

# We're Global



Cadila Healthcare Limited  
Annual Report 2003-04



FOUNDER

Late Mr. Ramanbhai B.Patel

BOARD OF DIRECTORS

Pankaj R. Patel

Chairman & Managing Director

DIRECTORS

Dr. Manubhai A. Patel

Mukesh M. Patel

Pranlal Bhogilal

Sharvil P. Patel

H.K. Bilpodiwala

H. Dhanrajgir

A.S. Diwanji

COMPANY SECRETARY

Upen H. Shah

CHIEF ACCOUNTS OFFICER

Jyotindra B. Gor

BANKERS

Bank of Baroda  
ICICI Bank Limited  
Corporation Bank  
State Bank of India  
Citibank  
IDBI Bank

AUDITORS

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

REGISTERED AND CORPORATE OFFICE

'Zydus Tower', Satellite Cross Roads,  
Ahmedabad-380 015.  
[www.zyduscadila.com](http://www.zyduscadila.com)

REGISTRAR AND SHARE TRANSFER AGENTS

M/S Pinnacle Shares Registry Pvt. Ltd.  
Near Asoka Mills, Naroda Road,  
Ahmedabad 380 025.

WORKS

Formulation Unit  
S.No. 417, 419 & 420, Village Moraiya,  
Taluka Sanand, District Ahmedabad.

Kundaim Industrial Estate, Ponda, Goa - 403 401.

API Unit

GIDC Estate, Ankleshwar, Gujarat.  
Patalganga, Dist. Raigad, Maharashtra -410 220.  
Dabhasa, Tal. Padra, Dist. Vadodara.

Nutritional products

Plot. No. 5504, GIDC Estate, Vatva, Ahmedabad.

Zydus Research Center

S.No. 396/403, Village Moraiya, Taluka Sanand,  
District Ahmedabad.

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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.

*There are no such things as limits to growth, because there are no limits on the human capacity for intelligence, imagination and wonder.*

*— Ronald Reagan*



## **We're Global**

The year 2003-04 was a year full of achievements for the company: not only in terms of strong revenue and profit growth, but also in terms of adding value by entering the global generics market.

These achievements helped us set the stage open to further prospects for growth in the coming years. This we did, by taking stock of where we were, where we wished to be in the future and embarked on a path to get there. We set new goals for ourselves in the form of a new vision - a global vision. We strengthened our resolve to be one of the top ten global generics companies by 2010 and a research driven global pharma player by the year 2020.

This annual report describes in detail, the Company's activities during 2003-04 that formed a part of a broader strategic programme for global growth. The report also gives you a glimpse into the future.



## A Distinctive Global Vision



Zydus Cadila is well and truly set on the path of becoming a global pharmaceutical provider. In 2003-04 the company undertook bolder initiatives that would help it achieve its global aspirations. The first step, of course, was to align the mission and vision with the emerging opportunities.

### **Globally, the opportunities are enormous**

- + Patent expiry and challenges for leading molecules are creating new opportunities in the generics market over the next few years.
- + Rising healthcare costs have forced the governments in different countries to come out with new regulations in favour of generics.
- + The drive to reduce costs by global pharma companies is opening up several outsourcing opportunities for Indian companies in the manufacturing and research segments.

To capitalise on these opportunities, it is important to have a critical mass, strong research infrastructure, strong knowledge base, excellent chemistry skills, sound regulatory infrastructure and a robust pipeline of filings. In addition, cost competitiveness, relationships with global players, the ability to scale-up and world class manufacturing facilities are factors that will help the company make the most of these emerging opportunities.

Zydus Cadila's growth strategy is aligned to a distinctive global vision. The new vision and mission launched in January 2004 was the result of an organisation-wide discussion on the strengths, collective expertise and new opportunities of growth that were emerging. The vision aims to capitalise on these unfolding opportunities. It aims to have a tangible impact in terms of sustained growth and unleashing value.

### **Mission**

We are dedicated to life... in all its dimensions. Our world is shaped by a passion for innovation, commitment to partners and concern for people in an effort to create healthier communities, globally.

