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Annual Report 2009-10

Bringing Wellness to your Life.



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Contents

BOARD OF DIRECTORS	Pankaj R. Patel Chairman
	Anand G. Deo* Managing Director
DIRECTORS	Dr. Sharvil P. Patel H. Dhanrajgir Dr. B. M. Hegde** Prof. Indiraben J. Parikh** Mukesh M. Patel Ganesh N. Nayak Jitendra R. Patel***
CHIEF FINANCIAL OFFICER	Amit B. Jain
COMPANY SECRETARY	Dhaval N. Soni
BANKERS	Bank of Baroda Ashram Road Branch, Ahmedabad
AUDITORS	M/s. Mukesh M. Shah & Co., Chartered Accountants
REGISTERED AND CORPORATE OFFICE	"Zydus Tower", Satellite Cross Roads, Sarkhej-Gandhinagar Highway, Ahmedabad - 380 015
REGISTRAR & SHARE TRANSFER AGENT	Link Intime India Pvt. Ltd. 211, Sudarshan Complex, Nr. Mithakhali Underbridge, Navrangpura, Ahmedabad-380009
WORKS	7A, 7B & 8, Saket Industrial Estate, Sarkhej Bavla Road, Gam Moraiya, Taluka Sanand, Dist. Ahmedabad

* w.e.f. 1st August, 2009
 ** w.e.f. 29th July, 2009
 *** ceased w.e.f. 29th July, 2009

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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.

Notice

NOTICE is hereby given that **SIXTEENTH ANNUAL GENERAL MEETING** of the members of **Zydus Wellness Limited** will be held on Friday, the 16th day of July, 2010 at 10:00 a.m. at H.T. Parekh Hall, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad-380015 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt audited Balance Sheet as at 31st March, 2010 and Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Mr. Ganesh N. Nayak, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Pankaj R. Patel, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint M/s. Manubhai & Co., Chartered Accountants as Statutory Auditors in place of M/s. Mukesh M. Shah & Co., Chartered Accountants, who have expressed their unwillingness for re-appointment, to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

6. **To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:**

“RESOLVED THAT Dr. Belle Monappa Hegde, who was appointed by the Board of Directors as an Additional Director of the Company w.e.f. 29th July, 2009 and who holds office up to the date of this Annual General Meeting of the Company in terms of section 260 of the Companies Act, 1956 (“the Act”) and in respect of whom the Company has received a notice in writing from a member under section 257 of the Act together with a deposit of Rs. 500/- in cash proposing his candidature for the office of the Director of the Company, be and is hereby appointed as a Director of the Company liable to retire by rotation.”

7. **To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:**

“RESOLVED THAT Prof. Indiraben J. Parikh, who was appointed by the Board of Directors as an Additional Director of the Company w.e.f. 29th July, 2009 and who holds office up to the date of this Annual General Meeting of the Company in terms of section 260 of the Companies Act, 1956 (“the Act”) and in respect of whom the Company has received a notice in writing from a member under section 257 of the Act together with a deposit of Rs. 500/- in cash proposing her candidature for the office of the Director of the Company, be and is hereby appointed as a Director of the Company liable to retire by rotation.”

8. **To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:**

“RESOLVED THAT Mr. Anand G. Deo, who was appointed by the Board of Directors as an Additional Director of the Company w.e.f. 29th July, 2009 and who holds office up to the date of this Annual General Meeting of the Company in terms of section 260 of the Companies Act, 1956 (“the Act”) and in respect of whom the Company has received a notice in writing from a member under section 257 of the Act together with a deposit of Rs. 500/- in cash proposing his candidature for the office of the Director of the Company, be and is hereby appointed as a Director of the Company liable to retire by rotation.”

Notice (Contd...)
9. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of sections 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactments thereof, for the time being in force), the relevant provisions of Articles of Association of the Company, consent of the members be and is hereby accorded for the appointment of Mr. Anand G. Deo as Managing Director of the Company for a period of five years with effect from 1st August, 2009 on a remuneration as may be decided by the Board of Directors within the overall limits of 5% of the net profits of the Company as calculated under the provisions of sections 349 and 350 of the Companies Act, 1956 in any financial year and on the terms and conditions, benefits and perquisites, as set out in the agreement entered into between the Company and the Managing Director.

RESOLVED FURTHER THAT notwithstanding anything to the contrary contained, where in any financial year during the currency of his tenure, the Company has no profits or its profits are inadequate, remuneration by way of salary and perquisites shall not exceed the aggregate of the annual remuneration as provided above or maximum remuneration payable as per the limits set out in Section II of Part II of Schedule XIII of the Companies Act, 1956, whichever is lower, unless otherwise determined by the Board of Directors.

