**	0	1	0
	Closing fair value of plan assets	**0**	**133**	**166**	0	124	142

Notes to the Financial Statements

Note: 20 – Provisions : (contd...)

INR (in Lakhs)

		As at March 31, 2018			As at March 31, 2017		
		Medical Leave	Leave Wages	Gratuity	Medical Leave	Leave Wages	Gratuity
	Total actuarial [losses] / gains to be recognised	**(4)**	**(47)**	**26**	1	(10)	(15)
D	**Actual return on plan assets:**						
	Expected return on plan assets	**0**	**9**	**10**	0	9	9
	Actuarial [losses] / gains on plan assets	**0**	**0**	**0**	0	1	0
	Actual return on plan assets	**0**	**9**	**10**	0	10	9
E	**Amount recognised in the balance sheet:**						
	Liabilities / [Assets] at the end of the year	**23**	**157**	**188**	16	113	182
	Fair value of plan assets at the end of the year	**0**	**(133)**	**(166)**	0	(124)	(142)
	Difference	**23**	**24**	**22**	16	(11)	40
	Liabilities / [Assets] recognised in the Balance Sheet	**23**	**24**	**22**	16	(11)	40
F	**Expenses / [Incomes] recognised in the Statement of Profit and Loss:**						
	Current service cost	**2**	**22**	**38**	2	18	27
	Interest cost on benefit obligation	**1**	**7**	**12**	1	9	13
	Expected return on plan assets	**0**	**(9)**	**(10)**	0	(9)	(11)
	Net actuarial [gains] / losses in the year	**4**	**47**	**0**	1	11	0
	Net expenses / [benefits]	**7**	**67**	**40**	4	29	29
G	**Movement in net liabilities recognised in Balance Sheet:**						
	Opening net liabilities	**16**	**(10)**	**40**	12	6	16
	Expenses as above [P & L Charge]	**7**	**67**	**40**	4	29	29
	Amount recognised in OCI	**0**	**0**	**(27)**	0	0	15
	Contribution to plan assets	**0**	**0**	**(31)**	0	0	(20)
	Benefits Paid	**0**	**(33)**	**0**	0	(45)	0
	Liabilities / [Assets] recognised in the Balance Sheet	**23**	**24**	**22**	16	(10)	40

H Principal actuarial assumptions for defined benefit plan and long term employment benefit plan:

Particulars	As at March 31, 2018	As at March 31, 2017
Discount rate [*]	**7.30%**	6.95%
Annual increase in salary cost [#]	**12% for next 3 years, 10% thereafter**	12% for 1st 4 years, 9% thereafter

[*]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.

Notes to the Financial Statements

Note: 20 – Provisions : (contd...)

I The categories of plan assets as a % of total plan assets are:

INR (in Lakhs)

	As at March 31, 2018			As at March 31, 2017		
	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:

Gratuity:	As at March 31				
	2018	2017	2016	2015	2014
Defined benefit obligation	**188**	182	159	119	88
Fair value of Plan Assets	**166**	142	143	121	110
Deficit / [Surplus] in the plan	**22**	40	16	(2)	(22)
Actuarial Loss / [Gain] on Plan Obligation	**(27)**	13	14	16	(2)
Actuarial Loss / [Gain] on Plan Assets	**0**	0	0	(2)	(3)

The expected contributions for Defined Benefit Plan for the next financial year will be in line with FY 2017-18. The average duration of Defined Benefit Plan obligation at the end of the year is 23.98 (As on March 31, 2017 23.25 years)

Sensitivity analysis:

A quantitative sensitivity analysis for significant assumption as is as shown below:

A Medical Leave:

	As at March 31, 2018		As at March 31, 2017	
Assumption	Discount rate			
Sensitivity Level - Discount Rate	**0.5% increase**	**0.5% decrease**	0.5% increase	0.5% decrease
Impact on defined benefit obligation INR (in Lakhs)	**(1)**	**1**	(2)	0
Assumption	Annual increase in salary cost			
Sensitivity Level- Salary Growth	**0.5% increase**	**0.5% decrease**	0.5% increase	0.5% decrease
Impact on defined benefit obligation INR (in Lakhs)	**1**	**(1)**	0	(2)

B Leave Wages:

	As at March 31, 2018		As at March 31, 2017	
Assumption	Discount rate			
Sensitivity Level - Discount Rate	**0.5% increase**	**0.5% decrease**	0.5% increase	0.5% decrease
Impact on defined benefit obligation INR (in Lakhs)	**(12)**	**(2)**	(3)	4
Assumption	Annual increase in salary cost			
Sensitivity Level- Salary Growth	**0.5% increase**	**0.5% decrease**	0.5% increase	0.5% decrease
Impact on defined benefit obligation INR (in Lakhs)	**(3)**	**(12)**	4	(3)

Notes to the Financial Statements

Note: 20 – Provisions : (contd...)

C Gratuity:

	As at March 31, 2018		As at March 31, 2017	
Assumption	Discount rate			
Sensitivity Level - Discount Rate	**0.5% increase**	**0.5% decrease**	0.5% increase	0.5% decrease
Impact on defined benefit obligation INR (in Lakhs)	**(7)**	**(12)**	(7)	6
Assumption	Annual increase in salary cost			
Sensitivity Level- Salary Growth	**0.5% increase**	**0.5% decrease**	0.5% increase	0.5% decrease
Impact on defined benefit obligation INR (in Lakhs)	**8**	**(6)**	6	(6)

The following payments are expected contributions to the defined benefit plan in future years:

INR (in Lakhs)

	As at March 31, 2018	As at March 31, 2017
Within the next 12 months [next annual reporting period]	**41**	46
Between 2 and 5 years	**134**	120
Between 5 and 10 years	**157**	124
Total expected payments	**332**	290

Note: 21 - Deferred Tax:

A Break up of Deferred Tax Liabilities and Assets into major components of the respective balances are as under:

	As at April 1, 2016	Charge for the previous year	As at March 31, 2017	Charge for the current year	As at March 31, 2018
Deferred Tax Liabilities:					
Depreciation	151	(48)	103	(33)	**70**
Deferred Tax Assets:					
Employee benefits	26	4	30	5	**35**
Provision for Expiry and Breakages	3	2	5	0	**5**
Total	29	6	35	5	**40**
Net Deferred Tax Liabilities	122	(54)	68	(38)	**30**

B The Net Deferred Tax Liabilities of INR (38) [Previous Year: INR (54)] Lakhs for the year has been debited / credited 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.

Notes to the Financial Statements

Note: 21 – Deferred Tax : (contd...)

The major components of income tax expense for the years ended March 31, 2018 and March 31, 2017 are :

Statement of Profit and Loss:

INR (in Lakhs)

	As at March 31, 2018	As at March 31, 2017
Profit and loss section:		
Current income tax:		
Current income tax charge	**70**	(1)
Deferred tax:		
Relating to origination and reversal of temporary differences	**(38)**	(54)
Income tax expense reported in the statement of profit and loss	**32**	(55)

Reconciliation of tax expense and accounting profit multiplied by India's domestic tax rate:

	As at March 31, 2018	As at March 31, 2017
Accounting profit before tax	**13,412**	10,879
At India's statutory income tax rate of 33.063% (March 31, 2017: 30.9%)	**4,435**	3,362
Adjustments in respect of current income tax of previous years	**(62)**	(1)
Utilisation of previously unrecognised tax losses	**(83)**	0
Effect of Special tax deductions	**(36)**	(47)
Effect of MAT Credit not accounted for	**30**	33
Adjustments on accounts of IndAS provisions	**0**	44
Adjustments in respect of income exempt from tax (Share of profit from partnership firm)	**(4,253)**	(3,490)
Effect of Non-deductible expenses for tax purposes:		
Other non-deductible expenses	**2**	5
Others	**0**	39
At the effective income tax rate of 0.24% (March 31, 2017: -0.51%)	**32**	(55)
Income tax expense reported in the statement of profit and loss	**32**	(55)

The Company has not recognised MAT credit of INR115 Lakhs as at March 31, 2018 and it is eligible for set-off upto 15 years from the year in which same arises.

Note: 22 - Current Financial Liablities -Borrowings:

	As at March 31, 2018	As at March 31, 2017
Loans repayable on Demand:		
Working Capital Loans from Banks [Unsecured] [*]	**2,500**	2,500
Total	**2,500**	2,500

[*] Working capital loan which is repayable on demand, is availed at the interest rate of 6 MT-bill rate [as on March 31, 2017 T-bill rate plus 5 bps]. The outstanding amount of loan as at March 31, 2018 is INR 2,500 [as at March 31, 2017: INR 2,500] Lakhs.

Notes to the Financial Statements

Note: 23 -Trade Payables:

INR (in Lakhs)

	As at March 31, 2018	As at March 31, 2017
Micro, Small and Medium Enterprises [*]	**17**	14
Others	**1,608**	1,529
Total	**1,625**	1,543

[*] Disclosure in respect of Micro, Small and Medium Enterprises:

		As at March 31, 2018	As at March 31, 2017
A	Principal amount remaining unpaid to any supplier as at year end	**0**	0
B	Interest due thereon	**0**	0
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	**0**	0
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	**0**	0
E	Amount of interest accrued and remaining unpaid at the end of the accounting year	**0**	0
F	Amount of further interest remaining due and payable in succeeding years	**0**	0
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:

	As at March 31, 2018	As at March 31, 2017
Interest accrued but not due on borrowings	**1**	8
Payable to Employees	**260**	251
Unpaid Dividends [*]	**66**	78
Total	**327**	337

[*] There is no amount due and outstanding to be credited to Investor Education and Protection Fund.

Note: 25 - Other Current Liabilities:

	As at March 31, 2018	As at March 31, 2017
Advances from customers	**48**	46
Others	**34**	4
Payable to Statutory Authorities	**100**	131
Total	**182**	181

Notes to the Financial Statements

Note: 26 - Provisions:

INR (in Lakhs)

	As at March 31, 2018	As at March 31, 2017
Provision for Employee Benefits	**40**	40
Provision for claims for product expiry and return of goods [*]	**15**	16
Total	**55**	56

[*] Provision for claims for product expiry and return of goods:

			As at March 31, 2018	As at March 31, 2017
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 retailer. 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	**16**	9
	ii	Additional provision made during the year	**15**	16
	iii	Amount used	**16**	9
	iv	Carrying amount at the end of the year	**15**	16

Note: 27 - Contingent Liabilities and Commitments [to the extent not provided for]:

			As at March 31, 2018	As at March 31, 2017
A	**Contingent Liabilities:**			
	a	Claims against the Company not acknowledged as debts	**0**	0
	b	In respect of guarantees given by Banks and/ or counter guarantees given by the Company	**1**	1
	c	Other money for which the company is contingently liable:		
		In respect of Sales Tax matters pending before appellate authorities	**670**	670
B	**Commitments:**			
	Estimated amount of contracts remaining to be executed on capital account and not provided for		**6**	36

Note: 28 - Dividend proposed to be distributed:

The Board of Directors of the Company at its meeting held on May 24, 2018 has recommended a Dividend of INR 8/- per equity share of INR 10/- each. The recommended dividend is subject to approval of the shareholders at the ensuing Annual General Meeting.

