

**Adding new milestones to an equity that grows richer each year**

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**Cadila**  
Healthcare Limited

Cadila Healthcare Limited

4<sup>th</sup> Annual Report 1998-99

**Zydus**



Growing at the rate of over 18%,  
we are currently one of India's leading healthcare companies



Introducing new generation products for the first time in India, successfully.  
Losacar (Losartan) introduced in July 1998 is  
currently one of the largest selling brands in its segment.



Setting new records in brand leadership.  
Sugar Free, India's first aspartame based sugar sweetener is a brand leader with 57.1% of the market share.



Evolving new paradigms for growth. Launched Disha 2000  
- a programme to improve customer focus and enhance sales force productivity.



Stepping into the future with enhanced capacities. The new state-of-the-art manufacturing  
plant at Moraiya near Ahmedabad goes on stream. Built according to international specifications,  
the plant conforms to requirements of USFDA, MCA, MCC and TGA of Australia.



Continuing our thrust on research and development. Setting up an independent  
R & D centre at Moraiya with world class facilities to carry out  
research in the frontier area of disease management.

## Our Mission

We Care for your Health...  
And, in fulfillment of this commitment,  
we shall go beyond the realm of pharmaceuticals  
offering products of the highest quality;  
supporting the hands that heal  
with innovative contributions in patient care.

We shall lead the way  
by harnessing Talent to Technology;  
drawing Resource and Research  
from every corner of the globe.



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*Cadila Healthcare Limited*

**BOARD OF DIRECTORS**

Shri Ramanbhai B. Patel  
Chairman & Managing Director  
Shri Pankaj R. Patel  
Managing Director  
Dr. Manubhai A. Patel  
Director  
Shri Mukesh M. Patel  
Director  
Shri Pranlal Bhogilal  
Director  
Shri Sharvil P. Patel  
Director  
Smt. Taraben R. Patel  
(Alternate Director to Shri Sharvil P. Patel)

**Company Secretary**

Shri D. D. Sanghavi

**BANKERS**

Bank of Baroda  
State Bank of Saurashtra  
Corporate Bank  
Global Trust Bank Limited

**AUDITORS**

R. R. Patel & Company  
Mukesh M. Shah & Company  
Chartered Accountants

**REGISTERED & CORPORATE OFFICE**

‘Zydus Tower’, Satellite Cross Roads, Ahmedabad - 380 015

**WORKS**

S. No. 417, 419 & 420, Village Moraiya, Ta. Sanand, Dist. Ahmedabad  
244, Ghodasar, Maninagar, Ahmedabad.  
5504, GIDC Estate, Phase III, Vatwa, Ahmedabad.  
291, GIDC Estate, Ankleshwar



## DIRECTOR'S REPORT TO THE MEMBERS

Your Directors have the pleasure in presenting the Fourth Annual Report of the company together with audited statement of Accounts for the year, 1998-99.

## FINANCIAL RESULTS

	(Rs. in Lacs)	
	1998-99	1997-98
<b>Sales and other Income</b>	<b>36257.66</b>	<b>30709.31</b>
<b>Profit before Depreciation, Interest &amp; Taxation</b>	<b>4592.73</b>	<b>3776.04</b>
Less : Depreciation	440.55	367.94
Less : Interest and financial Charges	526.97	1363.03
<b>Profit before Taxation</b>	<b>3625.21</b>	<b>2045.07</b>
Less : Taxation	500.00	350.00
<b>Net Profit for the year</b>	<b>3125.21</b>	<b>1695.07</b>
Add (Less) : Prior year tax adjustment	89.26	351.93
Add : Balance brought forward	1121.99	899.55
<b>Profit available for appropriation</b>	<b>4157.94</b>	<b>2946.55</b>
<b>Your Directors appropriate the same as under :</b>		
Transfer to Debenture Redemption Reserve	275.00	50.00
<b>Dividend</b>		
Interim Dividend on Equity Shares	781.47	0.00
Proposed final Dividend on Equity Shares	111.64	372.13
Proposed Dividend on Preference Shares	19.00	0.00
	<b>912.11</b>	<b>372.13</b>
Corporate Dividend tax on distributed profit	92.52	37.21
	1004.63	409.34
Transfer to General Reserve	1540.09	1365.22
Balance carried forward to next year	1338.22	1121.99
	<b>4157.94</b>	<b>2946.55</b>

