Text of the speech delivered by Mr. Hasmukh Shah, Chairman of the 18th AGM of Sun Pharmaceutical Industries Ltd., held on Sept 24, 2010 in Vadodara

Dear Fellow Shareholders

On behalf of the Board of Directors, I welcome all of you to the 18th AGM of your company.

Firstly, your Board of Directors today approved a proposal to sub-divide the nominal value of equity shares from the nominal (face) value of Rs. 5 each, to the nominal (face) value of Rs. 1, subject to your approval, and this is likely to increase the liquidity of your company's stock.

The most important development in August 2010, after the close of FY10, is the judgment on the Taro case from the Supreme Court of Israel which ruled in our favor, clearing the way for our acquisition of controlling stake. On September 21st, we acquired a controlling stake in Taro. This single move completely changes the scale of our business, particularly in the US.

Now for a review of the rest of the business.

Our global pharmaceutical business continues to build on strengths, even as our sales declined as expected, in India and US. Our India business declined after substantially higher sales in the fourth quarter of FY 09, which spilled over to FY10. However, the underlying demand continues to be robust. Caraco's manufacturing business continues to be on hold while we resolve issues with the USFDA.

I will now outline a summary of our key challenges, opportunities, and share solutions.

Let me begin with the performance highlights of 2009-10:

- Net sales were Rs.3904 crore, lower by 8.6%.
- Net profit was Rs.1351 crore, with a net margin of 33%.
- International operations, ex Caraco, grew 29% and accounted for 53% of sales.
- Formulations were 87% of sales.

Environment and challenges

As we grow our international business, add technically complex products and move to the next growth orbit, regulatory, quality standards and people remain critical to our performance.

I'll now list some of the key trends we see in India:

• Demographics, lifestyle changes, economic robustness contribute to the continued growth of the Rs.48,000 crore Indian pharma market. The sector's world class pharmaceutical manufacturing and marketing skills brings to market high quality medicines at competitive prices. Competitive intensity will likely increase going ahead, both for domestic and MNC players.

• Recently multinational companies have intensified their Indian investments by buying out Indian companies, setting up local operations or entering contract manufacturing agreements to create a low cost sourcing base.

• While the new patent regime of 2005 is yet to have an impact, several patent protected products were introduced this year.

International

There are a few clear trends in international markets:

• The IMS expects developing or Pharmerging market growth to continue. Most international companies have now built a robust local presence across these markets.

Regulatory agencies like the US FDA continue to raise regulatory standards, increasing registration costs and approval timelines. These tightened requirements makes quality and system adherence the topmost priority.

• Across developed markets, governments continue to be concerned about escalating healthcare costs. New or overhauled healthcare systems for sensible access to medical care for all, a cap on pharma products while favoring generic use, are some of the commonly seen trends.

These market pressures require a company to tailor strategy. Even with a differentiated product offering, respective governments require us to manufacture locally. This is the reason why we have invested in manufacturing in Brazil and Mexico.

The USD 30+ billion US generic market is of great interest to Indian companies with product development skills and cost control. Stringent regulatory standards and longer approval times adds to the uncertainty of entry. In 2009, generics accounted for 72% of the US pharma market by volume, a number that has been steadily rising. In recent times, even limited competition, exclusivity periods have been crowded with approvals at the same time. This not only keeps generic prices under pressure, but may eventually also act as a disincentive for patent challenges.

Performance

International markets accounted for 53% of our turnover.

India and the US, two of our largest markets, together accounted for 75% of our turnover. While we bring in our expertise in product selection and development to our markets, preparing for regulatory change will become imperative, going ahead.

India formulations

According to IMS ORG, the Indian formulation market grew at 18% for the year to March 2010, benefiting from the upturn in the Indian economy, better access and an increasing awareness.

Our domestic formulation business was Rs. 1830 crores.

Our market share as per IMS ORG is at 3.7% for March 2010 MAT, with 26% growth over the previous year.

We continue to build market leadership across specialities such as psychiatry, neurology, cardiology, ophthalmology, diabetology etc. Last year we introduced difficult to make products like Lambin (liposomal amphotericin), Maxgalin ER (Pregabalin extended release), Macorate R (Magnesium Valproate Extended Release). Some of these products will also be filed internationally.

US generics

A scale change to our US business happened after the close of the financial year FY 10. The Supreme Court of Israel unanimously dismissed the appeal by Taro against the previous ruling by the Tel-Aviv District Court. On September 21, we acquired the controlling stake in Taro. This effectively doubles the size of our US business.

Taro had reported unaudited numbers, sales of USD 360 million and profit of USD 44 million for FY 09. Taro brings to the table a solid business, about 147 ANDA approvals and factories in Israel and Canada that we intend to continue to use.

Caraco reported sales of USD 233 million and a loss of USD 8.7 million for FY 10. After the FDA seizure in June 2009, Caraco is working closely with consultants to comply with the audit requirements. Till this is resolved, Caraco books revenues from products that it makes at third party sites, and the products that it distributes for Sun Pharma. Our US sales were also lower on account of significantly lower sales of pantoprazole, which we had been selling at risk.

In August 2010, our Cranbury plant received a warning letter from the USFDA. Addressing this issue is of the highest priority.

Other Sun Pharma sites remain compliant with USFDA cGMP requirements. At the end of June 2010, 120 products await approval with the USFDA.

International branded generics

Our rest of the world branded business currently accounts for 12% of turnover, from prescriptions for our brands generated in 40 markets across SE Asia, China, CIS, Latin America. With the addition of manufacturing facilities in Mexico and Brazil, we have created the necessary infrastructure. Country-relevant strategies and focus on execution sets us apart.

Speciality API

We now have 157 filings made and 90 products approved for US/ Europe.

Our API business is 13% of turnover, from sales of speciality API to large companies, including those in Europe and US.

R&D

This year, we spend Rs. 224 crores or 8% of net sales on generic R&D.

Our 600 person strong R&D team supports our pipelines across our markets.

This year, we scaled up 27 APIs, developed and filed 30 ANDAs, and brought 49 products to India. We have filed 245 patents of which 81 have been approved.

Growth and Team Sun Pharma

As we move to a new international phase, our team, too, is becoming more global, but with a shared philosophy.

We had shared a guidance of 18-20% growth for FY11. This year we intend to file 30 ANDAs in the US.

We will continue to build a strong work environment, and derive robust growth from the world's generic markets.

Thank you.