

BOARD'S REPORT:

Your Directors are pleased to present the Twenty Sixth Annual Report and the Audited Financial Statements of Cadila Healthcare Limited ("the **Company**") for the Financial Year ended on March 31, 2021.

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 ("the **Act**"), read with rule 7 of the Companies (Accounts) Rules, 2014 ("**Accounts Rules**").

The standalone and consolidated financial performance of the Company, for the Financial Year ended on March 31, 2021 is summarized below:

₹ in mio.

Particulars	Standalone		Consolidated	
	For the year ended on March 31, 2021	For the year ended on March 31, 2020	For the year ended on March 31, 2021	For the year ended on March 31, 2020
Revenue from Operations and other Income	78,693	71,968	151,394	143,670
Profit before Interest, Depreciation, Amortisation and Impairment Expenses & Tax (PBIDT)	22,105	22,205	31,731	25,337
Less: Finance Cost	709	2,339	1,635	3,418
Less: Depreciation, Amortisation and Impairment Expenses	4,511	4,289	7,248	6,965
Profit Before Tax (PBT)	16,885	15,577	22,848	14,954
Less: Tax Expenses	2,123	2,041	1,472	3,198
Profit After Tax (PAT)	14,762	13,536	21,376	11,756
Add: Share of Profit of Joint Ventures (Net of Tax)	-	-	474	288
Profit for the year from continuing operations	14,762	13,536	21,850	12,044
Add: Profit after tax from discontinued operations	-	593	-	-
Profit for the year	14,762	14,129	21,850	12,044
Attributable to:				
Owners of the Parent	14,762	14,129	21,336	11,766
Non-Controlling Interests	-	-	514	278
Other Comprehensive Income / (Loss) (Net of Tax)	81	(220)	731	(3,005)
Total Comprehensive Income	14,843	13,909	22,581	9,039
Attributable to:				
Owners of the Parent	14,843	13,909	22,059	8,754
Non-Controlling Interests	-	-	522	285
Opening balance in Retained Earnings	73,360	66,457	86,124	83,334
Amount available for appropriation	87,969	80,533	111,682	94,693
Transferred from Debenture Redemption Reserve	-	-	2,160	-
Dividend:				
Dividend	-	7,166	-	7,166
Corporate Dividend Tax on Dividend (Net of CDT Credit)	-	7	-	1,403
Closing Balance in Retained Earnings	87,969	73,360	113,842	86,124
Earnings Per Share (EPS) from continuing operations (Face Value of shares of ₹ 1/- each)	14.42	13.22	20.84	11.49
Earnings Per Share (EPS) from continuing and discontinued operations (Face Value of shares of ₹ 1/- each)	14.42	13.80	20.84	11.49

The Company proposes to retain an amount of ₹ 87,969 mio. (Rupees Eighty Seven Thousands Nine Hundred and Sixty Nine Million only) in the Statement of Profit and Loss. The Company proposes not to transfer any amount to general reserve on declaration of dividend.

RESULTS OF OPERATIONS:

During the year under review, the consolidated revenue from operations and other income was ₹ 1,51,394 mio. The Company has achieved consolidated Profit Before Tax of ₹ 22,848 mio. and Profit After Tax of ₹ 21,850 mio. The Company achieved a consolidated total Comprehensive Income of ₹ 22,581 mio. The EPS on consolidated financials for the year ended on March 31, 2021 was ₹ 20.84.

During the year under review, the standalone revenue from operations and other income was ₹ 78,693 mio. The Company has achieved standalone Profit Before Tax of ₹ 16,885 mio. and Profit After Tax of ₹ 14,762 mio. The Company achieved a standalone total Comprehensive Income of ₹ 14,843 mio. The EPS on standalone financials for the year ended on March 31, 2021 was ₹ 14.42.

COVID-19

A. Battling COVID-19 on a war footing:

In order to support people battle the challenges posed by the pandemic, the Company launched several initiatives on multiple fronts for prevention and treatment of COVID-19 by leveraging its capabilities across therapeutics, wellness products and in the research space. These initiatives are discussed at length in the section on “Management Discussion and Analysis”.

