Zydus
dedicated to life

Cadila
Healthcare Limited

**Regd. Office :**
'Zydus Tower',
Satellite Cross Roads,
Ahmedabad 380 015. India.
Phone : +91-79-2686 8100 (20 Lines)
Fax : +91-79-2686 2368
www.zyduscadila.com
CIN:L24230GJ1995PLC025878

June 20, 2016

To,
**Securities and Exchange Board of India,**
SEBI Bhavan, Plot No. C4-A, 'G' Block,
Bandra Kurla Complex, Bandra (East),
**MUMBAI – 400 451**

**Sub.:** Audit Report - in respect of Sharepro Services (India) Private Limited (Sharepro).

Dear Sir,

Pursuant to an interim order passed by Securities and Exchange Board of India [SEBI] on 22nd March, 2016 against Sharepro Services India Private Limited [Sharepro] and others linked with the management of Sharepro, the SEBI in its order under Para 11 directed the clients of the Sharepro to conduct a thorough audit of all the records and systems of Sharepro with respect to dividends paid, transfer of securities as per the provisions of law, etc. within the preceding at least 10 years.

The Company has appointed M/s. D. Shah & Associates, Chartered Accountants, Ahmedabad to conduct the thorough audit of the records and systems of Sharepro as stated in the order. As M/s Sharepro has been appointed as Company's Registrar and Transfer Agent with effect from April 1, 2010, the audit period covers from the date of appointment of Sharepro.

In compliance of the SEBI direction, we submit herewith Audit Report dated June 20, 2016 received from M/s D. Shah & Associates, Chartered Accountants.

After reviewing the audit report, we hereby inform that the Company has decided not to take any action against Sharepro.

We further inform that the Company has also terminated the services of Sharepro w.e.f. May 31, 2016 and has appointed M/s. Link Intime India Private Limited (Link Intime), Mumbai as the Registrar and Transfer Agent of the Company.

We hereby request SEBI to take the audit report on record and we shall be pleased to furnish any further information on the subject matter.

Thanking you,

Yours faithfully,
For, **CADILA HEALTHCARE LIMITED,**

**UPEN H. SHAH**
**COMPANY SECRETARY**

CADILA HEALTHCARE LIMITED AHMEDABAD

**Encl.:** as above

**Copy to:**

1. BSE Limited
   Corporate Relationship Department,
   P. J. Towers, 16th Floor, Dalal Street,
   **Mumbai – 400 001**

2. Listing Department,
   The National Stock Exchange of India Limited,
   "Exchange Plaza", Bandra-Kurla Complex,
   Bandra (East),
   **Mumbai – 400 051**

For Information Please

D. Shah & Associates
CHARTERED ACCOUNTANTS

20th June 2016

The Company Secretary
**Cadila Healthcare Limited**
Zydus Tower
Opp. Iscon Temple
Satellite Cross Roads
Satellite
Ahmedabad 380015

Sub: Report on the Securities Audit carried out of the transactions processed by Sharepro Services India Pvt. Ltd.

Dear Sir,

As desired by you, we have carried out comprehensive audit of the transactions relating to the equity shares of the Company processed by Registrar & Share Transfer Agent of the Company, viz, Sharepro Services India Pvt. Ltd. ["Sharepro"], in accordance with the Interim Order passed on 22nd March 2016 by Securities and Exchange Board of India ["SEBI"] against Sharepro, its promoters, executives and their related persons (hereinafter referred to as `Specified Persons').

Sharepro were appointed as Registrar & Transfer Agents (R&TA) by your Company with effect from 1st April, 2010. Earlier, the Company's Registrar and Transfer Agents were Pinnacle Shares Registry Pvt. Ltd.

As the scope of audit in SEBI above referred order is not described, we have taken reference of the para 11 of the said order, which reads as follows:

"Companies who are clients of Sharepro are directed to conduct a thorough audit of the records and systems of Sharepro with respect to *dividends paid and transfer of securities to determine whether securities have been transferred as per provisions of law. This audit should cover the dividends paid/transfers effected within the preceding at least 10 years. The audit directed above shall be completed by companies within a period of three months from the date of this order and thereafter a report shall be submitted to SEBI by companies in that regard. Further, within a period of six months from the date of this order, the companies shall take appropriate action, in case where violations are observed, in accordance with the provisions of law and inform SEBI accordingly.*"

D. Shah & Associates
D. P. SHAH
FCA 30492
AHMEDABAD
FRN 109528W
CHARTERED ACCOUNTANTS

311, Panorama
Nr. Navjivan Press,
Ashram Road,
Ahmedabad-380014.
(O) 079-27545134
Cell : +91 9898035546
e-mail : dshahassociates@gmail.com

Accordingly, we have carried out the comprehensive audit with an objective to determine whether,

1. Dividends have been paid to the actual / beneficial holders, whose names were appearing in the Register of Members for the shareholders holding shares of the Company as on the Record Date / Book Closure Date and / or the beneficiary data provided by the Depositories for the purpose of payment of dividend, and

2. Securities have been transferred as per the prescribed procedure under the applicable laws.

As the Sharepro were appointed as Registrar and Transfer Agents ["R&TA"] from 1st April, 2010, we have verified the relevant records for the period from the date of appointment to 31st March 2016.

