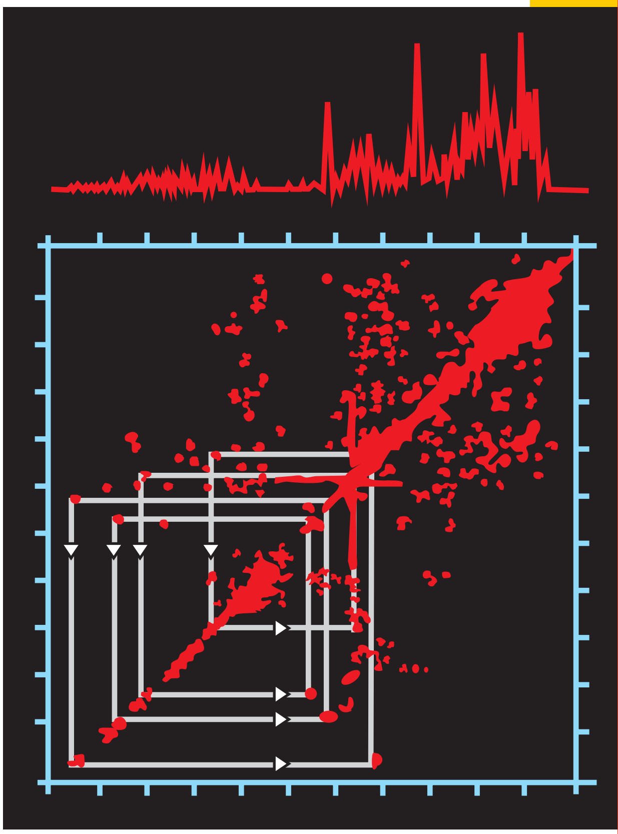
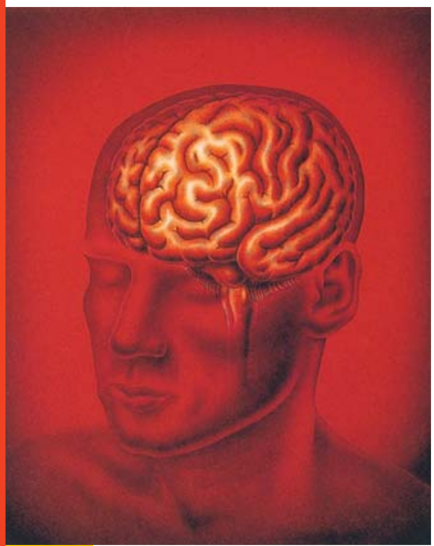
The connecting thread





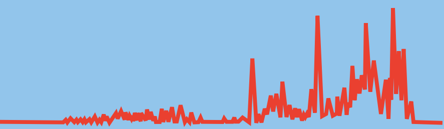
ANNUAL REPORT
2002-2003

SUN PHARMACEUTICAL INDUSTRIES LTD.

**Dr Kurt Wüthrich received the 2002 Nobel prize in Chemistry for his work on biomolecular structures in solution using NMR, and this cover is inspired by his work.*

http://www.nobel.se/chemistry/educational/poster/2002/index.html

The connecting thread



Regardless of how one looks at the exacting discipline of drug discovery.

As a simple or a cryptic process.

A result of chance, of serendipity, thoughtful luck. Or perhaps the outcome of a disciplined, carefully detailed, systematic approach.

Regardless of the approach, for an advance to gather meaning and context it has to bind to, and impact real life. It has to move out of the clean room environment of a lab and make a real time difference.

Perhaps rescuing a Van Gogh from the murky quicksand of schizophrenia.

Perhaps recognizing the wisdom, despair and beautiful mind of yet another John Nash.

Supporting, nourishing life. Making a return to baseline possible.

The cover design uses two elements- the fingerprint of a molecule as decoded by an NMR, and the human brain.*

With NMR, the structure of a substance can be worked out by studying the spectrum that results in a strong magnetic field, when pulses of radio waves are beamed into a sample. Since each atomic nucleus causes one or more peaks, a large structure gives rise to a very complicated spectrum with numerous peaks. By measuring these peaks the arrangement of a molecule can be worked out.

And the symmetry of each structure, with its spatial array of groups has a beauty of its own, tensile and strong. Energy efficient.

So that's one part of the picture.

The brain, representative of the powerhouse of cerebral activity, is another.

For it translates, cross links and multiprocesses several chunks of this kind of arcane, disparate information.

Eventually creating a product that touches human life. Causing a human connect.

A connect that places almost a magical spell on the demanding discipline of drug discovery.

Transforming lives.

At the close of the year, over 100 products were among the top 3 by molecule

At the close of an interesting year, the domestic pharma market registered a 6% growth rate, and had quietly been settling towards this number for much of the year. Large volume segments such as antibiotics continued to register slower growth on account of increased price based competition. Despite some instances of the entry of lower priced speciality products, such as lower priced fluoxetine brands, atorvastatin or celecoxib brands, the higher end speciality therapy areas continued to show a double-digit rate of growth.

At Sun Pharma, formulations (domestic and exports) were the drivers of growth for the year. As every year, SPARC helped bring several interesting products to market, several of these such as the prostrate cancer treatment Lupride Depot and the asthma inhaler range Sunhaler, used technology for a differentiating advantage. High margin complex bulk actives were also developed and scaled up. Several of these enabled us to be the first to market with an interesting formulation.

Keeping in mind the tremendous opportunity in global markets, the work we've done so far represents a beginning, yet a modest one, since we still have to go a long way keeping in mind the opportunity upside ahead of us. We now have an on the ground presence with products registered and a good pipeline with products under registration. After a confident double digit growth number in the exports market this year, we aim for a similar number for the next year too.

In the Indian prescription product market for March 03, Sun Pharma this year stood firm at 5th rank, the same position that we've been ranked at, for the last two years. Overall prescription share improved significantly. The AC Nielsen-ORG Retail Chemist Audit

Interesting products like Lupride Depot and the asthma inhaler range Sunhaler were brought to market.

March 03 shows a 15% growth rate for the company as versus 5.4% for the industry. Market share is strong at 2.99%, up from 2.8% last March, reflective of the increased prescription share in each of our therapy areas .

On the C-MARC audit, prescription share moved from 2.0% to 2.1% and we were amongst only two companies to increase market share in the top 10 companies listed there.

In core therapy areas, ranks were maintained despite increasing competitive interest. In select non-core therapy areas such as oncology and gynecology, in which we hold a long-term interest, dramatic rank increases were seen. We continue to seek means to put in place customer relationships in these new therapy areas, for at the end of the day, customer trust is the differentiating factor between a top rank and an also ran.

The most apt backing for the numbers was from the C-MARC doctor audit, with diabetology also featuring among therapy areas where we rank among the top 3- which in effect now takes the total number of such core therapy areas, to 5. Diabetology, a high prestige therapy area for the company entered the top 3 rankings after 5 years of effort, despite the fact that we do not market an insulin range, a staple of a large chunk of prescriptions that are written for diabetics.

The 5 core areas: psychiatry, neurology, cardiology, diabetology, gastroenterology accounted for over 72% of domestic prescription formulation sales. 6 brands continued to feature in the list of the top 300 brands as per the ORG. In keeping with our record of aggressive new product introductions, interesting new products were launched including 16 with a different technology or complexity of formulation. At the close of the year, over 100 products were among the top 3 by molecule, signalling the growing strength of the product basket.

Export formulation markets grew 40% this year

In Diabetology we reached a top 3 ranking after years of effort

In the biotech lab

In the formulation lab-FBD, next-coating machine

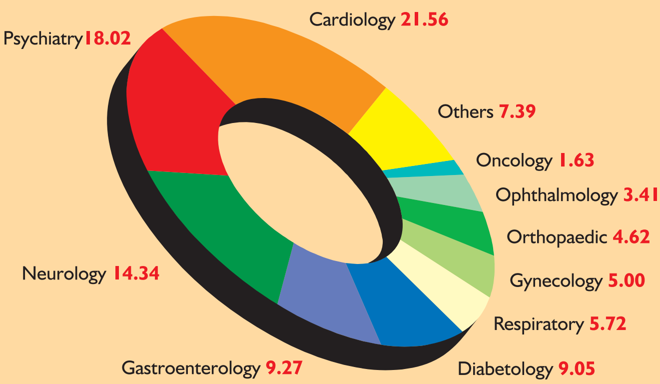
Summary

Turnover for 2003 was up 15%, backed by a 24% growth in domestic formulations, and 40% growth in international formulations. Among top runners in the domestic market on performance were Synergy, Symbiosis, Arian and Inca divisions, rated on target achievement of fairly stiff , high stretch numbers.

In order to meet anticipated increases in domestic market demand as well as in order to be able to source different types of formulations in house, an additional facility in Jammu is being built to comply with USFDA and UK MCA norms. This 9500 sq. ft built up area formulations site, created to meet international regulatory standards, is expected to be operational early next year. Like most Sun Pharma projects, this site too, was made operational in record time, with tight schedules. Over the years, these schedules are getting better managed as we learn how to manage logistics and construction challenges in different kinds of terrain.

Dosage form exports now begin to live up to their promise. The speciality strategy that we've perfected with great success in the Indian market is the same one that we are putting into place in the international market, and given the fact that most these markets have much larger speciality segments than we have in India, we expect the pickup to be that much quicker. The turnaround we've seen this year is on account of the proper execution of strategy on the ground. With the manpower and resources not vastly different from that in the past, and with 200 people on the ground in 36 markets, we now have in place a well-entrenched base that we shall now build on. We believe this is only a better or more sensible allocation of resources that we had in any event put to work earlier, however going ahead we certainly expect to increase the spend. The international formulations business is likely to grow much faster over the next few years.

THERAPY WISE BREAK-UP (%)



(Rs. Mill)

Sales Breakup by type	Mar 03	Mar 02
Domestic Formulations	5764	4661
Domestic Bulk	1335	1398
Others	19	23
Export Formulations	398	284
Export Bulk	1062	1070
Export Others	9	42

Plant 2, Nagar

3 more DMF and 3 COS were received. Panoli received Australian TGA approval

Continue to show a double digit rate of growth
Market share moved from 2.88% to 2.9%
16 products launched had a technology advantage

Across domestic and export markets, the turnover of speciality bulk actives was Rs2397mill, or 28% sales. After we phased out cephalexin bulk actives completely and replaced this with better margin speciality bulk, which is sold largely to end users in the regulated markets, the margins for the bulk business have improved remarkably. 5 high value bulk actives were scaled up and introduced this year, and most critical of all, during the year 3 more DMF and 3 COS were received, and we also received our first Australian TGA approval for bulk actives.

The USFDA approved Ahmednagar plant received 3 more DMF approvals, taking the total DMF approvals from this plant to 4. Panoli received 2 more bulk approvals for Europe for COS, taking the tally now to 3. Both plants have been routinely inspected during the course of the year by a number of international companies as a part of their site registration process. The facilities at Ankleshwar and Chennai received ISO 9002 certification during the year. The Vapi formulation plant also received ISO 9002 approval.

As we've indicated, Ahmednagar and Panoli plants are now largely dedicated for the international regulated markets, and the other two bulk plants, Chennai and Ankleshwar, are meant for India and the neighboring markets.

We anticipate reaching good numbers with speciality bulk actives in these markets as we consolidate this business and develop long-term customer relationships.

A discussion of the key marketing divisions follows

Product processing, Panoli

Divisionwise representative strength

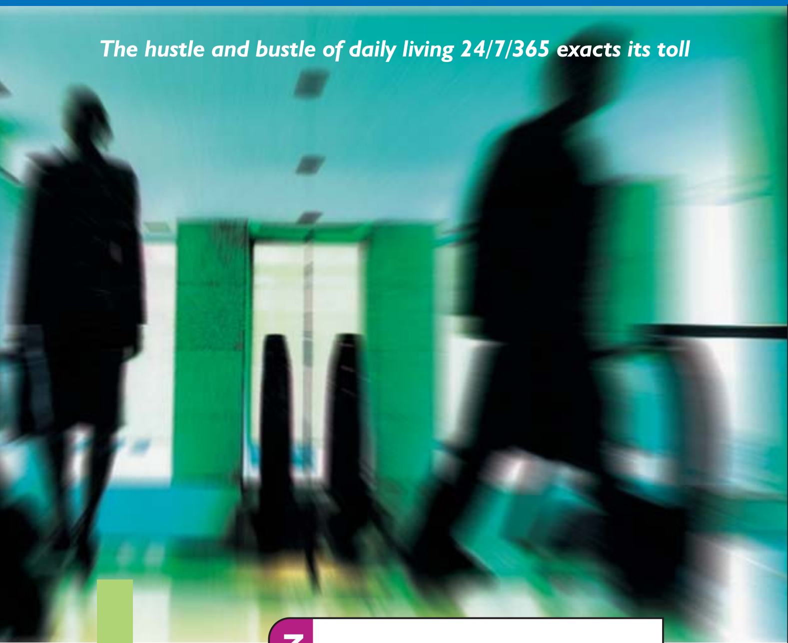
Sun	262	Milmet	95
Spectra	257	Symbiosis	85
Solares	257	Inca	76
Arian	167	Radiant	73
Aztec	167	RTF	30
Synergy	99		

C-MARC RANKS

	JULY 01 TO OCT 01	NOV 01 TO FEB 02	NOV 02 TO FEB 03
Psychiatrists	1	1	1
Neurologists	1	1	1
Cardiologists	4	3	3
Gastroenterologists	2	3	3
Chest Physicians	6	4	4
Consultant Physicians	6	8	5
Orthopedics	4	6	6
Ophthalmologists	4	4	4
ENT Specialists	5	5	5
Diabetologists	6	6	3
Oncologists	11	7	6
Nephrologists	8	8	8
General Practitioners	22	23	22
Pediatricians	33	34	49
Surgeons	23	21	16
Gynaecologists	17	17	11

3 DMF
3 COS

SYNERGY



MAIN

Encorate • Zeptol • Syndopa
Oleanz • Lonazep

NEW

Cognitol • Zypsidon • Rilutor
Prodep LA • Nexito • Acamprol

Increasing lifestyle related reasons, the stress and demands and choices of modern living have meant that these sectors like psychiatry and neurology continue to be high growth. This is regardless of competitive pressures or the state of the economy, that tends to affect other large volume therapy areas. As the largest player and the company most often associated with this therapy area, the division continued to partake of most of this growth.

Competitive interest is not remarkably greater than what we've witnessed in the previous two years, when we first saw the influx of companies that earlier used to compete in the large volume part of the business, stalwarts with deep pockets and an abiding interest. The nature of the competition has changed to one that is much more serious, and intent on the long term - companies that have a better grasp of the market and ground realities. We now appear to be in the period beyond the shakeout- the first bout of price-based competition is past us, and the ones that remain have got what it takes. However, its to the division's credit and perception with its customer group that it continues to add to prescription share despite the presence of these larger companies.

Battling the scourge of alcohol dependence

Fine dining?

Alcoholism places an enormous burden on Indian society. What makes it worse is that as a health problem, addiction remains unrecognized although it strains the economy, rips apart family life and endangers public safety.

Alcohol abuse crosses all societal boundaries, affects both genders, and people at all income levels. The jury is out on the why's and wherefores- scientific documentation indicates alcoholism has roots in the gene makeup as well as traits in personal behavior.

This is a global problem. It is estimated that in the US, one-quarter of all emergency room admissions, one-third of all suicides, and more than half of all homicides and incidents of domestic violence are alcohol-related. Heavy drinking contributes to illness in each of the top three causes of death: heart disease, cancer and stroke.

Almost half of all traffic fatalities are alcohol-related.

Alcoholism is treatable and thousands of people achieve recovery. Chronic exposure to alcohol causes a decrease in the inhibitory neurotransmitter called GABA in the brain, and an increase in excitatory neurotransmitter.

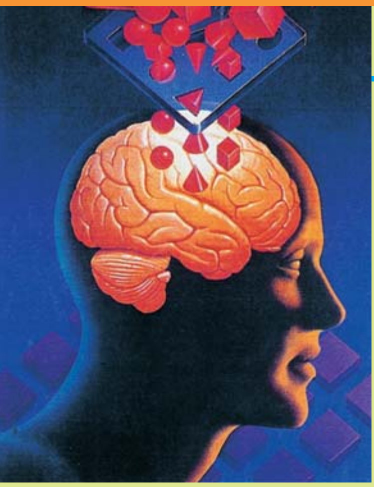
Acamposate, the medication in Acamprol has a similar structure to this neurotransmitter GABA, and enhances GABA transmission in the brain

Mind the Label 'Mental'

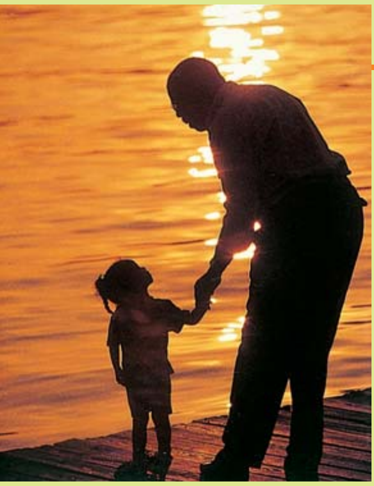
I note that the writer calls depression a mental illness.... Do we commonly call pancreatitis a digestive illness, or pneumonia a respiratory illness?

No. They, like depression, are simply illnesses. The retention of the term "mental" sustains stigma, supports resistance ... It is time to acknowledge that depression -- and mania and schizophrenia -- are just as physical as any other illness.

(From a letter written to the Editor, The New York Times)



Antiepileptics continued to be the fastest growing among Synergy's therapy areas, followed by Antidepressants, where products that were 2 decade old, like Amixide, continued to gain prescriber support. New indications also continued to expand- such as the use of gabapentin in the treatment of restless legs syndrome, as well as hot flashes in post menopausal women , to name just a few indications being studied.



In Parkinson's, an important area for this division, new treatment guidelines were issued, offering first use preference to dopamine agonists such as Amantidine. Ropinirole, the medication in Ropark also received a boost with the publication of a 5 year study which showed that beginning treatment first with this medication instead of levodopa, or adding levodopa as a supplement helped to delay the loss of muscle movement in Parkinson's.

Riluzole, the medication in Rilutor, is used for the treatment of a neurological ailment associated with muscle wasting - amyotrophic lateral sclerosis (ALS, Lou Gehrig's disease). In certain trials riluzole helped delay the loss of muscle strength. As a patient care service, Rilutor is being provided entirely free to patients who have a valid prescription for the same.

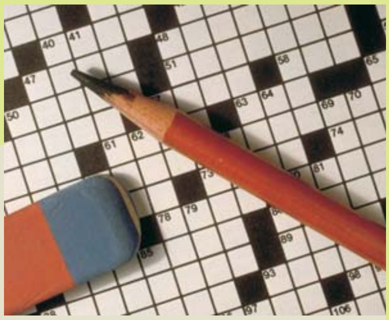
New guidelines for bipolar mood disorder were also published, advocating the use of atypical antipsychotics such as Zypsidon to treat the manic part of the episode, and other antiepileptics, to handle the depressive downswing- hence handling both the extremes of this illness.

Two important additions to Synergy's therapy offering for depression were made this year with the introduction of a once-a-week, delayed release formulation of the time tested antidepressant fluoxetine, Prodep LA. Fluoxetine's uses have been expanded greatly-in addition to the approved uses in depression, panic disorders, OCD, eating disorders, off-label uses have been shown in diabetic neuropathy, migraine, depression accompanying premenstrual syndrome, HIV…

Nexito, a formulation of escitalopram was also launched to a fairly good success. Escitalopram is the purer, single isomer only form of the earlier antidepressant Citalopram, and appears to require lesser dosing, an advantage. In studies, 10 mg of escitalopram were shown to be as effective as 40 mg of citalopram.

The case for longer depression treatments- ongoing treatments rather than episodic received a shot in the arm with the publication of a review of 30 years of studies in the Lancet. While doctors treat depression as an episode, it is more often than not likely to recur, in as many as 4 of 5 patients. Most patients should continue taking medication after their gloom has lifted, this research suggests. In this analysis by researchers at Oxford University in England, patients who stayed on antidepressants were half as likely to have another bout of depression as those who stopped taking medication.

Keep the grey cells ticking…

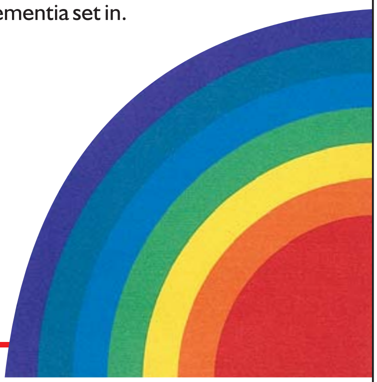


A prescription to keep **memory loss** *at bay*

Crosswords, Quizzes, reading or scrabble may just be the right prescription to keep the brain ticking and mentally on the go, ticking near capacity regardless of age. Studies reported in Neurology and JAMA point to a need for mental activity, the more the better.

A beginning was made in an important but less understood disease area- Alzheimer's - with the introduction of Cognitol (vinpocetine) . Identifying the triggers for this mind numbing disease, in one of the largest studies involving the medical records of World War II

veterans, a linkage was seen between head injury and Alzheimer's, with people who had severe head injury four times as likely to develop Alzheimer's - how far this could apply to other injuries better identified with modern living, is not as yet, known. Several studies looked at the link between diet and Alzheimer's - and specifically in people at risk because of a genetic variant, who may benefit by opting for more balanced diets that limit saturated fats, and cause less damage by free radicals rather than high-calorie, high-fat diets. In another study, researchers showed that it was possible to use visual memory tests to identify people at risk for Alzheimer's very early, much before the degradation of dementia set in.



An artist's depiction of the hues of mania- restful blue dipping to raging red

An important atypical antipsychotic was introduced with Zypsidon (ziprasidone). Ziprasidone improves both positive and negative manifestations in acute exacerbations of schizophrenia and reduces the rate of relapse compared to older antipsychotics. This class of antipsychotics is free of interfering side effects like dry mouth, stiffness and trembling, and patients are therefore likely to continue taking their medication. Older medication while effective at handling the outages had problems such as emotional blunting, a typical dull eyed stare, stiff legged walk, withdrawal and depression. With the older medication, repetitive chewing action, lip smacking, contortions of the arms and legs - a bundle of symptoms grouped under the term "tardive dyskinesia" were a serious interfering problem. In schizophrenia, the thumb rule is that by the end of 2 years, 75% of the patients are not taking their medicines, and more often than not, this is part of a logic that says, "if I don't take medication, that proves I don't have the illness." But after some time of no medication, relapses occur, and these can be terrifying, such as hearing voices and being unable to distinguish make-believe from reality. Each relapse takes something from the patient, leaving them with a harder climb back to normalcy.

Just the blues?