Notes to the Financial Statements

Note: 29 - Revenue from Operations:

INR (in Lakhs)

	Year ended March 31, 2018	Year ended March 31, 2017
Sale of Products[*]	**13,684**	11,477
Other Operating Revenues:		
Share of Profit from a Partnership Firm	**12,763**	11,294
Miscellaneous Income	**41**	19
	12,804	11,313
Total	**26,488**	22,790

[*] The Government of India has introduced the Goods and Service Tax (GST) with effect from July 01, 2017 which replaces excise duty and various other indirect taxes, As per Ind AS 18, Revenue from operations for the period from July 2017 to March 2018 is reported net of GST. Revenue from operations of periods upto June 30, 2017 are reported inclusive of excise duty which is now subsumed in GST.

Note: 30 - Other Income:

	Year ended March 31, 2018	Year ended March 31, 2017
Interest Income on Financial Assets measured at Amortised Cost	**2,433**	2,398
Gain on Sale of Investments	**217**	55
Net gain on investment measured at FVTPL	**104**	2
Total	**2,754**	2,455

Note: 31 - Cost of Materials Consumed:

	Year ended March 31, 2018	Year ended March 31, 2017
Raw Materials :		
Stock at commencement	**159**	86
Add: Purchases	**7,039**	6,230
	7,198	6,316
Less: Stock at close	**105**	159
	7,093	6,157
Packing Materials consumed	**1,085**	1,004
Total	**8,178**	7,161

Note: 32 - Purchases of Stock-in-Trade:

	Year ended March 31, 2018	Year ended March 31, 2017
Purchases of Stock-in-Trade	**2**	33
Total	**2**	33

Notes to the Financial Statements

Note: 33 - Changes in Inventories:

INR (in Lakhs)

	Year ended March 31, 2018	Year ended March 31, 2017
Stock at commencement:		
Work-in-progress	**0**	1
Finished Goods	**407**	226
Stock-in-Trade	**4**	15
	411	242
Less: Stock at close:		
Work-in-progress	**1**	0
Finished Goods	**464**	407
Stock-in-Trade	**2**	4
	467	411
	(56)	(169)
Differential Excise Duty on Opening and Closing stock of Finished Goods	**(8)**	5
Total	**(64)**	(164)

Note: 34-Employee Benefits Expense:

	Year ended March 31, 2018	Year ended March 31, 2017
Salaries and wages	**2,146**	1,824
Contribution to provident and other funds [*]	**134**	102
Staff welfare expenses	**65**	64
Whole Time DIrector's Remuneration	**303**	232
Total	**2,648**	2,222
[*] The Company's contribution towards the defined contribution plan	**95**	76

Note: 35 - Finance Cost:

	Year ended March 31, 2018	Year ended March 31, 2017
Interest expense [*]	**156**	46
Bank commission & charges	**3**	2
Total	**159**	48
[*] The break up of interest expense into major heads is given below:		
On working capital loans	**156**	46
Total	**156**	46

Note: 36 - Depreciation, Amortisation and Impairment expenses:

	Year ended March 31, 2018	Year ended March 31, 2017
Depreciation	**347**	365
Amortisation	**4**	5
Total	**351**	370

Notes to the Financial Statements

Note: 37 - Other Expenses:

INR (in Lakhs)

		Year ended March 31 2018	Year ended March 31 2017
Consumption of Stores and spare parts		**30**	24
Power & fuel		**197**	171
Labour Charges		**232**	182
Rent [*]		**238**	258
Repairs to Buildings		**21**	25
Repairs to Plant and Machinery		**45**	54
Repairs to Others		**12**	22
Insurance		**27**	25
Rates and Taxes		**77**	98
Commission to Directors		**18**	20
Traveling Expenses		**208**	187
Legal and Professional Fees		**238**	225
Commission on sales		**401**	456
Freight and forwarding on sales		**768**	620
Advertisement and Sales promotions		**1,028**	1,011
Representative Allowances		**149**	159
Other marketing expenses		**191**	262
Directors' fees		**30**	32
Net Loss on disposal of Fixed Asset		**1**	4
Miscellaneous Expenses [**]		**573**	590
Total		**4,483**	4,425
[*] 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:		**95**	104
[**]	Miscellaneous Expenses include:		
a	Expenditure on Corporate Social Responsibility [CSR] Activities as required u/s 135 of the Companies Act, 2013	**214**	201
b	Payment to the Statutory Auditors [Excluding Taxes]		
i	- As Auditor	**8**	7
	- For Other Services	**0**	0
	- Total	**8**	7
ii	Cost Auditor's Remuneration including fees for other services [Excluding Taxes]	**2**	2

Note: 38 - Components of Other Comprehensive Income [OCI]:

	Year ended March 31 2018	Year ended March 31 2017
Re-measurement gains [losses] on defined benefit plans [Net of tax]	**21**	(15)
Total	**21**	(15)

Notes to the Financial Statements

Note: 39 - Calculation of Earnings per Equity Share [EPS]:

			Year ended March 31 2018	Year ended March 31 2017
The numerators and denominators used to calculate the basic and diluted EPS are as follows:				
A	Profit attributable to Shareholders	INR in Lakhs	**13,380**	10,934
B	Basic and weighted average number of Equity shares outstanding during the year	Numbers	**3,90,72,089**	3,90,72,089
C	Nominal value of equity share	INR	**10**	10
D	Basic & Diluted EPS	INR	**34.24**	27.99

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.

Note: 41 - Related Party Transactions:

A	**Name of the Related Parties and Nature of the Related Party Relationship:**		
	a	**Holding Company: Cadila Healthcare Limited**	
	b	**Partnership Firm: M/s. Zydus Wellness - Sikkim**	
	c	**Fellow Subsidiaries/ Concerns:**	
		Zydus Noveltech Inc., USA	Hercon Pharmaceutical USA LLC, USA
		Violio Healthcare Limited	Nesher Pharmaceuticals (USA) LLC,USA
		Acme Pharmaceuticals Private Limited	Zydus Healthcare SA Pty Limited, South Africa
		Zydus Technologies Limited	Simayla Pharmaceuticals Pty Limited, South Africa
		Zydus Healthcare Limited	Script Management Services Pty Limited, South Africa
		Dialforhealth India Limited	Etna Biotech SRL, Italy
		Dialforhealth Unity Limited	Zydus France SAS, France
		Dialforhealth Greencross Limited	Laboratorios Combix S.L., Spain
		Liva Pharmaceuticals Limited	Zydus Nikkho Pharmaceutica Limitada, Brasil
		Alidac Pharmaceuticals Limited	Zydus Pharmaceuticals Mexico SA de CV, Mexico
		Zydus International Private Limited, Ireland	Zydus Pharmaceuticals Mexico Services SA de CV, Mexico
		Zydus Netherlands B. V., the Netherlands	Zydus Worldwide DMCC, Dubai
		Zydus Lanka (Private) Limited, Sri Lanka	Zydus Discovery DMCC, Dubai
		Zydus Healthcare Philippines Inc., Philippines	ZAHL Europe B. V., the Netherlands
		ZAHL B. V., the Netherlands	Bremer Pharma GmbH, Germany
		Zydus Pharmaceuticals USA Inc., USA	Alidac Healthcare (Myanmar) Limited, Myanmar
		Zydus Healthcare USA LLC, USA	Sentynl Therapeutics Inc., USA
	d	**Directors:**	
		Dr. Sharvil P. Patel	Non -Executive Chairman
		Mr. Ganesh Nayak	Non-Executive Director
		Prof. Indiraben J. Parikh	Independent Director
		Mr. Kulin S. Lalbhai	Independent Director
		Mr. Humayun R. Dhanrajgir	Independent Director

Notes to the Financial Statements

Note: 41 - Related Party Transactions: (Contd.)

A	**Name of the Related Parties and Nature of the Related Party Relationship:**		
	e	**Key Managerial Personnel:**	
		Mr. Tarun G. Arora	Whole Time Director
		Mr. Amit B. Jain	Executive Officer [Chief Financial Officer] up to February 7, 2018
		Mr. Umesh V. Parikh	Executive Officer [Chief Financial Officer] w.e.f. February 7, 2018
		Mr. Dhaval. N. Soni	Executive Officer [Company Secretary]
	f	**Enterprises significantly influenced by Directors and/or their relatives:**	
		Cadmach Machinery Company Private Limited	Western Ahmedabad Effluent Conveyance Company Private Limited
		Zydus Hospitals and Healthcare Research Private Limited	
		Zydus Hospitals (Vadodara) Private Limited	Zandra Infrastructure LLP
		Zydus Hospitals (Rajkot) Private Limited	Zydus Hospital LLP
		MabS Biotech Private Limited	M/s. C. M. C. Machinery
		Zydus Infrastructure Private Limited	Zandra Herbs and Plantations LLP
		Cadila Laboratories Private Limited	Biochem Pharmaceutical Private Limited.
		Pripan Investment 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 Note 41-A [a, b & c]

Nature of Transactions	Value of the Transactions INR (in Lakhs)			
	Holding Company		Partnership Firm/ Fellow Subsidiaries/ Concerns	
	Year ended March 31			
	2018	2017	**2018**	2017
Investments:				
Capital Contribution in a Partnership Firm [Including retained Share of Profit]				
M/s Zydus Wellness - Sikkim	**0**	0	**(7,800)**	10,896
Reimburshment of Expenses:				
Cadila Healthcare Limited	**5**	0	**0**	0
Dividend Paid:				
Cadila Healthcare Limited	**0**	1,831	**0**	0
b Details relating to persons referred to in Note 41-A [e] above:				
Remuneration:				
Salaries and other employee benefits to Whole time Director and other executive officers			**377**	279
Commission and Sitting Fees to Non Executive/ Independent Directors			**48**	52
Outstanding payable:			**52**	39

Notes to the Financial Statements

Note: 42 - Financial instruments:

Financial instruments

(i) 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.

(ii) Financial assets and liabilities measured at fair value - recurring fair value measurements:

INR (in Lakhs)

	As at March 31, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Investments at FVTPL				
Mutual fund	**14,755**	**0**	**0**	**14,755**
Total financial assets	**14,755**	**0**	**0**	**14,755**
Financial Liabilities	**0**	**0**	**0**	**0**

INR (in Lakhs)

	As at March 31, 2017			
	Level 1	Level 2	Level 3	Total
Financial assets				
Investments at FVTPL				
Mutual fund	3,001	0	0	3,001
Total financial assets	3,001	0	0	3,001
Financial Liabilities	0	0	0	0

(iii) 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 borrowings, interest accured but not due, investment, trade receivables, trade payables, capital creditors, Security Deposits and cash and cash equivalents are considered to be the same as their 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.

Notes to the Financial Statements

Note: 42 – Financial Instruments: (contd...)