### **Vision**

One of India's leading healthcare players, we aim to be a global-research driven company by 2020.

We shall achieve sales of \$ 400 million by 2006 and

We shall be a top ten global generics company with a strong R&D pipeline and sales in excess of \$ 1 billion by 2010.

By making a foray into the regulated markets of USA and Europe and strengthening its market presence in other focussed markets worldwide, Zydus Cadila is aiming to become one of the top ten global generics companies by 2010. By 2020, the company aims to be a global research driven pharma player. Its people will power the company's future growth by their spirit of innovation and the will to turn challenges into opportunities. Zydus Cadila will continue to identify leaders, build competencies and attract the best talent to shape the company's global future. With its passion for innovation, commitment to its partners and a corporate philosophy to build healthier communities, the company plans to guide its efforts in creating a global company.

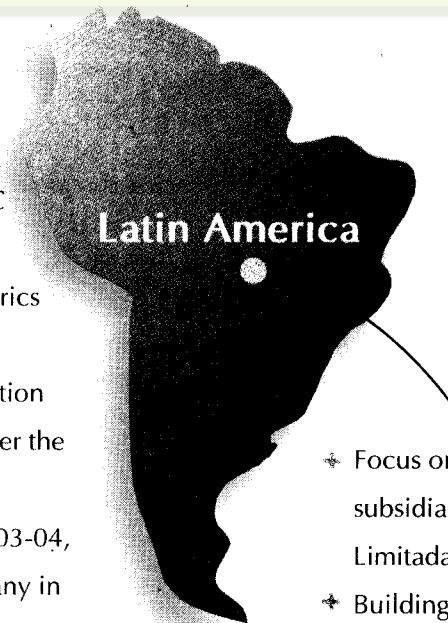




# The Global Roadmap

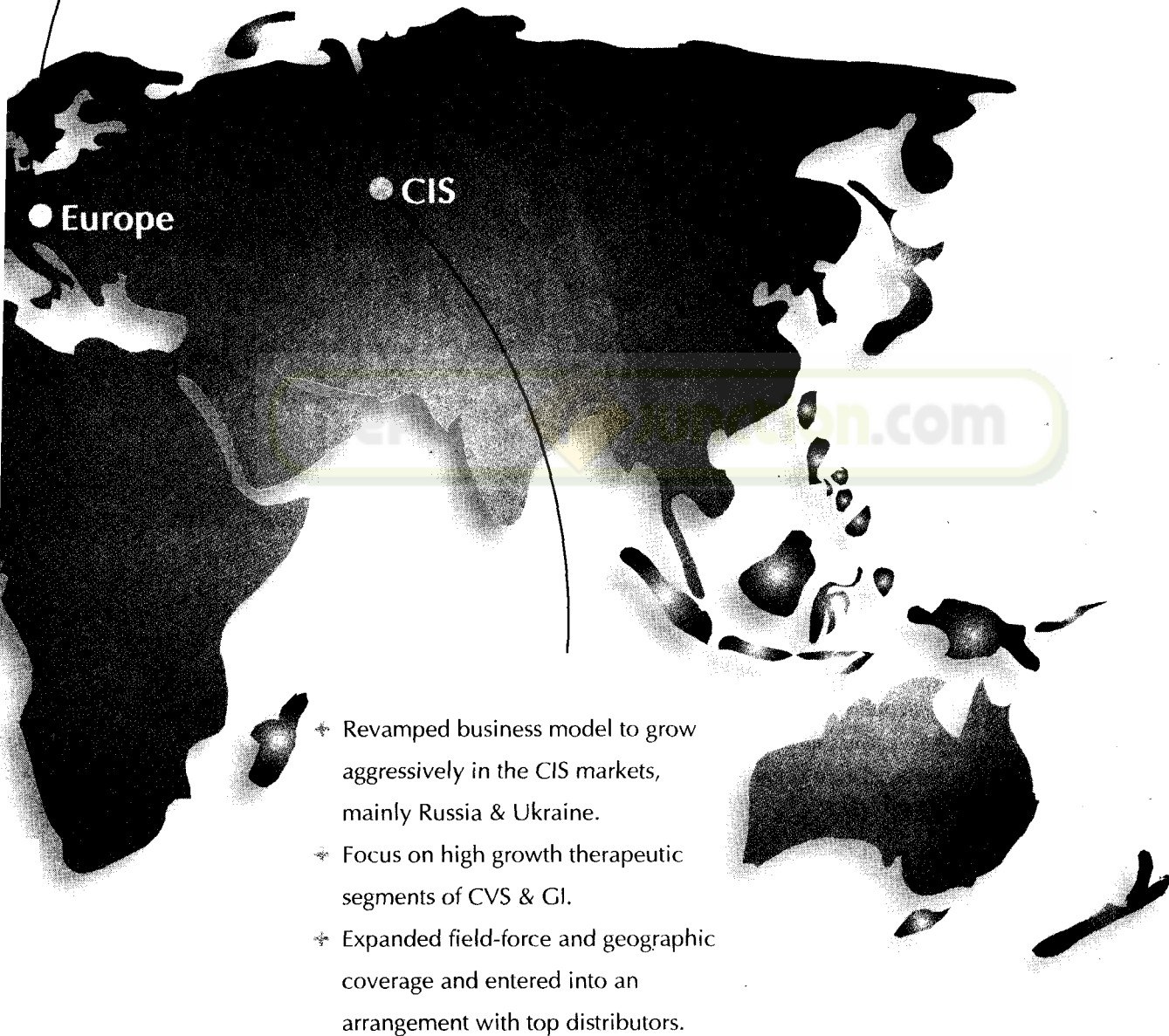


- + Entering the world's largest generics market, estimated at US \$ 17 bn, as an integrated generics player.
- + Established Zydus Healthcare (USA) LLC and Zydus Pharmaceuticals (USA) Inc., to cater to the API and formulation generics markets respectively.
- + Identified a basket of about 100 formulation products for launch in the US market over the next few years.
- + Filed 12 ANDAs with the US FDA in 2003-04, the largest number by any Indian company in the very first year of filing.



- + Focus on Brazil - Established 100% subsidiary Zydus Brasil Healthcare Limitada.
- + Building a regulatory pipeline and targeting 12 product approvals in the current year.
- + Planning to launch generics starting from 2005.

- ✦ Established its presence in France through Zydus France SAS.
- ✦ Launching generics in the French market in the current year.