Depression, condensed

"People are making it to work, They're just not engaged in work. They're getting to the door, but then closing it and just not functioning. People have called this "presenteeism", and it is often invisible to employers."

A New York Times, June 18, 2003 report "More Americans seek treatment for depression", quotes 16% of the population as suffering from depression that requires treatment at some time in their lives, or 6.6% of the US population in a single year. General practitioners are not geared to treat this adequately- at times patients were given a quarter of the prescribed antidepressant dose. That depression strikes so early in life, makes it a vital health problem. Hypertension and arthritis start at age 55- Depression starts at 15 or 25. So the number of years of suffering in a person's life is much higher. And at significant risk is the medical community itself, with doctors showing a higher propensity to suicide than the general population.

Reporting in the Journal of Occupational Health and Psychology, Richard Price of the University of Michigan says that not just job loss but a prolonged cascade of events keeps a person in an extended state of depression.. with a fallout even 2 years after job loss…these people become discouraged workers, not searching for a job, with high personal, family and societal costs…

These post job loss events may spiral into disadvantages that reduce life chances even further.

(Reuters , Oct 8, 2002)

Amyotrophic lateral sclerosis (ALS), also called Lou Gehrig's disease, is a progressive, fatal neurological disease. The disorder belongs to a class of disorders known as motor neuron disease. ALS occurs when specific nerve cells in the brain and spinal cord that control voluntary movement gradually degenerate. The loss of these motor neurons causes the muscles under their control to weaken and waste away, leading to paralysis. ALS manifests itself in different ways, depending on which muscles weaken first. Symptoms may include tripping and falling, loss of motor control in hands and arms, difficulty speaking, swallowing and/or breathing, persistent fatigue, and twitching and cramping, sometimes quite severely. ALS strikes in mid-life. Men are about one-and-a-half times more likely to have the disease as women. Riluzole, the medication in Rilutor is the first drug that has been shown to prolong the survival of ALS patients.

SYMBIOSIS

MRI captures the brain's hardware circuitry in a snapshot, spotting software breakdowns is not quite as simple

MAIN	Oxetol • Sizodon • Fluvoxin Verglob • Mirtaz
NEW	Rivamer • Qutipin • Cobamet Thrombospirin

Taking forward its initial success as a parallel division to Synergy, the Symbiosis division continued to earn prescriber support and earn brand loyalty from its core group of psychiatrists and neurologists, and this was reflected in market share inching up in a tightly contested market. Unlike other speciality therapy areas such as cardiology and diabetology where the leading companies face eroding market shares, this dual division strategy has helped the company gain market share with specialists even in core areas.

Oxetol, the carbamazepine successor antiepileptic introduced just last year, has reached a top slot for the division, its precursor brand Zeptol (carbamazepine), which has been in use for more than 30 years, is one of the largest selling among all antiepileptic brands. Oxetol offers the safety of a well tested molecule paired with remarkably lesser side effects, since it uses a different metabolic pathway and can be used for patients who are no longer adequately controlled on older medication or for new patients beginning therapy.

Among new products introduced this year were Rivamer , for the treatment of mild to moderate dementia in Alzheimers, an atypical antipsychotic Qutipin, and Cobamet, a form of Vitamin B_{12} used in a number of neuropathies.

The medication in Cobamet has been found useful in neurological ailments ranging from Alzheimers/conditions that mimic Alzheimer's, Diabetic neuropathies, Bell's palsy, fibromyalgia; where it promotes healing of the nerve sheath, restores delayed nerve transmission, nerve repair and regeneration. Rivamer, containing rivastigmine, a drug that is believed to delay the cognitive deficits in Alzheimer's was launched at a sensible price and met with a great response from neurologists.

Restoring neural equilibrium

The American Psychiatric Association states that Quetiapine, the medication in Qutipin may be a initial drug of choice in patients with schizophrenia who have acute phase symptoms and show signs of movement disorders (tardive dyskinesias or extrapyramidal symptoms).

Schizophrenia is a major psychotic disorder that frequently has devastating effects on several aspects of the patient's life and carries a high risk of suicide. The principal manifestations of this disorder usually are described in terms of positive and negative symptoms. Positive symptoms include hallucinations, delusions, bizarre behavior, hostility, uncooperativeness, and paranoid ideation, while negative symptoms include restricted range and intensity of emotional expression, reduced thought and speech productivity, apathy, and decreased initiation of goal-directed behavior . Disorganized symptoms include disorganized speech (thought disorder), behavior and poor attention. Quetiapine appears to improve both positive and negative manifestations of schizophrenia; other antipsychotic agents may have lesser effects on negative manifestations of the disorder.

Fats vs. Antioxidants: fall guy or savior?

What is good for the heart is good for the brain...people who eat an excess of saturated fats, such a those found in meat and butter , face double the risk of Alzheimer's. People who stick to polyunsaturated fats, such as those found in vegetables and nuts, benefit with a dramatic reduction in Alzheimer's risk. Virtue, apparently, helps...

The jury on antioxidants is still out. Vitamin C, Vitamin E, betacarotene may help keep Alzheimer's at bay provided these are begun early enough and taken often enough...What you do eat in your 70's may not affect your risk of dementia, but what you do eat in your 50's certainly will...Antioxidants can block the effects of oxygen molecules called free radicals, which can damage cells, accelerate the accumulation of betamyloid in the brain, a hallmark of Alzheimer's.

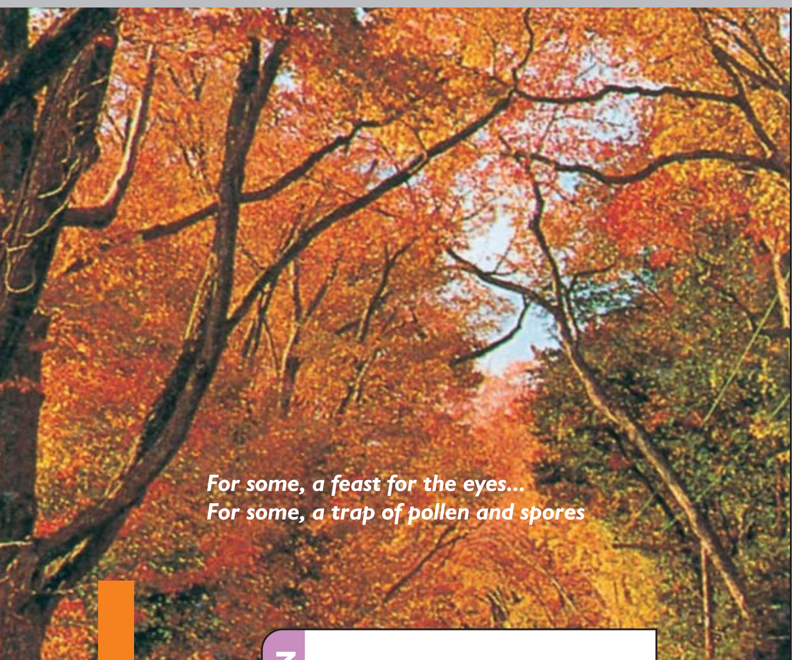
Alzheimer's or old age?

The early symptoms of Alzheimer's (AD), which include forgetfulness and loss of concentration, can be missed easily because they resemble natural signs of aging. Similar symptoms can also result from fatigue, grief, depression, illness, vision or hearing loss, the use of certain medications, or simply the burden of too many details to remember at once.

Alzheimer's (AD) usually begins after age 65, however, its onset may occur as early as age 40, appearing first as memory decline and, over several years, destroying cognition, personality, and ability to function. Confusion and restlessness may also occur. AD is a progressive, neurodegenerative disease characterized by memory loss, language deterioration, impaired perception skills, poor judgment, indifferent attitude. The type, severity, sequence, and progression of mental changes vary widely.

Ability to link words and their meanings is one of the first casualties

SOLARES



MAIN	Coldact • Zofer • Gatilox Rofact • Deslor
NEW	Gatilox IV • Aquamet Nasal Spray • Verizet

Solares participates in therapy segments such as antibiotics, NSAIDs, antiemetics, anti-allergics, anti-asthmatics etc and serves the needs of chest physicians, ENT specialists, consultant. physicians, orthopaedic surgeons & general surgeons.

AQUAMET NASAL SPRAY

Traditionally intranasal steroids were reserved for severe allergic rhinitis not controlled with antihistamines alone. Now, it's 1^{st} line therapy in moderate to severe allergic rhinitis i.e. when rhinitis affects work, attention, leisure or sleep.

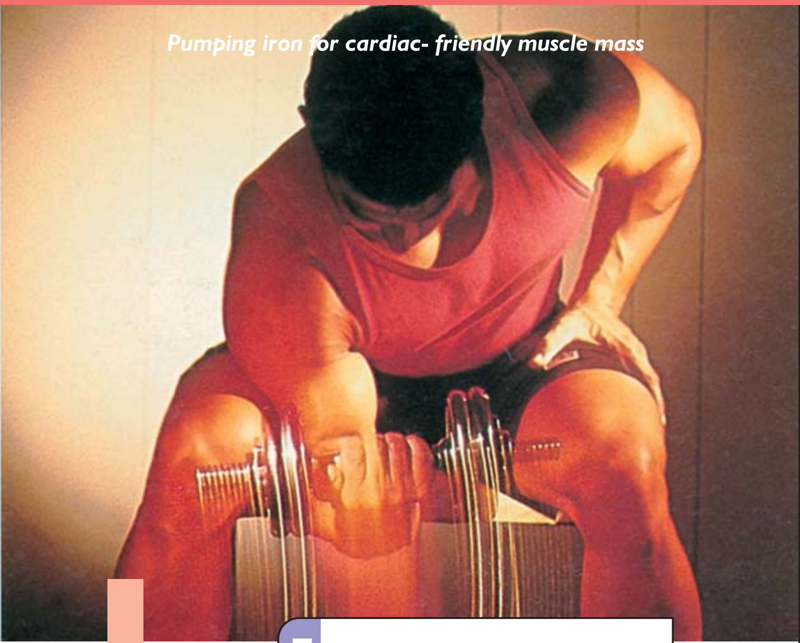
Aquamet contains mometasone which is better than other nasal steroids, antihistamines & nasal decongestants because it offers quick & better control of nasal symptoms without causing rebound congestion. Aquamet is safe in children. Moreover the treatment cost per day is almost at par with antihistamines.

To increase the potential for the usage of intranasal steroids, and Aquamet in particular, Solares is conducting doctor group meetings with ENT surgeons and chest physicians.

VERIZET TABLETS

Verizet contains levocetirizine. It is an enantiomer of cetirizine, and is superior to many currently available antihistamines. Verizet has excellent efficacy in the treatment of skin and respiratory allergies.

AZTEC



MAIN Montrate • Aztor • Clopilet • Rezult • Cardivas

NEW Tropan XL • Gemer • Combiplet • Tamflo

ALERT
The World's report card

Cardiovascular disease is the cause of 1/3rd of deaths, says WHO in its World Healthcare Report 2002. More than 17 mill people die from cardiovascular disease or stroke every year. Yet 50% of death and disabilities can be cut by lifestyle modification. High blood pressure causes 50% of the cases of cardiovascular disease, cholesterol accounts for another 33%… these facts have tremendous implications for governments…

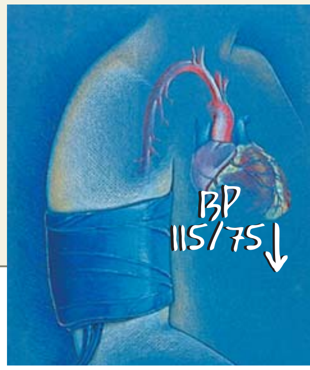
(Reuters, The Economic Times, Oct 27, 2002)

Get the numbers down
140/80 not good enough a number!

A new category of prehypertensives puts much of the population on alert as new guidelines recognize that people with blood pressure levels that were taken as normal earlier - may actually be at risk for stroke, heart failure and kidney damage and may need to get their blood pressure down. Labeled prehypertensive, these guidelines take into account the fact that damage to the arteries begins early, at levels once considered normal. The risk of heart disease begins as early as 115/75, and each 20/10 point rise doubles the risk of heart disease.

Only 1in 3 people succeed in lowering blood pressure to safe levels. The guidelines also state that most people will need more than 1 drug to control hypertension.

(US expands warning on blood pressure risk, Washington Post, May 15)



Lowering the limit on the BP number

Hypertension, angina, the heart and diabetes continue to be the main growth areas for Aztec. In the cardiology therapy area, the company reached a coveted and hard fought for 2nd spot displacing well-entrenched companies there. The divisions' growth was driven by increasing awareness, expanding markets for these lifestyle ailments, as well as products introduced in the previous years now picking up momentum.

Again, like last year, Monotrate continues to feature on the top of Aztec's best selling list, along with Aztor (cholesterol reducer), Clopilet (clopidogrel, the blood thinning agent), the oral antidiabetic Rezult and the congestive heart failure product Cardivas.

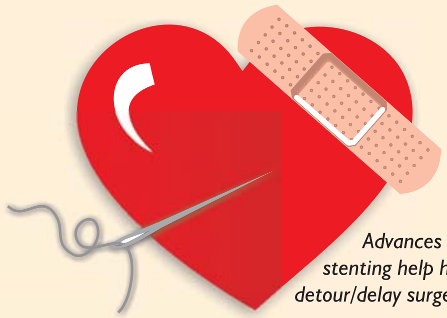
From high lipids to narrowed arteries to heart disease and stroke-a quick skid pathway

Recent inroads in the area of urology with the introduction of Tropan last year received a thrust this year with the launch of Tamflo (modified release tamulosin).

The success of Clopilet, launched last year for use in stroke and heart disease, both conditions that have a risk of increased blood clots, was one of the fastest growing new launches for the division. Aspirin, for years, has been routinely prescribed to patients at a risk of stroke and coronary events, however studies report gastric irritation that can, over the long term,develop into problems such as ulcers; and a long term tolerance has been reported with the drug.

This year, as a follow on product, Combiplet, a combination of clopidogrel and aspirin was launched, in keeping with the pathbreaking study CURE[1]. This study showed that a combination of aspirin and clopidogrel worked better in certain heart and cerebrovascular ailments than either drug alone, possibly because of a different mode of action. Further trials with interesting acronyms like MATCH* and

CHARISMA** are studying its use long term in patients belonging to different subgroups- with heart attacks, stroke and coronary artery disease. Recently, the American College of Cardiology/ American Heart Association updated its guidelines for the treatment of patients undergoing noninvasive heart procedures such as stenting/ angioplasty to recommend use of this combination prior to the procedure and for a one year follow up period.



Advances such as stenting help heal the heart, detour/delay surgery

This trial was discontinued because patients in the treatment arm were benefiting from a much better outcome than in the placebo arm.

And not surprisingly, the National Cholesterol Education Program Adult Treatment Panel 3 guidelines advocate aggressive control of increased lipid levels, which are prevalent in about 24% of patients with metabolic syndrome or insulin resistant syndrome.

Cholesterol watchboard

Cholesterol at a young age is a key factor in risk of heart disease later. In a study of 34 years of follow up, the risk of death due to heart disease increased when cholesterol levels were high, in the pre -40 years age group.

Women who are not obese should maintain their weight rather than repeatedly lose pounds and then regain them. Researchers now suspect that yo-yo dieting may increase the heart disease risk, possibly through changes in cholesterol levels as a possible mechanism.

Cardivas, the beta blocker treatment for heart failure and certain kinds of hypertension received a shot in the arm with the recent completion of COMET#, a head-on comparision between Metoprolol, a beta blocker mainstay of treatment and Carvedilol, the medication in Cardivas.

COMET trial concludes that **carvedilol saved** 17% more lives than Metoprolol

Heart failure was specially pinpointed as a high risk area for diabetics- people with type 2 diabetes have both a significantly higher risk for heart failure and a more difficult outcome, according to the UKPDS%, a 5 year study of these high risk patients.

With expanding usage and increasing number of indications, this set of products is well on its way to post interesting numbers in the years ahead too.

Glucometer: Keeping a watch on sugar surges and trips

The disastrous debacle of diabetes

A 1997 WHO report : India had 19.4 mill diabetics of 135 mill worldwide

India will have 57.2 mill cases by 2025…

12% of adults surveyed in 6 urban centers were diabetic. Another 14% had impaired glucose tolerance. While it had been estimated that by 2001, 24 mill would have diabetes, actual numbers far exceeded this.

"Just being of Indian descent places you at a greater risk of heart disease than having high cholesterol and being a smoker" says Dr H Robert Superko of the Berkeley Heartlab. He launched a study called the National Asian Indian Heart Disease Program and says that a gene that predisposes for heart disease and metabolic disorders is partly responsible. The researchers predicted that the children and the grandchildren of Indian immigrants could be at the greatest risk.. "We haven't hit the big wave of 2nd and 3rd generation Indo- Americans at risk …" says Dr Susan Ivey of the survey.

(The Times Of India/PTI report , dt NA, August 02)

"Diabetes is becoming a dreaded worldwide epidemic and among Indians it seems to be progressing catastrophically", says Mr Jayashankar, the President of the American Association of Physicians of Indian Origin.

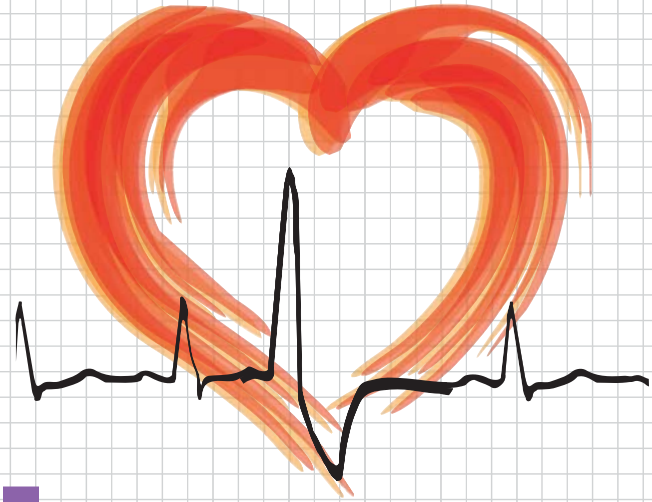
While Indians are seen as a model minority, the leading cause of death is cardiovascular disease, a much higher prevalence as versus other Asians and non Hispanic Whites…this may be because Indians are genetically predisposed to heart disease and diabetes…"

(The Times Of India report , date NA)

*CURE!- Clopidogrel in unstable angina to prevent recurrent events • *MATCH - management of atherosclerosis with clopidogrel in high risk patients with TIA/stroke • CHARISMA** ASCOT**- Anglo Scandinavian Cardiac Outcomes Trial • # COMET- Carvedilol or Metaprolol European Trial • %UKPDS- United Kingdom Prospective Diabetes Study*

ARIAN

Staying heart and blood-sugar friendly, twice over



MAIN: Glucored • Repace • Angizem • Pioglit • Korandil

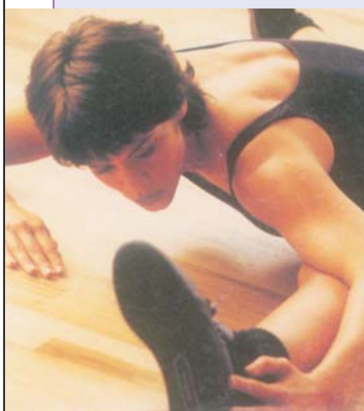
NEW: Lotensyl • Pioglit MF • Pioglit G

Last year we had shared with you the rationale for creating a second division for cardiology and diabetology with Arian, so that older brands get the right attention, also that such a move would help us promote new products that would otherwise overlap existing products, and that at the implementation level we'd be able to close in on any gaps in therapy, which if left unattended, could be an entry strategy for a competitor to exploit.

This thinking seems to have worked well for us in the field. In diabetes, an area where, for long the company has been at a distant 6th position, after the creating the new division, rank improved to 3rd in a tightly fought market.

No significant change was seen with the top ranking brands for this division other than the fact that Angizem, our brand of diltiazem which had for long been a distant number 2 in its molecule area, recouped and now ranks among the top products for this division.

Arian introduced an unique Alu -Alu pack with desiccant for the first time in India for Korandil. This unique positioning with a moisture proof pack should help the brand add market share.



Repace, our brand of losartan, got major support with the results of the landmark LIFE trial.

The LIFE study compared losartan, the medication in Repace, with the most frequently prescribed betablocker, Atenolol, in order to find out which would be more effective in a high risk hypertensive group, that which suffered from enlargement of one chamber of the heart (Left Ventricular Hypertrophy). LIFE showed that losartan treatment over atenolol offered substantially greater benefits and that these benefits continued in subgroups of patients such as diabetic hypertensives. Losartan is also receiving attention for kidney protection in this high risk patient group of diabetic hypertensives . These results make the future of this molecule very bright.

In many patients with type 2 diabetes, tablets containing a single ingredient do not sufficiently control blood sugar in the long-term, leading to a need for multiple therapies. Single-tablet combination therapies offer an alternative to deliver a combination of therapies for the management of type 2 diabetes. The U.K. Prospective Diabetes Study found that ~50% of patients needed more than one pharmacological agent after 3 years of treatment because single drug regimens did not adequately control blood sugar.

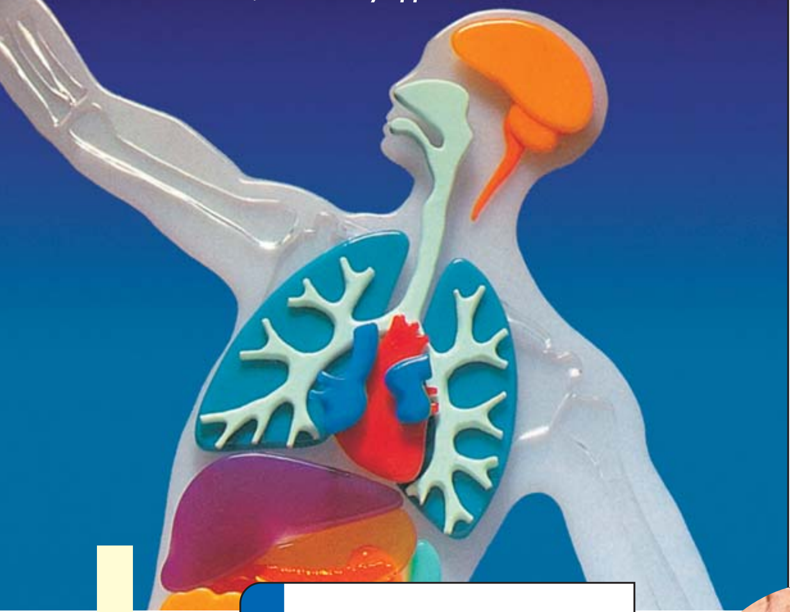
1+1>2

In line with this international trend, 2 combination products Pioglit MF (pioglitazone+metformin) and Pioglit G (pioglitazone + glimepiride) were launched. In studies it has been shown that most diabetics have both fasting and post meal hyperglycemia, and the combination handles both components, specifically the post meal high blood sugar that has been linked with vascular complications and postulated as a reason for high failure rates with single drug therapy. It has also been estimated that currently less than 1/3rd patients with diabetes follow diabetes dosing schedules properly and that the likelihood of keeping to these schedules is better with a combination product. When the combination is administered, both increased insulin release and insulin sensitivity are taken care of. The combination has also been shown to reduce certain lipids, an additional advantage.