## Dividend

The Company had paid an interim dividend of Rs. 3.50 per Equity Share in the month of March, 1999. While considering the surplus available for the year under review the Directors recommend a final dividend of Rs. 4.00 per share (includes interim dividend) for the year ended on 31 st March, 1999. If approved at the forthcoming Annual General Meeting, the dividend will be paid out of the profit of the company for the said year to all those share holders whose names appear on the Register of Members as on 31st March, 1999. The directors also recommend pro-rata dividend on the 2,00,000 - 12% cumulative Redeemable Preference Shares of Rs. 100/- each from the date of its allotment.

## Issue of Preference Shares

During the year under report, the Company had issued 2,00,000 12% Cumulative Redeemable Preference shares of Rs. 100/- each fully paid to the members of the Company, which are redeemable at par on 1st July, 2001.

## Registered Office

During the year under report the Company has shifted its Registered Office from 16, Azad Society, Ambawadi, Ahmedabad-380015 to Zydus Tower, Satellite Cross Roads, Sarkhej-Gandhinagar Highway, Ahmedabad-380015 with effect from 1st March, 1999.

## Subsidiary Companies

During the year under report, Indon Healthcare Limited and Zydus Aqrovet Limited, have become wholly owned subsidiaries of your company.

As required under section 212 of the Companies Act, 1956 the audited statement of Accounts, alongwith the report of Board of Directors and Auditors' report thereon of Indon Healthcare Limited and Zydus Aqrovet Private Limited, for year/period ended on 31st March 1999 and Zydus International Private Limited for the period ended on 31st December, 1998 are annexed.



### New Projects

During the year under report, the Company has undertaken to set up a new project for manufacturing the bulk drug-Losartan at Ankleshwar. The process for Losartan, a new antihypertensive drug, is synthesised in-house by our R & D team.

The Company also laid the foundation for a new feed supplement plant, at Vatwa. The new plant will be set up at an estimated cost of Rs.45 lacs. The feed supplement for poultry and cattle has been developed by the company's R & D bio-tech department.

### Operations

#### Sales

The total sales of the Company for the year under report has reached to Rs. 361.44 crores, as compared to Rs. 305.61 crores of previous year, recording a growth of 18.26%

#### Performance

The Company recorded yet another year of excellent performance. Profit is up again, revenues grew with the company tapping new business opportunities. The Company introduced several new products which received an overwhelming response from the market.

The profit before depreciation, interest and taxation for the year recorded Rs.45.93 crore in comparison to Rs. 37.76 crore of previous year. The company is confident of accelerating its growth in the years to come.

### Joint Ventures/Collaboration

To accelerate its growth in the coming years, the Company has undertaken several strategic initiatives. During the year under report, the Company entered into various MoU/JV Agreement/Collaboration Agreement with some of the leading players in the global healthcare industry.

#### Strategic partnerships for growth

##### Byk Gulden of Germany

In a joint venture this global healthcare major, the Company has set up a joint venture company to manufacture the breakthrough molecule Pantoprazole. The Company is also undertaking discovery research projects with Byk Gulden as a part of the Joint Venture.

##### Korea Green Cross Corporation of Korea

Korea Green Cross Corporation (KGCC) is one of the world's leading players in the field of vaccines. In a joint venture with KGCC the Company has set up a joint venture company to manufacture and market recombinant hepatitis B Vaccine. The joint venture agreement also includes the transfer of technology.

##### Swiss Serum and Vaccine Institute, Berne, Switzerland

Swiss Serum and Vaccine Institute, Berne, has over 100 years of experience in immunobiologicals. The Company has entered into a technical-cum-marketing tie-up with the Institute to launch a range of vaccines in India.

