

# Board's Report

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

## Financial Highlights:

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 is summarised below:

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	60,305	38,576	120,496	97,007
Profit before Interest, Depreciation, Amortisation and Impairment Expenses & Tax [PBIDT]	18,542	9,042	29,607	20,325
Less: Finance Cost	639	111	911	446
Less: Depreciation, Amortisation and Impairment Expenses	2,931	2,509	5,388	3,733
<b>Profit Before Tax [PBT]</b>	<b>14,972</b>	<b>6,422</b>	<b>23,308</b>	<b>16,146</b>
Less: Tax Expenses	4,064	(197)	5,644	1,289
<b>Profit After Tax [PAT]</b>	<b>10,908</b>	<b>6,619</b>	<b>17,664</b>	<b>14,857</b>
Share of Profit of Joint venture (net of tax)	-	-	628	338
<b>Profit for the year from Continuing Operations</b>	<b>10,908</b>	<b>6,619</b>	<b>18,292</b>	<b>15,195</b>
Less: Loss after tax from Discontinued operations	-	-	188	27
<b>Profit for the year</b>	<b>10,908</b>	<b>6,619</b>	<b>18,104</b>	<b>15,168</b>
Attributable to:				
Owners of the Parent	10,908	6,619	17,758	14,877
Non-Controlling Interests	-	-	346	291
Other Comprehensive Income/(Loss) (net of tax)	362	57	195	51
<b>Total Comprehensive Income</b>	<b>11,270</b>	<b>6,676</b>	<b>18,299</b>	<b>15,219</b>
Attributable to:				
Owners of the Parent	11,270	6,676	17,953	14,928
Non-Controlling Interests	-	-	346	291
Opening balance in Retained Earnings	47,315	44,072	50,073	37,742
<b>Amount available for appropriation</b>	<b>58,127</b>	<b>50,610</b>	<b>67,717</b>	<b>54,016</b>
Dividend:				
Interim - FY 2016-17	-	3,276	-	3,276
Corporate Dividend Tax on Interim Dividend (net of CDT Credit)	-	19	10	667
<b>Closing Balance in Retained Earnings</b>	<b>58,127</b>	<b>47,315</b>	<b>67,707</b>	<b>50,073</b>
Earnings Per Share [EPS] from Continuing Operations [Face Value of shares of ₹ 1/- each]	10.66	6.47	17.53	14.56
Earnings Per Share [EPS] from Continuing and Discontinued Operations [Face Value of shares of ₹ 1/- each]	10.66	6.47	17.35	14.53

The Company proposes to retain an amount of ₹ 58,127 million in the Statement of Profit and Loss.

## Results of Operations:

During the year under review, the consolidated revenue from operations and other income was ₹ 1,20,496 million. The Company has achieved consolidated Profit Before Tax of ₹ 23,308 million and Profit After Tax of ₹ 18,104 million. The Company achieved

a consolidated total Comprehensive Income of ₹ 18,299 million. The EPS from continuing operations on consolidated financials for the year ended on March 31, 2018 was ₹ 17.53.

## Dividend:

Your Directors have recommended a dividend of ₹ 3.50 (350%) per equity share on 102,37,42,600 Equity Shares of ₹ 1/- each fully paid-up for the financial year ended on March 31, 2018,

amounting to ₹ 3,592 million. (inclusive of Corporate Dividend tax (net of CDT) of ₹ 9 million.) 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 13, 2018. In respect of shares held in dematerialised 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 Corporate Dividend Tax) is 19.8% of profits.

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

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

## Management Discussion and Analysis (MDA):

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

## Consolidated Financial Statements:

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

## Subsidiary Companies and Joint Ventures:

The Company has divested the entire holding in Bremer Pharma GmbH, Germany (Bremer) on April 17, 2018 and therefore, though on the year end Bremer was a wholly owned subsidiary Company, it ceased to be a subsidiary of the Company with effect from April 17, 2018.

The Company has incorporated a new company in the name of Violio Pharmaceuticals Limited as a wholly owned subsidiary of the Company on May 10, 2018. Violio Pharmaceuticals Limited in turn has incorporated a new Company in the name of Violio Pharmaceuticals Inc., USA on May 11, 2018.

The Company had entered into Joint Venture Agreement ("JVA") with Bayer (South East Asia) Pte. Limited ("Bayer") on January 28, 2011. Both Bayer and the Company held 2,50,00,000 Equity Shares of ₹ 10/- each fully paid-up of Bayer Zydus Pharma Private

Limited ("Joint Venture Company"). As per the terms of the JVA, the Company has sold 1,25,00,001 Equity Shares, on May 2, 2018, at a value determined in terms of JVA, to Bayer by executing a Share Purchase Agreement amongst the Company, Bayer and the Joint Venture Company. The Company has received the Exit Price for such sale of shares in terms of the JVA.

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

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

## Particulars of Loans, Guarantees and Investments:

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

## Related Party Transactions:

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

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

## Directors:

### i) Appointment of Directors:

During the year upon recommendation of Nomination and Remuneration Committee, Dr. Sharvil P. Patel (DIN-00131995) was appointed as a Managing Director of the Company for a period of five years w.e.f. April 1, 2017. Further,

Mr. Ganesh N. Nayak (DIN-00017481) was appointed as an Additional Director and a Whole Time Director, designated as Chief Operating Officer and Executive Director for a period of three years w.e.f. July 12, 2017. Appointment of Mr. Ganesh N. Nayak was regularised by the shareholders at the Annual General Meeting held on August 11, 2017. Further, Mr. Pankaj R. Patel (DIN-00131852) stepped down as the Managing Director of the Company w.e.f. July 12, 2017. However he continues as a Non-Executive Chairman.