RESOLVED FURTHER THAT in case of no profits or profits of the company in any financial year is inadequate, in addition to the above, Managing Director shall also be entitled to the following perquisites, which shall not be included in the computation of the ceiling on remuneration stated hereinabove:

- (a) Contribution to provident fund to the extent not taxable under the Income Tax Act, 1961,
- (b) Gratuity payable at the rate not exceeding half a month's salary for each completed years of service and
- (c) Encashment of leave at the end of the tenure.

LASTLY RESOLVED THAT for the purpose of giving effect to this resolution the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds, matters and things as they may in their absolute discretion deem necessary, expedient and proper in the best interest of the Company.

10. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of section 310 and all other applicable provisions if any, of the Companies Act, 1956 or any other law (including any statutory modification or amendment thereto or re-enactment thereof for the time being in force), in terms of Article 138(c) of the Articles of Association of the Company and the provisions of relevant clauses of Listing Agreement, consent of the members be and is hereby accorded for payment of sitting fees to each non-executive Directors (i.e. Directors other than Managing Director) of Rs. 20,000/- (Rupees Twenty Thousands only) for attending each meeting of the Board of Directors or Committee thereof.

11. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of section 309 and all other applicable provisions if any, of the Companies Act, 1956 or any other law for time being in force (including any statutory modification or amendment thereto or re-enactment thereof for the time being in force), a sum not exceeding one percent per annum of the net profits of the Company, subject to maximum of Rs. 10 Mio. in aggregate calculated in accordance with the provisions of sections 198, 349 and 350 of the Act, be paid to and distributed as

Notice (Contd...)

commission, amongst the Directors of the Company or some or any of them (other than Managing Director) in such amounts or proportions and in such manner and in all respects as may be decided by the Board of Directors and such payments shall be made in respect of the profits of the Company for each year for the period for five years commencing 1st April, 2010.

By Order of the Board

Place : Ahmedabad.
Date : 14th June, 2010.

Dhaval N. Soni
Company Secretary

Registered Office:

"Zydus Tower" Satellite Cross Roads,
Sarkhej-Gandhinagar Highway,
Ahmedabad – 380015.

NOTES:

- 1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF, ON A POLL ONLY AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.**

However Proxy Form(s) duly stamped, completed and signed, should be deposited at the Registered Office of the Company not less than 48 hours before the Meeting.

- 2. The Register of Members and Share Transfer Books of the Company will remain closed from 10th July, 2010 to 16th July, 2010 (both days inclusive).**

The dividend, if declared, will be paid on or after 22nd July, 2010 but within the statutory time limit of 30 days, to those members entitled thereto whose names appear in the Register of Members of the Company as on 16th July, 2010. With respect to shares held in dematerialized form in the Depository System, dividend thereon will be paid to the beneficial owners as per the list to be provided by the Depositories.

- 3. Payment of Dividend through National ECS (NECS):**

- A. Members holding shares in physical form are advised to submit particulars of the new bank account number allotted by your bank after implementation of CBS, along with a photocopy of a cheque pertaining to the concerned account directly to Company's Registrar and Share Transfer Agent M/s. Link Intime India Pvt. Ltd., 211, Sudarshan Complex, Nr. Mithakhali Underbridge, Navrangpura, Ahmedabad - 380009.
- B. Members holding shares in demat form are advised to furnish the new bank account number allotted by your bank after implementation of CBS, along with a photocopy of a cheque pertaining to the concerned account, to your Depository Participant (DP), at your earliest for direct credit of dividend to your bank account.

Please note that if you do not provide your new bank account number allotted after implementation of CBS by your bank to your DP, please note that ECS to your old account may be either rejected or returned.

- 4. The bank account particulars of the members will be printed on the dividend warrants in respect of shares held in physical form. Shareholders are requested to send their bank account particulars or any change to the Registrar and Share Transfer Agent at the above address.**

Members holding shares in demat form shall provide particulars of their bank account to their Depository Participants. The Company or its Registrar and Share Transfer Agent will not act on any such request received from members for change in their bank particulars. Further, instructions given by members for shares held in physical form would not be applicable to the dividend paid on shares also held in demat form.

Notice (Contd...)