##### Cherry Valley Farms, U.K.

The Company has entered into an alliance with Cherry Valley Farms of U.K., for duck eggs necessary for the production of anti rabies vaccine.

##### Haffkine Bio-Pharmaceutical corporation Ltd.

The Haffkine Institute is one of the pioneer institutes of India engaged in applied and bio-medical research in the field of infectious diseases. The Company has entered into a joint venture with the institute to undertake research in the field of human vaccine and equine sera. The Company will also be manufacturing these products and marketing them in domestic and global markets.

### Research & Development

With an emphasis on basic research, the Company has been stepping up its investment in R&D over last few years. A new State-of-the-Art Research & Development centre being set-up with the capital cost of approximately Rs. 25.00 crores in the Village: Moraiya, Taluka:Sanand, Dist.: Ahmedabad. R & D will be one of the thrust areas in the coming years. The Company has also been exploring opportunities to undertake discovery research programmes with research oriented pharma majors. The Company's R & D team of research scientists from different fields of biotechnology, medicinal chemistry, analytical chemistry and pharmacology are spearhead intensive research programmes which includes biotechnology, bulk drugs and formulation development, animal feed supplements, vaccines and veterinary health products. In response of Post-GATT era with the year 2005 and Patent regime, there is also a pressing need to develop original research products, your Company has been stepping up investments in R & D for undertaking discovery research and contractual research projects.


**Zydus**

### New Product Development

To accelerate its growth the Company has identified key therapeutic areas-Cardiovasculars, gastrointestinals, immunologicals, analgesics and anti-infectives and is strengthening its product portfolio with new products in these therapeutic areas. During the year under report the Company has launched several new products in the market:

- Vac Typh** - an anti typhoid vaccine
- HB Vac**- a recombinant Hepatitis B Vaccine
- Xylodac** - a proven sedative, muscle relaxant, anaesthetic and analgesic for veterinary
- Losartan** - a new generation anti-hypertensive, Losacar was the first to be launched in India.
- Matergam P- 200 mcg** - an antenatal dose of Matergam-P (Sera and immunoglobulin segment)

### International Business

The Company recorded of Rs. 3072.79 lacs in exports despite the tough competition in the international market and continues to consolidate its position as a leading export house. The Company has opened representative offices in various countries to boost exports. The Company has also initiated steps to introduce its products in the new emerging markets of South Africa and China.

### Establishment of New Division

With the patents coming into forec in the Year 2005, the Company has been evolving new paradigms to corner a greater market share. Disha 2000, a comprehensive project was initiated during the year to improve customer focus and enhance sales force productivity. As a part of this programme the existing marketing teams were restructured for a renewed focus in operations.

#### Zydus Cadila

With the largest field strength and the maximum reach in terms of doctor coverage, Zydus Cadila's thrust will be on preventive medicine and pain management.

#### Zydus Alidac

Launched as a speciality division of the group in 1998, Zydus Alidac has rich expertise in marketing niche products. The division will continue to leverage its strengths in these segments for market leadership.

#### Zydus Medica

This division will focus on the cardiac care segment. Cardiovasculars is one of the key therapeutic areas and the Company has several leading brands in this segment.

#### Zydus Biogen

This division will build on the Company's strengths as the leaders in the sera and immunoglobulin market. The division currently markets critical care products in alliance with world pharma majors.

### Progress of the Projects on hand

The new state-of-the-art manufacturing plant for formulation/vaccines at Village:Moraiya, Taluka:Sanand, Dist.: Ahmedabad in the outskirts of Ahmedabad is ready to on stream. In first phase of the project Tablet section has been completed and commenced commercial production from 25th March, 1999. The company's centralised business premises ' Zydus Tower' has also been completed and all offices have been shifted. The work on the new R & D centre adjacent to the new formulation plant at Moraiya proceeding on schedule, it is expected to be completed by the end of December, 1999. The Company has also set up manufacturing premises to manufacture the feed supplement -Improval at GIDC Vatwa. The project is expected to be completed by July, 1999. The project undertaken by the Company to manufacture antihypertensive drug, LOSARTAN at our bulk drugs manufacturing plant at Ankleshwar is under progress according to the schedule and is expected to be ready for commencing the production by the end of July, 1999.