- ✦ Process for site transfers to Moraiya, Ahmedabad is underway.
- ✦ Planning to enter Italy and Spain over the next two years.





## Chairman and Managing Director's Message



### Dear Shareholders,

The year 2003-04 will be remembered as a remarkable year in which the company made unprecedented all round progress, and set many records. In the process, we have begun to unleash value. Broadly, in 2003-04, your company internationalised operations and ascended the value chain with a quantum jump in exports, while consolidating the domestic operations. The company also launched several transformational initiatives and reviewed its overall vision and strategy which would go a long way towards building a strong foundation to nurture and sustain growth.

### 2003-04 : A Remarkable Year

#### A Year of Excellent Performance

- ✦ The company posted the highest sales ever at Rs. 11.7 bn, up by 14% y-y. The major growth driver was exports, which grew by 62% y-y. On a consolidated basis, the sales reached Rs. 13.3 bn, growing by 18% y-y.
- ✦ The company significantly increased investments in R&D, with total R&D expenses going up to Rs. 0.9 bn, from Rs. 0.4 bn in 2002-03, or nearly two and a half times y-y. Of this, the revenue expenses on R&D went up three-fold to Rs. 0.6 bn.
- ✦ In spite of substantial hike in R&D spend, Profit Before Interest Depreciation and Tax (PBIDT) increased by 29.4% to Rs. 2.5 bn. The PBIDT margin jumped to 21.2% from 18.7%, the highest in the history of the company.
- ✦ Net Profit jumped to Rs. 1.43 bn, a growth of 86.5% which is the highest growth in the last several years.



## Organisational Transformation

### Laying the Foundation for Managing Future Growth

Last year, I spoke about unleashing value and we have had a great start in this direction. To step up the pace we will have to explode with energy, look at every aspect of our business performance and take a quantum jump in each one of them. We must fundamentally transform the way we organise ourselves to address the challenges of the future.