Considering the above audit objectives, we have verified the following documents, which are being maintained by the Sharepro to the extent we found necessary for our audit.

1. Share transfer registers along with the share transfer deeds accompanied by relevant KYC documents in respect of the shares held physically for the period under review was checked by us..

2. As the Company has large number of registered folios / beneficiary accounts, the dividend warrants issued with respect to shares held by the shareholders in physical form and encashed by the respective members for the dividend paid by the Company during the audit period were verified on a test check basis. Whereas, all the requests received for issuing duplicate dividend warrants during this period were verified along with the correspondence relating thereto.

3. We have collected data of dividend records from the R&TA in respect of the shares held in physical form. From the data provided, we listed and verified the list of the shareholders to whom the dividend was paid in aggregate amounting to Rs. Rs.20000/- or more. The objective was to ensure and check that large amount of dividend were paid to the shareholders entitled thereto. We found that 1750 shareholders have encashed all the dividend warrants / cheques issued by the Company, whereas the dividend paid to 1186 shareholders remained unclaimed for all the years.

D. Shah & Associates
D. P. SHAH
FCA 30492
AHMEDABAD
FRN 109528W
CHARTERED ACCOUNTANTS

311, Panorama
Nr. Navjivan Press,
Ashram Road,
Ahmedabad-380014.
(O) 079-27545134
Cell : +91 9898035546
e-mail : dshahassociates@gmail.com

Further the data we also observed that there are 102 folios of the shareholders, whose dividend was claimed in one or more years and remained unpaid in any one or more of the years under review.

The Company posts on its website the list of shareholders whose dividend remaining unclaimed as required under the law.

4. Shares Dematerialization Register along with the relevant documents received for dematerialization along with DRF during the period were produced before us for verification. We have verified all such documents for the year 2015-16, whereas the dematerialization requests for the remaining period were verified on a test check basis.

5. During the audit period, 1285 demat requests received from various Depository Participants of NSDL and 889 demat requests from various Depository Participants of CDSL were processed and approved by the R&TA. We have not verified the demat requests, which were not approved by the R&TA for various reasons.

6. During the audit period, 127 requests were received from the shareholders holding shares in physical mode for splitting their holdings, issuance of duplicate shares, consolidation of share certificates / folio, re-materialization of electronic holding into physical holding were processed and approved by the R&TA. All such requests were supported with relevant documents evidencing the changes proposed by the Shareholders. We have not verified such requests, which were rejected for by the R&TA for various reasons.

7. Reconciliation of blank share certificates issued and cancelled during the audit period was also reviewed and any share certificates were issued, the authorised signatories of the Company sign it manually.

8. We have studied the required standard procedure and compared it with the procedure being followed by the R&TA in respect of the above areas and selected the transactions on random basis wherever we found appropriate and required to be evaluated in detail.

D. Shah & Associates
D. P. SHAH
FCA 30492
AHMEDABAD
FRN 109528W
CHARTERED ACCOUNTANTS



311, Panorama
Nr. Navjivan Press,
Ashram Road,
Ahmedabad-380014.
(O) 079-27545134
Cell : +91 9898035546
e-mail : dshahassociates
@gmail.com

**Audit observations:**

Based upon our verification of the documents relating to the share transfers in respect of the shares held by the members physically, shares dematerialization and re-materialization requests approved, split of share certificates, issued and cancelled, dividend warrants and duplicate dividend warrants issued during the audit period, we observe that:

1. All the share transfers in respect of the Company's equity shares held in physical form were processed and approved in compliance with the applicable laws.

2. Share dematerialisation and re-materialisation of the company's equity shares were processed and approved properly.

3. As per the records of R&TA, the equity share certificates were duly cancelled in respect of shares dematerialized.

4. The dividend warrants issue request made to the Bank was in conformity with the list of shareholders entitled thereto. The master of dividend register was prepared based on the position of the members as on the corporate action date. The same master was submitted to the dividend paying bank under the joint signature of the Company and the representative of the Registrar. Whenever, any request is received from a member for claiming the dividend, which was not encashed by him, the fresh warrant / pay order / DD were issued in the name of the respective shareholder as per the requests letters sent to the Bank. R&TA representatives were not authorised to submit any such request to the Bank and all requests were made to the Bank by the authorised signatories of the Company.