1 Financial risk management

(i) Financial instruments by category:

INR (in Lakhs)

Particulars	As at March 31, 2018			
	FVTPL	FVOCI	Amortised Cost	Total
Financial assets				
Investments	0	0	14,607	14,607
Mutual funds	14,755	0	0	14,755
Trade receivables	0	0	104	104
Loans & advances	0	0	30	30
Security deposit	0	0	32	32
Fixed deposit	0	0	37,901	37,901
Cash and cash equivalents	0	0	1,323	1,323
Total	14,755	0	53,997	68,752
Financial liabilities				
Borrowings	0	0	2,500	2,500
Interest accrued but not due on borrowings	0	0	1	1
Payable to Employees	0	0	260	260
Trade payable	0	0	1,625	1,625
Security deposit	0	0	50	50
Unpaid dividend	0	0	66	66
Total	0	0	4,502	4,502

Particulars	As at March 31, 2017			
	FVTPL	FVOCI	Amortised Cost	Total
Financial assets				
Investments	0	0	22,407	22,407
Mutual funds	3,001	0	0	3,001
Trade receivables	0	0	46	46
Loans & advances	0	0	134	134
Security deposit	0	0	33	33
Fixed deposit	0	0	28,378	28,378
Cash and cash equivalents	0	0	1,103	1,103
Total	3,001	0	52,101	55,102
Financial liabilities				
Borrowings	0	0	2,500	2,500
Interest accrued but not due on borrowings	0	0	8	8
Payable to Employees	0	0	251	251
Trade payable	0	0	1,543	1,543
Security deposit	0	0	54	54
Unpaid dividend	0	0	78	78
Total	0	0	4,434	4,434

Notes to the Financial Statements

Note: 42 – Financial Instruments: (contd...)

(ii) 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 managed in close cooperation with the board of directors and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to volatile financial markets. 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 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.

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.

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. Also the company does not enter into sales transaction with customers having credit loss history. 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 NIL [INR 0.3 Lakhs as at March 31, 2017]. The Company has made allowance of INR Nil [Previous Year- INR Nil], against trade receivables of INR 104 Lakhs [Previous year - INR 46 Lakhs].

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 account the liquidity of the market in which the entity 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.

Notes to the Financial Statements

Note: 42 – Financial Instruments: (contd...)

INR (in Lakhs)

Particulars	< 1 year	1-2 years	2-3 years	> 3 years	Total
	As at March 31, 2018				
Non-derivatives/ Financial Liabilities					
Borrowings (including interest)	**2,501**	**0**	**0**	**0**	**2,501**
Trade payable	**260**	**0**	**0**	**0**	**260**
Security deposit	**0**	**0**	**0**	**50**	**50**
Payable to Employee	**1,625**	**0**	**0**	**0**	**1,625**
Unpaid dividend	**66**	**0**	**0**	**0**	**66**
Total	**4,452**	**0**	**0**	**50**	**4,502**

	As at March 31, 2017				
Non-derivatives/ Financial Liabilities					
Borrowings (including interest)	2,508	0	0	0	2,508
Trade payable	1,543	0	0	0	1,543
Security deposit	0	0	0	54	54
Payable to Employee	251	0	0	0	251
Unpaid dividend	78	0	0	0	78
Total	4,380	0	0	54	4,434

C Foreign currency risk

The Company is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the US Dollar. 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 is insignificant and hence there is no material risk.

a Foreign currency risk exposure:

Sensitivity

The sensitivity of profit or loss and equity to changes in the exchange rates arises mainly from foreign currency denominated financial instruments.

INR (in Lakhs)

Particulars	March 31, 2018		March 31, 2017	
	Movement in Rate	Impact on PAT	Movement in Rate	Impact on PAT
USD	**4.00%**	**1**	4.00%	4
USD	**-4.00%**	**(1)**	-4.00%	(4)
GBP	**4.00%**	**0**	4.00%	0
GBP	**-4.00%**	**0**	-4.00%	0

b Interest rate risk

Assets

The company's fixed deposits are carried at amortised cost and are fixed rate deposits. They are therefore not subject to interest rate risk as defined in Ind AS 107, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

Notes to the Financial Statements

Note: 42 – Financial Instruments: (contd...)

c Price Risk

(a) 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 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 company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the company.

(b) Sensitivity- Mutual Fund *

The table below summarises the impact of increases/decreases of the index on the company's equity and profit for the period. The analysis is based on the assumption that the price of the instrument has increased by 2% or decreased by 2% with all other variables held constant.

INR (in Lakhs)

Particulars	March 31, 2018 Impact on PAT	March 31, 2017 Impact on PAT
Mutual Funds [Quoted]		
Increase 2%	**293**	60
Decrease 2%	**(293)**	(60)

* Holding all other variables constant

2 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. The company has sufficient Cash and Cash Equivalents and Short Term Fixed Deposit available against the debt.

Loan covenants

The Company has taken loan for working capital requirement and as at March 31, 2018, the ratio of net finance cost to EBITDA was 1.14% (March 31, 2017 0.42%).

Note: 43 Figures of the previous reporting periods have been regrouped/ reclassified wherever necessary to correspond with the figures of the current reporting period.

Signatures to significant accounting policies and notes 1 to 43 to the financial statements.

As per our report of even date
For **Dhirubhai Shah & Co**
Chartered Accountants
Firm Registration Number: 102511W

For and on behalf of the Board

Dr. Sharvil P. Patel
Chairman

Harish B. Patel
Partner
Membership Number: 014427
Ahmedabad, Dated: May 24, 2018

Umesh V. Parikh
Chief Financial Officer

Dhaval N. Soni
Company Secretary

Tarun G. Arora
Whole Time Director

Independent Auditor's Report

To the Members of
Zydus Wellness Limited

Report on the Consolidated Financial Statements

We have audited the accompanying Consolidated Financial Statements of Zydus Wellness Limited ("the Company") and Zydus Wellness-Sikkim, a partnership firm (the Company & firm are collectively referred to as "the Group"), comprising of the Consolidated Balance Sheet as at March 31, 2018, the Consolidated Statement of Profit and Loss (including other comprehensive income), the Consolidated Statement of cash flows and the Consolidated Statement of Changes in Equity for the year ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the Consolidated Financial Statements").

Management's Responsibility for the Consolidated Financial Statements

The 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 ("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 Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards (Ind AS) specified under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014. The Board of Directors of the Company are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company 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 Company, as aforesaid.

Auditors' Responsibility

Our responsibility is to express an opinion on the 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 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 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 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, 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 the Ind AS, of the consolidated state of affairs of the group, as at March 31, 2018, and their consolidated profit including other comprehensive income, their consolidated cash flows and the consolidated changes in equity for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by sub-section 3 of Section 143 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;

c. The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, the Consolidated Statement of Cash flows and Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

d. In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;

e. On the basis of written representations received from the directors as on March 31, 2018, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018, 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 the operating effectiveness of such controls, refer to our separate report in "Annexure A"; and

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 group has disclosed the impact of pending litigations on its consolidated financial position in its financial statements – Refer Note 28 to the consolidated financial statements;

   ii. The group did not have any long-term contracts including derivatives contracts for which there were any material foreseeable losses.

   iii. There has been no delay in transferring amounts, required to be transferred to the Investor Education and Protection Fund by the Company.

For **Dhirubhai Shah & Co**
Chartered Accountants
Firm Registration Number: 102511W

Harish B. Patel
Partner
Membership number: 014427

Ahmedabad
May 24, 2018

Annexure - A to the Auditors' Report

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 the Company as of and for the year ended March 31, 2018, we have audited the internal financial controls over financial reporting of Zydus Wellness Limited ("the Company") and of the entity M/s. Zydus Wellness Sikkim, a Partnership Firm, as of that date (the Company & firm are collectively referred to as "the Group").

Management's Responsibility for Internal Financial Controls

The Board of Directors of the Company is 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 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 Companies Act, 2013.

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") issued by ICAI and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. 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 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 judgment, including the assessment of the risks of 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 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 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 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 group 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, 2018, 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 ICAI.

For **Dhirubhai Shah & Co**
Chartered Accountants
Firm Registration Number: 102511W

Harish B. Patel
Partner
Membership number: 014427

Ahmedabad
May 24, 2018

Consolidated Balance Sheet

as at March 31, 2018

INR (in Lakhs)

Particulars	Note No.	As at March 31, 2018	As at March 31, 2017
ASSETS:			
Non-Current Assets:			
Property, Plant and Equipment	3	**8,090**	7,944
Capital Work-in-Progress		**24**	13
Goodwill	4	**2,282**	2,282
Other Intangible Assets	4	**16**	27
Financial Assets:			
Loans	5	**74**	70
Other Financial Assets	6	**60**	57
Other Non-Current Assets	7	**233**	503
Deferred Tax Asset [Net]	8	**7,410**	5,700
Current Tax Assets [Net]	9	**0**	99
		18,189	16,695
Current Assets:			
Inventories	10	**3,506**	3,188
Financial Assets:			
Investments	11	**14,755**	3,001
Trade Receivables	12	**875**	404
Cash and Cash Equivalents	13	**2,959**	2,147
Bank Balance Other Than Cash and Cash Equivalents	14	**38,413**	41,869
Loans	15	**61**	162
Other Current Assets	16	**4,135**	851
		64,704	51,622
Total		**82,893**	68,317
EQUITY AND LIABILITIES:			
Equity:			
Equity Share Capital	17	**3,907**	3,907
Other Equity	18	**65,212**	51,812
Non Controlling Interests		**1,316**	1,055
		70,435	56,774
Liabilities:			
Non-Current Liabilities:			
Financial Liabilities:			
Other Financial Liabilities	19	**57**	55
Provisions	20	**77**	74
Other Non Current Liablities	21	**125**	0
Deferred Tax Liabilities [Net]	8	**30**	68
		289	197
Current Liabilities:			
Financial Liabilities:			
Borrowings	22	**2,500**	2,500
Trade Payables	23	**7,865**	6,650
Other Financial Liabilities	24	**564**	554
Other Current Liabilities	25	**922**	1,510
Provisions	26	**130**	132
Current Tax Liabilities [Net]	27	**188**	0
		12,169	11,346
Total		**82,893**	68,317
Significant Accounting Policies	2		
Notes to the Consolidated Financial Statements	1 to 47		

As per our report of even date
For **Dhirubhai Shah & Co**
Chartered Accountants
Firm Registration Number: 102511W

For and on behalf of the Board

Dr. Sharvil P. Patel
Chairman

Harish B. Patel
Partner
Membership Number: 014427
Ahmedabad, Dated: May 24, 2018

Umesh V. Parikh
Chief Financial Officer

Dhaval N. Soni
Company Secretary

Tarun G. Arora
Whole Time Director

Consolidated Statement of Profit and Loss
for the year ended March 31, 2018

INR (in Lakhs)

Particulars	Note No.	Year ended March 31, 2018	Year ended March 31, 2017
Revenue from Operations	30	**50,315**	46,255
Other Income	31	**3,506**	3,264
Total Income		**53,821**	49,519
EXPENSES:			
Cost of Materials Consumed	32	**16,018**	13,598
Purchases of Stock-in-Trade	33	**10**	51
Changes in Inventories of Finished goods, Work-in-Progress and Stock-In-Trade	34	**61**	(392)
Excise duty on sales	35	**(947)**	3,198
Employee Benefits Expense	36	**5,664**	4,778
Finance Costs	37	**170**	55
Depreciation, Amortisation and Impairment expenses	38	**888**	716
Other Expenses	39	**16,983**	15,115
Total Expenses		**38,847**	37,119
Profit before Tax		**14,974**	12,400
Less: Tax Expense:			
Current Tax		**3,071**	2,694
Deferred Tax	8	**(1,748)**	(1,422)
		1,323	1,272
Profit for the year		**13,651**	11,128
OTHER COMPREHENSIVE INCOME:	40		
Items that will not be reclassified to profit or loss:			
Re-measurement gains on post employment defined benefit plans [Net of Tax]		**11**	21
Other Comprehensive Income for the year [Net of Tax]		**11**	21
Total Comprehensive Income for the Year [Net of Tax]		**13,662**	11,149
Net Profit Attributable to:			
Owners of the Parent		**13,390**	10,898
Non-Controlling Interests		**261**	230
Other Comprehensive Income Attributable to:			
Owners of the Parent		**11**	21
Non-Controlling Interests		**0**	0
Total Comprehensive Income Attributable to:			
Owners of the Parent		**13,401**	10,919
Non-Controlling Interests		**261**	230
Basic & Diluted Earning per Equity Share [EPS] [in Rupees]	41	**34.27**	27.89
Significant Accounting Policies	2		
Notes to the Consolidated Financial Statements	1 to 47		