B. Healthcare hubs for COVID-19 Care:

Zydus Medical College and Hospital, Dahod (which is operated and financially helped by Zydus Foundation—a section 8 company and a wholly owned subsidiary of the Company), has been at the forefront in providing treatment to COVID-19 patients since the onset of the pandemic and has catered to around 8,000 COVID patients till April 2021. With over 350 beds for COVID-19 patients the hospital bridges the need for an advanced healthcare hub for patients from Dahod, and adjoining districts within the state like Mahisagar, Panchmahal, Chota Udepur, and also serves people from adjoining states of Madhya Pradesh and Rajasthan. A team of highly specialized doctors provide treatment round-the-clock and the hospital has all critical infrastructure such as oxygen, ventilators and also ICU beds for COVID patients. When the country was reeling under a severe shortage of oxygen and ventilators, Zydus Hospitals Dahod was self-sufficient with its oxygen supplies, ventilators, labs to process RT-PCR in quick time and also provide medicines without any shortages. The Hospital is also handling the recent spurt of cases of Mucormycosis and saving lives with treatment meted out on time. The treatment at the hospital is free of cost including OPD, Indoor, all investigations, surgeries, anesthesia, oral medicines, injectables and food for the patients. With one of the best recovery rate of 92% amongst all COVID care hospitals in Gujarat, Zydus Medical College and Hospital, Dahod was felicitated by Honorable Chief Minister of Gujarat, Shri Vijay Rupani and Governor of Gujarat, Shri Acharya Devvrat for offering humanitarian services to the patients suffering from COVID-19.

C. Ensuring employee care during COVID:

C.1 COVID Compensation Benefit:

The pandemic has been one of the most challenging times for all. Unfortunately, the Company lost some of the Zydan

members due to COVID. To support the Zydans during these times, the Company put in place these initiatives for India based employees on its rolls with immediate effect.

In the unfortunate circumstances of an untimely demise of a Zydan on the rolls of the company, due to COVID-19, the family will receive an amount equivalent to 2 (two) years annual CTC for DGM and below level employees-with a minimum amount of ₹ 2 mio. (Rupees Two Million only) for GM and above level, the family will receive 1.5 years of the annual CTC upto ₹ 15 mio. (Rupees Fifteen Million only) Compensation will also be paid for employees working on a fixed term basis; HR team will announce the policy for the same soon.

Besides this, Zydus will also support the children of deceased Zydans for their education upto graduation within India. The dependent family members will continue to get hospitalization benefits for 3 (three) years under current Medclaim policy. The family will also be eligible for gratuity till the age of retirement and will also get Employee Deposited Linked Insurance (“EDLI”) benefit for disbursement upto ₹ 0.70 mio. (Rupees Seven Lacs only).

C.2 COVID Care Clinic:

The Company set up a COVID Care Clinic for Zydans and their families at the Zydus Hospitals at Ahmedabad. A one stop healthcare point, Employees can get all services from RT-PCR tests, and other diagnostic reports, consultation and medicines which enables them to start treatment early on without any lag of time. This was a boon to several employees who did not have to wait for 48 hours for an RT-PCR report or move around the city for HR CT Scans. At a time when healthcare services were stretched and difficult to access, this COVID care clinic provided quick, timely and most importantly all end-to-end services.

For employees based out of Ahmedabad, COVID Teleservices (Teleconsultation with a team of doctors) has been set up where employees can register themselves for an appointment and get timely medical advice. This has been very useful for employees in the remote areas and those who are working in the field.

C.3 Employee Support in these testing times:

In these testing times, the Company took several steps to extend its support to the employees which include isolating the employees who were infected with COVID-19 and providing ample time for recuperation without any deductions in pay, providing the support to carry out diagnostic tests of employees and family members as per requirements during quarantine period, providing logistics and other necessary support to employees and their family during the quarantine period and also post recovery and helping employees and their families to avail treatment at home / hospitals without any financial burden on them. The Company conducted several vaccination camps for the employees within the campus. It also provided logistics support to employees to get them vaccinated at the nearest vaccine centres approved by the Government and also provided logistics and other necessary support to employees and their family members during COVID quarantine period and also post recovery.