Lotensyl, lercanidipine, an antihypertensive, was amongst important products introduced. While this is as effective as other products in this class, in a study called COHORT it was found to cause significantly lesser side effects particularly ankle edema which often limits the use of other antihypertensives.

SUN

A holistic, whole body approach to healthcare



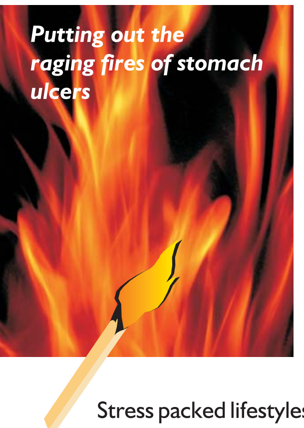
MAIN

Pantocid • Mesacol
Octride • Alzolam • Nitrosun

NEW

Flexura • Neucobal • Ursocol
Mebiz SR

Sun division continued to take rapid strides, with the introduction of specialized products for liver disease and irritable bowel syndrome in the gastroenterology portfolio and muscle relaxant in the acute pain management portfolio this year.



Pantocid, the treatment for peptic ulcers, is now the largest brand for the company and has reached this coveted position in record time. Mesacol is the drug of choice for ulcerative colitis and crohns disease. Octride is used for vital emergency treatment of upper gastrointestinal bleeding. The active ingredient in Octride is octreotide, a complex, heat sensitive peptide molecule. This peptide injection manufacture involves a high tech process , and was developed in-house by our scientists at SPARC.

Stress packed lifestyles have resulted in increasing incidence of anxiety in the population, contributing to Alzolam's sales.

Now about the new launches this year.

Mebiz SR , (mebeverine sustained release formulation) is a product that has been introduced for the first time in India. This product offers the convenience of twice a day dosing in the treatment of irritable bowel syndome. Ursocol (ursodeoxycholic acid) finds use in the treatment of chronic and alcoholic liver disease. These two new launches have not only strengthened our gastroenterology portfolio, but also offer new opportunities that we can build upon.

In a recent trial published in the oft quoted speciality journal Gastroenterology, the medication in Ursocol was found to protect against colon cancer in patients with ulcerative colitis (UC) who are at risk for developing colorectal cancer and show precancerous cells in the inner lining of the stomach . The medication is also being studied for use in several other serious gastroenterological diseases where the liver function is impaired, including graft versus host issues with liver transplants, and cirrhosis.

Last year, we'd shared with you about the introduction of Tizan SR, a product for the treatment of spasticity. In similar segment is the product Flexura , a first time introduction in India , for relief of spasm & pain ,and restoration of mobility. Neucobal , the neurologically active Vitamin B_{12} for diabetic neuropathy was also brought to market.

With stiff joints, fine movements are a challenge

A specialized task force called the Rheumatology Task Force has been created to service those specialists who treat chronic pain. This creation is in sync with our customized business model. With this we've tried to segregate our pain management portfolio into chronic and acute pain segments.

While acute pain portfolio has been retained in the Sun division, a greater focus on our chronic pain portfolio has been enabled through RTF which caters to information and coverage requirements of the specialists treating chronic pain.

Anxiety on the battlefront

It was only after the fighting stopped that Pvt. CL began to feel the symptoms… though of what he did not know. He became withdrawn. He lost his energy and his appetite. Worst of all were the images that flashed through his mind. They were not nightmares, since to have nightmares you have to go to sleep. And he could not.

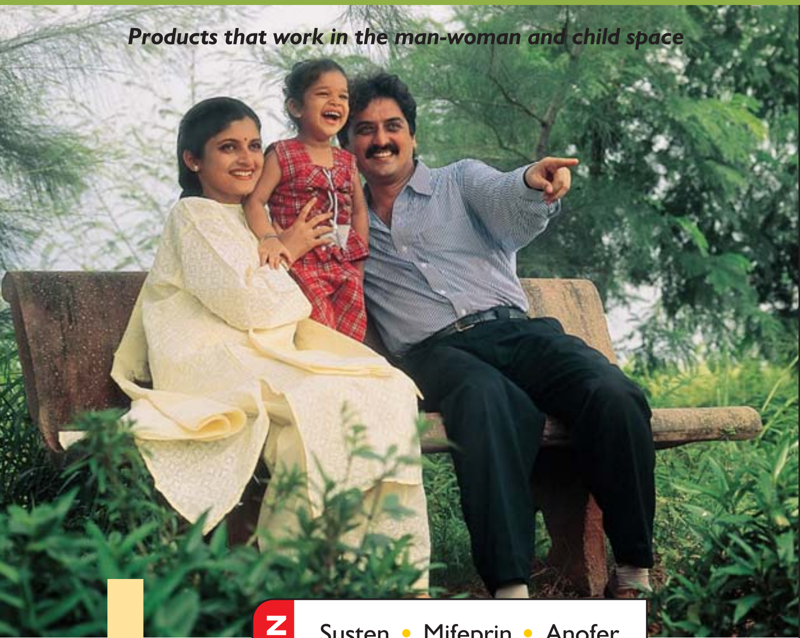
"I'd be lying there for hours every night," he said. "I would see scenes. I would hear voices. …"

The psychological strain he continues to endure has had many names over the years. In World War I, it was shell shock. In World War II, it was combat fatigue. Today, it is called combat stress reaction or at a worst case, post-traumatic stress disorder. Symptoms of combat stress or, in noncombat situations like today's, "operational stress," include anxiety and irritability, agitation and apathy and, in more severe cases, memory loss and psychotic episodes. A treating doctor said it was a common response to a traumatic event: the images recurring over and over, "like a newsclip on CNN."

Pvt CL has few illusions, though, about what lies ahead: "It's just going to take time."

(Battlefield aid for soldier's battered psyches. Steven Lee Myers. The New York Times June 21, 2003.)

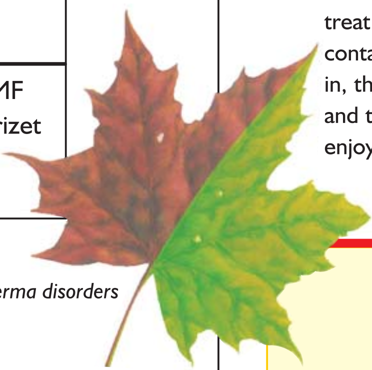
SPECTRA



Products that work in the man-woman and child space

MAIN
Susten • Mifeprin • Anofer
Epival • Dazit

NEW
Zitotec • Trapic • Trapic MF
Mufect • Ezoma • L-Cetrizet
Primerose • Acneril
Letoval • Cabgolin



Drawing parallels to derma disorders

The best proof of the increasing acceptance of the Spectra division is the escalating rank with gynecologists and the slow and steady inroad being made into the derma space, with Sterotop and Dazit last year, and with a select set of products brought in, this year.

The rank with gynecologists has moved to 11 up from 17 just two years ago, mainly as a result of better on the ground strategies, increased coverage and field force deployment. The success story that Susten has become in just 2 years post launch is an important upshot of this image transformation.

Among the core gynec products launched this year were the anti-ulcerant Zitotec, which is also used for pregnancy termination along with Mifeprin. It is also used for cervical ripening and labor induction. This medication is being studied in indications as diverse as fat absorption in cystic fibrosis and alcohol induced gastritis.

Trapic, a medication used to control excessive menstrual bleeding was an important gynec product launched.

Primerose (EPO-Evening Primerose Oil) is used in a number of women's health conditions from premenstrual symptoms to mastalgia. The effects of EPO on mastalgia, one of the symptoms of premenstrual syndrome, have been investigated with favorable results.

Recently two more core Gynec products have been introduced - Letoval and Cabgolin.

Armed with these products as well as Mifeprin (oral option for pregnancy termination), Susten, Zitotec, Trapic, Letoval and Cabgolin, the gynec therapeutic footprint increases greatly.

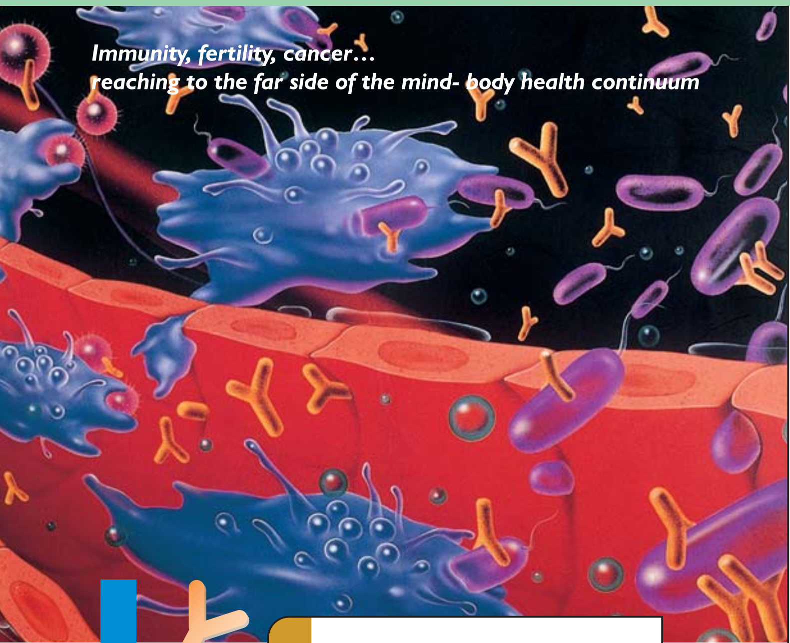
In the dermatological area too, interesting products were launched- Ezoma for eczema and psoriasis; Mufect, a potent topical antibacterial; and Acneril. Acneril is used to treat serious acne, and is expected to become a large product for the division. Mufect is used to treat impetigo and other infectious skin conditions. The medication may even score over ingested antibacterial therapy on some counts. Ezoma is used topically to treat different steroid responsive dermatitis like atopic and contact dermatitis. With these serious dermatologicals brought in, the division expects to build the same degree of credibility and trust with consultant specialists, that Sun Pharma typically enjoys in each of its core therapy areas.

Near normal deliveries, happier childhoods

Progesterone cuts preterm delivery risk

A recent study published in the American Journal of Obstetrics and Gynecology has proved that prophylactic administration of vaginal progesterone reduced the frequency of uterine contractions and the rate of preterm delivery in women at high risk for prematurity. In this study the difference in preterm birth between progesterone and placebo groups was 13.8% vs. 28.5% respectively. More women were delivered before 34 weeks in the placebo group (18.5%) than in the progesterone group (2.7%). Progesterone has been used to sustain pregnancy in its early stages, and this study suggests that its use later may also help. Progesterone also has an important role to play in preserving pregnancy in patients with a high risk of abortion.

INCA



MAIN
Letroz • Lupride • Oxiplat
GMH • Puregest

NEW
Surfact • Lupride Depot
Caberlin • Rapifol • Thaloma

This year too, the Inca division continued to post rapid growth, and emerged as one of the best performing divisions rated on target achievement and improvement in ranking with specialists.

New products were introduced in anticancer, anesthesiology and fertility, a new super-speciality neonatology was ventured into, and most critical of all, an interesting delivery system based product Lupride Depot was introduced for the first time in the country. Our team of expert scientists at SPARC developed this delivery system.

Another important product which has helped the company make a headway with pediatrician - neonatologists is Surfact. Surfact is an emergency medication used in premature babies who cannot breathe properly and gasp for breath as their lungs are not adequately developed.

And in an interesting resurrection, an infamous medication that had been banned in the late 60's, received a new lease of life for the treatment of serious new indications. The medication thalidomide which had been responsible for ghastly limb deformities in new born if their pregnant mothers took the sedative, is now the lifesaving drug of choice in serious cancers such as multiple myeloma, metastatic breast disease, ovarian brain cancer, renal cancer, as well as in severely immuno-compromised patients, and in the treatment of serious dermal and inflammatory disorders.

Breath fine....

Air pollution poses the same risk of death from lung cancer as long term exposure to second hand smoke, according to a study in JAMA. People who live in cities with high levels of fine particulate matter have a greater risk of dying from lung cancer.

Lung cancer was the top cancer killer in the US:

1,54,900 deaths estimated in 2002
169400 new cases estimated in 2002

Endometriosis
- beyond a nagging piercing pain?

Women with endometriosis, a condition where the uterine lining grows in the abdominal cavity and attaches itself to the organs, causing pain, inflammation and bleeding may be part of a bigger picture involving the immune system. A study of women with this condition showed they were 100 times more prone to chronic pain, 7 times more prone to hypothyroidism, and more likely to have autoimmune conditions or skin inflammation. In India, however, pain is not the presenting symptom but it is largely when the cause of infertility is being investigated, that a diagnosis of endometriosis comes to light. Treatment may be surgical, medical or both.

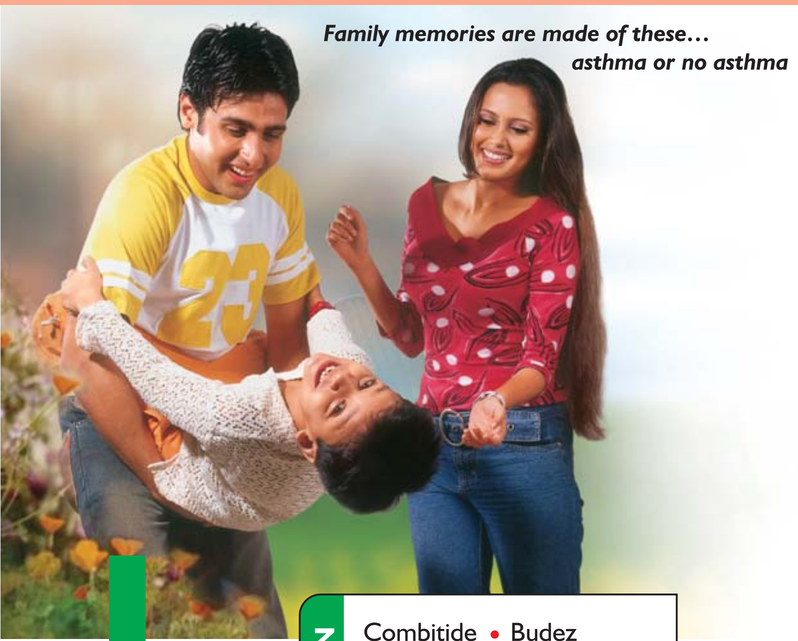
Cancer: watch the numbers

24 lac cases reported every year in India • Projected new cases based on the ICMR cancer registry-8 lacs • 1 in 6 Indians are likely to die of cancer because it was not detected early enough

(Editorial in The Economic Times, May 21, 2001)

Lupride Depot, a once a month depot formulation, is used in prostrate cancer, and in women's healthcare in endometriosis, as well as in certain fertility treatments. This depot formulation releases the medication slowly and evenly over a one-month period, to offer the patient advantages of compliance, convenience, lesser injections and reduced clinic visits. Since the medication is gradually released, blood levels are maintained, which may translate into better efficacy. In the US, over 2 lac cases of prostrate cancer are estimated to be diagnosed every year, and in India the Bombay Cancer Registry projects 6,600 new cases every year. The medication offers an option to the surgical procedure, which can have a profound psycho-social impact. The other major use, endometriosis, too, is grossly under treated, with an estimated 1 in every 10 patients visiting a gynecologist stating this complaint.

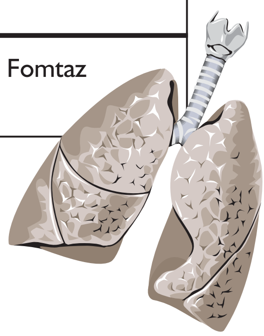
RADIANT



Family memories are made of these...
asthma or no asthma

MAIN
Combitide • Budez
Odphyllin • Sunhaler
Fomtide

NEW
Aerotide DPI • Fomtaz
Aerotaz



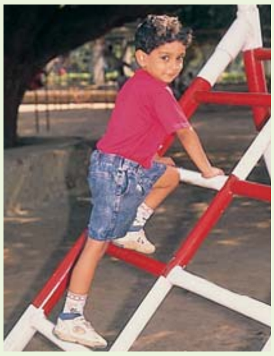
In order to give the respiratory disease area, especially asthma, the focus and attention that it requires, a new division Radiant was carved out of Solares this year.

The most interesting addition to its range of respiratory products was a group of dry powder inhalers, which filled gaps in the therapy offering and brought to this division products with a technology edge. Especially since a new device for asthma, termed the Sunhaler, was launched in the Indian market after almost a decade.

The Sunhaler DPI (dry powder inhaler) range offers the first truly reusable, multiple dose dry powder inhaler in India, with a number of molecules representative of a fairly large part of asthma therapy now made available with this delivery system. Sunhaler helped the division build an image with respiratory physicians and helped deliver the message that Sun Pharma has a serious interest in this therapy area.

With Sunhaler's advantages as a talking point, the marketing team now has a head start in the marketplace. This is a designer product with a proven technology edge- a product that is compact, functionally superior, yet delivers the medication to the site of action in an efficient and reliable manner. The multidose disk is easier for the patient to carry , use and is more reliable with a comprehensive list of advantages over a single dose device (*see the table next page*). The single dose device which is otherwise widely marketed in India is nearly obsolete in the global arena especially in the USA and the UK.

A curious observation in our country is the general reluctance to inhaler use and a fear about the diagnosis of asthma. The division put in place a broad based education program using schools, street publicity etc in order to increase awareness and dispel popularly held myths about asthma. Tools such as posters, educational leaflets and a simple film were used to explain asthma. In order to increase the detection of asthma and encourage patients to visit a chest specialist, free asthma camps to measure lung function, were held all over the country. As many as 70 camps were conducted during a single month.



Asthma?
New guidelines support early treatment

In addition to the DPIs, the division added to its respiratory presence with single dose theophylline and a range of nasal sprays. These nasal sprays are used in the treatment of allergic rhinitis , which is thought now to be a precursor to full fledged asthma if left untreated.

Several studies completed this year helped dispel long held beliefs about the use of inhalers, particularly their use in 2 groups, in women and in children.

Reassuring the fears of physicians reluctant to prescribe inhaled steroids in young children in the belief that it stunted growth, were studies, comparing children who were administered inhaled steroids and non- asthmatic children who were not. These studies were said to be the largest studies on children with asthma. While there appeared to be a slight stunting of growth in the initial years, over time, both the groups of children reached the same final height. Children taking inhaled steroids were found to require lesser hospitalization and urgent care visits than children with asthma who were prescribed non-steroids.

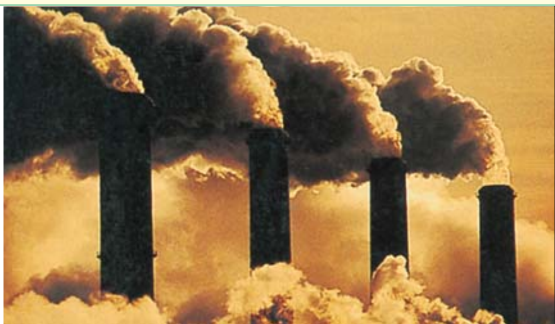
Sunhaler

- Small, compact
- Multiple dosing capability
- Dose counter to keep track
- Easy to use across age groups, particularly for children and the elderly
- Not affected by moisture and humidity
- Dose is the same across inspiration rates, no dose to dose variation
- Limited exposure to accidental humidity since each dose is in a separate compartment
- Breath activated inhaler- co-ordination of inhalation and actuation is not required as in other inhalers
- Free of any CFC related inhalation effects

Further on the NAEPP guidelines

- Inhaled corticosteriods are the preferred treatment for initiating therapy in children of all ages with persistent asthma based on a population wide study of wheezing, and the need for beginning long term therapy in children with more than three episodes that last more than 1 day and affect sleep, and in children who have identifiable risk factors for asthma.
- Combination therapy of a beta 2 blocker with long acting steroid is required if asthma is not controlled on inhaled corticosteroids alone…
- Long term side effects on vertical growth, bone mineral density, eye toxicity, including cataract/glaucoma, suppression of the adrenal/pituitary axis- a clean chit on all these parameters except for growth- more clarity is required -the effects on vertical growth may be small, progressive and reversible - further monitoring may be called for.
- Antibiotics are not routinely recommended for asthma except when an infection is present.

(NAEPP guidelines update from the Journal of Allergy and Clinical Immunology, Nov 2002)



The prevalence of asthma and allergic rhinitis on account of increasing pollution ranges from 11-20% in various surveys, and in a group of schoolchildren in New Delhi this number was found to be as high as 12%. Rapid urbanization and attendent effects on air pollution and change in dietary habits are contributing factors. The highest prevelance is in areas with high vehicular traffic.

(The Economic Times, July 28, 2002, Special report on lifestyle ailments)

A report in JAMA says that air pollution poses the same risk of death from lung cancer, as long term exposure to second hand smoke. People who live in cities with higher fine particulate matter have a greater risk of dying from lung cancer.

India has 15-20 mill asthmatics of 150 mill worldwide. About 26% of the Indian population suffers from allergic rhinitis. The increasing incidence of allergic disease is on account of factors like indoor and outdoor pollution, change in lifestyles, change in dietary habits and reduced incidence of infections. About 80% of asthma patients have co-existing rhinitis…

Dr Pawankar, chairperson of the WHO Rhinitis Guidance Initiative.

In 69 Indian cities monitored by the Central Pollution Control Board, air quality was moderately, highly or critically polluted all though the year, with the sole exception of Shillong.

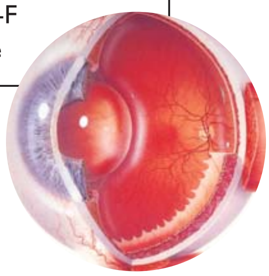
(The Economic Times, August 26,2002)

MILMET

An intricate retinal arrangement of rod and cone cells make the perception of movement , light, shade, depth and feel possible

MAIN: Viscomet • Timolet • Toba • Ketlur • Chlormet

NEW: Lotepred • Toba-F • Latoprost • I-site



Eyecare beyond the eye

Milmet this year continued to add to its acceptance with ophthalmologists both with better coverage and service and with the introduction of new drugs, that represent the best in treatment.

Products such as Lotepred , positioned as the first smart steroid, were introduced to treat seasonal allergic conjunctivitis and infections of the inner eye such as uveitis, iritis and post-operative inflammation. The mode of action of this medication makes it a much safer corticosteroid than other products in its class.