As per our report of even date
For **Dhirubhai Shah & Co**
Chartered Accountants
Firm Registration Number: 102511W

For and on behalf of the Board

Dr. Sharvil P. Patel
Chairman

Harish B. Patel
Partner
Membership Number: 014427
Ahmedabad, Dated: May 24, 2018

Umesh V. Parikh
Chief Financial Officer

Dhaval N. Soni
Company Secretary

Tarun G. Arora
Whole Time Director

Consolidated Cash Flow Statement

for the year ended March 31, 2018

INR (in Lakhs)

Particulars	Year ended March 31, 2018		Year ended March 31, 2017	
A Cash flows from operating activities:				
Profit before Tax		**14,974**		12,400
Adjustments for:				
Depreciation, Amortisation and Impairment	**888**		716	
[Profit] / Loss on sale of assets [Net]	**2**		18	
Interest income	**(3,060)**		(3,139)	
Fair value gain on financial instrument at fair value through statement of profit and loss	**(104)**		(3)	
Re-measurement of Employees benefits [Net]	**11**		30	
Interest expenses	**170**		55	
Provision for doubtful debt	**4**		1	
Provisions for probable product expiry claims and return of goods	**(2)**		19	
Total		**(2,091)**		(2,303)
Operating profit before working capital changes		**12,883**		10,097
Adjustments for:				
Increase in trade receivables	**(479)**		(66)	
[Increase] / Decrease in inventories	**(322)**		(788)	
[Increase] / Decrease in other current assets	**(3,094)**		(75)	
Increase in Current Financial Assets-Loan	**101**		(52)	
Increase in Non Current Financial Assets-Loan	**(1,617)**		(1,438)	
Increase in Non Current Liablities	**125**		0	
[Increase] / Decrease in Non Current Financial Assets-Others	**(3)**		(39)	
Increase in other non current assets	**(6)**		(93)	
Increase in trade payables	**1,029**		192	
Increase in other current liabilities	**(541)**		839	
Increase in other Non Current Financial Liablities	**2**		11	
Change in Non-Controlling Interest	**0**		(38)	
Total		**(4,805)**		(1,547)
Cash generated from operations		**8,078**		8,550
Direct taxes paid [Net of refunds]		**(1,172)**		(855)
Net cash from operating activities		**6,906**		7,695
B Cash flows from investing activities:				
Purchase of fixed assets	**(788)**		(3,084)	
Proceeds from sale of fixed assets	**11**		17	
Proceeds on sale of mutual funds	**104**		(3)	
Investment in Fixed Deposit [Net]	**3,456**		(13,694)	
Investment in Mutual Funds [Net]	**(11,754)**		6,418	
Interest received	**3,059**		3,141	
Net cash used in investing activities		**(5,912)**		(7,205)

Consolidated Cash Flow Statement

for the year ended March 31, 2018

INR (in Lakhs)

Particulars	Year ended March 31, 2018		Year ended March 31, 2017	
C Cash flows from financing activities:				
Proceeds from Short Term Borrowings	**2,500**		2,500	
Repayment of Short Term Borrowings	**(2,500)**		0	
Interest paid	**(170)**		(55)	
Dividends paid	**(12)**		(2,549)	
Tax on dividends paid	**0**		(517)	
Net cash used in financing activities		**(182)**		(621)
Net (Decrease) / Increase in cash and cash equivalents		**812**		(131)
Cash and cash equivalents at the beginning of the year		**2,147**		2,278
Cash and cash equivalents at the end of the year		**2,959**		2,147

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 comprise of:

		As at March 31, 2018	As at March 31, 2017
a	Cash on Hand	**2**	3
b	Balances with Banks	**2,957**	2,144
c	Total	**2,959**	2,147

As per our report of even date
For **Dhirubhai Shah & Co**
Chartered Accountants
Firm Registration Number: 102511W

For and on behalf of the Board

Dr. Sharvil P. Patel
Chairman

Harish B. Patel
Partner
Membership Number: 014427
Ahmedabad, Dated: May 24, 2018

Umesh V. Parikh
Chief Financial Officer

Dhaval N. Soni
Company Secretary

Tarun G. Arora
Whole Time Director

Statement of Change in Consolidated Equity

for the year ended March 31, 2018

a Equity Share Capital:

	No. of Shares	INR (in Lakhs)
Equity Shares of INR 10/- each, Issued, Subscribed and Fully Paid-up:		
As at March 31, 2017	3,90,72,089	3,907
As at March 31, 2018	3,90,72,089	3,907

b Other Equity:

INR (in Lakhs)

	Reserves and Surplus		Items of OCI	
	General Reserve	Retained Earnings	FVTOCI Reserve	Total
As at March 31, 2016	4,500	39,483	(33)	43,950
Add: Profit for the year	0	10,898	0	10,898
Add [Less]: Other Comprehensive income	0	0	21	21
Total Comprehensive Income	4,500	50,381	(12)	54,869
Transactions with Owners in their capacity as owners:				
Dividends	0	(2540)	0	(2,540)
Corporate Dividend Tax on Dividend	0	(517)	0	(517)
As at March 31, 2017	4,500	47,324	(12)	51,812
Add: Profit for the year	0	13,390	0	13,390
Add [Less]: Other Comprehensive income	0	0	10	10
Total Comprehensive Income	4,500	60,714	(2)	65,212
Transactions with Owners in their capacity as owners:				
Dividends	0	0	0	0
Corporate Dividend Tax on Dividend	0	0	0	0
As at March 31, 2018	4,500	60,714	(2)	65,212

As per our report of even date
For **Dhirubhai Shah & Co**
Chartered Accountants
Firm Registration Number: 102511W

For and on behalf of the Board

Dr. Sharvil P. Patel
Chairman

Harish B. Patel
Partner
Membership Number: 014427
Ahmedabad, Dated: May 24, 2018

Umesh V. Parikh
Chief Financial Officer

Dhaval N. Soni
Company Secretary

Tarun G. Arora
Whole Time Director

Consolidated Notes to the Financial Statements

Note: 1 - Group Overview:

The consolidated financial statements comprise financial statements of Zydus Wellness Limited ["the Parent"] and its partnership firm [collectively, "the Group"] for the year ended March 31, 2018. The Group operates as an integrated consumer Group with business encompassing the entire value chain in the development, production, marketing and distribution of health and wellness products. The product portfolio of the Group includes brands like Sugar free, Everyuth and Nutralite. The Parent's shares are listed on the National Stock Exchange of India Limited [NSE] and BSE Limited [BSE]. The registered office of the Parent is located at House No. 6 & 7, Sigma Commerce Zone, Near Iscon Temple, Sarkhej-Gandhinagar Highway, Ahmedabad, Gujarat - 380015. These financial statements were authorised for issue in accordance with a resolution of the directors on May 24, 2018.

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 had 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]. Effective from April 1, 2016, 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. The adoption was carried out in accordance with Ind AS 101, First-time Adoption of Indian Accounting Standards.

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 partnership firm as at March 31, 2018. 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 and

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 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 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

Consolidated Notes to the Financial Statements

Note: 2 – Significant Accounting Policies: (contd...)

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.

C 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 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.

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 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.

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.

4 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 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.

Consolidated Notes to the Financial Statements

Note: 2 – Significant Accounting Policies: (contd...)

All the other foreign exchange gains and losses are presented in the statement of Profit and Loss on a net basis.

5 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], Goods and Service Tax [GST] 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.

6 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.

Consolidated Notes to the Financial Statements

Note: 2 – Significant Accounting Policies: (contd...)

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.

7 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 correlation 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 credits and any 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 correlation 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 / 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.

8 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/

Consolidated Notes to the Financial Statements

Note: 2 – Significant Accounting Policies: (contd...)

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. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance costs 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, plan 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 residual 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%.

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 income statement when the asset is derecognised.

9 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 Goodwill arising on acquisition of business is assessed at each balance sheet date for any impairment loss.

D Trade Marks, Technical Know-how Fees and other similar rights are amortised over their estimated economic life.

E 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.

F 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.

G 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

Consolidated Notes to the Financial Statements

Note: 2 – Significant Accounting Policies: (contd...)

the asset] is included in the statement of profit and loss when the asset is derecognised.

10 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.

11 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.

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.

12 Expenditure during the Construction Period:

The expenditure incidental to the expansion/ new projects are allocated to Property, Plant and Equipment in the year of commencement of the commercial production.

13 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.

14 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 expenses and included on "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.

15 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.

16 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 expenses on straight line basis in Net Profit in the statement of profit and loss over the lease term, unless the payments

Consolidated Notes to the Financial Statements

Note: 2 – Significant Accounting Policies: (contd...)

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.

17 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.

18 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.

19 Employee Benefits:

A Short term obligations:
Liabilities for wages and salaries, including leave encashments 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 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:
Gratuity:
The Group 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 in 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

Consolidated Notes to the Financial Statements

Note: 2 – Significant Accounting Policies: (contd...)

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;

ii Net interest expense or income.

c **Defined Contribution Plans - Provident Fund Contribution:**
Eligible employees of the Group receive benefits from a provident fund, which is a defined contribution plan. Both the eligible employee and the Group 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 Group 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.

20 Dividends :
The final dividend on shares is recorded as a liability on the date of approval by the shareholders and interim dividend is recorded as liability on the date of declaration by the Parent's Board of Directors.

21 Excise Duty:
Excise duty is accounted at a concessional rate as per Notification No. 1/2011-CE without availing CENVAT credit in Zydus Wellness Limited, whereas in the Partnership Firm same is accounted net of recredit benefits and CENVAT is availed on inputs, capital goods and eligible services.

22 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 settle to purchase or sell the asset.

b **Subsequent measurement:**
For purposes of subsequent measurement, financial assets are classified as follows:

Investment in mutual funds instruments at fair value through profit or loss [FVTPL]:

FVTPL is for investment in mutual funds instruments. Any such instruments, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.Such instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

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:

i The rights to receive cash flows from the asset have expired, or

ii 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

Consolidated Notes to the Financial Statements

Note: 2 – Significant Accounting Policies: (contd...)

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 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 provided 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:

Consolidated Notes to the Financial Statements

Note: 2 – Significant Accounting Policies: (contd...)

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 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 though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or 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.

23 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 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

Consolidated Notes to the Financial Statements

Note: 2 – Significant Accounting Policies: (contd...)

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.

24 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.

25 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 2018, the Ministry of Corporate Affairs [MCA] issued the Companies [Indian Accounting Standards] Amendment Rules, 2018 notifying Ind AS 115 “Revenue from Contract with Customers” and Appendix B to Ind AS 21 “Foreign currency transactions and advance consideration”. Both these amendments are applicable to the Group from April 1, 2018.