5. Dividend warrants were issued to the respective shareholder whose name appeared on the Register of Members as on the date of record date/ book closure, save and except in case of transmission of shares where the nominee or legal heir have claimed dividend of the deceased member.

6. We are informed that the Reconciliation of Dividend payment is being carried out by the dividend payment banker, which is reviewed by the Corporate Affairs Department of the Company and the R&TA and that no discrepancies were found. The dividend warrant/cheque revalidation requests were verified

D. Shah & Associates
D. P. SHAH
FCA 30492
AHMEDABAD
FRN 109528W
CHARTERED ACCOUNTANTS



311, Panorama
Nr. Navjivan Press,
Ashram Road,
Ahmedabad-380014.
(O) 079-27545134
Cell : +91 9898035546
e-mail : dshahassociates
@gmail.com

and no deviation was noticed, while processing such requests. Further, the amount remaining unclaimed for seven years was transferred to Investor Education and Protection Fund by the Company before its due dates.

7. We have searched from the lists of dividend paid by the Company to determine, whether any specified persons mentioned in the Interim Order of SEBI were paid any dividend. We found the names of two persons, who are amongst the Specified Persons named in the interim order of SEBI, who are holding shares of the Company in a physical mode as well were paid dividend also. Details of their holding and dividend payment information available from the records are produced in the below table. These two shareholders are continued to hold shares for many years as the shareholders of the merged "German Remedies Limited" with the Company in the year 2003. There were no movements in their holing for many years. The current status of the said shares is as follows:

| Sr. No. | Name of `Specified person' | Folio No | No. Of shares held as on date | Status of dividend payment |
|---|---|---|---|---|
| 1 | Raju Landge | 107287 | 4935 | All dividends remaining unpaid. |
| 2 | Balram Mukherjee | 103568 | 735 | All dividends paid |

8. The issued and cancelled equity share certificates tallies with the records maintained by the R&TA.

9. We have also observed minor discrepancies and clerical errors by the R&TA, which though not materially affect the interest of the shareholders, but needs to be strengthened as a part of system and procedure. Such discrepancies for example pertain to not inserting the share transfer number in the prescribed place of the transfer deed, though written elsewhere. Another example was though the transferee need to sign at two places in the transfer form, the transferee made signature only at execution place. Such discrepancy though does not carry any risk, we suggest that R&TA shall follow such requirements strictly and the Company is advised to instruct the R&TA accordingly.

10. R&TA follows the procedure to hold the shares already transferred and approved by the Company by issuing a notice to the transferor to raise any objection within the time mentioned in such notices to protect their rights.

D. Shah & Associates ★ D. P. SHAH FCA 30492 AHMEDABAD FRN 109528W ★ CHARTERED ACCOUNTANTS



311, Panorama
Nr. Navjivan Press,
Ashram Road,
Ahmedabad-380014.
(O) 079-27545134
Cell : +91 9898035546
e-mail : dshahassociates
@gmail.com

We have suggested to the Company to instruct the R&TA to deliver such notice to all the joint holders.

11. We observed that specimen signatures of certain shareholders holding shares in physical mode are not available and for any movement in such folios, the R&TA ensure relevant documents / affidavits, etc. from such shareholders before processing any request.

12. The Company has sub divided the face value of its shares from Rs. 5 to the face value of Rs. 1 and after the dispatch of sub divided shares, many shares were returned undelivered. We have verified each such record and the Company is in the process of transferring such unclaimed shares, whose dividend is also remained unclaimed for seven years as prescribed under the Listing Regulations. We have been informed that the Company has written two reminders to such shareholders to claim shares before being transferred to a separate account.

13. The entire process carried out by the R&TA in the normal course of approval found to be in order. If the rights of any shareholder with respect to his holding of shares / benefits arose out of any corporate action is affected, it can only come to the notice of the R&TA / Company based on any complaint received from such shareholder. However, we have reviewed all the complaints / requests received from shareholder from the beginning of R&T work by Sharepro and could not come across a case, where any litigation or pendency of such nature of complaint as on the date of this report.

Thanking you,

Yours faithfully,

For D. Shah & Associates
Chartered Accountants

Dilip Shah
Proprietor
FCA30492
FRN 109528W

D. Shah & Associates
D. P. SHAH
FCA 30492
AHMEDABAD
FRN 109528W
CHARTERED ACCOUNTANTS

311, Panorama
Nr. Navjivan Press,
Ashram Road,
Ahmedabad-380014.
(O) 079-27545134
Cell : +91 9898035546
e-mail : dshahassociates
@gmail.com