With the introduction of Latoprost, ophthalmologists have an alternative that allows them to maintain intra ocular pressure even in difficult to manage glaucoma cases. Latoprost helps maintain intra ocular pressure in patients for whom existing contraindications limit use of conventional anti-glaucoma drugs.

Milmet's basket of ophthalmic products continued to make a headway, both with products that are used for acute treatment and for chronic use, strengthened with the introduction of Toba-F. Toba F, a product that treats post-operative inflammation was introduced for the first time in India.

Retinal damage starts with "floaters" such as these patches

Diabetic retinopathy

Most patients develop diabetic changes in the retina after approximately 20 years. The effect of diabetes on the eye is called diabetic retinopathy.

Over time, diabetes affects the circulatory system of the retina. The earliest phase of the disease is known as background diabetic retinopathy. In this phase, the arteries in the retina become weakened and leak, forming small, dot-like hemorrhages. These leaking vessels often lead to swelling or edema in the retina and decreased vision.

The next stage is known as proliferative diabetic retinopathy. In this stage, circulation problems cause areas of the retina to become oxygen-deprived or ischemic. New, fragile vessels develop as the circulatory system attempts to maintain adequate oxygen levels within the retina. This is called neovascularization. Unfortunately, these delicate vessels hemorrhage easily. Blood may leak into the retina and the white of the eyeball, causing spots called floaters, along with decreased vision.

Continued abnormal vessel growth and scar tissue may cause retinal detachment and glaucoma.

In Milmet's portfolio for the first time, an oral preparation I-site, which helps prevent the progress of degenerative disease, was launched. With increasing age, most individuals suffer from degenerative diseases like diabetes/hypertension. Diet restrictions can deprive them of important eye nourishing supplements , which may worsen or precipitate ophthalmic degenerative problems such as cataract, glaucoma, age related macular degeneration. I-site offers the right proportions of important nutritional supplements like lutein, glutathione vitamins, minerals & trace elements.

The eye in distress

Conjunctivitis: *This term describes a group of diseases that cause swelling, itching, burning, and redness of the conjunctiva, the protective membrane that lines the eyelids and covers exposed areas of the sclera, or white of the eye.*

Corneal Infections: *Sometimes the cornea is damaged after a foreign object has penetrated the tissue, or at times, bacteria or fungi from a contaminated contact lens can pass into the cornea. This can cause painful inflammation and corneal infections called keratitis. These infections can reduce visual clarity, produce corneal discharges, and perhaps erode the cornea. Corneal infections can also lead to corneal scarring, which can impair vision and may require a corneal transplant.*

Computer vision syndrome *(CVS) is a term that describes eye-related problems and the other symptoms caused by prolonged computer use. As our dependence on computers continues to grow, people are seeking medical attention for eye strain and irritation, along with back, neck, shoulder, and wrist pain.*

New Products

DIVISION/PRODUCT	THERAPY AREA/USE
SUN	
Flexura (Metaxolone)	Muscle relaxant
Neucobal (Mecobalamine)	Diabetic Neuropathy Ischemic stroke
Mebiz (Mebeverin)	Irritable bowel syndrome
Ursocol (Ursodeoxycholic acid)	Liver disease
SPECTRA	
Zitotec *(Misoprostol)*	Pregnancy termination
Susten Inj *(Inj progesterone)*	Pregnancy sustenance
Trapic *(Tranexemic Acid)*	Hemostatic, to reduce or prevent hemorrhage
Trapic MF *(Tranexamic Acid + Mefenamic Acid)*	
Acamprol *(Acamprosate Calcium)*	Treatment of alcohol dependence
Gravitor SR *(Pyridostigmine Bromide)*	Anti-cholinergic
Mufect *(Mupirocin)*	Dermatological, Antiinflamatory
Ezoma *(Mometasone)*	Dermatological, Antiinflamatory
L cetrizet *(Levocetrizine)*	Antiallergy
Primerose *(Primerose Oil)*	Eczema, PMS, etc.
Mirtaz *(Mirtazapine)*	Antidepressant
Acneril *(Adapalene)*	Antiacne
SYMBIOSIS	
Qutipin *(Quetiapine)*	Antipsychotic
Rivamer *(Rivastigmine)*	Treatmt of Azeimers disease
Thrombosprin *(Clopidogrel + Aspirin)*	Anticlotting
Cobamet *(Mecobalamine)*	Diabetic neuropathy
SYNERGY	
Rilutor *(Riluzole)*	Amyotrophic lateral sclerosis
Zipsydon *(Ziprasidone)*	Antipsychotic
Prodep LA *(Long Acting Fluoxetine)*	Antidepressant, once a week formulation
Cognitol *(Vinpocetine)*	Cerebral enhancer/neuro-protective -alzeimers, senile dementia
Oleanz plus, Forte *(Olanzapine + Fluoxetine)*	Psychotropic
Nexito *(Escitalopram)*	Antidepressant
RADIANT	
Combitide Dpi *(Salmeterol + Fluticasone Dpi)*	Inhaler
Fomtide *(Formoterol + Budesonide)*	Inhaler

DIVISION/PRODUCT	THERAPY AREA/USE
ARIAN	
Lotensyl *(Lercanidipine)*	Calcium channel blocker- hypertension
Pioglit MF *(Pioglitazone + Metformin)*	Oral antidiabetic
Pioglit G *(Pioglitazone + Glimepiride)*	Oral antidiabetic
AZTEC	
Tropan XL *(Oxybutinin XL)*	Urinary incontinence
Gemer *(Glimiperide + Metformin ER)*	Antidiabetic
Combiplet *(Clopidrogrel + Aspirin)*	Anticlotting
Tamflo *(Tamulosin)*	BPH
MILMET	
Lotepred E/D *(Loteprednol)*	The first site active corticosteroid-ocular antiinflammatory
Latoprost *(Latanoprost Eye Drops)*	Ocular hypertension and open angle glaucoma
Toba F *(Tobramycin + Fluometholone)*	Ocular antiinfective+ antiinflammatory
Isite *(Antioxidant Capsule)*	
SOLARES	
Gatilox IV *(Gatifloxacin)*	Broad spectrum fluoroquino-lone-antibiotic for actute & chronic bronchitis, pneumonia & acute sinusitis
Aerotide Dpi *(Salbutamol+ Beclomethasone Dpi)*	Inhaler
Formtaz *(Formeterol)*	Inhaler
Aerotaz *(Salbutamol)*	Inhaler
Aquamet Nasal Spray *(Mometasone)*	Prophylaxis of seasonal and perennial allergic rhinitis
Sompraz *(Esomeprazole)*	GERD, acid-peptic ulcer
Verizet *(Levoceterizine)*	Antiallergy
INCA	
Surfact *(Colfosceril Palmitate)*	Synthetic surfactant for intratracheal suspension - respiratory distress syndrome in neonatals
Lupride Depot *(Lupreolide depot)*	Once a month treatment for advanced prostate cancer, endometriosis, fibroids
Caberlin *(Cabergoline)*	Hyperprolactinemia
Rapifol *(Propofol)*	Injectable hypnotic-sedative anaesthetic
Puregest inj *(Progesterone)*	Preg maintenance
Thaloma *(Thalidomide)*	Oncology

Bulk Drugs

Mesalamine (5 ASA)
Acamprosate Calcium
Alendronate Sodium
Amifostine
Bupropion HCL
Carboplatin
Carvedilol
Cisplatin
Citalopram Hydrobromide
Clomipramine HCl
Clonazepam
Clopidogrel Bisulfate
Desloratidine
Desmopressin Monoacetate
Divalproex Sodium
Dobutamine HCl
Dothiepin HCl
Erythromycin Estolate
Erythromycin Propionate
Erythromycin Stearate

Esomeprazole Magnesium
Flurbiprofen
Flurbiprofen Sodium
Fluticasone Propionate
Fluvoxamine Maleate
Gabapentine
Glimepiride
Isradipine
Lercanidipine HCL
Letrozole
Losartan Potassium
Loteprednol Etabonate
Meloxicam
Metaxalone
Metformin HCl
Methylphenidate HCl
Metoprolol Tartrate Succinate
Metoprolol Tartrate
Mirtazapine
Mitoxantrone HCL
Naltrexone HCL
Octreotide
Olanzapine

Ondansetron HCl
Oxaliplatin
Oxcarbazepine
Oxethazaine
Pamidronate Disodium
Pentoxifylline
Piroxicam Beta-Cyclodextrin
Prednicarbate
Quetiapine Fumarate
Repaglinide
Riluzole Glutamate
Rivastigmine Tartrate
Ropinirole
Rosiglitazone Maleate
Sodium Valporate
Tizanidine HCl
Topiramate
Tramadol HCl
Valproic Acid
Venlafaxine HCL
Ziprasidone HCL

All transactions are carried out in conformity with patent laws applicable in the user country.
Responsibility with respect to third party's patent rights in a specific country lies with the buyer.

DIRECTORS' REPORT

Your Directors take pleasure in presenting the Eleventh Annual Report and Audited Accounts for the year ended 31st March, 2003.

(Rs. Million except book value)

FINANCIAL RESULTS	Year ended 31st March, 2003	Year ended 31st March, 2002
Total Income	8732	7590
Profit after tax	2314	1686
Dividend		
Preference Shares	4	14
Equity Shares - Final (Previous year Interim)	465	234
Corporate Dividend tax	60	1
Transfer to various Reserves	1530	1327
Rate of dividend including interim on equity shares	100%	50%
Book value in Rs. per equity share *(adjusted for Rs.5 paid up)	73	57*

Deploying the X ray diffractometer, analytical lab

Proposed Dividend

Your Directors are pleased to recommend a preference share dividend 6% p.a. on pro-rata basis on paid up amount of preference shares to those preference shareholders of the company whose preference shares are still outstanding and not redeemed, and equity dividend at the rate of 100 % for the year ended 31st March, 2003 (previous year 50%) on the equity share capital. An extraordinary general meeting of the Members is being convened to amend the Articles of Association of the Company so as to enable those Shareholder(s) who wish to waive/forgo his/their right to receive the dividend (interim or final) for any financial year, to waive/forgo his/their such right .

100%

Bonus Preference Shares

The Company on 2nd November,2002 allotted 1,87,177,232 6% Redeemable Cumulative Preference Shares of Re.1/- as Bonus Shares to the Shareholders of the Company as on Record Date,10th October, 2002 in the ratio of 4 (four) Preference Shares of Re.1/- each, for every 1 (one) equity share held by the shareholders.

Split of Equity Shares

As approved by the Shareholders of the Company at the extraordinary general meeting of the Company held on 20th December,2002, the equity shares of Rs. 10/- each of the Company were sub-divided into 2 equity shares of Rs.5/- each during the year under review.

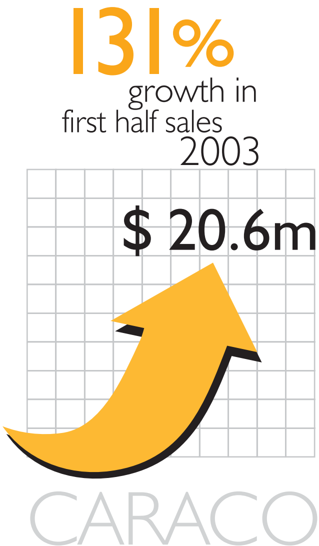
Buyback of the Company's Equity Shares

The Company has so far bought back its 8,32,938 equity shares of Rs.5/- each pursuant to and as authorised by the Shareholders of the Company at the extra ordinary general meeting of the Company held on 20th December,2002.

Analytical lab, a view

Voluntary Delisting of Company's Equity Shares from the Stock Exchanges of Ahmedabad, Delhi, Chennai,Kolkata and Vadodara.

As you would be aware that the Members at the Company's Ninth Annual General Meeting held on 28th November, 2001 had approved by way of a special resolution the Company's proposal for voluntary delisting of the Company's Equity Shares from the Stock Exchange - Ahmedabad, the Calcutta Stock Exchange Association Ltd, Madras Stock Exchange Ltd and the Delhi Stock Exchange Association Ltd. The Company's equity shares have been delisted voluntarily from Madras Stock Exchange Ltd ,the Delhi Stock Exchange Association Ltd and The Stock Exchange-Ahmedabad with effect from 23rd July, 2002, 26th August,2002 and 28th October, 2002 respectively. In spite of complying with all the formalities for voluntary delisting & constant follow up , the Calcutta Stock Exchange Association Ltd. has not so far granted its approval. The Company has also sought the help of the Securities and Exchange Board of India in this regard. The Company is seeking the approval of the Members for voluntary delisting of the Company's Equity & Preference Shares from the Regional Stock Exchange, viz, Vadodara Stock Exchange at the ensuing Annual General Meeting.



Management Discussion and Analysis

Two achievements we'd like to begin the report with:

1. *A ranking amongst Business Today's ranking of the country's biggest wealth creators at 16th position (last year: not ranked) -BT, April 13, 2003*

2. *An strong show of numbers at Caraco for the first half of 2003, with sales of $20 mill, up 131% and PAT of $6.5 mill, from a loss of $2.49 mill in the first half of the previous year.*

Industry outlook

A sector wide slowdown in growth rates prevailed throughout the year, as a result of which the pharma sector closed the year with a 5.7% growth rate (March 2003 A C Nielsen-ORG Retail Chemist Audit). This is the net result of a multitude of factors, ranging from the inroads made by generic generics, the growth of regional/smaller companies, and price cut led slowdown in larger segments such as antibiotics/vitamins/tonics. However, despite higher competitive interest in speciality therapy areas, these continue to grow faster than the average for the sector as a whole. As a matter of fact, in certain of these segments increased competitive interest has helped expand the market, as a larger number of companies enter the fray with a high potential product. Increasing affluence, diet and lifestyle changes and even economy related events have meant that the root reasons that cause chronic ailments persist, perhaps now more than ever before, and these segments continue to grow at a sensible rate.

In the peptide lab

In preparation for the post 2005 years, while a new patent act was put into place, lack of patent office/regulatory staffing as well as a lack of clarity on the issue of compulsory licensing with respect to less developed countries that lack the requisite manufacturing infrastructure, still prevails. The new DPCO continues to be in a state of suspended animation as it makes its steady way through the legal framework, stalled at this point in time by a citizen's petition. It is anybody's guess as to when the policy will be implemented and the form it will eventually take. With increasing competitive pressure on pricing, a vigilant trade, and nationwide opposition to VAT which was earlier to be implemented by April 1,2003 and then was deferred, industry has been repeatedly impacted by external factors, not entirely of its own making, that may likely pan out in the year ahead.

ORG reports 16.4% GROWTH

Company Performance

Total income increased 15% over the last year. Domestic formulations, the backbone of operations, increased 23.7% to Rs.5764 mill. This however includes a component of special price sales of Rs.350 mill which pertains to the next quarter. International markets increased 5.3%, and most important of all, export formulations increased 40.2% albeit on a small base.

Time and again we have reiterated our intent of remaining a speciality pharma company. Competition is a fact of life, a given, and this only increases the pressure on us to grow the gap between our closest competitor and us. Customer relationships remain the keystone, and we have left no effort unexplored to strengthen these relationships. As we make larger commitments than ever in the past, in the areas of international markets and research, we reinforce our commitment to becoming a substantially better pharma company . We also fully well understand that going ahead, strong brands, research and international markets will propel this growth and we are increasing the time and effort that we expend in these areas.

Now for specifics of our domestic operations. In the domestic market, as per the A C Nielsen-ORG Retail Chemist Audit for March 2003, we closed the year at 5th rank with 16.4% growth rate reported, a growth number that is well in excess of that for the industry. Market share has increased to 2.99%, up from 2.80% last March and 2.61% from March 2001. 6 stellar brands continue to move up the ORG

LC-MS MS, Analytical lab

rankings of the best-selling pharma brands in the country. Over 100 brands featured among the top 3 by molecule, indicative of the long standing acceptance of our products despite heightened competitive activity.

New products introduced over the last 3 years accounted for 41% of formulation sales. This pattern is typical of speciality brands, a slow and gradual buildup of prescriptions as the product is prescribed for a larger patient base over time.

C-MARC's speciality list

The phenomenon of repetitive price cutting with new molecules in speciality therapy areas as an entry strategy continued over the last year, but at a somewhat slower pace than in the previous year. Speciality rankings continued to reflect our strength with core prescriber groups, a top 3 ranking in almost all core areas with quietly increasing prescription share. In new therapy areas, efforts to build a similar rapport continued unabated, and success was seen in oncology, where rank increased to 6^{th} from 10^{th} in the preceding quarter. In gynecology, our rank has increased to 11^{th}, up from 18^{th} preceding quarter. Our plan is to work on 2 fronts simultaneously- offer a complete product offering and introduce product/s with a tech advantage to create a differentiation. The success that we've witnessed with Susten in gynecology last year was reinforced with Surfact in pediatrics and the path breaking Sunhaler range in the respiratory area. Several interesting products that offer this kind of niche potential, are ready for launch.

New manufacturing sites

2 new manufacturing sites, at Dadra and Jammu; with a total tableting capacity of 1560 mill tabs/ year , and a built up floor area of 22,000 sq.ft are in process of being commissioned. These have been formed as partnerships between Sun Pharma (95% stake) and Sun Pharma Key Employees Benefit Trust (5%) stake. This additional manufacturing capacity will help us meet the increasing demand from domestic as well as international markets.

In the last few years, Indian pharma companies have begun to be taken seriously in the US generic market, and the last year was no different. Strong process chemistry skills, ability to access and deploy the best legal acumen available, staying advantage of low cost product development, bulk manufacturing capability, a comprehension of the entire process from development to market- these are some of the factors aiding this growth.

The combined sector revenue of Indian pharma from the US generic market increased from $32 mill in 1998, to over $400 mill in 2002. (CLSA Emerging Markets Report March 2003) in a total addressed market of $4 bill, a clear signal of willingness to learn and grow. Another recent report by the market intelligence agency Datamonitor says that by 2007, products that had enjoyed branded sales of over $82 bill in 2001, would have lost patent protection. These numbers factor in generic expiries and likely patent challenges. In a nutshell, the US generic market will continue to be extremely lucrative and rewarding for the well prepared- and Indian companies are both willing, capable and well prepared to take on this opportunity.

For Half 1/2003,
Caraco
posted sales of $20.6mill
and PAT of $6.5mill

For the first half of 2003, our subsidiary company in the US, Caraco Pharm Lab posted a strong performance with sales in excess of $20 mill (as against $22.4mill for the year ending Dec 2002 and $5.9mill for Dec 2001). Profit for the first half was $6.5 mill as against a loss of $2.4 mill in the same period of the previous year Caraco has recently announced a revision of its revenue estimates from $35 mill to over $42 mill for December 2003.

With our stake exceeding
49%,
Caraco's numbers have been consolidated with that of Sun Pharma for the year ending March 03.

In 2002, Caraco received 6 ANDA approvals and 1 more in quarter 1, 2003, taking the total approvals based on Sun Pharma assisted filings to 10. 3 more ANDAs await approval with the USFDA. After a minimal dilution in 2001 due to the private placement of 635,000 shares aggregating $1.69 mill, no further dilution has occurred. In Nov 2002, the earlier product registration agreement between Sun Pharma and Caraco expired and was duly renegotiated. Sun Global will receive 5.44 lac shares of preferred stock convertible in shares after 3 years on a 1:1 basis.

Caraco currently markets 14 products in 23 strengths and 47 pack sizes. Caraco targets 4-5 more filings this year, which will help add to the pipeline. Caraco's products are now represented by major wholesalers such as McKesson, AmerisourceBergen and Cardinal Health. Caraco's products have also reached drug wholesalers because of interest from buying groups of retail pharmacists, hospitals, nursing homes and drug purchasers. Caraco is well placed on the growth trail, and we expect to have much more to say in our report to you next year.

Silvassa 2 dosage form plant

Steroid Bulk Plant, Panoli

High value bulk plant, Panoli

International markets:

Dosage forms

We continue to be enthused by opportunities ahead of us in the international branded products market. Our plans of gaining recognition as a high quality manufacturer with products that can be prescribed with confidence are gaining ground, albeit slowly and steadily. In the core markets identified, teams have been expanded, new registrations steered through the regulatory channels, and an element of systems and regularity brought into operations. The team has now increased to 169 medical representatives and 50 managerial/ supervisory personnel, working for Sun Pharma either directly or indirectly. The path of building product ownership for a brand/therapy area is long and calls for hard work, but given the fact that the current base is small whereas the opportunity is immense, we are on good ground.

Bulk Drugs

In continuation of the trend of regulatory approvals earned last year, several certifications and approvals were received this year too. Last year Ahmednagar had received approval from the USFDA for 1 bulk active, as well as ISO 9002 and ISO14001 certifications, 2 more Drug Master Files (DMFs) were approved by the USFDA from this facility. Panoli received Australian TGA approval, in addition to the European Certificate Of Suitability (COS) and ISO 9002 received last year. Sites at Ankleshwar and Chennai, bulk sites for India and the traditional markets, received ISO 9002 certification. So far now a total of 8 developed nations approvals have been received. A tally of 5 DMFs and 2 COS await approval. Increased sales of speciality bulk actives to customers in regulated markets, tonnage that offers substantially higher value addition, is an important corollary of these approvals, one that offers much higher value addition per kilo of bulk sold.

Research & development

A view of the Kalina labs

We gained notable progress on our long term objectives- to have 1 New Chemical Entity (NCE) and 2 Novel Drug Delivery Systems (NDDS) in human trials by 2004-05. The time, money and energy invested in R&D have been increased substantially, of which one parameter is certainly quantifiable; investments in R&D now exceed Rs.1857 mill, up from Rs.1200 mill last March.

A number of interesting new products, of which 16 were delivery system based or complex technology based, reached market. (this list does not include line extensions unless there is an important delivery system advantage).5 new bulk actives reached market. This continual stream of new products helps keep up the tempo of working, and helps us meet our goal of 40% turnover from new products launched in 4 years. Several of these have been brought to market very quickly after their international introduction, offering the latest molecules to the patient in India at a sensible cost.

At the risk of repeating the information that we've shared with you in earlier reports, over the short/immediate term the focus is reverse engineered bulk actives and dosage forms for India and the traditional markets. And we've had considerable success in this, as we've shared above. As a % of the R&D spend, this allocation continues to be brought down, with a larger proportion invested in projects with a long term timeframe, namely the NCE and NDDS projects.

Investments in R&D exceed Rs 1857mill

We had earlier written about 2 significant trends- that Indian companies were beginning to gain revenues from early stage licensing deals; and that international market revenues were beginning to be a sizable part of the total. During the course of the year, several such R&D deals suffered reversals, which one would consider as a normal part of the business risk associated with research. As a sign of the increasing maturity that the sector is being viewed with, these reversals were taken in stride and companies moved on. A better comprehension of the intricacy of the US legal process as well as willingness to pay for the best legal acumen were signs of this maturity. The R&D and international generic juggernaut rolls on, despite setbacks and minor detours; and given the size of the industry and the ambition of Indian companies, there is little to stop the sector.