Ind AS 115:

On March 28, 2018, the MCA notified the Ind AS 115. The core principle of the new standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further, the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers.

The standard permits two possible methods of transition:

a) Retrospective approach – Under this approach the standard will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors.

b) Retrospectively with cumulative effect of initially applying the standard recognized at the date of initial application (Cumulative catch – up approach)

The effective date for adoption of Ind AS 115 is financial period beginning on or after April 1, 2018. The Group will adopt the standard on April 1, 2018 by using the cumulative catch-up transition method and accordingly, comparatives for the year ending or ended March 31, 2018 will not be retrospectively adjusted. The effect on adoption of Ind AS 115 is expected to be insignificant.

Appendix B to Ind AS 21:

Appendix B to Ind AS 21 “Foreign currency transactions and advance consideration” clarifies the date of transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency. This amendment will come into force from April 1, 2018. The Group has evaluated the effect of this on the financial statements and the impact is not material.

Consolidated Notes to the Financial Statements

Note: 3 - Property, Plant and Equipment:

INR (in Lakhs)

	Freehold Land	Leasehold Land	Buildings	Plant and Equipment	Furniture and Fixtures	Vehicles	Office Equipment	Total
Gross Block:								
As at March 31, 2016	49	570	1,715	6,394	275	215	182	9,400
Additions	0	0	1,480	1,240	2	44	17	2,783
Disposals	0	0	0	(45)	0	(35)	0	(80)
Other adjustments	0	0	0	0	0	0	0	0
As at March 31, 2017	49	570	3,195	7,589	277	224	199	12,103
Additions	0	0	290	652	27	35	31	1,035
Disposals	0	0	0	(23)	0	(15)	0	(38)
Other adjustments	0	0	0	0	0	0	0	0
As at March 31, 2018	49	570	3,485	8,218	304	244	230	13,100
Depreciation and Impairment:								
As at March 31, 2016	0	37	350	2,827	88	69	130	3,501
Depreciation for the year	0	6	57	572	24	26	19	704
Impairment for the year	0	0	0	0	0	0	0	0
Disposals	0	0	0	(31)	0	(15)	0	(46)
As at March 31, 2017	0	43	407	3,368	112	80	149	4,159
Depreciation for the year	0	6	108	687	25	28	23	877
Impairment for the year	0	0	0	0	0	0	0	0
Disposals	0	0	0	(22)	0	(4)	0	(26)
As at March 31, 2018	0	49	515	4,033	137	104	172	5,010
Net Block:								
As at March 31, 2017	49	527	2,788	4,221	165	144	50	7,944
As at March 31, 2018	49	521	2,970	4,185	167	140	58	8,090

Note: 4 - Intangible Assets:

	Goodwill	Other Intangible Assets				
		Brands/ Trademarks	Computer Software	Commercial Rights	Technical Know-how	Total
Gross Block:						
As at March 31, 2016	2,282	5	30	10	2	47
Additions	0	0	13	0	0	13
Disposals	0	0	0	0	0	0
Other adjustments	0	0	0	0	0	0
As at March 31, 2017	2,282	5	43	10	2	60
Additions	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Other adjustments	0	0	0	0	0	0
As at March 31, 2018	2,282	5	43	10	2	60
Amortisation and Impairment:						
As at March 31, 2016	0	5	5	10	1	21
Amortisation for the year	0	0	12	0	0	12
Impairment for the year	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
As at March 31, 2017	0	5	17	10	1	33
Amortisation for the year	0	0	11	0	0	11
Impairment for the year	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
As at March 31, 2018	0	5	28	10	1	44
Net Block:						
As at March 31, 2017	2,282	0	26	0	1	27
As at March 31, 2018	2,282	0	15	0	1	16

Consolidated Notes to the Financial Statements

Note: 5 - Loans:

INR (in Lakhs)

	As at March 31, 2018	As at March 31, 2017
[Unsecured, Considered Good unless otherwise stated]		
Security Deposits	**74**	67
Others:		
Considered good	**0**	3
Total	**74**	70

Note: 6 - Other Financial Assets:

	As at March 31, 2018	As at March 31, 2017
[Unsecured, Considered Good unless otherwise stated]		
Fixed Deposits	**60**	57
Total	**60**	57

Note: 7 - Other Non-Current Assets:

	As at March 31, 2018	As at March 31, 2017
[Unsecured, Considered Good unless otherwise stated]		
Balances with Statutory Authorities	**152**	145
Capital Advances	**81**	358
Total	**233**	503

Note: 8 - Deferred Tax:

A Break up of Deferred Tax Liabilities and Assets into major components of the respective balances are as under:

	As at April 1, 2016	Charge for the previous year	As at March 31, 2017	Charge for the current year	As at March 31, 2018
Deferred Tax Liabilities:					
Depreciation	496	45	541	(142)	**399**
Deferred Tax Assets:					
Employee benefits	74	10	84	(7)	**77**
Provision for Expiry and Breakages	16	8	24	0	**24**
Total	90	18	108	(7)	**101**
Alternate Minimum tax	4,616	1,449	6,065	1,613	**7,678**
Net Deferred Tax Liabilities	4,210	1,422	5,632	1,748	**7,380**
Out of above:					
a Disclosed as Deferred Tax Liablities			68		**30**
b Disclosed as Deferred Tax Assets			5,700		**7,410**

Consolidated Notes to the Financial Statements

Note: 8 – Deferred Tax: (contd...)

B The Net Deferred Tax expenses of INR (1,748) [Previous Year: INR (1,422)] Lakhs for the year has been provided in the Statement of Profit and Loss.

C 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 relate to income taxes levied by the same tax authority.

The major components of income tax expense for the years ended March 31, 2018 and March 31, 2017 are :

Statement of profit and loss:

INR (in Lakhs)

	As at March 31, 2018	As at March 31, 2017
Profit and loss section:		
Current income tax:		
Current income tax charge	**3,071**	2,694
Deferred tax:		
Relating to origination and reversal of temporary differences	**(1,748)**	(1,422)
Income tax expense reported in the statement of profit and loss	**1,323**	1,272

Reconciliation of tax expense and accounting profit multiplied by India's domestic tax rate:

	As at March 31, 2018	As at March 31, 2017
Profit before tax	**14,974**	12,400
At India's statutory income tax rate	**5,183**	4,307
Adjustments in respect of current income tax of previous years	**(62)**	5
Utilisation of previously unrecognised tax losses	**(83)**	0
Effect of Non taxable Income	**(39)**	0
Effect of Special tax deductions	**(36)**	(47)
Effect of Special tax deductions (80IE)	**(4,531)**	(4,079)
Effect of MAT/ AMT Credit not accounted for	**1,089**	992
Effect of Unrecognised DTA/DTL	**(224)**	43
Non-deductible expenses for tax purposes:		
Other non-deductible expenses	**16**	7
Others	**10**	44
At the effective income tax rate of 8.84% (March 31, 2017: 10.26%)	**1,323**	1,272
Income tax expense reported in the statement of profit and loss	**1,323**	1,272

Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group eligible for set off upto 15 years from the year in which the same arises; and there are no other tax planning opportunities or other evidence of recoverability in the near future. If the Group was able to recognise all unrecognised deferred tax assets, MATcredit not recognised as at March 31, 2018 is INR 115 Lakhs in Zydus Wellness Limited and AMT credit not recognised as at March 31, 2018 is INR 4,817 Lakhs in Zydus Wellness Sikkim.

Consolidated Notes to the Financial Statements

Note: 9 - Current Tax Assets [Net]:

INR (in Lakhs)

	As at March 31, 2018	As at March 31, 2017
[Unsecured, Considered Good unless otherwise stated]		
Advance payment of Tax [Net of provision for taxation]	**0**	99
Total	**0**	99

Note: 10 - Inventories:

	As at March 31, 2018	As at March 31, 2017
[The Inventory is valued at lower of cost and net realisable value]		
Classification of Inventories:		
Raw Materials	**1,385**	779
Work-in-progress	**47**	33
Finished Goods	**1,475**	1,877
Stock-in-Trade	**12**	16
Others:		
Packing Materials	**587**	483
Total	**3,506**	3,188

Note: 11 - Current Financial Assets - Investments:

	Nos. [*]	As at March 31, 2018	As at March 31, 2017
Investment in Mutual Funds [Quoted] [Valued at fair value through profit or loss]:			
Reliance Liquidity Fund - Direct Plan - Growth	215132.11 [0]	**5,631**	0
DSP Blackrock Liquidity Fund - Direct Plan - Growth	367105.68 [0]	**9,124**	0
ICICI - Liquid - Direct Plan - Growth	0 [1246890.57]	**0**	3,001
Total		**14,755**	3,001
A Aggregate amount of quoted investments		**14,755**	3,001
B Explanations:			
In "Nos. [*]" figures of previous year are stated in [ ].			

Note: 12 - Trade Receivables:

	As at March 31, 2018	As at March 31, 2017
Unsecured - Considered good:	**875**	404
Less: Impairment allowances	**0**	0
Total	**875**	404

Consolidated Notes to the Financial Statements

Note: 13 - Cash and Cash Equivalents:

INR (in Lakhs)

	As at March 31, 2018	As at March 31, 2017
Balances with Banks - in Current Accounts	**2,957**	2,144
Cash on Hand	**2**	3
Total	**2,959**	2,147

Note: 14 - Bank balance other than Cash and Cash Equivalents:

	As at March 31, 2018	As at March 31, 2017
Earmarked balances with bank for unpaid dividend	**66**	78
Fixed Deposit with banks	**38,347**	41,791
Total	**38,413**	41,869

Note: 15 - Other Current Financial Assets:

	As at March 31, 2018	As at March 31, 2017
[Unsecured, Considered Good]		
Others	**61**	162
Total	**61**	162

Note: 16 - Other Current Assets:

	As at March 31, 2018	As at March 31, 2017
[Unsecured, Considered Good]		
Balances with Statutory Authorities	**3,679**	563
Advances to Suppliers	**373**	186
Other Receivable	**30**	55
Export Incentive Receivable	**12**	12
Prepaid Expenses	**41**	35
Total	**4,135**	851

Consolidated Notes to the Financial Statements

Note: 17 - Equity Share Capital:

INR (in Lakhs)

		As at March 31, 2018	As at March 31, 2017
Authorised:			
	4,50,00,000 [as at March 31, 2017: 4,50,00,000]	**4,500**	4,500
	Equity Shares of INR 10/- each		
		4,500	4,500
Issued, Subscribed and Paid-up:			
	3,90,72,089 [as at March 31, 2017: 3,90,72,089]	**3,907**	3,907
	Equity Shares of INR 10/- each fully paid up		
Total		**3,907**	3,907

A	There is no change in the numbers of equity shares at the beginning and end of the year		
	Number of shares at the beginning and end of the year	**3,90,72,089**	3,90,72,089
B	The Group has only one class of equity shares having a par value of INR 10/- each 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 10/- each		
	[as at March 31, 2017: INR 10/- each], fully paid up:		
	Cadila Healthcare Limited		
	Number of Shares	**2,81,63,755**	2,81,63,755
	% to total share holding	**72.08%**	72.08%
D	Number of Shares held by Holding Company		
	Cadila Healthcare Limited	**2,81,63,755**	2,81,63,755

Consolidated Notes to the Financial Statements

Note: 18 - Other Equity:

INR (in Lakhs)

	As at March 31, 2018	As at March 31, 2017
General Reserve: [*]		
Balance as per last Balance Sheet	**4,500**	4,500
Fair Value through Other Comprehensive Income [FVTOCI] Reserve:		
Balance as per last Balance Sheet	**(12)**	(33)
[Less]/ Add: [Debited]/ Credited during the year	**11**	21
	(1)	(12)
Retained Earnings:		
Balance as per last Balance Sheet	**47,323**	39,482
Add: Profit for the year	**13,390**	10,898
	60,713	50,380
Less: Dividends:		
Dividends	**0**	2,540
Corporate Dividend Tax on Dividend	**0**	517
	0	3,057
Balance as at the end of the year	**60,713**	47,323
Total	**65,212**	51,812

[*] General Reserve can be used for the purposes and as per guidelines prescribed in the Companies Act, 2013.