C.4 Extensive workplace safety measures:

Stringent measures have been put in to safeguard employees. Arrangements for social distancing in the buses, ensure sanitisation of the buses after every trip have been made, sanitisation of the cafeteria, change rooms, happens at regular intervals. Thermal scanning is done to check body temperature at all entry points. Hand sanitizers are placed at vantage points all across the campus. Disposable masks and aprons have been made available. As a part of the SOPs and protocols in most of the areas inside the plant and research area and all across the offices, employees need to wear masks, gloves and fully covered aprons wherever required. Apart from this, face shields also included as a part of the work gear.

At the cafeteria partitions have been put up on every table to ensure that there is sufficient adequate distancing.

Occupational health centres have been set up where a doctor is on call to address any emergencies or health concerns and also counsel employees. The specially set up Helpline at the Occupational Health Centre provides medical consultation and medication is dispensed by the Doctor and trained medical staff. Healthy, immunity boosting food with a nutritional drink and Vitamin C is served at the cafeteria.

D. Business Sustainability:

Buffer / floater recruitment to meet the medicinal need of people and also business requirements in lieu of absenteeism arising due to COVID-19. This was a massive large scale of recruitment of 700 people in Ahmedabad within a span of one month. A fast track training programme is already designed to train these floaters.

The same floater recruitment is also initiated at other locations-Baddi, Goa, Daman and Sikkim assuming that we might encounter spikes going ahead. These floaters will be trained on fast track basis and replace people who are absenting or could not come due to COVID-19.

Revised COVID-19 guidelines as and when Government directives had come and executed it in the best interest of the Organisation.

Counseling support to employees who are in problem and have developed fear for reporting on job due to COVID-19 situation.

E. Measures implemented on a war footing:

A COVID Task-force has been set up to help employees and family members for Hospitalization, Medication and other Treatment needs.

An Internal COVID response team has also been formed which helped employees to get safe and timely treatment including hospitalization on short notices.

DIVIDEND:

Your Directors have recommended final 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, 2021, amounting to ₹ 3,583.10 mio. (Rupees Three Thousands Five Hundred and Eighty Three Million and Ten Lacs only). The final dividend, if declared by the members at the

ensuing Annual General Meeting (“AGM”), will be paid to those members, whose names stand registered in the Register of Members on Thursday, July 29, 2021 i.e. the date prior to the commencement of the book closure. In respect of shares held in dematerialized mode, 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 year ended on March 31, 2021 is 16.79% of profits.

In terms of regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“the **Listing Regulations**”) the Company has formulated Dividend Distribution Policy, which is approved by the Board of Directors (“the **Board**”) and is uploaded on Company’s website and the link for the same is https://www.zyduscadila.com/public/pdf/Dividend_Distribution_Policy.pdf

COMMERCIAL PAPERS:

During the year under review, the Company has issued Commercial Papers aggregating to ₹ 6,250 mio. (Rupees Six Thousands Two Hundred and Fifty Million only) on private placement basis.

SECRETARIAL STANDARDS:

The Company is in compliance with Secretarial Standards on Meetings of Board of Directors and General Meetings issued by the Institute of Company Secretaries of India.

MANAGEMENT DISCUSSION AND ANALYSIS (“MDA”):

MDA for the year under review, as stipulated under the 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 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, which show the financial resources, assets, liabilities, income, profits and other details of the Company, its associate companies and its subsidiary companies after elimination of minority interest, as a single entity.

SUBSIDIARY COMPANIES:

- i. The Company has 15 (fifteen) Indian subsidiary companies, 26 (twenty six) foreign subsidiary companies and 3 (three) joint venture companies as at March 31, 2021. There has been no material change in the nature of business of the Company as well as of subsidiary companies. There is 1 (one) partnership firm in the group, in which 2 (two) subsidiary companies of the Company are the partners. More details are provided in the Audited Financial Statements. During the year under review, the Board has reviewed the performance / affairs of the subsidiary companies.
- ii. The Company has incorporated a new company in the name of Zydus Strategic Investments Limited, as a wholly owned subsidiary company, as an investment company for the group.
- iii. The Company has incorporated a new company in the name of Zydus VTEC Limited, as a wholly owned subsidiary company, to carry on the business of vaccines.