Indian companies continued to gain from an investment in the lesser understood parts of the USFDA laws, won some legal battles, and sometimes lost some. An obdurate will to be part of the para 4 and section 505b2 opportunity is evident. Regardless of one case lost or another won, or yet another making it through the legal maze, the net result was a gain for the sector, in terms of maturity and comprehension of risk taking ability. This can only contribute to a more lasting, long term growth, in your boards' opinion.

The NDDS projects at Sun Pharma, in the areas of Dry powder inhalers (DPIs), Controlled release/Sustained Release(CR/SRs), biodegradable membranes, and targeted delivery systems are on track.

Particle Size Analyzer, Analytical lab

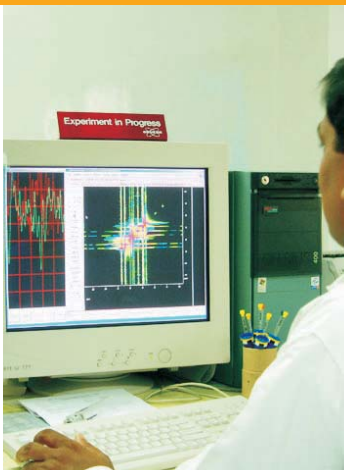
NCE projects in 3 therapy areas of interest, continue. Current synthesis capability has been ramped up, and would continue to be increased in the year ahead. We intend to share more information on these only once the required intellectual property is in place, and till then we seek your understanding.

New R&D campus:
200,000 sq.ft. of
research floor area
over 16 acres

Construction for the new R&D campus, which offers 200,000 sq. ft of research fioor area over i6acres, is weii on scheduie and shouid commence operations by mid 2003. The NCE and NDDS projects and teams wiii then shift from the current SPARC premises to this center. Recruitment for the center is weii underway, and this task has been somewhat aided by the interest shown by indian academics and scientists based overseas, in returning to india. in Mumbai, in the Mahakaii area, a 75,000 sq.ft site for NDDS as weii as for projects for the US/Europe generic markets is expected to be operationai by mid -2003.

SPARC at dusk

These expansions at the R&D sites which add over 275,000 sq.ft of research fioor area to our current 45,000 sq. ft of fioor space is a good pointer to both our intent and the iong term potentiai that we see in this area.
The company is gearing up for this exciting opportunity, with work of an internationai quaiity. This year we invested about Rs. 650 miii for R&D- money we wouid have otherwise invested in 5 years at our normai burn rate. For the next year, we expect a Rs. 750 miii commitment- and the numbers wiii be increased as required. The entire team at Sun Pharma and SPARC in particuiar are weii on their way to participating in this important transition.



In the NMR lab

Human Resources

Our continued growth is attributed cieariy to a concerted and committed team effort-the company is today a cohesive and weii knit team of over 3000 empioyees. Your company's Human Resources is constantiy engaged in expanding potentiai and productivity of this invaiuabie asset. To this end, Team Sun Pharma is constantiy upgrading skiiis by way of severai in-house and outside training programs. Expanding business, the opportunity to iearn and grow and an enabiing cuiture within your company attracts an expert workforce whiie heiping retain existing taient

Whiie such continued endeavor is not tangibie in absoiute numbers, your directors recognize the team's steadfast contribution and piace on record their acknowiedgment of the work done by Team Sun Pharma.

Corporate Governance

Certificate dated 28th Juiy, 2003 of the auditors of your Company regarding compiiance of the conditions of Corporate Governance as stipuiated in Ciause 49 of the iisting agreement with stock exchanges, is enciosed.

Consolidated Accounts

In accordance with the requirements of Accounting Standard AS-21 prescribed by the Institute of Chartered Accountants of India, the Consolidated Accounts of the Company and its subsidiaries is annexed to this Report.

Finance

All the banks in consortium continued to offer their highest rating to your company enabling it to source funds from banks at the finest rate of interest. CRISIL continued to reaffirm its highest rating of "P1+", for your Company's short term borrowing programme and "AAA" for long term borrowing.

During the year under review, your Company redeemed 3,01,30,384 Non Convertible Redeemable Preference Shares of Rs.1/- each as per the terms of the issue.

Your Company does not offer any Fixed Deposit schemes.

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, is available at the registered office of your company. As per the provisions of Section 219(1)(b)(iv) of the said Act, the Report and Accounts are being sent to all shareholders of the company excluding the statement of particulars of employees u/s 217(2A) of the said Act. Any shareholder interested in obtaining a copy of this statement may write to the Company Secretary at the Corporate office of the Company.

Additional Information

The additional information pursuant to Section 217(1)(e) of the Companies Act 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is given in Annexure and forms part of this report.

Directors

Shri Keki M. Mistry was appointed as an additional Director of the Company, by the Board of Directors with effect from 28th August, 2002 and holds the office upto the ensuing Annual General Meeting. The Company has received notice from a Member to propose his name for being appointed as a Director of the Company.

Shri Hasmukh S. Shah and Shri Dilip S. Shanghvi retire by rotation and being eligible offer themselves for reappointment.

Shri Sudhir V. Valia's & Shri Sailesh T. Desai's term of appointment as Wholetime Directors expires on 31st March, 2004. During the tenure of Shri Valia & Shri Desai ,the Company has attained all round growth in its business. Your Directors recommend the reappointment of Shri Valia & Shri Desai for a further period of 5 years.

Directors' Responsibility Statement

- Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:
  That in the preparation of the annual accounts for the financial year ended 31st March, 2003, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- That the Directors have selected appropriate accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and on the profit of the Company for the year under review;
- That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- That the Directors have prepared the annual accounts for the financial year ended 31st March, 2003 on a 'going concern' basis.

Auditors

Your Company's auditors, Price Waterhouse, Chartered Accountants, Mumbai, retire at the conclusion of the forthcoming Annual General Meeting. Your company has received a letter from them to the effect that their re-appointment, if made, will be in accordance with the provisions of Section 224(1-B) of the Companies Act, 1956.

Acknowledgements

Your Directors wish to thank all stakeholders and business partners-your Company's bankers, financial institutions, the medical profession and business associates for their continued support and valuable cooperation. Your Directors also wish to express their gratitude to investors for the faith that they continue to repose in the Company.

For and on behalf of the Board of Directors

Mumbai,
28th July, 2003

DILIP S. SHANGHVI
CHAIRMAN & MANAGING DIRECTOR

SUN PHARMACEUTICAL INDUSTRIES LTD.

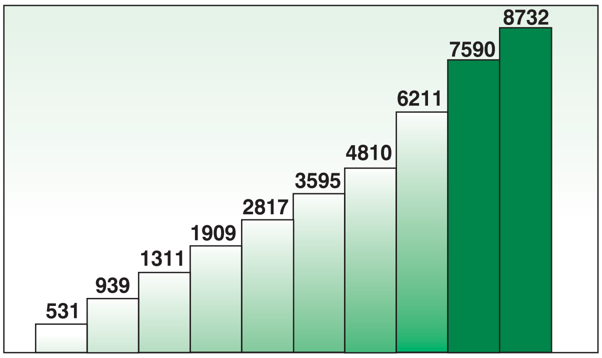
FINANCIAL HIGHLIGHTS

(Rs in Million)

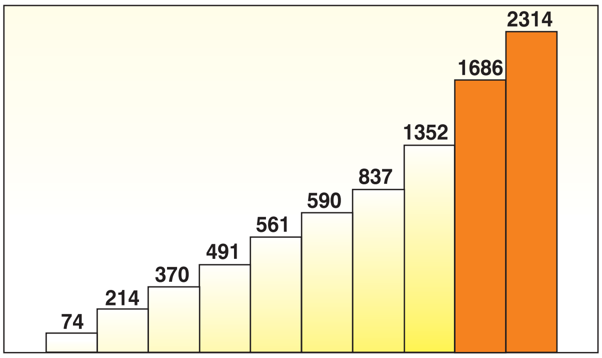
Particulars	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	**2002-03**
Total Income	531	939	1311	1909	2817	3595	4810	6211	7590	**8732**
Net Profit	74	214	370	491	561	590	907	1352	1686	**2314**
Gross Block	186	369	598	973	1371	2020	2442	2766	3373	**4077**
Net Worth	168	929	1271	1695	2177	3093	3647	4654	5356	**6962**
R&D Expenses										
Capital	34	24	26	45	35	45	102	71	197	**363**
Revenue	11	10	18	25	77	53	99	179	139	**294**
% of Turnover	8.75	3.92	3.85	4.13	4.21	2.75	4.20	4.09	4.50	**7.70**
Exports	34	83	275	309	507	894	1137	1181	1396	**1470**
Debt Equity ratio	1.02	0.16	0.14	0.11	0.18	0.21	0.13	0.08	0.02	**0.00**
Current ratio	2.29	5.19	4.62	4.32	4.21	4.04	4.00	3.78	3.91	**3.33**

(Rs in Million)

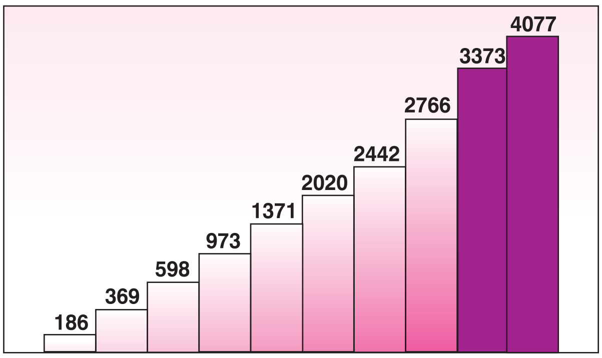
Total Income



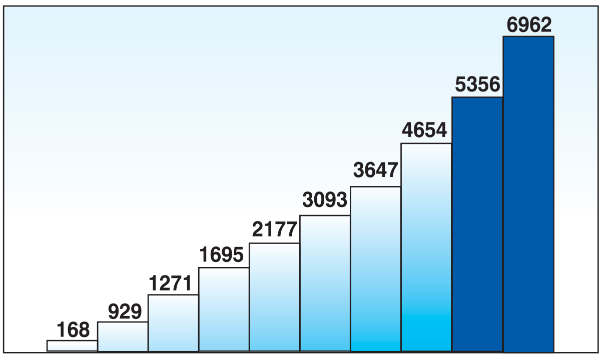
Net Profit



Gross Block



Net Worth



SUN
PHARMACEUTICAL
INDUSTRIES LTD.

Acme Plaza, Andheri Kurla Road, Andheri East, Mumbai 400 059. Fax: 022-28212010 Email: corpcomm@sunpharma.com

a cognito design

FINANCIAL STATEMENTS

BOARD OF DIRECTORS

Mr. Dilip S. Shanghvi
Chairman & Managing Director

Mr. Sudhir V. Valia
Wholetime Director

Mr. Sailesh T. Desai
Wholetime Director

Mr. S. Mohanchand Dadha
Director

Mr. Narendra N. Borkar
Director

Mr. Hasmukh S. Shah
Director

Mr. Keki M. Mistry
Director

COMPANY SECRETARY

Mr. Kamlesh H. Shah

AUDITORS

Price Waterhouse
Chartered Accountants
Mumbai.

BANKERS

Bank of Baroda
State Bank of India
Standard Chartered Bank
ICICI Bank Ltd
Bank of Nova Scotia
Citibank N. A.

REGISTRARS & SHARE TRANSFER AGENTS

Intime Spectrum Registry Ltd.
C-13, Pannalal Silk MIlls Compound,
L.B.S. Marg, Bhandup (West), Mumbai – 400 078.
Tel: 55555454
Fax: 55555353
Email: isrl@vsnl.com

Additional Collection Centre
201, Daver House,
197/199 Dr. D. N. Road,
Mumbai – 400 001
Tel.: 22694127

OFFICES

REGISTERED
Sun Pharma Advanced Research Centre (SPARC),
Akota Road, Akota,
Vadodara – 390 020.

CORPORATE
Acme Plaza,
Andheri Kurla Road,
Andheri (East),
Mumbai – 400 059.

RESEARCH CENTRES

Sun Pharma Advanced Research Centre (SPARC),
Akota Road, Akota,
Vadodara – 390 020.

Sun Pharmaceutical Advanced Research Centre (SPARC)
Kalina, Santacruz (East),
Mumbai – 400 099.

PLANTS

FORMULATIONS

C1/2710, GIDC, Phase-III,
Vapi – 396 195.

Plot No. 214, Govt. Industrial Area,
Phase-II, Piparia, Silvassa – 396 230.

Plot No. 20, Govt. Industrial Area,
Phase-II, Piparia, Silvassa – 396 230.

BULK DRUGS

Plot No. 25, GIDC, Phase-IV,
Panoli – 395 116.

A-7 & A-8, MIDC Industrial Area,
Ahmednagar – 414 111.

Plot No. 4708, GIDC,
Ankleshwar – 393 002.

Sathammai Village, Karunkuzhi Post,
Maduranthakam T. K., Kanchipuram District
Tamilnadu - 603 303.

Plot No. 223, Span Industrial Complex,
Dadra - 396 191 (U.T.)

AUDITORS' REPORT
TO THE MEMBERS OF SUN PHARMACEUTICAL INDUSTRIES LIMITED

1. We have audited the attached Balance Sheet of Sun Pharmaceutical Industries Limited, as at 31st March, 2003 and the related Profit and Loss Account for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. These financial statements are the responsibility of the management of the company. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of sub-section (4A) of section 227 of The Companies Act, 1956 of India ('the Act') and on the basis of such checks as we considered appropriate and according to the information and explanations given to us we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to in paragraph 3, we report that:

   (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;

   (iii) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;

   (iv) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act;

   (v) On the basis of written representations received from the Directors of the company as on 31st March, 2003 and taken on record by the Board of Directors of the company none of the Directors of the company is disqualified as on 31st March, 2003 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Act;

   (vi) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:

      (a) in the case of the balance sheet, of the state of affairs of the company as at 31st March, 2003;

      (b) in the case of the profit and loss account, of the profit for the year ended on that date; and

      (c) in the case of cash flow statement, of the cash flows for the year ended on that date.

PARTHA GHOSH
Partner
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

London, 3rd May, 2003

ANNEXURE TO THE AUDITORS' REPORT

Annexure referred to in Paragraph 3 of the Auditors' Report to the Members of Sun Pharmaceutical Industries Limited on the financial statements for the year ended 31st March, 2003.

(i) (a) The company has maintained proper records to show full particulars, including quantitative details and situation of its fixed assets.

(b) As explained to us, the fixed assets of the company have been physically verified during the year by the Management. Since the Management is in the process of reconciling the book records and the physical inventory, we are unable to comment whether the discrepancies between the book records and the physical inventory are material.

(ii) The fixed assets of the company have not been revalued during the year.

(iii) The stocks of finished goods, raw materials, packing materials and stores and spares of the company at all its location have been physically verified by the management during the year except where physical verification of stocks lying with third parties was not carried out, confirmations have been obtained by the management.

(iv) In our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.

(v) The discrepancies between the physical stocks and the book stocks, which have been properly dealt with, were not material after taking into account necessary adjustments required to be made to the book stocks.

(vi) In our opinion, the valuation of stocks of finished goods, raw materials, packing materials and stores and spares has been fair and proper in accordance with the normally accepted accounting principles in India and is on the same basis as in the preceding year.

(vii) The Company has not taken any loans secured or unsecured from companies, firms or other parties listed in the register maintained under Section 301 of The Companies Act, 1956 of India (the Act). In terms of sub-section (6) of Section 370 of the Act, provisions of the Section are not applicable to the Company on or after commencement of the Companies (Amendment) Act, 1999 of India.

(viii) In our opinion, the rates of interest and other terms and conditions of loans, secured or unsecured, granted by the Company to companies, firms or other parties listed in the register maintained under Section 301 of the Act are not prima facie prejudicial to the interest of the Company. In terms of sub-section (6) of Section 370 of the Act, provisions of the Section are not applicable to the Company on or after commencement of the Companies (Amendment) Act, 1999 of India.

(ix) The parties (including employees) to whom loans or advances in the nature of loans have been given by the company are repaying the principal amounts as stipulated and are also generally regular in payment of interest where applicable. In those cases where principle amounts and interests are not paid as stipulated, reasonable steps have been taken by the company for recovery of the principal and interest.

(x) In our opinion, having regard to the explanations as regards purchases, there is an adequate internal control procedure commensurate with the size of the company and the nature of its business, for purchase of stores, raw materials including components, plant and machinery, equipment and similar assets and for the sale of goods.

(xi) In our opinion, purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the 'Act' and aggregating during the year Rs. 50,000 or more in value in respect of each party have been made at prices which are reasonable having regard to the prevailing market prices for such goods, materials or services or the prices at which the transactions for similar goods or services have been made with other parties.

(xii) The company has a system of determining unserviceable or damaged stores and raw materials or finished goods on the basis of technical evaluation and on such basis, in our opinion, adequate amounts have been written off such stocks in the financial statements.

(xiii) The company has not accepted any fixed deposits from the public during the year.

(xiv) In our opinion, reasonable records have been maintained by the company for the sale and disposal of realisable scrap where applicable and significant. The company has no by-products.

(xv) In our opinion, the company's present internal audit system is commensurate with its size and nature of business.

(xvi) On the basis of records produced, we are of the opinion that, prima facie, the cost records prescribed by the Central Government of India under Section 209(1)(d) of the Act, have been maintained in respect of bulk drugs and formulations. However, we are not required to and have not carried out any detailed examination of such accounts and records.

(xvii) The company has been regular in depositing during the year, provident fund and employees' state insurance dues with the appropriate authorities in India.

(xviii) At the last day of the financial year, there were no amounts outstanding in respect of undisputed income-tax, wealth-tax, sales tax, customs duty and excise duty which were due for more than six months from the date they became payable.

(xix) During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, we have not come across any personal expenses which have been charged to Profit and Loss Account, nor have we been informed of any such case by the management other than those payable under contractual obligations and/or accepted business practices as followed in India.

(xx) The company is not a sick industrial company within the meaning of clause (o) of Section 3(1) of the Sick Industrial Companies (Special Provisions) Act, 1985 of India.

(xxi) As explained to us, the nature of services rendered is such that it does not involve the consumption of materials and stores and does not require utilization of man-hours.

(xxii) In respect of trading activities, there are no damaged goods in the possession of the company as at 31st March, 2003.

(xxiii) In respect of finance activities:

(i) The company has generally maintained documents and records where the Company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(ii) We are informed that the provisions of special statute relating to chit fund, nidhi or mutual benefit society are not applicable to the company during the year.

(iii) The shares, securities and debentures have been held by the company in its own name for which timely entries have been properly recorded.

PARTHA GHOSH
Partner
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

London, 3rd May, 2003

SUN PHARMACEUTICAL INDUSTRIES LTD.

BALANCE SHEET AS AT 31ST MARCH, 2003

	Schedules	As at 31st March, 2003 Rs in Million	As at 31st March, 2003 Rs in Million	As at 31st March, 2002 Rs in Million	As at 31st March, 2002 Rs in Million
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1	622.2		467.7	
Share Capital Suspense	2	0.0		0.2	
Reserves and Surplus	3	6340.0	6962.2	4888.5	5356.4
Loan Funds					
Unsecured Loans	4		0.0		1.7
			6962.2		5358.1
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	5	3403.4		3004.9	
Less: Depreciation and Lease Terminal Adjustment		1090.0		915.1	
Net Block		2313.4		2089.8	
Add: Capital Advances and Work-in-Progress		673.9	2987.3	368.4	2458.2
Investments	6		856.1		825.3
Current Assets, Loans and Advances					
Inventories	7	1556.2		1310.5	
Sundry Debtors	8	1971.6		1077.6	
Cash and Bank Balances	9	786.8		247.8	
Loans and Advances-Others	10	554.6		622.9	
		4869.2		3258.8	
Less: Current Liabilities and Provisions	11	1462.9	3406.3	953.1	2305.7
Deferred Tax Liability	12		(287.5)		(231.1)
			6962.2		5358.1

NOTES TO THE FINANCIAL STATEMENTS 19

Schedules referred to herein form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our report of even date.

Partha Ghosh
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

London, 3rd May, 2003

KAMLESH H. SHAH
Company Secretary

For and on behalf of the Board

DILIP S. SHANGHVI
Chairman & Managing Director

SUDHIR V. VALIA
Wholetime Director

SAILESH T. DESAI
Wholetime Director

Mumbai, 3rd May, 2003

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2003

	Schedules	**Year ended 31st March, 2003** **Rs in Million**	**Rs in Million**	Year ended 31st March, 2002 Rs in Million	Rs in Million
INCOME					
Income from Operations	**13**	**8646.5**		7531.6	
Other Income	**14**	**85.5**	**8732.0**	58.2	7589.8
EXPENDITURE					
Material Cost	**15**	**3187.7**		3108.8	
Indirect Taxes	**16**	**994.7**		793.0	
Personnel Cost	**17**	**498.5**		419.5	
Operational Expenses	**18**	**1331.4**		1221.9	
Depreciation		**191.4**	**6203.7**	173.8	5717.0
PROFIT BEFORE TAXATION			**2528.3**		1872.8
Provision for Taxation			**157.8**		123.1
Provision for Deferred Tax			**56.4**		36.9
PROFIT AFTER TAXATION			**2314.1**		1712.8
Exceptional Item: Cost of Investment in excess of nominal value of shares of MJPL			**0.0**		26.4
PROFIT FOR THE YEAR			**2314.1**		1686.4
BALANCE BROUGHT FORWARD			**1287.7**		1177.3
AVAILABLE FOR APPROPRIATIONS			**3601.8**		2863.7
APPROPRIATIONS					
Dividend					
Preference Shares		**3.9**		13.5	
Equity Shares-Final-Proposed		**465.2**		233.9	
Corporate Dividend Tax		**60.1**	**529.2**	1.4	248.8
Transferred to General Reserve		**1500.0**		1000.0	
Transferred to Capital Redemption Reserve		**30.1**	**1530.1**	327.2	1327.2
BALANCE CARRIED TO BALANCE SHEET			**1542.5**		1287.7
EARNING PER SHARE (RS) BASIC & DILUTED, FOR FACE VALUE RS. 5 EACH			**24.7**		17.9

NOTES TO THE FINANCIAL STATEMENTS 19

Schedules referred to herein form an integral part of the Profit and Loss Account.

This is the Profit and Loss Account referred to in our report of even date.