Note: 19 - Other Financial Liabilities:

	As at March 31, 2018	As at March 31, 2017
Trade Deposits	**21**	21
Others	**36**	34
Total	**57**	55

Note: 20 - Provisions:

	As at March 31, 2018	As at March 31, 2017
Provision for Employee Benefits	**77**	74
Total	**77**	74

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 Group are entitled to leave as per the leave policy of the Group. 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 Group 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.

Consolidated Notes to the Financial Statements

Note: 20 – Provisions: (contd...)

The scheme is funded with an insurance company in the form of a qualifying insurance policy.

INR (in Lakhs)

		As at March 31, 2018			As at March 31, 2017		
		Medical Leave	**Leave Wages**	**Gratuity**	Medical Leave	Leave Wages	Gratuity
B	**Change in the present value of the defined benefit obligation:**						
	Opening defined benefit obligation	**34**	**208**	**257**	26	201	250
	Interest cost	**3**	**13**	**17**	2	14	19
	Current service cost	**5**	**42**	**60**	3	36	46
	Benefits paid	**0**	**(62)**	**(29)**	0	(61)	(34)
	Actuarial [gains] / losses on obligation	**1**	**37**	**(15)**	2	18	(24)
	Closing defined benefit obligation	**43**	**238**	**290**	33	208	257
C	**Change in the fair value of plan assets:**						
	Opening fair value of plan assets	**0**	**155**	**242**	0	143	217
	Expected return on plan assets	**0**	**11**	**18**	0	11	16
	Adjustment of Opening fund	**0**	**0**	**0**	0	0	0
	Expenses deducted from the fund	**0**	**0**	**0**	0	0	(2)
	Contributions by employer	**0**	**0**	**48**	0	0	46
	Benefits paid	**0**	**0**	**(28)**	0	0	(34)
	Actuarial [losses] / gains	**0**	**0**	**(1)**	0	1	(1)
	Closing fair value of plan assets	**0**	**166**	**279**	0	155	242
	Total actuarial [losses] / gains to be recognised	**(1)**	**(37)**	**(14)**	(2)	(17)	23
D	**Actual return on plan assets:**						
	Expected return on plan assets	**0**	**11**	**19**	0	11	16
	Actuarial [losses] / gains on plan assets	**0**	**0**	**(1)**	0	1	(1)
	Actual return on plan assets	**0**	**11**	**18**	0	12	15
E	**Amount recognised in the balance sheet:**						
	Liabilities / [Assets] at the end of the year	**43**	**238**	**290**	33	208	257
	Fair value of plan assets at the end of the year	**0**	**(166)**	**(279)**	0	(155)	(242)
	Liabilities / [Assets] recognised in the Balance Sheet	**43**	**72**	**11**	33	53	15
F	**Expenses / [Incomes] recognised in the Statement of Profit and Loss:**						
	Current service cost	**5**	**42**	**60**	3	36	46
	Interest cost on benefit obligation	**3**	**13**	**17**	2	14	19
	Expected return on plan assets	**0**	**(11)**	**(18)**	0	(11)	(16)
	Net actuarial [gains] / losses in the year	**1**	**37**	**0**	2	17	0
	Net expenses / [benefits]	**9**	**81**	**57**	7	56	49
G	**Movement in net liabilities recognised in Balance Sheet:**						
	Opening net liabilities	**33**	**53**	**13**	26	58	33
	Expenses as above [P & L Charge]	**9**	**81**	**58**	7	56	49
	Contribution to Plan assets	**0**	**0**	**(48)**	0	0	(46)
	Amount recognised in OCI	**0**	**0**	**(13)**	0	0	(23)
	Benefits Paid	**1**	**(62)**	**0**	0	(61)	0
	Liabilities / [Assets] recognised in the Balance Sheet	**43**	**72**	**11**	33	53	13

Consolidated Notes to the Financial Statements

Note: 20 – Provisions: (contd…)

H Principal actuarial assumptions for defined benefit plan and long term employment benefit plan:

Particulars	As at March 31, 2018	As at March 31, 2017
Discount rate [*]	**7.30%**	6.95%
Annual increase in salary cost [#]	**12% for next 3 years, 10% thereafter**	12% for 1st 4 years, 9% thereafter

[*]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:

INR (in Lakhs)

	March 31, 2018			March 31, 2017		
	Medical Leave	Leave Wages	Gratuity	Medical Leave	Leave Wages	Gratuity
Insurance plan	**0.00%**	**100.00%**	**100.00%**	0.000%	100.00%	100.00%

J Amount recognised in current and previous four years:

Gratuity:	As at March 31				
	2018	2017	2016	2015	2014
Defined benefit obligation	**290**	257	231	184	145
Fair value of Plan Assets	**279**	242	216	184	159
Deficit / [Surplus] in the plan	**11**	15	15	0	(14)
Actuarial Loss / [Gain] on Plan Obligation	**(15)**	(24)	15	(18)	2
Actuarial Loss / [Gain] on Plan Assets	**(1)**	(1)	0	(2)	(3)

The expected contributions for Defined Benefit Plan for the next financial year will be in line with FY 2017-18.

The average duration of defined benefit plan obligation at the end of the year is 23.98 (as at March 31, 2017: 23.25 years).

Sensitivity analysis:

A quantitative sensitivity analysis for significant assumption as is as shown below:

A Medical Leave:

	March 31, 2018		March 31, 2017	
Assumption	Discount rate			
Sensitivity Level	**0.5 % increase**	**0.5 % decrease**	0.5% increase	0.5% decrease
Impact on defined benefit obligation INR (in Lakhs)	**(1)**	**2**	(2)	1
Assumption	Annual increase in salary cost			
Sensitivity Level	**0.5 % increase**	**0.5 % decrease**	0.5% increase	0.5% decrease
Impact on defined benefit obligation INR (in Lakhs)	**2**	**(1)**	1	(2)

Consolidated Notes to the Financial Statements

Note: 20 – Provisions: (contd...)

B Leave Wages:

	March 31, 2018		March 31, 2017	
Assumption	Discount rate			
Sensitivity Level	**0.5 % increase**	**0.5 % decrease**	0.5 % increase	0.5 % decrease
Impact on defined benefit obligation INR (in Lakhs)	**(13)**	**0**	(5)	6
Assumption	Annual increase in salary cost			
Sensitivity Level	**0.5 % increase**	**0.5 % decrease**	0.5 % increase	0.5 % decrease
Impact on defined benefit obligation INR (in Lakhs)	**0**	**(13)**	7	(5)

C Gratuity:

	March 31, 2018		March 31, 2017	
Assumption	Discount rate			
Sensitivity Level	**0.5 % increase**	**0.5 % decrease**	0.5 % increase	0.5 % decrease
Impact on defined benefit obligation INR (in Lakhs)	**(9)**	**(8)**	(10)	8
Assumption	Annual increase in salary cost			
Sensitivity Level	**0.5 % increase**	**0.5 % decrease**	0.5 % increase	0.5 % decrease
Impact on defined benefit obligation INR (in Lakhs)	**12**	**(8)**	8	(9)

The following payments are expected contributions to the defined benefit plan in future years:

INR (in Lakhs)

	As at March 31, 2018	As at March 31, 2017
Within the next 12 months [next annual reporting period]	**79**	83
Between 2 and 5 years	**222**	207
Between 5 and 10 years	**220**	189
Total expected payments	**521**	479

Note: 21-Other Non Current Liablities:

	As at March 31, 2018	As at March 31, 2017
Deferred Grant	**125**	0
Total	**125**	0

Note: 22 - Current Financial Liabilities - Borrowings:

	As at March 31, 2018	As at March 31, 2017
Loans repayable on Demand:		
Working Capital Loans from Banks [Unsecured] [*]	**2,500**	2,500
Total	**2,500**	2,500

[*] Working capital loan which is repayable on demand, is availed at the interest rate of 6 MT-bill rate [as at March 31, 2017 T-bill rate plus 5 bps]. The outstanding amount of loan as at March 31, 2018 is INR 2,500 [as at March 31, 2017: INR 2,500] Lakhs.

Consolidated Notes to the Financial Statements

Note: 23 -Trade Payables:

INR (in Lakhs)

	As at March 31, 2018	As at March 31, 2017
Trade Payables	**7,865**	6,650
Total	**7,865**	6,650

Note: 24 - Other Financial Liabilities:

	As at March 31, 2018	As at March 31, 2017
Interest accrued but not due on borrowings	**1**	8
Payable to Employees	**497**	468
Unpaid Dividends	**66**	78
Total	**564**	554

Note: 25 - Other Current Liabilities:

	As at March 31, 2018	As at March 31, 2017
Payable to Statutory Authorities	**416**	564
Deferred Revenue	**28**	0
Advances from Customers	**219**	224
Others	**259**	722
Total	**922**	1,510

Note: 26 - Provisions:

			As at March 31, 2018	As at March 31, 2017
Provision for Employee Benefits			**60**	62
Provision for claims for product expiry and return of goods [*]			**70**	70
Total			**130**	**132**
[*]	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 retailer.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	**70**	51
	ii	Additional provision made during the year	**70**	70
	iii	Amount used	**70**	51
	iv	Carrying amount at the end of the year	**70**	70

Consolidated Notes to the Financial Statements

Note: 27 - Current Tax Liabilities [Net]:

INR (in Lakhs)

	As at March 31, 2018	As at March 31, 2017
Current Tax Provision [Net of advance tax payment]	**188**	0
Total	**188**	0

Note: 28 - Contingent Liabilities and Commitments [to the extent not provided for]:

				As at March 31, 2018	As at March 31, 2017
A	**Contingent Liabilities:**				
	a	Claims against the Group not acknowledged as debts		**0**	0
	b	In respect of guarantees given by Banks and / or counter guarantees given by the Company		**259**	259
	c	Other money for which the Group is contingently liable:			
		i	In respect of Sales Tax matters pending before appellate authorities	**742**	2,094
		ii	In respect of the demands raised by the Central Excise, State Excise & Service Tax Authority	**43**	320
		iii	In respect of custom duty liablity under EPCG scheme	**0**	8
B	**Commitments:**				
	Estimated amount of contracts remaining to be executed on capital account and not provided for			**118**	423

Note: 29 - Dividend proposed to be distributed:

The Board of Directors at its meeting held on May 24, 2018 recommended a dividend of INR 8/- per equity share of INR10/- each. The recommended dividend is subject to the approval of shareholders at the ensuing Annual General Meeting.