- iv. Zydus Worldwide DMCC, Dubai, a wholly owned subsidiary of the Company has incorporated a new company in the name of Zydus Therapeutics Inc., USA, as its wholly owned subsidiary company.
- v. Zydus International Private Limited, Ireland, a wholly owned subsidiary of the Company has reduced the face value of its equity share capital from Euro 1.462843 per equity share to Euro 1.1251 per share i.e. reduction of Euro 0.337743 per equity share. By doing so, the amount of investment made by the Company stands reduced from ₹ 6,518 mio. (Rupees Six Thousands Five Hundred and Eighteen Million only) to ₹ 4,643 mio. (Rupees Four Thousands Six Hundred and Forty Three Million only) i.e. reduction of ₹ 1,875 mio. (Rupees One Thousand Eight Hundred and Seventy Five Million only).
- vi. 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 electronic inspection. The Consolidated Financial Statements presented by the Company include financial results of its subsidiary companies.
- vii. 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, pursuant to the provisions of the Listing Regulations may be accessed on the Company's website at the link: <https://www.zyduscadila.com/public/pdf/CHL-Policy-on-Material-Subsidiary-Revised-February-7-2019.pdf>

DIVESTMENT:

During the year under review, pursuant to two Definitive Agreements, one executed on April 16, 2020 and another executed on April 30, 2020, the Company sold 9,44,233 and 2,31,33,717 equity shares of ₹ 10/- (Rupees Ten only) each fully paid-up, respectively, representing in aggregate to 51% (Fifty One per cent) of the total paid-up equity share capital of Windlas Healthcare Private Limited ("WHPL") to Windlas Biotech Private Limited ("WBPL") for aggregate consideration of ₹ 1,035 mio. (Rupees One Thousand and Thirty Five Million only).

Pursuant to the said divestment, the Company ceases to hold any equity shares in WHPL and consequently, ceases to hold interest in the subsidiary company of WHPL in USA-Windlas Inc. and in the joint venture company of WHPL in USA-US Pharma Windlas LLC.

DISPOSAL OF AN UNDERTAKING OF A WHOLLY OWNED SUBSIDIARY:

Zydus Animal Health and Investments Limited ("Z AHL"), a wholly owned subsidiary of the Company has entered into a Business Transfer Agreement ("BTA") and other ancillary agreements (BTA and other ancillary agreements are collectively referred to as "Definitive Agreements") for disposal of its Animal Healthcare Established Markets Undertaking ("Undertaking") (having animal healthcare business in India and certain other countries) to Zenex Animal Health India Private Limited (formerly known as Nutrizvit Animal Health India Private Limited) ("Purchaser"), by way of a slump sale, without values being assigned to the individual

assets and liabilities at a lump sum consideration of ₹ 29,210 mio. (Rupees Twenty Nine Thousands Two Hundred and Ten Million only) on debt free and cash free basis, subject to certain closing date adjustments specified in the BTA, with effect from such date, in such manner and on such terms and conditions, as specified in the Definitive Agreements.

The said transaction of sale and disposal of the Undertaking is subject to approval of members of the Company by way of a special resolution as per regulation 24(6) of the Listing Regulations. For the said approval, the Company has convened an extra ordinary general meeting of the members of the Company on Friday, June 11, 2021 and sent the notice convening the extra ordinary general meeting to the members of the Company.

INSURANCE:

The Company's plants, properties, equipments and stocks are adequately insured against all major risks. The Company has insurance cover for product liability and clinical trials. The Company has also taken Directors' and Officers' Liability Policy to provide coverage against the liabilities arising on them.

PUBLIC DEPOSITS:

The Company has not accepted any deposits from public and as such, no amount on account of principal or interest on deposits from public was outstanding as on the date of the balance sheet.

COST ACCOUNTS AND RECORDS:

The Company has made and maintained the cost accounts and records as specified by the Central Government under section 148(1) of the Act and Rules made thereunder.

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.

FRAUDS:

During the year under review, neither the statutory auditors nor the secretarial auditor has reported to the audit committee, under section 143(12) of the Act, any instances of fraud committed against the Company by its officers or employees, the details of which would need to be mentioned in the Directors' Report.