Partha Ghosh
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

London, 3rd May, 2003

KAMLESH H. SHAH
Company Secretary

For and on behalf of the Board

DILIP S. SHANGHVI
Chairman & Managing Director

SUDHIR V. VALIA
Wholetime Director

SAILESH T. DESAI
Wholetime Director

Mumbai, 3rd May, 2003

SCHEDULES TO THE FINANCIAL STATEMENTS

	As at 31st March, 2003 Rs in Million	As at 31st March, 2002 Rs in Million
SCHEDULE 1 : SHARE CAPITAL		
Authorised		
20,00,00,000 (Previous Year 10,00,00,000) Equity Shares of Rs. 5 (Previous Year Rs.10) each	**1000.0**	1000.0
30,00,00,000 (Previous Year 30,00,000) Preference Shares of Re.1 (Previous Year Rs.100) each	**300.0**	300.0
Issued and Subscribed		
930,48,478 (Previous Year 467,74,537) Equity Shares of Rs.5 (Previous Year Rs. 10) each	**465.2**	467.7
15,70,46,848 (Previous Year Nil) 6% Cumulative Redeemable Preference Shares of Re.1 each	**157.0**	0.0
	622.2	467.7

Notes:

1) 3,44,37,166 (Previous Year 3,44,37,166) Equity shares of Rs.10 each were allotted as fully paid Bonus Shares by capitalisation of Share Premium Account, Profit and Loss Account and Amalgamation Reserve.

2) 4,13,633; 2,08,000; 4,77,581; 11,438; 18,519 and 19771 Equity Shares of Rs.10 each fully paid, were allotted to the shareholders of erstwhile Tamilnadu Dadha Pharmaceuticals Ltd, Milmet Laboratories Pvt. Ltd, Gujarat Lyka Organics Ltd, Sun Pharmaceutical Exports Ltd, Pradeep Drug Company Ltd and M.J.Pharmaceuticals Ltd (issued during the year) respectively, pursuant to Schemes of Amalgamations, without payment being received in cash.

3) 18,71,77,232 (Previous Year Nil) 6% Cumulative Redeemable Preference Shares of Re.1 each were allotted as fully paid bonus shares, to the equity shareholders, by capitalisation of Capital Redemption Reserve. Out of this, 301,30,384 shares were redeemed at par during the year.

4) One equity share of Rs. 10 each fully paid up was split into two equity shares of Rs. 5 each fully paid up, as on record date 21st January 2003, thereby increasing number of equity shares from 467,94,308 to 935,88,616.

5) During the year, Company has bought 5,40,138 equity shares of Rs. 5 each, under the buy-back scheme, through open market route.

SCHEDULE 2 : SHARE CAPITAL SUSPENSE

Nil (Previous Year 19,771) equity shares of Rs.10 each fully paid up, issued pursuant to the scheme of Amalgamation of M.J. Pharmaceuticals Ltd. with the Company.	**0.0**	0.2

SCHEDULES TO THE FINANCIAL STATEMENTS

	As at 31st March, 2003		As at 31st March, 2002	
	Rs in Million	**Rs in Million**	Rs in Million	Rs in Million
SCHEDULE 3 : RESERVES AND SURPLUS				
Capital Reserve				
As per last Balance Sheet		**6.7**		6.7
Share Premium				
As per last Balance Sheet	**57.4**		317.3	
Add: Transferred from Amalgamating Company (Gross)	**0.0**		49.0	
	57.4		366.3	
Less: Utilised for Buy-Back of Equity Shares	**57.4**		0.0	
Less: Debit balance in Profit & Loss Account of Amalgamating Company	**0.0**		308.1	
Less: Utilised for writing off Issue Expenses of Amalgamating Company	**0.0**	**0.0**	0.8	57.4
Capital Redemption Reserve				
As per last Balance Sheet	**501.8**		174.6	
Add : Transferred from Profit and Loss Account	**30.1**		327.2	
	531.9		501.8	
Less: Utilised for Issue of Bonus Preference Shares	**187.2**	**344.7**	0.0	501.8
Share Capital Buyback Reserve				
Transferred from General Reserve		**2.7**		0.0
Amalgamation Reserve				
Surplus on Amalgamation	**0.0**		41.3	
Less: Transferred to General Reserve	**0.0**	**0.0**	41.3	0.0
General Reserve				
As per last Balance Sheet	**3034.9**		2182.7	
Add : Transferred from Amalgamating Company	**0.0**		5.0	
Add : Transferred from Amalgamation Reserve	**0.0**		41.3	
Add : Transferred from Profit and Loss Account	**1500.0**		1000.0	
	4534.9		3229.0	
Less: Transferred to Share Capital Buyback Reserve	**2.7**		0.0	
Less: Utilised for Buy-Back of Equity Shares	**88.8**		0.0	
Less: Transferred to Deferred Tax Liability	**0.0**	**4443.4**	194.1	3034.9
Profit and Loss Account				
As per Annexed Account		**1542.5**		1287.7
		6340.0		4888.5
SCHEDULE 4 : UNSECURED LOANS				
Short Term Loan from Financial Institution		**0.0**		1.7
		0.0		1.7

SUN PHARMACEUTICAL INDUSTRIES LTD.

SCHEDULES TO THE FINANCIAL STATEMENTS

SCHEDULE 5 : FIXED ASSETS

Rs in Million

Particulars	Gross Block					Depreciation					Net Block	
	As at 1.4.02	Additions on Amalgamation	Additions 02-03	Deletions 02-03	**As at 31.3.03**	As at 1.4.02	Additions on Amalgamation	For year 02-03	Written back/ Deleted 02-03	**As at 31.3.03**	**As at 31.3.03**	As at 31.3.02
Freehold Land	14.9	0.0	0.0	0.1	**14.8**	0.0	0.0	0.0	0.0	**0.0**	**14.8**	14.9
Leasehold Land	19.3	0.0	0.0	0.0	**19.3**	1.7	0.0	0.2	0.0	**1.9**	**17.4**	17.6
Buildings	676.6	0.0	188.9	69.8	**795.7**	105.5	0.0	18.2	0.0	**123.7**	**672.0**	571.1
Plant and Machinery	1667.4	0.0	346.9	0.3	**2014.0**	615.9	0.0	134.9	0.1	**750.7**	**1263.3**	1051.5
Vehicles	34.8	0.0	6.7	1.2	**40.3**	14.1	0.0	3.4	0.6	**16.9**	**23.4**	20.7
Furniture and Fixtures	55.4	0.0	6.5	0.1	**61.8**	22.4	0.0	4.9	0.0	**27.3**	**34.5**	33.0
Trademarks, Designs and Other Intangible Assets	469.5	0.0	0.9	79.9	**390.5**	102.7	0.0	26.6	13.8	**115.5**	**275.0**	366.8
SUBTOTAL-A	**2937.9**	**0.0**	**549.9**	**151.4**	**3336.4**	**862.3**	**0.0**	**188.2**	**14.5**	**1036.0**	**2300.4**	**2075.6**
Assets Given On Lease	67.0	0.0	0.0	0.0	**67.0**	21.0	0.0	3.2	0.0	**24.2**		
Lease Terminal Adjustment	0.0	0.0	0.0	0.0	**0.0**	31.8	0.0	0.0	2.0	**29.8**		
SUBTOTAL-B	**67.0**	**0.0**	**0.0**	**0.0**	**67.0**	**52.8**	**0.0**	**3.2**	**2.0**	**54.0**	**13.0**	**14.2**
TOTAL A+B	**3004.9**	**0.0**	**549.9**	**151.4**	**3403.4**	**915.1**	**0.0**	**191.4**	**16.5**	**1090.0**	**2313.4**	
Previous Year	2674.8	141.6	339.2	150.7	**3004.9**	784.1	49.0	174.6	92.6	**915.1**		**2089.8**
						Capital Advances and Work-in-Progress					**673.9**	368.4
											2987.3	2458.2

Notes:

1. Buildings include Rs. 1020 (Previous Year Rs 500) towards cost of shares in a Co-operative Housing Society.
2. Capital Advances and Work-in-Progress includes Rs. 14.6 Million (Previous Year Rs 2.0 Million) on account of Pre-operative expenses.

	As at 31st March, 2003		As at 31st March, 2002	
	Rs in Million	**Rs in Million**	Rs in Million	Rs in Million
SCHEDULE 6 : INVESTMENTS (LONG TERM, AT COST)				
Government Securities				
National Savings Certificates Rs. 12,000 (Previous Year Rs. 12,000) (Deposited with Government Authorities)		**0.0**		0.0
Trade Investments				
A) Quoted				
In Subsidiary Companies				
Caraco Pharmaceutical Laboratories Ltd. USA 83,82,666 (Previous Year Nil) fully paid Common Shares of No Par Value Market Value - Rs.1122.9 Million (Previous Year Nil)	**303.9**		0.0	
In Associate Companies				
Caraco Pharmaceutical Laboratories Ltd.USA Nil (Previous Year 83,82,666) fully paid Common Shares of No Par Value Market Value - Nil (Previous Year Rs. 1512.0 Million)	**0.0**	**303.9**	303.9	303.9

SCHEDULES TO THE FINANCIAL STATEMENTS

	As at 31st March, 2003		As at 31st March, 2002	
	Rs in Million	**Rs in Million**	Rs in Million	Rs in Million
B) Unquoted				
In Subsidiary Companies				
Sun Pharma Industries Ltd. Russia-1,000 (Previous Year 1,000) Shares of Rubles 20 each fully paid	**0.2**		0.2	
Sun Pharma Global Inc. BVI-5,00,000 (Previous Year 5,00,000) Shares of US $ 1 each fully paid	**17.6**		17.6	
Milmet Pharma Ltd.-49,800 (Previous Year 9,000) Equity Shares of Rs. 10 each fully paid	**0.5**		0.1	
Sun Pharmaceutical (Bangladesh) Ltd. 724 (Previous Year 724) Equity Shares of 100 Takas each fully paid	**0.1**		0.1	
Advance against Share Capital	**63.4**		63.4	
Promissory Note-Caraco Pharmaceutical Laboratories Ltd, USA carrying interest @ 8% p.a.	**465.0**		0.0	
	546.8		81.4	
In Associate Companies				
Promissory Note-Caraco Pharmaceutical Laboratories Ltd, USA carrying interest @ 8% p.a.	**0.0**	**546.8**	440.0	521.4
C) In Capital of Partnership Firm				
Sun Pharma Exports Rs. 152 (Previous Year Rs. -8,168)		**0.0**		0.0
Non-Trade Investments				
Ramin Developers Pvt Ltd.-200 (Previous Year Nil) Equity Shares of Rs. 100 each fully paid (pending registration)		**5.4**		0.0
		856.1		825.3

Note: During the year 5000 equity shares of Arpita Finvest Pvt Ltd were purchased (Rs. 10.0 Million) and sold (Rs. 10.0 Million).

SCHEDULE 7 : INVENTORIES

(As valued and certified by the Management)				
Consumables Stores		**1.2**		0.7
Raw Materials	**709.6**		564.7	
Packing Materials	**85.8**		53.9	
Finished Goods	**405.0**		427.3	
Work-in-Progress	**354.6**	**1555.0**	263.9	1309.8
		1556.2		1310.5

SCHEDULE 8 : SUNDRY DEBTORS

(Unsecured-Considered Good, unless stated otherwise)				
Over Six Months				
Considered Good		**196.5**		163.4
Considered Doubtful	**1.5**		0.0	
Less: Provison for Doubtful Debts	**1.5**	**0.0**	0.0	0.0
Others		**1775.1**		914.2
		1971.6		1077.6

SCHEDULE 9 : CASH AND BANK BALANCES

Cash and Cheques in hand		**2.5**		9.4
Balances with Scheduled Banks on-				
Current Accounts	**76.9**		132.8	
Deposit Accounts	**701.9**		101.1	
Unpaid Dividend Accounts	**5.5**	**784.3**	4.5	238.4
		786.8		247.8

SUN PHARMACEUTICAL INDUSTRIES LTD.

SCHEDULES TO THE FINANCIAL STATEMENTS

	As at 31st March, 2003		As at 31st March, 2002	
	Rs in Million	**Rs in Million**	Rs in Million	Rs in Million
SCHEDULE 10 : LOANS AND ADVANCES				
(Considered Good)				
Loan to Employees# / Others*		**115.1**		85.0
Advances Recoverable in Cash or in Kind or for Value to be received		**48.9**		40.4
Advances to Suppliers		**83.9**		71.7
Due on Sale of Undertaking		**0.0**		189.4
Balances with Central Excise and Customs		**80.1**		63.6
DEPB and Advance Licence		**94.6**		88.4
Other Deposits		**33.8**		27.6
Advance Payment of Income Tax (Net of Provision)		**98.2**		56.8
		554.6		622.9

\# Due from an Officer of the Company
Nil (Previous Year Rs. 1.0 Million)
Maximum amount outstanding during the year
Rs. 1.0 Million (Previous Year Rs. 1.1 Million)

* Secured Loans Rs. 24.4 Million (Previous Year Rs. 24.4 Million)

	As at 31st March, 2003		As at 31st March, 2002	
	Rs in Million	**Rs in Million**	Rs in Million	Rs in Million
SCHEDULE 11 : CURRENT LIABILITIES AND PROVISIONS				
Current Liabilities				
Sundry Creditors and Advances from Customers				
Due to Small Scale Industrial Undertakings	**6.7**		6.4	
Others	**463.7**		361.2	
Deferred Sales Tax	**41.3**		31.5	
Security Deposits	**17.3**		14.3	
Unclaimed Dividend #	**5.5**		4.5	
Temparory Bank Overdraft	**92.4**		89.1	
Other Liabilities	**306.8**	**933.7**	212.2	719.2
Provisions				
Proposed Dividend-Equity	**465.2**		233.9	
-Preference	**3.9**	**469.1**	0.0	233.9
Corporate Dividend Tax		**60.1**		0.0
		1462.9		953.1

\# There are no amounts due and outstanding to be credited to the Investor Education and Protection Fund.

	As at 31st March, 2003		As at 31st March, 2002	
	Rs in Million	**Rs in Million**	Rs in Million	Rs in Million
SCHEDULE 12 : DEFERRED TAX LIABILITY				
Deferred Tax Assets				
Unpaid Liabilities Allowable on payment basis U/s 43B		**3.3**		2.1
Others		**0.1**		0.2
		3.4		2.3
Less:Deferred Tax Liability-Depreciation on Fixed Assets		**290.9**		233.4
		(287.5)		(231.1)

SCHEDULES TO THE FINANCIAL STATEMENTS

	Year ended 31st March, 2003 Rs in Million	Rs in Million	Year ended 31st March, 2002 Rs in Million	Rs in Million
SCHEDULE 13 : INCOME FROM OPERATIONS				
Sales		**8587.4**		7477.2
Export Incentives		**0.0**		0.6
Interest-TDS Rs. 5.4 Million (Previous Year Rs. 11.1 Million)		**54.3**		42.8
Lease Rental and Hire Charges-TDS Nil (Previous Year Rs. 0.1 Million)	**2.8**		2.2	
Add: Lease Equalisation Account	**2.0**	**4.8**	8.5	10.7
Conversion and Analytical Charges Rs. 3200-TDS Nil (Previous Year 0.3 Million)		**0.0**		0.3
		8646.5		7531.6
SCHEDULE 14 : OTHER INCOME				
Other Interest-TDS Rs. 0.3 Million (Previous Year Rs. 0.3 Million)		**12.0**		2.8
Profit on Sale of Fixed Assets		**31.6**		0.0
Sundry Balances Written Back (Net)		**1.2**		0.0
Insurance Claims		**2.1**		2.2
Dividend Rs. 21360-TDS Rs. 2026 (Previous Year Nil)		**0.0**		11.8
Miscellaneous Income-TDS Rs. 1.8 Million (Previous Year Rs. 0.5 Million)		**38.6**		41.4
		85.5		58.2
SCHEDULE 15 : MATERIAL COST				
Inventories at the beginning of the year		**1309.8**		1476.2
Purchases during the year		**3432.9**		2942.4
Inventories at the end of the year		**(1555.0)**		(1309.8)
		3187.7		3108.8
SCHEDULE 16 : INDIRECT TAXES				
Excise Duty		**713.3**		567.3
Sales Tax		**277.4**		217.3
Turnover Tax		**1.3**		3.8
Purchase Tax		**2.7**		4.6
		994.7		793.0
SCHEDULE 17 : PERSONNEL COST				
Salaries, Wages, Bonus and Benefits		**395.2**		337.8
Contribution to Provident and Other Funds		**39.5**		32.5
Other Welfare Expenses		**63.8**		49.2
		498.5		419.5
SCHEDULE 18 : OPERATIONAL EXPENSES				
Stores and Spares Consumed		**43.1**		55.0
Manufacturing Charges		**108.0**		78.3
Power and Fuel		**139.9**		115.1
Rent		**12.1**		8.0
Rates and Taxes		**10.8**		7.7
Insurance		**10.8**		10.5
Selling and Distribution		**318.8**		349.8
Commission and Discount		**89.5**		50.1

SCHEDULES TO THE FINANCIAL STATEMENTS

	Year ended 31st March, 2003		Year ended 31st March, 2002	
	Rs in Million	**Rs in Million**	Rs in Million	Rs in Million
Repairs				
Building	**14.3**		11.1	
Plant and Machinery	**75.5**		57.5	
Others	**20.4**	**110.2**	13.0	81.6
Printing and Stationery		**15.3**		14.0
Travelling and Conveyance		**36.3**		35.5
Overseas Travel and Export Promotion		**172.6**		176.7
Communication		**33.3**		33.2
Research and Development		**103.2**		65.1
Irrecoverable Debts/Advances Written Off		**0.0**		15.7
Professional and Consultancy		**28.1**		20.1
Donations		**0.5**		1.4
Loss on Sale of Fixed Assets		**0.5**		6.8
Share of Loss from Partnership Firm (Previous Year Rs 8,168)		**0.0**		0.0
Auditors' Remuneration (including service tax)				
Audit Fees	**1.8**		1.7	
Limited Review	**0.4**		0.4	
Certification Fees Rs. 16200	**0.0**		0.1	
Other Services	**0.5**		0.5	
Out of Pocket Expenses	**0.1**	**2.8**	0.1	2.8
Miscellaneous		**95.6**		94.5
		1331.4		1221.9

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2003

SCHEDULE 19 : NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

I Basis of Accounting

The financial statements have been prepared under historical cost convention on an accrual basis and comply with the Accounting Standards referred to in Section 211(3C) of The Companies Act, 1956.

II Fixed Assets and Depreciation / Amortisation

Fixed Assets including intangible assets are stated at historical cost less accumulated depreciation/amortisation. Depreciation on tangible assets is provided on Straight Line Method at the rates specified in Schedule XIV to The Companies Act, 1956. Trademarks, designs, technical knowhow, non-compete fees and other intangible assets are amortised on Straight Line Method over the useful life of the assets (10/20 years) as estimated by the Management. Leasehold land is amortised over the period of lease. In consonance with the matching concept of accounting principles, lease terminal adjustment and lease equalisation accounts have been created for the assets given on lease, wherever required.

III Investments

Investments are stated at cost.

IV Inventory Valuation

Raw and Packing Materials	- at cost
Stores and Spares	- at cost
Work-in-Progress	- at cost
Finished Goods	- at lower of cost or net realisable value

V Deferred Tax

Deferred tax assets and liabilities are recognised as per Accounting Standard AS-22 on 'Accounting for taxes on income' issued by The Institute of Chartered Accountants of India.

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2003

VI Research and Development

All revenue expenditures related to Research and Development are charged to the respective heads in the Profit and Loss Account.

VII Sales

Sales are stated net of returns but includes sales tax, excise duty, interest on delayed payments and inter unit sales.

VIII Foreign Currency Transactions

Liabilities in foreign currency as well as receivables in foreign currency have been restated into Indian Rupees at the rates of exchange prevailing as on the date of the Balance Sheet and/or rates as per forward exchange contracts whenever entered. The resultant exchange difference is adjusted in Profit and Loss Account except those relating to acquisition of fixed assets which is adjusted in the cost of such assets.

IX Terminal Benefits

(a) The Company's contribution in respect of provident fund is charged to Profit and Loss Account each year.

(b) The Company's contribution to Life Insurance Corporation of India for group gratuity policy and superannuation fund is charged off to Profit and Loss account each year.

(c) Liability for accumulated earned privileged leave of employees is ascertained and provided for as per Company Rules.

	As at 31st March, 2003 Rs in Million	As at 31st March, 2002 Rs in Million
2. CONTINGENT LIABILITIES NOT PROVIDED FOR		
Guarantees Given by the Company	**831.3**	732.0
Letters of Credit	**241.4**	163.6
Packing Credit	**0.0**	16.0
Liabilities Disputed		
Sales Tax	**86.7**	69.7
Excise Duty	**27.6**	36.5
Income Tax	**120.7**	102.6
Towards Price Equalisation Fund - DPEA	**10.0**	10.0
Import duty-JDGFT	**19.1**	17.4
ESIC Contribution	**0.2**	0.2
Claims against the Company not acknowledged as debts	**0.4**	0.4
3. CAPITAL COMMITMENTS-FIXED ASSETS	**94.3**	185.6

	Year ended 31st March, 2003 Rs in Million	Year ended 31st March, 2002 Rs in Million
4. REMUNERATION TO DIRECTORS		
Managerial Remuneration U/s 198 of The Companies Act, 1956		
Salaries and Allowances	**9.7**	7.1
Contribution to Provident and Superannuation Funds	**1.9**	1.4
Perquisites and Benefits Rs. 45,000 (Previous Year Rs.30,000)	**0.0**	0.0
Commission*	**1.2**	0.0
Total	**12.8**	8.5

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2003

	Year ended 31st March, 2003 **Rs in Million**	**Rs in Million**	Year ended 31st March, 2002 Rs in Million	Rs in Million
Computation of net profit U/s 198 read with Section 309(5) of The Companies Act, 1956.and calculation of commission payable to directors				
Profit Before Taxation		**2528.3**		
Add : Depreciation as per Accounts	**191.4**			
Provision for Doubtful Debts	**1.5**			
Loss on Sale of Fixed Assets	**0.5**			
Managerial Remuneration	**12.8**			
Directors Sitting Fess	**0.2**			
Sundry Balances Written off	**3.3**			
Prior Period Expenses	**0.1**	**209.8**		
Less: Depreciation as per Section 350 of Companies Act 1956	**191.4**			
Profit on Sale of Fixed Assets	**31.6**			
Sundry Balances Written Back	**5.3**			
Bad Debts Recovered	**0.8**	**229.1**		
Net Profit		**2509.0**		
Salaries, Perquisites and Commission @ 1% of the above		**25.1**		

* As commission to Non-Executive Directors is paid from current year, the comparative figures for previous year are not given.