- Those members who have not encashed their dividend warrants pertaining to the following financial years are requested to approach the Company for the payment thereof as the same will be transferred to Investor Education and Protection Fund (IEPF), pursuant to section 205A (5) of the Companies Act, 1956 on respective due dates mentioned there against. Kindly note that after such date, the members will lose their rights to claim such dividend.

Accounting Year ended on	Date of declaration of dividend	Dividend payment %	Expected date of transfer of unpaid dividend to IEPF
31st March, 2003	27th September, 2003	6 %	26th September, 2010
31st March, 2004	30th September, 2004	8 %	29th September, 2011
31st March, 2005	29th September, 2005	10 %	28th September, 2012
31st March, 2006	29th September, 2006	10 %	28th September, 2013
31st March, 2007	23rd July, 2007	10 %	22nd July, 2014
31st March, 2008	10th July, 2008	10 %	9th July, 2015
31st March, 2009	28th July, 2009	15 %	27th July, 2016

- Members holding shares in physical form are requested to intimate Registrar and Share Transfer Agent of the Company viz., M/s. Link Intime India Private Limited, Unit: Zydus Wellness Limited, 211 Sudarshan Complex, Near Mithakhali Six Road, Navrangpura, Ahmedabad-380 009, to notify changes, if any, in their registered address along with Pin Code. Members holding shares in electronic form may update such details with their Depository Participant.
- Pursuant to clause 49 of the Listing Agreement with the Stock Exchanges, where the equity shares of the Company are listed, additional information pertaining to Directors seeking appointment/re-appointment at the Annual General Meeting is attached hereto.

REQUEST TO THE MEMBERS:

- Members desiring to have any relevant information on the accounts at the Annual General Meeting are requested to write to the Company at least seven days in advance at its Registered Office, so as to enable the Company to keep the information ready.
- Members are requested to bring their copy of the Annual Report to the Meeting.

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956

Pursuant to section 173(2) of the Companies Act, 1956, the following explanatory statement sets out the material facts relating to business mentioned under item No. 6 to 11 of the accompanying Notice dated 14th June, 2010.

Item No. 6 & 7

The Board of Directors of the Company at their meeting held on 29th July, 2009, appointed Dr. Belle Monappa Hegde and Prof. Indiraben J. Parikh as Additional Directors on the Board of the Company. As per the provisions of section 260 of the Companies Act, 1956 ("the Act") they hold office up to the date of this Annual General Meeting and are eligible for the appointment as Directors of the Company, liable to retire by rotation.

Notice (Contd...)

Details regarding the persons proposed to be appointed as Directors and their brief resume are given in the Annexure attached to the Notice.

The Company has received a notice from the member proposing their candidature for their appointment as Director liable to retire by rotation along with deposit of Rs. 500/- in cash.

Keeping in view the experience, expertise and knowledge of Dr. Hegde and Prof. Parikh, the Board recommends their appointment as Directors of the Company.

Both the Directors may be deemed to be interested in the resolution relating to his / her appointment.

Item No. 8 & 9

Mr. Anand G. Deo is associated with Zydus Cadila group since 2000. He was working as a Senior Vice President and looking after Consumer Products Division ("CPD") of the holding Company. Pursuant to demerger of CPD of the holding Company into Zydus Wellness Limited, his services were transferred to the Company on the same terms and conditions. Mr. Deo has contributed a lot in the development of CPD business of the Company. His pioneering efforts and enriched experience will go a long way to the development of the business of the Company. With his broad background in the development of the business of the Company, he was appointed as an Additional Director with effect from 29th July, 2009 and was appointed as Managing Director of the Company with effect from 1st August, 2009.

The appointment of Mr. Deo as Managing Director was in accordance with the relevant provisions of the Companies Act, 1956 read with schedule XIII of the Act. The appointment was made on a remuneration, which shall not exceed the limits of 5% of the net profits calculated in accordance with the provisions of section 349 and 350 of the Act, by way of salary, dearness allowance, perquisites, commission and other allowance. Within the overall limits, the Board shall decide the remuneration of the Managing Director for each of the financial year during his tenure based on his performance evaluation. The Managing Director was paid the remuneration for the current financial year, from the date of his appointment as Managing Director, as under:

- I. Basic Salary:** Rs. 13,05,000/-
- II. House Rent Allowance:** Rs. 11,26,364/-
- III. Other Allowances, Bonus and Medical Reimbursements:** Rs. 5,83,200/-
- IV. Variable Pay:** Rs. 10,12,183/- as per the Performance Linked Variable Pay Scheme of the Company
- V. Provident Fund, Superannuation Fund & Gratuity:**
 - (a) Contribution to provident fund to the extent not taxable under the Income Tax Act, 1961,
 - (b) Gratuity payable at the rate not exceeding half a month's salary for each completed years of service and
 - (c) Encashment of leave at the end of the tenure.

Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of tenure of Managing Director, the Company has no profits or has inadequate profits, the Company will pay remuneration by way of salary, perquisites and allowances specified above as minimum remuneration to the said Managing Director subject to minimum remuneration limits prescribed under schedule XIII of the Act or such other limits as may be prescribed by the Government from time to time as Minimum Remuneration.

The terms of appointment and remuneration given herein may be fixed, altered, varied and increased from time to time by the Board of Directors, at its sole discretion deem fit, so as not to exceed the overall limits of 5 % of the net profits as stated above.

Notice (Contd...)

The abstract pursuant to section 302 of the Act was sent to the members of the Company. The copy of such abstract is available for inspection at the Registered Office of the Company during the office hours on any working day up to the date of the Annual General Meeting.

The remuneration payable and the other terms and conditions of the appointment of Mr. Deo as Managing Director including the payment of minimum remuneration to him in the event of absence or inadequacy of profits in any financial year of the Company is set out in the agreement entered into by the Company with him.

None of the Directors of the Company except the appointee is concerned or interested in this resolution.

The Board recommends the resolution to the members for approval for the appointment of Mr. Deo as Managing Director of the Company.

Item No. 10

The Board of Directors has decided to pay sitting fees of Rs. 20,000/- to all Non-Executive Directors for attending each meeting of the Board or Committees thereof. The sitting fee was decided by the Board within the limits of the provisions of section 310 of the Act and rules made there under. Article 138(c) of the Articles of Association of the Company provides for payment of sitting fees to the Directors for attending the meetings of the Board or Committees thereof.

The Board has decided to pay sitting fees to the Non Executive Directors looking to the progress made by the Company year after year and the valuable contributions and time devoted by these Directors.

The Board recommends the resolution for approval by the members by way of an Ordinary Resolution.

Except Mr. Deo, all Non-Executive Directors are concerned or interested in this resolution.

Item No. 11

Taking into account the increase in the Company's activities and the consequent increase in the responsibilities of the Directors, it is proposed that in terms of section 309(4) of the Act, the Directors (other than the Managing Director) be paid, for each of the five financial years of the Company commencing 1st April, 2010, remuneration by way of Commission not exceeding one percent per annum of the net profits of the Company subject to maximum of Rs. 10 Mio. in aggregate computed with the provisions of the Act. This remuneration will be distributed amongst all or some of the said Directors in accordance with the directions given by the Board.

All the Directors of the Company except the Managing Director are concerned or interested in the resolution to the extent of the commission that may be received by them.

The Board recommends the resolution for approval by the members by way of a Special Resolution.

By Order of the Board

Place : Ahmedabad.
Date : 14th June, 2010.

Registered Office:

"Zydus Tower" Satellite Cross Roads,
Sarkhej-Gandhinagar Highway,
Ahmedabad – 380015.

Dhaval N. Soni
Company Secretary

Annexure to the Notice dated 14th June, 2010

Details of Directors seeking appointment / re-appointment at the forthcoming Annual General Meeting
(Pursuant to Clause 49 of the Listing Agreement)

Name of the Director	Ganesh N. Nayak
Age	55 years
Date of Appointment	27th July, 2006
Brief Resume and nature of expertise in functional areas	Mr. Ganesh Nayak, the Executive Director of Zydus Cadila spearheads the domestic and international operations of the group. He also oversees the Joint Venture companies, API Veterinary and Consumer Products Business. Mr. Nayak joined the group in 1977. With an experience of more than 32 years, he has contributed significantly to the Zydus Cadila's growth over the years. Zydus Cadila has successfully undertaken several expansion plans. With strategic insight and business acumen, Mr. Nayak has played a key role in several M&A deals and alliances. Strategic management skills, long standing expertise in sales and marketing and new insights from the Harvard Business School have catapulted Mr. Nayak to the global league of marketing professionals.
Directorships held in other public Companies (excluding foreign and private Companies)	<ol style="list-style-type: none"> 1. Zydus Animal Health Limited 2. Liva Healthcare Limited
Memberships / Chairmanships of Committees of other Public Companies (includes only Audit Committee and Shareholders' / Investors' Grievance Committee.)	Member: <u>Audit Committee</u> Zydus Animal Health Limited
Number of shares held in the Company	5,213