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. All related party transactions are placed before the Audit Committee for review and approval. As provided under section 134(3)(h) of the Act and Rules made thereunder disclosure of particulars of material transactions [i.e. transactions exceeding 10% (ten percent) of the annual consolidated turnover as per the last Audited Financial Statements] with related parties entered into by the Company in the prescribed format (Form No. AOC-2) is annexed to this report as **Annexure-A**. Disclosures on related party transactions are set out in Note No. 40 of the financial statements.

The Policy on materiality of related party transactions and dealing with related party transactions may be accessed on the Company's

website at the link <https://www.zyduscadila.com/public/pdf/Policy-on-Related-Party-Transactions-and-dealing-with-Material-Related-Party-Transactions-February-7-2019.pdf>

DIRECTORS AND KEY MANAGERIAL PERSONNEL:

i. Re-appointment of Directors:

Based on the recommendation of Nomination and Remuneration Committee (“NRC”), the Board at their meeting on February 5, 2021 re-appointed Mr. Apurva S. Diwanji (DIN-00032072) as an Independent Director (“ID”) for the second consecutive term of 5 (five) years. The re-appointment is subject to approval of the members by way of special resolution at the ensuing AGM of the Company scheduled to be held on August 11, 2021.

While re-appointing Mr. Apurva S. Diwanji as an ID, the Board took into account his integrity, expertise and experience. He is not required to give online proficiency test as per the MCA Circulars dated October 22, 2019 and December 18, 2020.

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. Mukesh M. Patel (DIN-00053892), Non-Executive Director 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(6) and 149(7) of the Act and regulation 16(1)(b) and 25 of the Listing Regulations from IDs confirming that they are not disqualified for continuing as an ID. There has been no change in the circumstances affecting their status as an ID of the Company.

All the Directors of the Company, who are required to get registered, have registered themselves with the Indian Institute of Corporate Affairs. Further, as per the declarations received, none of the Directors of the Company are required to give online proficiency test as per the first proviso to rule 6(4) of the Companies (Appointment and Qualification of Directors) Rules, 2014, as amended from time to time.

iv. Profile of Directors seeking re-appointment:

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

v. Key Managerial Personnel:

The following persons are the Key Managerial Personnel (“KMP”) as on March 31, 2021:

1. Dr. Sharvil P. Patel, Managing Director,
2. Mr. Ganesh N. Nayak, Executive Director,
3. Mr. Nitin D. Parekh, Chief Financial Officer and
4. Mr. Dhaval N. Soni, Company Secretary.

Mr. Ganesh N. Nayak, Executive Director was re-appointed for a further period of 1 (one) year w.e.f. July 12, 2020, by the members of the Company at the last AGM held on August 27, 2020.

vi. Board Evaluation:

Pursuant to provisions of the Act and Rules made thereunder and as provided in Schedule IV of the Act and the Listing Regulations, the NRC / Board has carried out an annual evaluation of its own performance, the Directors individually as well as 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.

In a separate meeting of IDs, the performance of the non-independent directors, the Board as a whole and Chairman of the Company was evaluated, taking into account the views of executive directors and non-executive directors.

The Board and the NRC reviewed the performance of individual directors on the basis of criteria fixed by the Board / NRC.

vii. Nomination and Remuneration Policy:

The Board has, on the recommendation of the NRC, framed a policy on selection and appointment of Directors, Senior Management and their remuneration. The said Nomination and Remuneration Policy was revised by the NRC and the Board at their respective meetings held on May 27, 2021 and the revised Nomination and Remuneration Policy is stated in the Corporate Governance Report, which is a part of this Annual Report. The link to view the Nomination and Remuneration Policy is https://zyduscadila.com/public/pdf/NRC_Policy_revised_27_05_2021.pdf

viii. Pecuniary relationship:

During the year under review, except those disclosed in the Audited Financial Statements, the non-executive directors of the Company had no pecuniary relationship or transactions with the Company.

DIRECTORS’ RESPONSIBILITY STATEMENT:

In terms of sections 134(3)(c) and 134(5) 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 explanations 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, 2021 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 annual 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 were operating effectively, and
- vi. 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 AND DIVIDEND TO INVESTOR EDUCATION AND PROTECTION FUND (“IEPF”):

During the year under review, in compliance with the provisions of sections 124 and 125 of the Act and Rules made thereunder the Company has transferred-

- i. 60,579 (Sixty Thousands Five Hundred and Seventy Nine) equity shares of 45 (forty five) members whose dividend has remained unclaimed / unpaid for a consecutive period of 7 (seven) years to IEPF.
- ii. ₹ 4.09 mio. (Rupees Four Million and Ninety Thousands only) held by 2,662 (Two Thousands Six Hundred and Sixty Two) members, being the unclaimed dividend, pertaining to the dividend for the Financial Year ended on March 31, 2013 was transferred to IEPF after giving notice to the members to claim their unpaid / unclaimed dividend.