5. RESEARCH AND DEVELOPMENT EXPENDITURE

	2003	2002
Revenue	**294.3**	197.3
Capital	**363.4**	139.4

6. INTEREST EXPENSES FOR

	2003	2002
Fixed Loans	**0.3**	26.8
Debentures	**3.2**	3.0
Others	**5.9**	6.3

7. INFORMATION RELATING TO CONSUMPTION OF MATERIALS

	Quantity	**Value**	Quantity	Value
Raw Materials and Packing Materials				
Raw Materials-KGs	**5999857**	**2507.2**	5897514	2218.5
Raw Materials-Litres	**7629490**		7168573	
Packing/Other Materials	*****	**166.0**	*	135.4
Total		**2673.2**		2353.9

* Information can not be furnished as the items involved are numerous. None of the items individually account for more than 10% of total consumption.

Imported and Indigenous	**%**	**Value**	%	Value
Raw Materials and Packing Materials				
Imported	**26.33**	**703.9**	21.58	508.0
Indigenous	**73.67**	**1969.3**	78.42	1845.9
Total	**100.00**	**2673.2**	100.00	2353.9
Stores and Spares				
Imported	**0.47**	**0.2**	1.09	0.6
Indigenous	**99.53**	**42.9**	98.91	54.3
Total	**100.00**	**43.1**	100.00	54.9

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2003

8. INFORMATION RELATING TO LICENSED CAPACITY AND PRODUCTION

	As at 31st March, 2003	As at 31st March, 2002
Tablets/Capsules/Parenterals/Ointments (No.s in Million)		
Licensed Capacity	**Not Applicable**	Not Applicable
Installed Capacity*	**3070.0**	3070.0
Actual Production (including loan licence)	**2487.0**	1844.9
Bulk Drugs/Chemicals		
Licensed Capacity	**Not Applicable**	Not Applicable
Installed Capacity* (In Kilo Litres)	**538.5**	473.1
Actual Production (including loan licence) (In Kgs)	**1093384.4**	958867.2
(*as certified by the Management)		

9. INFORMATION RELATING TO TURNOVER, PURCHASE AND STOCKS

Rs in Million

	Turnover*		Purchases		Opening Stock		Closing Stock	
	Quantity	Value Rs.	Quantity	Value Rs.	Quantity	Value Rs.	Quantity	Value Rs.
Formulations (Qty Million)								
2002-03	**2782.5**	**6161.4**	**270.5**	**524.2**	**232.9**	**230.5**	**207.9**	**263.0**
2001-02	2245.7	4944.0	314.1	528.0	319.6	272.7	232.9	230.5
Bulk Drugs/Chemicals (Qty/Kgs)								
2002-03	**1131913.9**	**2397.2**	**27525.0**	**34.7**	**84065.5**	**198.8**	**73061.0**	**142.0**
2001-02	939718.4	2468.0	0.0	0.0	64916.7	275.6	84065.5	198.8
Others								
2002-03	**0.0**	**28.8**	**0.0**	**24.1**	**0.0**	**0.0**	**0.0**	**0.0**
2001-02	0.0	65.2	0.0	42.6	0.0	0.0	0.0	0.0
Total								
2002-03		**8587.4**		**583.0**		**429.3**		**405.0**
2001-02		7477.2		570.6		548.3		429.3

* Includes inter-unit sales Rs. 689.1 Million (Previous Year Rs. 522.4 Million), excise duty Rs. 713.3 Million (Previous Year Rs. 567.3 Million) and sales tax of Rs. 277.4 Million (Previous Year Rs. 217.3 Million)

10. INCOME/EXPENDITURE IN FOREIGN CURRENCY

	Year ended 31st March, 2003 Rs in Million	Year ended 31st March, 2002 Rs in Million
Income		
Exports (FOB basis)	**1402.3**	1337.2
Lease Rentals	**1.6**	1.6
Expenditure		
Raw Materials (CIF basis)	**634.8**	418.3
Packing Materials (CIF basis)	**31.0**	1.4
Finished Goods (CIF basis)	**59.4**	42.5
Capital Goods (CIF basis)	**133.5**	91.3
Spares and Components (CIF basis)	**5.3**	2.6
Overseas Travel	**29.8**	29.6
Others	**160.5**	64.3

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2003

11. Foreign currency transactions are translated as per the accounting policy referred to in item 1(VIII) above. The net exchange loss of Rs.10.41 Million (Previous Year gain of Rs.30.26 Million) is included in the net profit for the year.

12. Provision for taxation is arrived at after considering available tax credit under minimum alternate tax.

13. Based on the information available, there are no sundry creditors being small scale industrial undertaking and having outstanding due for more than 30 days.

14. DISCLOSURE WITH RESPECT TO ACCOUNTING STANDARDS ISSUED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(I) Accounting Standard (AS-18) on Related Party Disclosure - as per Annexure 'A'.

(II) Accounting Standard (AS-20) on Earnings Per Share

	Year ended 31st March, 2003 Rs in Million	Year ended 31st March, 2002 Rs in Million
Net Profit	**2314.1**	1686.4
Less: Dividend on Preference Shares	**3.9**	13.5
Less: Corporate Dividend Tax on Preference Shares	**0.5**	1.4
Profit used as Numerator	**2309.7**	1671.5
Weighted Average number of Equity Shares used as Denominator	**93564866**	93588616
Nominal Value Per Share (in Rs.)	**5**	5
Basic and Diluted Earnings Per Share (in Rs.)	**24.7**	17.9

(III) Accounting Standard (AS-17) on Segment Reporting

(a) Primary Segment

The Company has identified "Pharmaceuticals" as the only primary reportable segment.

(b) Secondary Segment (by Geographical Segment)

India	**7117.9**	6081.2
Outside India	**1469.5**	1396.0
Total Sales	**8587.4**	7477.2

In view of the inter-woven/inter-mix nature of business and manufacturing facility, other segmental information is not ascertainable.

15. Figures of previous year, corresponding to the current year are restated/regrouped/reclassified, wherever necessary.

SCHEDULES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2003

16 INFORMATION REQUIRED AS PER PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration Details

Registration No.	Balance Sheet Date	State Code
04/19050	31st March, 2003	04

II Capital Raised during the year (Rs in Million)

Public Issue	Right Issue
NIL	NIL
Bonus Issue*	Private Placement
157.0	NIL

* preference shares, net after redemption of Rs. 30.1 Million

III Position of Mobilisation and Deployment of Funds (Rs in Million)

Total Liabilities	Total Assets
1750.4	8712.6
Sources of Funds	
Paid-up Capital	Reserves and Surplus
622.2	6340.0
Secured Loans	Unsecured Loans
0.0	0.0
Application of Funds	
Net Fixed Assets	Investments
2987.3	856.1
Net Current Assets*	Miscellaneous Expenditure
3118.8	NIL
	Accumulated Losses
	NIL

* excluding Deferred Tax Liability Rs. 287.5 Million

IV Performance of the Company (Rs in Million)

Total Income	Total Expenditure
8732.0	6203.7
Profit Before Tax	Profit After Tax
2528.3	2314.1
Earning per share Rs.*	Dividend Rate
24.7	100%

* after considering pro-rate dividend (including corporate dividend tax) on preference shares.

V Generic Names of Three Principal Products of the Company (as per monetary terms)

Item Code No. (ITC Code)	Product Description
30049038	PANTAPRAZOLE
30049065	METFORMIN+GLIBENCLAMIDE
30049058	ISOSORBIDE-5-MONONITRATE

Signatures to Schedule 1 to 19 form an integral part of financial statements.

For and on behalf of the Board

DILIP S. SHANGHVI
Chairman & Managing Director

SUDHIR V. VALIA
Wholetime Director

SAILESH T. DESAI
Wholetime Director

Mumbai, 3rd May, 2003

Partha Ghosh
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

London, 3rd May, 2003

KAMLESH H. SHAH
Company Secretary

SUN
PHARMACEUTICAL
INDUSTRIES LTD.

ANNEXURE 'A'

ACCOUNTING STANDARD (AS-18) "RELATED PARTY DISCLOSURE"

Rs in Million

Particulars	Subsidiaries		Associates		Key Management Personnel		Relatives of Key Management Personnel		Enterprise under significant Influence of Key Management Personnel or their relatives		Total	
	31-03-03	31-03-02	**31-03-03**	31-03-02	**31-03-03**	31-03-02	**31-03-03**	31-03-02	**31-03-03**	31-03-02	**31-03-03**	31-03-02
Purchases of goods	**4.7**	340.2	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**4.7**	340.2
Sale of goods	**198.1**	112.3	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**6.3**	0.0	**204.4**	112.3
Purchases of fixed assets	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**26.4**	0.0	**26.4**	0.0
Sale of fixed assets	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**	0.1	**0.0**	0.1
Receiving of Service	**73.3**	69.5	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.3**	0.0	**73.6**	69.5
Rendering of Service	**0.0**	0.2	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.4**	0.2	**0.4**	0.4
Lease Rent received	**1.6**	1.6	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**1.6**	1.6
Recovery of Expenses	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**	0.1	**0.0**	0.1
Finance (including loans and equity contributions in cash or in kind)												
Equity Contribution	**0.0**	63.5	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**	63.5
Capital Contribution	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0
Promissory notes (Net of loan given and received back, Rs. 12.1 million)	**23.7**	185.7	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**23.7**	185.7
Advances received	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**	0.1	**0.0**	0.1
Advances given *	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0
Guarantees and Collaterals												
Bank Guarantee as on 31/3/03	**831.3**	732.0	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**831.3**	732.0
Interest Income	**35.4**	26.6	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**35.4**	26.6
Rent Income	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.1**	0.1	**0.1**	0.1
Director's Remuneration	**0.0**	0.0	**0.0**	0.0	**11.6**	8.5	**0.0**	0.0	**0.0**	0.0	**11.6**	8.5
Director's Fees	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0
Rent Paid	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.2**	0.2	**0.0**	0.2	**0.2**	0.4
Outstanding receivables, net of Payables as on 31/03/2003	**212.6**	33.5	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**-19.7**	0.4	**192.9**	33.9

Note :
Names of related parties and description of relationship

1. Subsidaries	Sun Pharma Global Inc. BVI. Milmet Pharma Ltd. Sun Pharmaceutical (Bangladesh) Ltd. Arpita Finvest Pvt Ltd (during the period 11-12-2002 to 08-03-2003) *Advance given Rs. 30000 (Previous Year Nil) Caraco Pharmaceutical Laboratories Ltd - U.S.A	
2. Associates	Sun Pharma Exports	
3. Key Management Personnel	Mr Dilip S. Shanghvi Mr Sudhir V. Valia Mr Sailesh T. Desai	
4. Relatives of Key Management Personnel	Mrs Vibha Shanghvi Mrs Kumud Shanghvi Mrs Meera Desai Mrs Nirmala Desai	Wife of Chairman Mother of Chairman Wife of Wholetime Director Mother of Wholetime Director
5. Enterprise under significant Influence of Key Management Personnel or their relatives	Sun Petrochemical Pvt Ltd Sun Speciality Chemicals Pvt Ltd Navjivan Rasayan (Gujarat) Pvt Ltd	

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2003

	Year ended 31st March, 2003 Rs in Million	Year ended 31st March, 2002 Rs in Million
A. Cash Flow From Operating Activities:		
Net Profit Before Tax	**2,528.3**	1,872.8
Adjustments for:		
Depreciation	**191.4**	174.6
Interest Expense	**9.4**	36.1
Interest Income	**(75.7)**	(81.7)
Income From Investment-Dividend Rs.21,360 (Gross)	**(0.0)**	(11.8)
(Profit)/Loss On Fixed Assets Sold	**(31.1)**	6.8
Debts/Advances Written Off	**1.8**	15.7
Provision for Bad and Doubtful Debts	**1.5**	—
Liability No Longer Required Written Back	**(4.5)**	—
Provision For Gratuity And Leave Encashment	**8.4**	0.1
Unrealised Foreign Exchange (Gain) / Loss	**14.4**	1.7
Other Provisions	**37.3**	12.3
Tax Deducted at Source (TDS) on Other Operating Income	**(26.3)**	—
Lease Terminal Adjustment	**(2.0)**	(8.5)
Share of Loss From Partnership Firm (Previous Year Rs.8,168)	—	0.0
Operating Profit Before Working Capital Changes	**2,652.8**	2,018.1
Adjustments for Changes In Working Capital :		
(Increase)/Decrease in Sundry Debtors	**(910.5)**	(3.9)
(Increase)/Decrease in Other Receivables	**83.5**	(368.0)
(Increase)/Decrease in Inventories	**(245.7)**	169.2
Increase/(Decrease) in Trade and Other Payables	**194.3**	(168.9)
Cash Generated From Operations	**1,774.5**	1,646.5
Taxes (Paid) / Received (Net of TDS and Refund)	**(167.2)**	(145.7)
Net Cash From Operating Activities	**1,607.3**	1,500.8
B. Cash Flow From Investing Activities:		
Purchase of Fixed Assets - Additions During the Year	**(571.3)**	(297.3)
Capital Work in Progress - Additions During the Year	**(305.5)**	(271.8)
Proceeds From Sale of Fixed Assets	**167.9**	59.8
Proceeds From Sale of Investments	**10.0**	—
Purchase of Investments	**(40.8)**	(290.7)
Loans/Inter Corporate Deposits Given	**(780.5)**	(674.6)
Loans/Inter Corporate Deposits Refund Received	**809.5**	778.6
Deposits With Bank	—	200.0
Interest Received (Revenue)	**67.3**	66.1
Dividend Received Rs.19,334 (Net of TDS)	**0.0**	11.8
Net Cash Used In Investing Activities	**(643.3)**	**(418.1)**
C. Cash Flow From Financing Activities:		
Equity Share Buyback	**(148.9)**	—
Redemption of Preference Share Capital	**(30.1)**	(327.2)
Short Term Loan Repaid	**(1.7)**	(400.8)
Interest Paid	**(9.4)**	(36.1)
Dividend Paid	**(232.9)**	(246.2)
Dividend Tax Paid	—	(25.2)
Net Cash Used In Financing Activities	**(423.0)**	(1,035.5)
D. Net Increase/(Decrease) In Cash and Cash Equivalents	**540.9**	47.2
E. Cash and Cash Equivalents (Opening)	**246.1**	198.9
F. Cash and Cash Equivalents (Closing)	**787.0**	246.1
Less: Unrealised Loss / (Gain) on Foreign Currency	**0.2**	(1.7)
	786.8	247.8

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2003

	Year ended 31st March, 2003 Rs in Million	Year ended 31st March, 2002 Rs in Million
G. Cash and Cash Equivalents Comprise:		
Cash and Cheques in hand	**2.5**	9.4
Balances with Scheduled Banks on-		
Current Accounts	**76.9**	132.8
Deposit Accounts	**701.9**	101.1
Unpaid Dividend Accounts	**5.5**	4.5
	786.8	247.8

Notes:

1. The above Cash Flow Statement has been prepared under the "Indirect Method" set out in AS-3, issued by the Institute of Chartered Accountants of India.
2. Figures in brackets indicate cash outgo.
3. Previous year's figures have been regrouped/recast wherever necessary, to confirm to the current year's classification.
4. Issue of 18,71,77,232 6% Cumulative Redeemable Preference Shares of Re.1 each were alloted as fully paid bonus shares, to the equity shareholders, by capitalisation of Capital Redeemption Reserve - Rs. 187.2 Million being non cash transaction has not been considered in the cash flow statement.
5. The Amalgamation with M.J.Pharmaceuticals Ltd. In the previous year is considered as non cash transaction.
6. Cash and cash equivalents includes Rs. 5.5 Million (Previous Year Rs. 4.5 Million), which are not available for use by the Company (Refer Schedule 9 in the accounts).

This is the Cash Flow Statement referred to in our report of even date.

Partha Ghosh
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

London, 3rd May, 2003

KAMLESH H. SHAH
Company Secretary

For and on behalf of the Board

DILIP S. SHANGHVI
Chairman & Managing Director

SUDHIR V. VALIA
Wholetime Director

SAILESH T. DESAI
Wholetime Director

Mumbai, 3rd May, 2003

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

	Name of Subsidiary	Zao Sun Pharma Industries Ltd. Russia	Sun Pharma Global Inc. BVI	Milmet Pharma Ltd.	Sun Pharmaceutical (Bangladesh) Ltd	Caraco Pharmaceutical Laboratories Ltd.
1	The financial year of the Subsidiary Company ended on	31st December, 2002	31st March, 2003	31st March, 2003	31st March, 2003	31st December, 2002
2	Shares in the Subsidiary held by the Holding Company as at the above date A) Number of Shares	1000 Shares of Rubles 20 each fully paid-up	500000 Shares of US$ 1 each fully paid-up	49800 Equity Shares of Rs. 10 each fully paid-up	724 Equity Shares of Takas 100 each fully paid-up	8382666 fully paid Common Shares of No Par Value
	B) Extent of Holding	100%	100%	99.60%	72.40%	35.28%
3	Net aggregate amount of Profit/(Loss) of the Subsidiary Company so far as they concern the members of the Holding Company and					
	A) Not dealt with in the Holding Company's accounts for the year ended 31st March, 2003					
	(i) For the Subsidiary's financial year ended as aforesaid	Rubles (13873)	US$ 4416795	Rs. 724975	Nil	USD (795918)
	(ii) For the previous financial years of the Subsidiary, since it became Holding Company's Subsidiary	Rubles (76786)	US$ 1189238	Rs. 927227	Nil	Nil
	B) Dealt with in Holding Company's accounts for the year ended 31st March, 2003					
	(i) For the Subsidiary's financial year ended as aforesaid	Nil	Nil	Nil	Nil	Nil
	(ii) For the previous financial years of the Subsidiary, since it became Holding Company's Subsidiary	Nil	US$ 250000	Nil	Nil	Nil
4	A) Change in the interest of the Holding Company between the end of the last financial year of the Subsidiary and 31st March, 2003	Nil	Nil	Allotment of additional 40800 Equity Shares of Rs.10 each fully paid-up	Nil	Nil
	B) Material changes occurred between end of the financial year of the Subsidiary and 31st March, 2003	Nil	Nil	Nil	Nil	Nil

ON BEHALF OF THE BOARD

DILIP S. SHANGHVI
Chairman & Managing Director

SUDHIR V. VALIA
Wholetime Director

Mumbai, 3rd May, 2003

KAMLESH H. SHAH
Company Secretary

SAILESH T. DESAI
Wholetime Director

SUN
PHARMACEUTICAL
INDUSTRIES LTD.

ANNEXURE (1) TO DIRECTORS' REPORT

CONSERVATION OF ENERGY

	Year ended 31st March, 2003	Year ended 31st March, 2002
A. Power and Fuel Consumption		
1. Electricity		
(a) Purchased		
Unit (in '000 KWH)	**18203**	15199
Total Amount (Rs. in Millions)	**75.8**	65.9
Rate (Rs./Unit)	**4.2**	4.3
(b) Own Generation through Diesel Generator		
Units (in '000 KWH)	**927**	591
Units per Litre of Diesel Oil	**3.2**	2.9
Cost (Rs./Unit)	**5.7**	4.1
2. Furnace Oil		
Quantity (in '000 Litres)	**1507**	1211
Total Amount (Rs. in Millions)	**17.4**	14.1
Average Rate (Rs./Unit)	**11.5**	11.6
3. Gas (for Steam)		
Gas Units (in '000 Litres)	**2545**	2061
Total Amount (Rs. in Millions)	**22.7**	18.9
Average Rate (Rs./Unit)	**8.9**	9.1

B. Consumption per unit of production

It is not feasible to maintain product category-wise energy consumption data, since we manufacture a large range of formulations and bulk drugs having different energy requirements.

C. Energy conservation measures

1. Improved & maintained power factor of MSEB power supply by which we are saving Rs. 7.8 lacs p.a.
2. We continously monitor Power Factor. We have replaced weak capacitors by conducting periodical checking of capacitors.Due to these measures, we have been able to maintain the Power Factor near to unity (above 0.99) and thereby availing the rebate in electricity charges.
3. We use Gas & steam in place of electricity for heating of De-mineralized water, fluid bed dryers for producing hot air systems for coating department and for making starch paste.
4. Installed isolating valve in main airline for preventing air loss.

TECHNOLOGY ABSORPTION

A. Research and Development

1. **Specific areas in which R&D is carried out by the Company**
   Specific projects, time bound, budgeted and monitored, in Research and Development help the company bring to market new products (some based on delivery systems), and new bulks that help the company sustain its leadership in speciality therapy areas.A majority of the research budget and management time is invested in new to the world innovation, across New Chemical Entities (NCE) and Novel Drug Delivery Systems (NDDS), with clear, specified goals and timelines. Immediate return projects include formulations (several are delivery system based projects like Controlled Release/ Sustained Release/ Dry Powder Inhaler) , immediate /mouth dissolve technology products, speciality bulk actives and peptides that create a dependable revenue stream that can be then reinvested in longer time horizon projects.

2. Benefits derived as a result of the above R&D

During 2002-03, 50 formulations reached market across 11 marketing divisions, all based on the technology developed in house.8 bulk actives were scaled up, based on processes developed in house, taking our bulk actives list to over 68. For some important bulk actives developed earlier, more efficient, energy saving and environmentally friendly processes were developed. This strength in bulk manufacture enables formulations to be made with a time and cost advantage.Several dosage forms bearing brand names are exported to international markets, and speciality bulk actives are sold to large international companies, where they earn sizable foreign exchange and help build the company's reputation as a company with solid quality and dependability.

The Department of Scientific and Industrial Research,Ministry of Science and Technology of Government of India has granted approval to the in house research and development facility of your Company under section 35 (2AB) of the Income Tax Act, 1961 and has recognized the commercialization of technology developed in house by granting your company approval under rule 5(2) of the Income tax rules.

3. Future plan of action

Your company is expanding both the investment size and the scope of Research and Development work. A 200,000 sq. ft research floor area facility spread over 16 acres which will be used entirely for innovation will become operational this year, and once it is fully commissioned, 150 additional scientists will be at work here, doubling current scientific staff. Another 75,000sq. ft site in Mumbai will also be operational shortly, this will concentrate on NDDS and projects for the US/Europe generic markets. This site has almost double the floor area of the current site in Mumbai, and when completely operational, will employ double the current staff.

4. Expenditure on R&D	**Year ended 31st March, 2003 Rs in Million**	Year ended 31st March, 2002 Rs in Million
(a) Capital	**363.4**	139.4
(b) Revenue	**294.3**	197.3
(c) Total	**657.7**	336.7
(d) Total R&D expenditure as % of Total Turnover	**7.7%**	4.5%

B. Technology Absorption, Adaptation and Innovation

1. Efforts in brief, made towards technology absorption, adaptation and innovation

In its continued endeavor to offer new products and better technology, your company continues to invest large sum on R & D equipment, new facilities & human resource for innovative R&D projects covering NCE and NDDS.

2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution

(a) First to market several complex products and offer complete baskets of products under the various therapeutic classes.

(b) Make high cost imported products available at competetive prices by indigenously.developing the manufacturing processes and formulation technologies.