### Fixed Deposits

As on 31st March, 1999, the Company was holding an aggregate sum of Rs. 104.57 lacs on account of fixed deposits. All deposits which matured during the year have been paid as on 31st March, 1999.

### Disclosures

As required by the Companies (Disclosures of particulars in the Report of Directors) Rules, 1988, the relevant information and data are provided in Annexure-A to this report.



### Directors

Shir Pranlal Bhogilal was appointed as an additional Director of the Company with effect from 15th December, 1998 pursuant to Section 260 of the Companies Act, 1956. He holds office upto the date of this Annual General Meeting. Pursuant to Section 257 of the Companies Act, 1956 the Company has received a notice from the member proposing the candidature of ShriPranlal Bhogilal for the office of Director of the Company. The Board recommends his appointment.

Shri Mukesh M. Patel Director of the Company retires by rotation and he is eligible for reappointment.

### Cost Audit

The Company has appointed M/s. A.G. Dalwadi & Company, Cost Accountants as Cost Auditors in respect of Formulation and Bulk-Drugs for the year ended on 31st March, 1999 as per the directives from Cost Audit Branch, Department of Company Affairs New Delhi.

### Auditors

M/s. R.R. Patel & Company, Chartered Accountants and M/s. Mukesh M. Shah & Company, Chartered Accountants, joint Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and have offered themselves for reappointment as Auditors.

### Employees Welfare and Training

A new welfare policy has been introduced for employees of the Company. The Mediclaim Insurance Benefit which was earlier available to senior management executives is now extended to all executives and staff members. The insurance cover also covers an employee's spouse and two children under the age of twenty-one.

The company has been conducting various training programmes aimed at functional and managerial competency building. The training programmes have been conducted at reputed management institutions such as the Indian Institute of Management, Ahmedabad, and the Entrepreneurship Development Institute of India (EDII). Specific programmes included competency building skills for area business managers, improving personal effectiveness for organisational growth, role of senior managers and task linkages, strategic marketing and product management programme computer training and excellence in business communication. Workshops on coping with stress and importance of healthy living were also conducted for the employees.

### Insurance

The properties/assets of your Company are adequately insured.

### Particulars of Employees

Statement giving particulars as required Under Section 217 (2A) of the Companies Act, 1956 for the year is appended.

### Award From the Bankers

Bank of Baroda has selected the Company as its 'very valued customer'. The criteria for this distinction was the utilisation of the sanctioned facilities and other financial performance parameters. Our Company heads the list of twenty companies selected from Gujarat. Zydus Cadila's initiatives for growth have made it one of the front runners, in the pharma industry.

### Year 2000 Complience

The Company has initiated necessary steps in order to resolve the likely problems to be faced in the data processing Hardware and Software in the year, 2000. All the hardware systems, which are not Y2K compliant are identified, and necessary steps are initiated to replace/upgrade to make them Y2K compliant. Similarly the operating systems, which are not Y2K compliant are identified and are being upgraded. The application programs, which are not Y2K compliant are identified and steps are initiated to modify/replace with Y2K compliance Software. The estimated expenditure on this account would be about Rs. 2.50 crores.

### Acknowledgments

Your Directors would like to place on record their appreciation of contributions made by employees at all levels enabling the Company to achieve the expected performance during the year under review.

Your Directors also appreciate the valuable co-operation and continued support extended by the financial institutions, Company's Bankers, Medical professionals and Business associates and employees at all the levels.

### On order of the Board of Directors

Place : Ahmedabad  
Date : 21st June, 1999

**R.B. Patel**  
Chairman

**Annexure - "A"**

Information required under Section 217(1)(e) of the Companies Act, 1956

**Disclosures**
**1. Conservation of energy :**
**a) The company has taken following measures for Conservation of Energy.**
**Formulation unit at Ghodasar (Ahmedabad)**

- \* Maintenance of Power Factor average above 90% .
- \* Using of direct coupled plant instead of belt system to avoid belt losses to get maximum out put.
- \* Regular preventive maintenance of electrical appliances to avoid power distribution losses/steam leakages and regular servicing of A.C. System, Air Conditioners, Boiler etc. Proper maintenance of cold insulation on chilled water line as well as supply and return duct line, insulation of boiler, steam line, vessels etc.
- \* Utilising of highly efficient low voltage electrical appliances to reduce power consumption.
- \* Providing of 70°C to 80°C feed water in Boiler through our distillation circulation water.