Consolidated Notes to the Financial Statements

Note: 30 - Revenue from Operations:

INR (in Lakhs)

	Year ended March 31, 2018	Year ended March 31, 2017
Sale of Products[*]	**49,202**	45,934
Other Operating Revenues:		
Net Gain on foreign currency transactions and translation	**12**	19
Miscellaneous Income [**]	**1,101**	302
Total	**50,315**	46,255

[*] The Government of India has introduced the Goods and Service Tax (GST) with effect from July 1, 2017 which replaces excise duty and various other indirect taxes, As per Ind AS 18, Revenue from operations for the period from July 2017 to March 2018 is reported net of GST. Revenue from operations of periods upto June 30, 2017 are reported inclusive of excise duty which is now subsumed in GST.

[**] Miscellaneous Income includes Government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized and disclosed as Deferred Grant as non-current liability in the balance sheet and transferred to the Statement of profit and loss on a systematic and rational basis over the useful lives of the related assets.

Note: 31 - Other Income:

	Year ended March 31, 2018	Year ended March 31, 2017
Interest Income on Financial Assets measured at Amortised Cost	**3,059**	3,139
Gain on Sale of Investments	**343**	122
Net gain on investment measured at FVTPL	**104**	3
Total	**3,506**	3,264

Note: 32 - Cost of Materials Consumed:

	Year ended March 31, 2018	Year ended March 31, 2017
Raw Materials :		
Stock at commencement	**779**	564
Add: Purchases	**11,831**	9,753
	12,610	10,317
Less: Stock at close	**1,385**	779
	11,225	9,538
Packing Materials consumed	**4,793**	4,060
Total	**16,018**	13,598

Note: 33 - Purchases of Stock-in-Trade:

	Year ended March 31, 2018	Year ended March 31, 2017
Purchases of Stock-in-Trade	**10**	51
Total	**10**	51

Consolidated Notes to the Financial Statements

Note: 34 - Changes in Inventories:

INR (in Lakhs)

	Year ended March 31, 2018	Year ended March 31, 2017
Stock at commencement:		
Work-in-progress	**33**	45
Finished Goods	**1,877**	1,278
Stock-in-Trade	**16**	35
	1,926	1,358
Less: Stock at close:		
Work-in-progress	**47**	33
Finished Goods	**1,475**	1,877
Stock-in-Trade	**12**	16
	1,534	1,926
	392	(568)
Differential Excise Duty/ GST on Opening and Closing stock of Finished Goods	**(331)**	176
Total	**61**	(392)

Note: 35 - Excise Duty

	Year ended March 31, 2018	Year ended March 31, 2017
Excise Duty[*]	**(947)**	3,198
Total	**(947)**	3,198

[*] 'Excise duty expense of the April 2017 to June 2017 quarter include credit of excise duty of INR 1,799 Lakhs received by Zydus Wellness– Sikkim, the partnership firm, pursuant to the order passed by the Office of the Commissioner of Customs, Central Excise and Service Tax on the fixation of special rate of excise duty under Notification No. 20/2007-CE dated April 25, 2007 amended by Notification No. 20/2008-CE dated March 27, 2008 & Notification No.38/2008 - CE dated June 10, 2008.

Note: 36 - Employee Benefits Expense:

	Year ended March 31, 2018	Year ended March 31, 2017
Salaries and wages	**4,981**	4,222
Contribution to provident and other funds	**235**	189
Staff welfare expenses	**145**	135
Whole Time Director's Remuneration	**303**	232
Total	**5,664**	4,778

Note: 37 - Finance Cost:

	Year ended March 31, 2018	Year ended March 31, 2017
Interest expense [*]	**157**	46
Bank commission & charges	**13**	9
Total	**170**	55
[*] The break up of interest expenses into major heads are given below:		
On working capital loans	**156**	45
Others	**1**	1
Total	**157**	46

Consolidated Notes to the Financial Statements

Note: 38 - Depreciation, Amortisation and Impairment expenses:

INR (in Lakhs)

	Year ended March 31, 2018	Year ended March 31, 2017
Depreciation	**877**	704
Amortisation	**11**	12
Total	**888**	716

Note: 39 - Other Expenses:

	Year ended March 31, 2018	Year ended March 31, 2017
Consumption of Stores and spare parts	**203**	197
Power & fuel	**515**	402
Labour Charges	**958**	714
Rent [*]	**306**	324
Repairs to Buildings	**40**	47
Repairs to Plant and Machinery	**90**	114
Repairs to Others	**35**	36
Insurance	**89**	83
Rates and Taxes	**211**	393
Commission to Directors	**18**	20
Traveling Expenses	**524**	445
Legal and Professional Fees	**403**	313
Commission on sales	**988**	1,070
Freight and forwarding on sales	**1,184**	1,022
Advertisement and Sales promotions	**8,983**	7,664
Representative Allowances	**524**	480
Other marketing expenses	**836**	768
Provsion for Doubtful Debts	**4**	1
Directors' fees	**30**	32
Net Loss on disposal of Fixed Assets	**2**	18
Donations	**74**	5
Miscellaneous Expenses [**]	**966**	967
Total	**16,983**	15,115
[*] The Group 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:	**161**	171
[**] Miscellaneous Expenses include:		
a Expenditure on Corporate Social Responsibility [CSR] Activities as required u/s 135 of the Companies Act, 2013.	**214**	201
b Payment to the Statutory Auditors [excluding Service Tax]:		
i - As Auditor	**12**	11
- For Other Services	**0**	0
- Total	**12**	11
ii Cost Auditor’s Remuneration including fees for other services	**2**	2

Consolidated Notes to the Financial Statements

Note: 40 - Components of Other Comprehensive Income [OCI]:

INR (in Lakhs)

	Year ended March 31, 2018	Year ended March 31, 2017
Re-measurement gains [losses] on defined benefit plans [Net of Tax]	**11**	21
Total	**11**	21

Note: 41 - Calculation of Earnings per Equity Share [EPS]:

			Year ended March 31, 2018	Year ended March 31, 2017
The numerators and denominators used to calculate the basic and diluted EPS are as follows:				
A	Profit attributable to Shareholders	INR in Lakhs	**13,390**	10,898
B	Basic and weighted average number of Equity Shares outstanding during the year	Numbers	**3,90,72,089**	3,90,72,089
C	Nominal value of equity share	INR	**10**	10
D	Basic & Diluted EPS	INR	**34.27**	27.89

Note: 42 - Segment Information:

The Chief Operating Decision Maker [CODM] reviews the Group as a single "Consumer" segment. The Group operates in one segment only, namely "Consumer Products." The Group also exports its products to other countries. However the value being below threshold limit "Segment Reporting", the reporting is not required.

Note: 43 - Related Party Transactions:

A	**Name of the Related Parties and Nature of the Related Party Relationship:**		
	a	**Holding Company: Cadila Healthcare Limited**	
	b	**Partnership Firm: M/s. Zydus Wellness - Sikkim**	
	c	**Fellow Subsidiaries/ Concerns:**	
		Zydus Noveltech Inc., USA	Hercon Pharmaceutical USA LLC, USA
		Violio Healthcare Limited	Nesher Pharmaceuticals (USA) LLC,USA
		Acme Pharmaceuticals Private Limited	Zydus Healthcare SA Pty Limited, South Africa
		Zydus Technologies Limited	Simayla Pharmaceuticals Pty Limited, South Africa
		Zydus Healthcare Limited	Script Management Services Pty Limited, South Africa
		Dialforhealth India Limited	Etna Biotech SRL, Italy
		Dialforhealth Unity Limited	Zydus France SAS, France
		Dialforhealth Greencross Limited	Laboratorios Combix S.L., Spain
		Liva Pharmaceuticals Limited	Zydus Nikkho Pharmaceutica Limitada, Brasil
		Alidac Pharmaceuticals Limited	Zydus Pharmaceuticals Mexico SA de CV, Mexico
		Zydus International Private Limited, Ireland	Zydus Pharmaceuticals Mexico Services SA de CV, Mexico
		Zydus Netherlands B. V., the Netherlands	Zydus Worldwide DMCC, Dubai
		Zydus Lanka (Private) Limited, Sri Lanka	Zydus Discovery DMCC, Dubai
		Zydus Healthcare Philippines Inc., Philippines	ZAHL Europe B. V., the Netherlands
		ZAHL B. V., the Netherlands	Bremer Pharma GmbH, Germany
		Zydus Pharmaceuticals USA Inc., USA	Alidac Healthcare (Myanmar) Limited, Myanmar
		Zydus Healthcare USA LLC, USA	Sentynl Therapeutics Inc., USA

Consolidated Notes to the Financial Statements

Note: 43 – Related Party Transactions: (contd...)

A	Name of the Related Parties and Nature of the Related Party Relationship:		
	d	Directors:	
		Dr. Sharvil P. Patel	Non -Executive Chairman
		Mr. Ganesh Nayak	Non-Executive Director
		Prof. Indiraben J. Parikh	Independent Director
		Mr. Kulin S. Lalbhai	Independent Director
		Mr. Humayun R. Dhanrajgir	Independent Director
	e	Key Managerial Personnel:	
		Mr. Tarun G. Arora	Whole Time Director
		Mr. Amit B. Jain	Executive Officer [Chief Financial Officer] up to February 7, 2018
		Mr. Umesh V. Parikh	Executive Officer [Chief Financial Officer] w.e.f. February 7, 2018
		Mr. Dhaval N. Soni	Executive Officer [Company Secretary]
	f	Enterprises significantly influenced by Directors and/or their relatives:	
		Cadmach Machinery Company Private Limited	Western Ahmedabad Effluent Conveyance Company Private Limited
		Zydus Hospitals and Healthcare Research Private Limited	
		Zydus Hospitals (Vadodara) Private Limited	Zandra Infrastructure LLP
		Zydus Hospitals (Rajkot) Private Limited	Zydus Hospital LLP
		MabS Biotech Private Limited	M/s. C. M. C. Machinery
		Zydus Infrastructure Private Limited	Zandra Herbs and Plantations LLP
		Cadila Laboratories Private Limited	Biochem Pharmaceutical Private Limited.
		Pripan Investment 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 Note 43 - A [a, b & c]

Nature of Transactions	Value of the Transactions INR (in Lakhs)			
	Fellow Subsidiaries		Holding Company	
	Year ended March 31		Year ended March 31	
	2018	2017	2018	2017
Purchases:				
Fixed Assets:				
Cadila Healthcare Limited	**0**	0	**45**	0
Sales:				
Zydus Healthcare Limited	**75**	0	**0**	0
Zydus Healthcare S.A. (Pty) Ltd [South Africa]	**99**	0	**0**	0
Total	**174**	0	**0**	0
Reimburshment of Expenses:				
Cadila Healthcare Limited	**0**	0	**20**	0
Services:				
Cadila HealthCare Limited	**0**	0	**5**	6
Dividend Paid				
Cadila HealthCare Limited	**0**	0	**0**	1,831
Details relating to persons referred to in Note 43-A [e] above:				
Remuneration:				
Salaries and other employee benefits to Whole time director and other executive officers	**377**	279		
Commission and Sitting Fees:	**48**	52		
Outstanding remuneration payable:	**52**	39		

Consolidated Notes to the Financial Statements

Note: 44 - Disclosures as required by Ind Accounting Standard (Ind AS) 112 Disclosure of interest in other entities:

Material Non-Controlling Interests

Name of Partnership Firm	Country of incorporation	Proportion of interest held by Non-Controlling Entities as at March 31, 2018	Proportion of interest held by Non-Controlling Entities as at March 31, 2017
Zydus Wellness Sikkim	INDIA	**2%**	2%

Summarised Balance Sheet:

	Zydus Wellness Sikkim	
		INR (in Lakhs)
Particulars	**As At March, 31 2018**	As At March 31, 2017
Current Assets	**9,674**	18,270
Non-Current Assets	**14,248**	12,483
Current Liabilities	**7,820**	7,230
Non-Current Liabilities	**180**	61
Total Equity	**15,922**	23,462
Attributable to:		
Equity Holders of Parent	**15,604**	22,993
Non-Controlling Interest	**318**	469

Summarised Statement of Profit and Loss:

	Zydus Wellness Sikkim	
		INR (in Lakhs)
Particulars	**2017-18**	2016-17
Profit after Tax	**13,034**	11,488
Other Comprehensive Income	**(11)**	36
Total Comprehensive Income	**13,023**	11,523
Attributable to non-controlling interest	**261**	230

Consolidated Notes to the Financial Statements

Note: 45 - Financial instruments:

Financial instruments

(i) 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.