BOARD MEETINGS:

6 (six) Board meetings were held during the Financial Year ended on March 31, 2021. Other information with regard to the Board meetings is given in the Corporate Governance Report, forming a part of this Annual 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 the Corporate Governance Report, forming a part of this Annual Report. The Board has accepted the recommendations of the Audit Committee.

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 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 (“Deloitte”), are appointed as the Statutory Auditors of the Company for a period of 5 (five) years from the conclusion of Twenty Second AGM till the conclusion of Twenty Seventh AGM.

Deloitte 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 and the observations and comments, appearing in the report, are self-explanatory and do not call for any further explanation / clarification by the Board as provided under section 134(3)(f) 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 and rule 8 of the Accounts Rules, 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 2021-2022 on a remuneration of ₹ 1.23 mio. (Rupees One Million Two Hundred and Thirty Thousands only) plus applicable Goods and Services Tax 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 Sixth 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 & Associates, Practicing Company Secretaries to undertake the Secretarial Audit of the Company for the Financial Year 2020-2021. 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 as provided under section 134(3)(f) of the Act.

Further, as per regulation 24A(1) of the Listing Regulations, the secretarial audit reports of Zydus Healthcare Limited and Zydus Animal Health and Investments Limited, unlisted material subsidiary companies are annexed herewith as **Annexure-B1** and **Annexure-B2** respectively.

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 Annual Report.

CORPORATE SOCIAL RESPONSIBILITY (“CSR”):

Pursuant to section 135 of the Act and Rules made thereunder, the Board has constituted a CSR Committee under the Chairmanship of Mr. Pankaj R. Patel. Other members of the Committee are Ms. Dharmishtaben N. Raval and Dr. Sharvil P. Patel. CSR Policy has been revised as per the amended CSR Rules which are applicable from January 22, 2021 and is placed on the Company’s website. Other details of the CSR activities, as required under section 135 of the Act read with amended CSR Rules, 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 regulation 21 of 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 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. The

Company has 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 MDA, 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, 2021, 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:

In compliance with provisions of section 177(9) of the Act and Rules made thereunder and regulation 22 of the Listing Regulations, 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 and SEBI (Prohibition of Insider Trading) Regulations, 2015. Whistle Blower Policy is disclosed on the website of the Company, the link of which is <https://www.zyduscadila.com/public/pdf/Whistle-Blower-Policy-May-29-2019.pdf>

ii. Zydus Business Conduct Policy:

The Company has framed “Zydus Business Conduct Policy” and is monitored by the President-Group 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 made thereunder. The Company has constituted an Internal Complaints Committee as required under the said Act.

The Company always endeavors 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.

No complaint is received during the Financial Year 2020-2021.

ANNUAL RETURN:

As per the provisions of section 92(3) read with section 134(3)(a) of the Act, Annual Return for the Financial Year ended on March 31, 2021, in prescribed Form No. MGT-7 is available on the website of the Company on <https://www.zyduscadila.com/public/pdf/financial/annualreturn/Form%20No.%20MGT-7%2031.03.2021.pdf>.

PARTICULARS OF EMPLOYEES:

The information required under section 197(12) 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 Accounts Rules, is provided in **Annexure-E** and forms a part of this Annual 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 Accounts Rules to the extent the transactions took place on those items during the year under review.

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 to which the financial statements relate 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, amidst the challenges due to pandemic. 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.

Your Directors mourn the loss of lives due to COVID-19 pandemic and are deeply grateful and have immense respect for every person who risked their life and safety to fight this pandemic.

Your Directors appreciate and value the contribution made by every member of the Zydus family.

On behalf of the Board of Directors

Pankaj R. Patel

Chairman

DIN: 00131852

Place : Ahmedabad

Date : May 27, 2021