We have begun to set the wheels in motion by triggering off a transformational process that can take us on to a higher plane. The entire process at Zydus Cadila rests on five pillars of Direction, Leadership, Accountability, Co-ordination and Control and Capability. The overall focus is on leadership and people development through different ways, which involves:

- + Setting an overall direction and vision for the company that anchors our beliefs, values, mind-set and work culture.
- + Developing leaders who continuously transform the culture of how we think, meet, plan and perform our work. Our new Zydus Leadership Competency Model looks into all these dimensions.
- + Initiating performance discussions for a more focussed performance in tandem with the organisational goals and objectives. Motivating people to take on and achieve stretched targets.
- + Building in the right systems and processes for greater efficiency in the organisation.
- + Greater thrust on competency building, strengthening the recruitment processes and nurturing the value creators in the organisation.

Our transformational agenda will strengthen the relationship between employees and the company, between the company and its customers and between employees and the community. It will play a crucial role in the creation of an organisational environment and culture that supports innovation and flexibility, the development of individual and organisational competencies and the trust and shared vision necessary to move forward.

## Enhancing Value

### Through Sustainable Growth Platforms

In the long term we aim to create value for the company through our research initiatives. During fiscal 2003-04, we substantially stepped up investments in our research and development activities and we continue to expand our R&D pipeline and strengthen and accelerate measures aimed at the rapid launch of new products. We are working to strengthen our discovery research capabilities to develop newer drug-discovery targets. Of the five NCEs that we are working on, three are in the pre-clinical stage and two are under various stages of development. Besides this, we have developed several NDDS and are also actively engaged in biology research.

While I have highlighted some of the value creation initiatives that we have undertaken in the medium and long term, I firmly believe that the process of enhancing value is a more holistic and an ongoing process. Value is created through understanding and meeting the needs of all those with whom we do business. We create value through our therapies, through technology and research, by making continued inroads into the global marketplace, through the motivation and expertise of our people, by creating win-win situations for our partners and by fostering good relationships with governments and communities in which we work. We cannot neglect any of these issues.

And as we go about the task of creating value, we are encouraged by your support. We believe that we are on the right track. We have the right strategy in place - a distinctive approach to cater to a global market. We are confident of the way ahead. We have the products, the people and the focus to maintain the momentum. And we will maintain that momentum in pursuit of one clear and overriding goal - to deliver sustained and increasing shareholder value.

**Pankaj R. Patel**

# Highlights of 2003-04:



2003-04 will be remembered as a year in which the company made unprecedented progress, set many records and in the process, unleashed value.

Broadly, in 2003-04 CHL

- Internationalised operations.
- Consolidated domestic operations.
- Went up the value chain with quantum jump in exports.
- Improved operating efficiencies with DELTA and PRISM programmes.
- Reset overall vision and strategy.
- Launched organisation transformation initiatives.

## The financial records of 2003-04

- Highest ever sales (Rs 11.7 bn.)
- Net Profit crossing Rs. 1 bn. (Rs. 100 crores) for the first time and reached Rs. 1.43 bn.
- Net Profit growth of 86.5% y-y, highest in past several years.
- Highest ever PBIDT margin of 21.2%.
- Zydus Altana JV has a record Net Profit of Rs. 1.22 bn and net margin of 82%.
- Highest ever market capitalisation, crossing Rs. 28 bn by year-end.
- Rated as the 64<sup>th</sup> largest listed Indian Company by ET - 500.

## Highlights of international operations

- Entered the French market with acquisition of Alpharma's French subsidiary, renamed as Zydus France SAS.
- Set up Zydus Pharmaceuticals (USA) Inc. for generics formulations business in the USA.
- Filed 12 ANDAs with the USFDA - First Indian company to file as many as 12 in the very first year of filing. Cumulative DMF filings stand at 12 at the end of the year.
- Re-structured international business (non-regulated markets) prioritising Brazil and CIS for future thrust.
- Total exports grew by 62%, driven by growth of 96% in exports of APIs and intermediates.