**Bulk-Drugs Unit at Ankleshwar.**

- \* Replaced the old 20 HP cooling water circulation pumps by 10 HP Pumps.
- \* Replaced the old 7.5 HP primary brine water circulation pumps by 5 HP pumps.

**GRD Unit at Vatwa.**

- \* Maintenance of power factor average above 90%.
- \* Preventive maintenance of electrical gadgets and appliances.

**Apart from the direct energy saving measures stipulated above we are also saving power consumption by :**

- \* Proper planning of Production Schedule.
- \* Judicious usage of electricity, water and compressed air.
- \* Creating general awareness amongst the employees to save the Water and Power through suitable measures.

**b) Additional investment and proposals, if any, being implemented for reduction of consumption of energy.**

The Company is taking appropriate measures for saving of Power Consumption.

The Company would continue its efforts to reduce Power consumption by improving power factor, besides taking up regular steps for preventive maintenance of electrical appliances, distribution losses, leakages of steam and chilled water pipe lines and insulation.

**c) Impact of measures (a) and (b) above for reduction of energy consumption and consequent impact on production costs of goods.**

In view of the energy conservation measures taken by the Company power factor has been improved, resulting in lower power losses, better voltage regulation and less loading on transformers, switch gears and also elimination of Penalty for low power factor and reduced KW demand

Steps had also been taken to plan production activities and reduce power consumption.


**Zydus**
**From-A**
**(A) Power and fuel consumption :**

## 1. Electricity :

## (a) Purchased

	Current year (From 1/4/1998 to 31/3/1999)			Previous year From 1/4/1997 to 31/3/1998)		
	Bulk Drugs Plant (Ank.)	Formu- lation Plant (Ghodasar A'bad)	GRD Plant (Vatwa A'bad)	Bulk Drugs Plant (Ank.)	Formulation Plant (Ghodasar A'bad)	GRD Plant (Vatwa A'bad)
Units	2241184	4064565	154110	2236864	3452115	145820
Total Amount (Rs.)	10032950	17384912	789729	9229972	13856954	680081
Rate/Unit (Rs.)	4.48	4.27	5.12	4.13	4.01	4.66

## (b) Own Generation :

 i) Through  
Diesel  
Generator

Units	194910	149886	2862	179447	177219	6510
Units per ltr. of Diesel Oil	3.31	3.19	3.18	2.95	3.08	3.10
Cost/Unit (Rs.)	3.65	4.62	6.10	3.72	4.95	5.46

 ii) Through  
steam  
Turbine/  
Generator

Nil	Nil	Nil	Nil	Nil	Nil	Nil
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2. Coal (Specify quality and where used)	Nil	Nil	Nil	Nil	Nil	Nil
3. Furnace Oil	Nil		Nil	Nil		Nil
Quantity (K.Ltr)		354			299	
Total Amount (Rs.)		2399965			2185365	
Average Rate per ltr. (Rs.)		6.77			7.31	
4. Others/Internal Generation		Nil	Nil			
Natural Gas						
Quantity	496557M <sup>3</sup>			525092M <sup>3</sup>	Nil	Nil
Total cost (Rs.)	2930299			2755236		
Rate/Unit (Rs.)	5.90M <sup>3</sup>			5.25M <sup>3</sup>		

**(B) Consumption per unit of production :**

* Products (with details) Unit	Since the Company manufactures wide range of bulk drugs, formulations and other products, it is impractical to apportion the utilities. Moreover, the operations of Pharma Industry are not power intensive
* Electricity	
* Furnace Oil	
* Coal (Specify quality)	
* Others (Specify)	