## ii) Retirement by rotation:

In accordance with the provisions of section 152(6) of the Act and in terms of the Articles of Association of the Company, Mr. Pankaj R. Patel, Non-Executive Director (DIN-00131852) will retire by rotation at the ensuing AGM and being eligible, offers himself for re-appointment. The Board recommends his re-appointment.

## iii) Declaration of independence:

The Company has received declarations of independence as stipulated under section 149(7) of the Act and regulation 16(b) of the Listing Regulations from Independent Directors confirming that they are not disqualified for continuing as an Independent Director.

## iv) Profile of Director seeking re-appointment:

As required under regulation 36(3) of the Listing Regulations, particulars of Director seeking re-appointment at the ensuing AGM are annexed to the notice convening Twenty Third AGM.

## v) Key Managerial Personnel:

The following persons are/were the Key Managerial Personnel (KMP):

1. Mr. Pankaj R. Patel, Chairman (ceased to be the Managing Director and KMP w.e.f. July 12, 2017),
2. Dr. Sharvil P. Patel, Managing Director (appointed as a Managing Director w.e.f. April 1, 2017),
3. Mr. Ganesh N. Nayak, Executive Director (appointed as an Executive Director w.e.f. July 12, 2017),
4. Mr. Nitin D. Parekh, Chief Financial officer and
5. Mr. Upen H. Shah, Company Secretary.

## vi) Board Evaluation:

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

## vii) Nomination and Remuneration Policy:

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

## Directors' Responsibility Statement:

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

- (a) that in preparation of the Financial Statements, the applicable accounting standards have been followed along with proper explanations relating to material departures, if any,
- (b) that such accounting policies have been selected and applied consistently and judgments and estimates made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on March 31, 2018 and of the profit of the Company for the year ended on that date,
- (c) that proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for prevention and detection of fraud and other irregularities,
- (d) that the annual financial statements have been prepared on going concern basis,
- (e) that proper internal financial controls were in place and that the financial controls were adequate and operating effectively, and
- (f) that the systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively.

## Transfer of Shares to Investor Education and Protection Fund (IEPF) Account:

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 the Investor Education and Protection Fund (IEPF).

## Board Meetings:

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

### **Audit Committee:**

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

### **Corporate Governance:**

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

### **Auditors:**

#### **i) Statutory Auditors and Audit Report:**

Deloitte Haskins & Sells LLP, Chartered Accountants, are appointed as the Statutory Auditors of the Company for a period of five years from the conclusion of Twenty Second AGM till the conclusion of Twenty Seventh AGM.

Deloitte Haskins & Sells LLP, Chartered Accountants 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 of Deloitte Haskins & Sells LLP, Chartered Accountants and the observations and comments, appearing in the report are self-explanatory and do not call for any further explanation / clarification by the Board of Directors as provided under section 134 of the Act.

#### **ii) Cost Auditors:**

Pursuant to the provisions of section 148(3) of the Act read with the Companies (Cost Records and Audit) Amendment Rules, 2014, the cost audit records maintained by the Company in respect of the Drugs and Pharmaceuticals are required to be audited. The Board had, on the recommendation of the Audit Committee, appointed Dalwadi & Associates, Cost Accountants to audit the cost records of the Company for the Financial Year 2018-2019 on a remuneration of ₹ 1.08 million plus applicable taxes and out of pocket expenses on 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 in a general meeting for ratification. Accordingly, a resolution seeking ratification by members for the remuneration payable to Dalwadi & Associates is included at Item No. 4 of the Notice convening Twenty Third AGM.

#### **iii) Secretarial Auditors and Secretarial Audit Report:**

Pursuant to the provisions of section 204 of the Act and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board has appointed Manoj Hurkat and Associates, a firm of Company Secretaries in Whole-time Practice to undertake the Secretarial Audit of the Company for the Financial Year 2017-2018. The Secretarial Audit Report is annexed herewith as **Annexure-B**. The Board has duly reviewed the Secretarial Auditors' Report and the observations and comments, appearing in the report are self-explanatory and do not call for any further explanation / clarification by the Board of Directors as provided under section 134 of the Act.

### **Business Responsibility Reporting:**

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

### **Corporate Social Responsibility (CSR):**

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

### **Business Risk Management:**

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

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

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

### Internal control system and its adequacy:

The Company has designed and implemented a process driven framework for Internal Financial Controls (IFC) within the meaning of the explanation to section 134(5)(e) of the Act. For the year ended on March 31, 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 implement new and / or improved internal controls whenever the effect of such gaps would have a material effect on the Company's operations.

### Managing the Risks of fraud, corruption and unethical business practices:

#### i) Vigil Mechanism / Whistle Blower Policy:

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

#### ii) Zydus Business Conduct Policy:

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

### Disclosure as per the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013:

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

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

During the Financial Year 2017-2018, 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 MGT-9 is attached to this Report as **Annexure-D**.

### Particulars of Employees:

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

### Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo:

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

### General Disclosures:

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

Apart from what are mentioned in this report, there are no material changes and commitments affecting the financial position of the Company between the end of the financial year and the date of this report.

### Acknowledgment:

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

On behalf of the Board of Directors

**PANKAJ R. PATEL**  
Chairman

Place : Ahmedabad  
Date : May 25, 2018