(ii) Financial assets and liabilities measured at fair value - recurring fair value measurements:

INR (in Lakhs)

	As at March 31, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Investments at FVTPL				
Mutual fund	**14,755**	**0**	**0**	**14,755**
Total financial assets	**14,755**	**0**	**0**	**14,755**
Financial Liabilities	**0**	**0**	**0**	**0**

	As at March 31, 2017			
	Level 1	Level 2	Level 3	Total
Financial assets				
Investments at FVTPL				
Mutual fund	3,001	0	0	3,001
Total financial assets	3,001	0	0	3,001
Financial Liabilities	0	0	0	0

(iii) 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 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.

Consolidated Notes to the Financial Statements

Note: 45 – Financial Instruments: (contd...)

1 Financial risk management:

(i) Financial instruments by category:

INR (in Lakhs)

Particulars	As at March 31, 2018			
	FVTPL	**FVOCI**	**Amortised Cost**	**Total**
Financial assets				
Mutual funds	**14,755**	**0**	**0**	**14,755**
Trade receivables	**0**	**0**	**875**	**875**
Loans & advances	**0**	**0**	**61**	**61**
Security deposit	**0**	**0**	**74**	**74**
Fixed deposit	**0**	**0**	**38,473**	**38,473**
Cash and Cash equivalents	**0**	**0**	**2,959**	**2,959**
Total	**14,755**	**0**	**42,442**	**57,197**
Financial liabilities				
Borrowings	**0**	**0**	**2,500**	**2,500**
Interest accrued but not due on borrowings	**0**	**0**	**1**	**1**
Payable to Employees	**0**	**0**	**497**	**497**
Trade payable	**0**	**0**	**7,865**	**7,865**
Security deposit	**0**	**0**	**57**	**57**
Unpaid dividend	**0**	**0**	**66**	**66**
Total	**0**	**0**	**10,986**	**10,986**

INR (in Lakhs)

Particulars	As at March 31, 2017			
	FVTPL	FVOCI	Amortised Cost	Total
Financial assets				
Mutual funds	3,001	0	0	3,001
Trade receivables	0	0	404	404
Loans & advances	0	0	162	162
Security deposit	0	0	70	70
Fixed deposit	0	0	41,926	41,926
Cash and Cash equivalents	0	0	2,147	2,147
Total	3,001	0	44,709	47,710
Financial liabilities				
Borrowings	0	0	2,500	2,500
Interest accrued but not due on borrowings	0	0	8	8
Payable to Employees	0	0	468	468
Trade payable	0	0	6,650	6,650
Security deposit	0	0	55	55
Unpaid dividend	0	0	78	78
Total	0	0	9,759	9,759

Consolidated Notes to the Financial Statements

Note: 45 – Financial Instruments: (contd...)

(ii) 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 managed 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 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.

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.

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. 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.

The history of trade receivables shows an allowance for bad and doubtful debts of INR Nil [INR 0.57 Lakhs as at March 31, 2017]. The Group has made allowance of INR Nil [As at March 31, 2017 - INR Nil], against trade receivables of INR 875 Lakhs [As at March 31, 2017 - INR 404 Lakhs].

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 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.

Consolidated Notes to the Financial Statements

Note: 45 – Financial Instruments: (contd...)

INR (in Lakhs)

Particulars	< 1 year	1-2 years	2-3 years	> 3 years	Total
	As at March 31, 2018				
Non-derivatives / Financial Liabilities					
Borrowings (including interest)	**2,501**	**0**	**0**	**0**	**2,501**
Trade payable	**7,865**	**0**	**0**	**0**	**7,865**
Security deposit	**0**	**0**	**0**	**57**	**57**
Payable to Employee	**497**	**0**	**0**	**0**	**497**
Unpaid dividend	**66**	**0**	**0**	**0**	**66**
Total	**10,929**	**0**	**0**	**57**	**10,986**

Particulars	< 1 year	1-2 years	2-3 years	> 3 years	Total
	As at March 31, 2017				
Non-derivatives / Financial Liabilities					
Borrowings (including interest)	2,508	0	0	0	2,508
Trade payable	6,650	0	0	0	6,650
Security deposit	0	0	0	55	55
Payable to Employee	468	0	0	0	468
Unpaid dividend	78	0	0	0	78
Total	9,704	0	0	55	9,759

C Foreign currency risk

The Group is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the US Dollar, Euro and GBP. 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 is insignificant and hence there is no material risk.

a Foreign currency risk exposure:

The Groups exposure to foreign currency risk at the end of the reporting period expressed as follows:

Sensitivity:

The sensitivity of profit or loss and equity to changes in the exchange rates arises mainly from foreign currency denominated financial instruments.

INR (in Lakhs)

Particulars	As at March 31, 2018		As at March 31, 2017	
	Movement in Rate	Impact on PAT	Movement in Rate	Impact on PAT
USD	**4.00%**	**14**	4.00%	4
USD	**-4.00%**	**(14)**	-4.00%	(4)
EUR	**7.00%**	**0**	8.00%	0
EUR	**-7.00%**	**0**	-8.00%	0
Others	**5.00%**	**(1)**	5.00%	0
Others	**-5.00%**	**1**	-5.00%	0

b Interest rate risk:

Assets

The Group's fixed deposits are carried at amortised cost and are fixed rate deposits. They are therefore not subject to interest rate risk as defined in Ind AS 107, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

Consolidated Notes to the Financial Statements

Note: 45 – Financial Instruments: (contd...)

c Price Risk

(a) 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.

(b) Sensitivity- Mutual Fund*

The table below summarises the impact of increases/decreases of the index on the Group's equity and profit for the period. The analysis is based on the assumption that the price of the instrument has increased by 2% or decreased by 2% with all other variables held constant.

Particulars	March 31, 2018	March 31, 2017
	Impact on PAT	Impact on PAT
Mutual Funds [Quoted]		
Increase 2%	293	60
Decrease 2%	(293)	(60)

* Holding all other variables constant

2 Capital management:

The Group' s capital management objectives are

- to ensure the Group'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 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. The Group has sufficient Cash and Cash Equivalents and Short Term Fixed Deposit available against the debt and not exposed to any long term debts.

Loan covenants

The Group has taken loan for working capital requirement and as at March 31, 2018, the ratio of net finance cost to EBITDA was 1.06% (March 31, 2017 0.42%).

Consolidated Notes to the Financial Statements

Note: 46 - Group Information :

Consolidated Financial Statements as at March 31, 2018 comprise the Financial Statements [FS] of Zydus Wellness Limited and its 'partnership firm, which is as under:

Name	Principal activities	Country of incorporation	Status of FS at March 31, 2018	% Share of Interest	
				As at March 31, 2018	As at March 31, 2017
Zydus Wellness Sikkim - Partnership Firm	Consumer Health & Wellness	India	**Audited**	**98.00**	98.00

Note: 47 Figures of the previous reporting periods have been regrouped/ reclassified wherever necessary to correspond with the figures of the current reporting period.

Signatures to significant accounting policies and notes 1 to 47 to the financial statements.

As per our report of even date
For **Dhirubhai Shah & Co**
Chartered Accountants
Firm Registration Number: 102511W

For and on behalf of the Board

Dr. Sharvil P. Patel
Chairman

Harish B. Patel
Partner
Membership Number: 014427
Ahmedabad, Dated: May 24, 2018

Umesh V. Parikh
Chief Financial Officer

Dhaval N. Soni
Company Secretary

Tarun G. Arora
Whole Time Director

Notes

Notes

Notes

ZYDUS WELLNESS LIMITED
[CIN–L15201GJ1994PLC023490]
Registered Office: House No. 6 & 7, Sigma Commerce Zone,
Nr. Iscon Temple, Sarkhej–Gandhinagar Highway, Ahmedabad – 380 015
Website: www.zyduswellness.in; **Email** ID:investor.grievance@zyduswellness.in
Phone No.: 079-67775888; Fax No.: 079-67775811

ATTENDANCE SLIP

TWENTY FOURTH ANNUAL GENERAL MEETING

I/We hereby record my/our presence at the Twenty Fourth Annual General Meeting of the Company at J B Auditorium, Ahmedabad Management Association, Dr. Vikram Sarabhai Marg, Ahmedabad – 380 015 on Friday, August 3, 2018 at 10:00 a.m.

....	....	....
Member's Folio/DP ID-Client ID No.	Member's/Proxy's name in Block Letters	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 2017–2018 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 2017–2018 and Notice of the AGM along with Attendance Slip and Proxy Form is sent in the permitted mode(s) to all members whose email address is not registered or who have requested for a hard copy.

ZYDUS WELLNESS LIMITED
[CIN–L15201GJ1994PLC023490]
Registered Office: House No. 6 & 7, Sigma Commerce Zone,
Nr. Iscon Temple, Sarkhej–Gandhinagar Highway, Ahmedabad – 380 015
Website: www.zyduswellness.in; **Email** ID:investor.grievance@zyduswellness.in
Phone No.: 079-67775888; Fax No.: 079-67775811

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 Fourth Annual General Meeting** of the Company, to be held on Friday, August 3, 2018 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:

ROUTE MAP OF THE AGM VENUE

Resolution No.	Particulars of Resolution	Optional	
		For	Against
	Ordinary Business		
1.	To adopt the Financial Statements [including consolidated Financial Statements] for the year ended on March 31, 2018.		
2.	To declare dividend on equity shares for the Financial Year 2017-2018		
3.	To reappoint Mr. Tarun G. Arora, Director retiring by rotation.		
	Special Business		
4.	To ratify remuneration to Cost Auditors.		

Signed this .... day of 2018

Signature of member ....

Signature of Proxy holder(s) ....

Affix Revenue Stamp not Less than Re 0.15

Note:

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 Fourth 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.

Snapshots from our brand campaigns

Wellness for All

Zydus Wellness Ltd.

House No. 6 & 7, Sigma Commerce Zone, Nr. Iscon Temple, S.G. Highway, Ahmedabad – 380 015, India.
Phone No.: +91-79-67775888 (20 Lines); www.zyduswellness.in
CIN: L15201GJ1994PLC023490