(c) Offer products which are convenient for administration to patients.

(d) We are among the few selected companies that have set up manufacturing facilities for the production of peptide and steroidal drugs.

3. Your company has not imported technology during the last 7 years reckoned from the beginning of the financial year.

C. Foreign Exchange Earnings and Outgo	**Year ended 31st March, 2003 Rs in Million**	Year ended 31st March, 2002 Rs in Million
1. Earning from Exports	**1403.9**	1338.8
2. Expenditure (CIF basis)	**1054.3**	650.0
3. Investment and Loan given	**35.8**	255.7
4. Loan given received back	**12.1**	0

CORPORATE GOVERNANCE

In compliance with Clause 49 of the Listing Agreement with Stock Exchanges, the Company submits the report on the matters mentioned in the said Clause and lists the practices followed by the Company.

1. Company's Philosophy on Code of Corporate Governance

Sun Pharmaceutical Industries Limited's philosophy on corporate governance envisages working towards high levels of transparency, accountability, consistent value systems, delegation across all facets of its operations leading to sharply focussed and operationally efficient growth. The Company tries to work by these principles in all its interactions with stakeholders, including shareholders, employees, customers, suppliers and statutory authorities.

Sun Pharmaceutical Industries Limited is committed to learn and adopt the best practices of corporate governance.

2. Board of Directors

The present strength of the Board of Directors of your Company is seven Directors.

Composition and category of Directors is as follows:

Category	Name of the Directors
Chairman & Managing Director	Mr. Dilip S. Shanghvi
Non-Promoter Executive Director	Mr. Sudhir V. Valia
Non-Promoter Executive Independent Director	Mr. Sailesh T. Desai
Non-Executive & Independent Directors	Mr. S. Mohanchand Dadha Mr. Hasmukh S. Shah Mr. Narendra N. Borkar Mr. Keki M.Mistry*

* Appointed w.e.f. August 28, 2002

Number of Board Meetings held and the dates on which held: 9 Board meetings were held during the year, as against the minimum requirement of 4 meetings. The dates on which the meetings were held are as follows: 26th April, 2002, 30th May, 2002, 28th June, 2002, 22nd July, 2002, 28th August, 2002, 28th October 2002, 2nd November 2002, 20th December 2002 and 30th January, 2003.

Attendance of each Director at the Board meetings, last Annual General Meeting (AGM), Extraordinary General Meeting (EGM) and number of other Directorship and Chairmanship/Membership of Committee of each Director, is as follows:

Name of the Director	Attendance Particulars for the year ended 31st March, 2003			No. of other directorships and committee memberships/ chairmanships as of 31st March, 2003		
	Board Meetings	Last AGM	Last EGM on 20th Dec. 2002	Other Directorships	Committee Memberships	Committee Chairmanships
Mr. Dilip S. Shanghvi	7	No	Yes	8	2	—
Mr. Sudhir V. Valia	9	Yes	Yes	10	1	—
Mr. Sailesh T. Desai	9	Yes	Yes	8	—	—
Mr. S. Mohanchand Dadha	7	Yes	Yes	5	—	—
Mr. Narendra N. Borkar	None	No	No	1	1	1
Mr. Hasmukh S. Shah	8	Yes	No	8	5	1
Mr. Keki M. Mistry	4#	N.A*	Yes	14	9	1

\# Since his appointment on 28th August 2002, 5 Board Meetings were held.

* Since appointed after holding of the previous A.G.M.

Brief information on Directors proposed for reappointment/appointment:

The brief resume, experience and other details of the Directors, viz. Mr. Dilip S. Shanghvi and Mr.Hasmukh S. Shah who retire by rotation at the ensuing Annual General Meeting, and are proposed to be reappointed and Mr. Keki M. Mistry who was appointed as an additional Director of the Company by the Board w.e.f. 28.08.2002 and who is proposed to be appointed as a Director of the Company at ensuing Annual General Meeting, are given under:

(a) Mr. Dilip S. Shanghvi (47) is a graduate from Calcutta University and has launched Sun Pharma in 1982 and carries wide extensive industrial experience in the Pharma industry and at present he is the Chairman and Managing Director of the Company. Under the leadership of Mr. Dilip S. Shanghvi, Sun Pharmaceutical Industries Ltd., has recorded an alround growth in the business. He is a Director in the following companies: Caraco Pharmaceutical Laboratories Ltd., Detroit, USA, Sun Speciality Chemicals Pvt. Ltd., Sun Resins & Polymers Pvt. Ltd., Sun Fastfin Services Pvt. Ltd., Sun Petrochemicals Private Limited, SPARC Bio-Research Private Limited, Sun Pharma Global Inc. British Virgin Island and Contech Devices Pvt. Ltd. (upto 8th April, 03).

(b) Mr. Hasmukh S. Shah (68) is a Director of the Company since 22nd March, 2001.Mr. Shah has over four decades of experience in senior management positions. He is Chairman of Shaily Engineering Plastics Ltd., Gujarat Gas Co. Ltd. and Oswal Multimedia K.I.D Ltd. Mr. Shah is also a Director in the following Companies: Supreme Petrochem Ltd., Hindustan Oil Exploration Co. Ltd., Feedback First Urban Infrastructure Co. Ltd., Hindustan Inks & Resins Ltd., Atul Ltd. He also serves as Chairman / Member of Audit, Shareholders' Grievances and Compensation Committees of several Companies.

Mr. Shah is a former Chairman and Managing Director of IPCL, Chairman of GIIC, Vice Chairman, GE Capital and Advisor to GE in India.

Mr. Hasmukh Shah is also holding steering positions in several social, economic, cultural and other organizations such as Gujarat Institute of Desert Ecology, Gujarat Ecological Society, National Institute of Design, Institute of Rural Management Anand, Bharatiya Agro-Industries Foundation, Kachnar Trust, Darshak Itihas Nidhi, INTACH (Heritage Conversion), Gujarat Institute of Development Research, Development Support Centre (water management), Gujarat Nature Conservation Society (Nature Conservation) etc.

(c) Mr. Keki Minoo Mistry (48) joined the Board on 28th August,2002. At present, he is the Managing Director of Housing Development Finance Corporation Limited (HDFC). He joined HDFC in October, 1981. Prior to joining HDFC, Mr.Mistry worked in the Indian Hotels Co. Ltd as Accounts Officer.

Mr. Mistry is a Fellow Member of the Institute of Chartered Accountants of India and a Member of the Michigan Association of Certified Public Accountants, USA.

He has rich experience in Finance and worked as a consultant to The Commonwealth Development Corporation in Bangkok, Thailand, Mauritius, Caribbean Islands & Jamaica as also to Asian Development Bank.

Presently, he is the Chairman of Gruh Finance Ltd., & is on the Board of Directors of HDFC Ltd. HDFC Bank Ltd., HDFC Developers Ltd., HDFC Trustee Company Ltd., HDFC Standard Life Insurance Co. Ltd., HDFC Chubb General Insurance Company Ltd., Credit Information Bureau (India) Ltd., Infrastructure Leasing & Financial Services Ltd., Intelenet Global Services Ltd., GW Capital Pvt. Ltd., Mahindra Holidays and Resorts India Ltd,The Great Eastern Shipping Company Ltd., HDFC Investments Ltd.(upto 8th May,03),Tata Infomedia Ltd.(w.e.f. 9th May,'03), Association of Leasing & Financial services Cos. and Member of Management Committee of The Bombay Chamber of Commerce & Industry. He also serves as Member/Chairman of Audit and Investors' Grievances Committees of several Companies.

3. Audit Committee

The Board of the Company has constituted an Audit committee, which comprises of Four independent Non-Executive Directors viz. Mr.Keki M. Mistry, Mr. S. Mohanchand Dadha, Mr.Hasmukh S. Shah and Mr. Narendra N. Borkar. Mr. Keki M. Mistry was inducted in the Audit Committee with effect from 20th December 2002 and was appointed as the Chairman of the Audit Committee in place of Mr. S. Mohanchand Dadha on 30th January 2003. The present Chairman of the committee is Mr.Keki M. Mistry. The constitution of Audit Committee also meets with the requirements under Section 292A of the Companies Act, 1956. Presently Mr. Kamlesh H. Shah, Company Secretary of the Company is also Secretary of the Audit Committee.

The terms of reference stipulated by the Board to the Audit Committee cover the matters specified under Clause 49 of the Listing Agreement as well as Section 292A of the Companies Act, 1956.

Three Audit Committee Meetings were held during the year ended 31st March 2003. The dates on which Meetings were held are as follows: 30th May 2002, 28th October 2002 and 30th January 2003. The attendance of each Member of the Committee is given below :

Name of the Director	No. of Audit Committee Meetings attended
Mr. S. Mohanchand Dadha	3
Mr. Hasmukh S. Shah	3
Mr. Narendra N. Borkar	—
Mr. Keki M. Mistry*	1

* Since his appointment on the audit committee on 20th December 2002, only one Audit Committee Meeting has been held.

4. Remuneration Committee

The Company has not formed any Remuneration Committee of Directors. The Wholetime Directors' remuneration is approved by the Board within the overall limit fixed by the shareholders at their meetings. The Members of the Company at their Extra Ordinary General Meeting held on 20th December, 2002 approved the payment of remuneration to the Participating Non- Executive Directors of our Company by way of commission payable to all the Non- Executive Directors in total within overall maximum limit of half percent of net profits as worked under the provisions of sections 349 & 350 of the Companies Act,1956. This will be in addition to the sitting fees of Rs.5000/- per meeting payable to the Non Executive Directors. The actual commission payable to the Non- Executive Directors of our Company severally and collectively is decided by the Board of Directors of the Company within the overall limit fixed as above by the Members of the Company.

Details of remuneration paid to all the Directors for the year:
The details of the remuneration paid/payable to the Directors during the year 2002-2003 are given below:

Directors	Salary #	Perquisites *	Commission	Sitting Fees	Total
Mr. Dilip S. Shanghvi	38,25,000	8,25,000	—	—	46,50,000
Mr. Sudhir V. Valia	36,09,000	10,26,400	—	—	46,35,400
Mr. Sailesh T. Desai	17,90,000	5,49,250	—	—	23,39,250
Mr. S. Mohanchand Dadha	—	—	4,00,000	70,000	4,70,000
Mr. Narendra N. Borkar	—	—	—	—	—
Mr. Hasmukh S. Shah	—	—	4,00,000	80,000	4,80,000
Mr. Keki M. Mistry	—	—	4,00,000	25,000	4,25,000

Salary includes bonus.
* Perquisites include House Rent Allowance, Leave Travel Assistance, and Medical Reimbursement and contribution to Provident Fund and Superannuation Fund.

Besides this, all the Wholetime Directors were also entitled to encashment of leave and Gratuity at the end of tenure, as per the rules of the Company.

Notes:-

a) The Agreement with each of the Executive Directors is for a period of 5 years. Either party to the agreement is entitled to terminate the Agreement by giving to the other party 30 days' notice in writing.

b) Your Company presently does not have a scheme for grant of stock options either to the Executive Directors or employees.

5. Shareholders'/Investors' Grievance Committee

The Board of the Company had constituted a Shareholders'/Investors' Grievance Committee, comprising of Mr. S. Mohanchand Dadha, Mr. Dilip S. Shanghvi, Mr. Sudhir V. Valia with Mr. Hasmukh S. Shah as the Chairman. The Committee, inter alia, approves issue of duplicate certificates and oversees and reviews all matters connected with the transfer of securities. The Committee looks into shareholders' complaints like transfer of shares, non receipt of duplicate share certificates etc. The Committee oversees the performance of the Registrar and Transfer Agents, and recommends measures for overall improvement in the quality of investor services. The Board of Directors has delegated the power of approving transfer of securities to M/s. Intime Spectrum Registry Ltd. and the Company Secretary of the Company.

The Board has designated Mr. Kamlesh H. Shah, the Company Secretary and Mr. Ashok I. Bhuta, Sr. Manager Accounts as Compliance Officers.

Five Shareholders'/Investors' Grievance Committee Meetings were held during the year ended 31st March 2003. The dates on which Meeting were held are as follows: 26th April, 2002, 28th June, 2002, 28th August, 2002, 28th October, 2002 and 30th January, 2003. The attendance of each Member of the Committee is given below:

Name of the Director	No. of Shareholders'/Investors' Grievance Committee Meeting attended
Mr. Dilip S. Shanghvi	4
Mr. Sudhir V. Valia	5
Mr. Hasmukh S. Shah	5
Mr. S. Mohanchand Dadha	4

The total number of complaints received and replied to, to the satisfaction of shareholders during the year under review, were 170.

6. General Body Meetings

Location and time for last 3 Annual General Meetings and 1 Extraordinary General Meeting were:

Year	Meeting	Location	Date	Time
1999-00	AGM	Synergy House-II, Gorwa Road, Subhanpura, Vadodara – 390 007.	25/08/2000	11.00 A.M.
2000-01	AGM	Hotel Holiday Inn, Convention Centre, Akota Gardens, Vadodara - 390 020.	28/11/2001	11.00 A.M.
2000-01	Adjourned AGM	Hotel Holiday Inn, Convention Centre, Akota Gardens, Vadodara - 390 020.	30/03/2002	11.00 A.M.
2001-02	AGM	Hotel Holiday Inn, Convention Centre, Akota Gardens, Vadodara - 390 020.	28/08/2002	12.00 Noon
2001-02	EGM	Conference Hall, 6th Floor, Hotel The Mirador, Next to Samarpan Complex, Opp. Solitaire Corporate Park, New Link Road, Chakala, Andheri (East), Mumbai-400 099.	20/12/2002	11.00 A.M

During the year ended 31st March 2003, postal ballot was conducted and Special Resolutions pertaining to buyback of the Company's fully paid up equity shares were passed with the 36,480,560 votes in favour of the resolution, 23,724 votes against the resolution and 28,023 nos. of invalid votes. The results were declared based on the report submitted by Mr. Shailesh H. Bathiya, Chartered Accountant, the scrutiniser for the said postal ballot. Presently the Company does not have any proposal that requires a postal ballot.

7. Disclosures

* No transaction of a material nature has been entered into by the Company with Directors or Management and their relatives, etc. that may have a potential conflict with the interests of the Company. The Register of Contracts containing transactions in which directors are interested, is placed before the Board of Directors regularly. The transactions with the related parties are disclosed in the Annexure A attached to the Annual Accounts.

* There has been no instance of non-compliance by the Company on any matter related to capital markets. Hence, the question of penalties or strictures being imposed by SEBI or the Stock Exchanges does not arise.

8. Means of Communication

- The annual, half-yearly and quarterly results are regularly posted by the Company on its website www.sunpharma.com
- These are also submitted to the Stock Exchanges in accordance with the Listing Agreement and published in leading newspapers like 'The Economic Times'.
- The Management Discussions and Analysis Report forms part of this Annual Report and is captioned "Management Discussion and Analysis" in Directors' Report.

9. General Shareholder Information

9.1 (A) Annual General Meeting :

- **Date and Time**	:	30th September, 2003 at 10.30 A.M.
- **Venue**	:	Marigold, Taj Residency ,Akota Gardens, Akota, Vadodara – 390 020, Gujarat

(B) General Meeting of Preference Shareholders :

- **Date and Time**	:	30th September,2003 at 11.15 A.M. or immediately after the conclusion of AGM whichever is later
- **Venue**	:	Marigold, Taj Residency ,Akota Gardens, Akota, Vadodara – 390 020, Gujarat

9.2	**Financial Calendar (tentative)**	:	Results for quarter ending 30th September, 2003– Last week of October, 2003. Results for quarter ending 31st December, 2003 – 3rd week of week of January, 2004. Audited Results for year ended 31st March, 2004 - 1st week of May, 2004.
9.3	**Details of Book Closure For Equity & Preference Shareholders**	**:**	From 26th September,2003 to 30th September,2003. (both days inclusive).
9.4	**Dividend Payment Date**	:	On or after 3rd October, 2003.
9.5	**Listing of Equity Shares on stock exchange at**	:	Vadodara*, Mumbai, Kolkata and National Stock Exchange (NSE). However, applications have been made for delisting of Equity Shares to Calcutta Stock Exchange Ltd. and it is in the process of delisting. Within the short period of time the delisting will be completed from the said Stock Exchange. The Shares were delisted from Ahmedabad, Delhi and Madras Stock exchanges during the year under review.

* **It is proposed at the ensuing Annual General Meeting for delisting of Equity Shares from the Vadodara Stock Exchange**.

Listing of Preference Shares on Stock Exchange at	:	The Stock Exchange, Mumbai (BSE), National Stock Exchange (NSE) and Vadodara Stock Exchange*

* **It is proposed at the ensuing General Meeting(s) for delisting of Preference Shares from the Vadodara Stock Exchange**.

9.6 Stock Code :

Equity Shares

(a)	Trading Symbol The Stock Exchange, Mumbai (Demat Segment)	:	SUN PHARMA 524715
	Trading Symbol National Stock Exchange (Demat Segment)	:	SUNPHARMA
(b)	Demat ISIN Numbers in NSDL and CDSL for Equity Shares of Rs.5/- each	:	ISIN No. INE044A01028

Preference Shares

(a)	Trading Symbol The Stock Exchange, Mumbai	:	SUNPHARMA 700079
	Trading Symbol National Stock Exchange (Demat Segment)	:	SUNPHARMA
(b)	Demat ISIN Numbers in NSDL and CDSL for Preference Shares	:	ISIN No. INE044A04014

9.7 Stock Market Data

Equity Shares:

	The Stock Exchange, Mumbai (BSE) (in Rs.)		**National Stock Exchange(NSE) (in Rs.)**	
	Month's High Price	**Month's Low Price**	**Month's High Price**	**Month's Low Price**
April 2002	706.00*	595.00*	704.00*	580.00*
May 2002	645.00*	551.10*	648.70*	550.00*
June 2002	594.00*	515.00*	605.00*	494.00*
July 2002	564.00*	542.05*	570.00*	525.15*
August 2002	598.85*	536.00*	599.75*	500.00*
September 2002	601.00*	505.00*	630.00*	555.10*
October 2002	589.00*	528.10*	598.00*	510.00*
November 2002	568.00*	526.50*	565.00*	522.00*
December 2002	605.50*	553.00*	614.00*	541.15*
January 2003	633.50*	275.00+	633.90*	275.10+
February 2003	297.00+	275.15+	327.45+	270.25+
March 2003	286.00+	260.00+	290.00+	256.00+

*** For Rs. 10 paid up value**

+ For Rs. 5 paid up value

Preference Shares: listed in January 2003

	The Stock Exchange, Mumbai (BSE) (in Rs.)		**National Stock Exchange(NSE) (in Rs.)**	
	Month's High Price	**Month's Low Price**	**Month's High Price**	**Month's Low Price**
January 2003	—	—	0.80	0.80
February 2003	—	—	1.50	1.00
March 2003	—	—	2.45	1.75

There has been no trading of preference Shares on The Stock Exchange, Mumbai.

9.8 Share price performance in comparison to broad-based indices – BSE Sensex and NSE Nifty.

Share price performance relative to BSE Sensex based on share price on 31st March, 2003.

PERIOD	**% Change in**		
	SUN PHARMA SHARE PRICE	**BSE SENSEX**	**SUNPHARMA RELATIVE TO SENSEX**
Year-on-Year	-19.24 %	-12.12 %	-07.12 %
2 Years	-00.04 %	-15.42 %	+15.38 %
3 Years	-15.47 %	-39.04 %	+23.57 %
5 Years	+572.89 %	-21.68 %	+594.57 %

SUN
PHARMACEUTICAL
INDUSTRIES LTD.

Share price performance relative to Nifty based on share price on 31st March, 2003.

PERIOD	% Change in		
	SUN PHARMA SHARE PRICE	NIFTY	SUN PHARMA RELATIVE TO NIFTY
Year-on-Year	-18.71 %	-13.40 %	-5.31 %
2 Years	-00.12 %	-14.81 %	+14.69 %
3 Years	-14.27 %	-36.00 %	+21.73 %
5 Years	+603.38 %	-12.42 %	+615.80 %

9.9 Registrars & Transfer Agents: (share transfer and communication regarding share certificates, dividends and change of address)

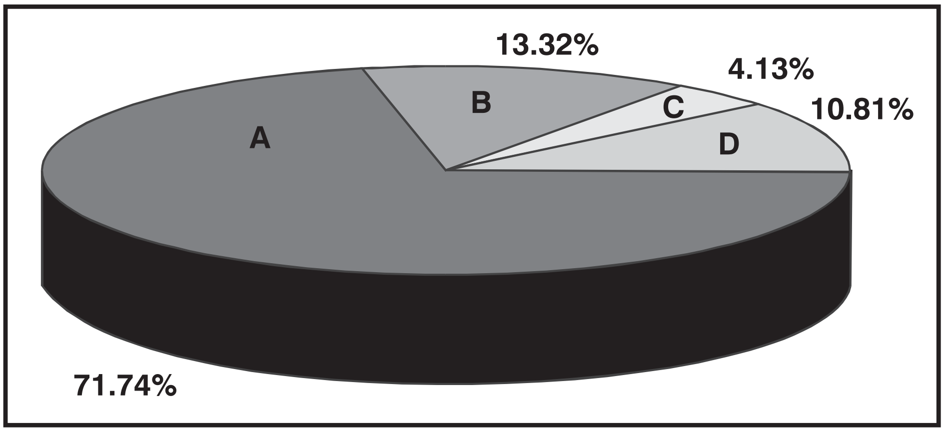
Mr. N. Mahadevan Iyer
Intime Spectrum Registry Ltd.,
C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (West), Mumbai – 400 078.
E-Mail :isrl@vsnl.com

9.10 Share Transfer System

Presently, the share transfers which are received in physical form are processed and the share certificates returned within a period of 15 to 16 days from the date of receipt, subject to the documents being valid and complete in all respects.

The Company has, as per SEBI guidelines with effect from 1st July, 2000, offered the facility of transfer cum demat. Under the said system, after the share transfer is effected, an option letter is sent to the transferee indicating the details of the transferred shares and requesting him/her/them in case he/she/they wishes to demat the shares, to approach a Depository Participant (DP) with the option letter. The DP, based on the option letter, generates a demat request and sends the same to the Company along with the option letter issued by the Company. On receipt of the same, the Company dematerialises the shares. In case the transferee does not wish to dematerialise the shares, he need not exercise the option and the Company then despatches the share certificates after 30 days from the date of such option letter. Further SEBI has vide its letter No.D&CC/NSDL-CDSL/3524/2003 dated February 12, 2003 intimated that the simultaneous transfer cum demat scheme shall be applicable for shares upto 500 (in numbers) only. Accordingly, physical share certificates are dispatched to those shareholders wherein the no. of shares exceeds 500.

9.11 Distribution of Shareholding as on 31st March, 2003 of Equity Shares.

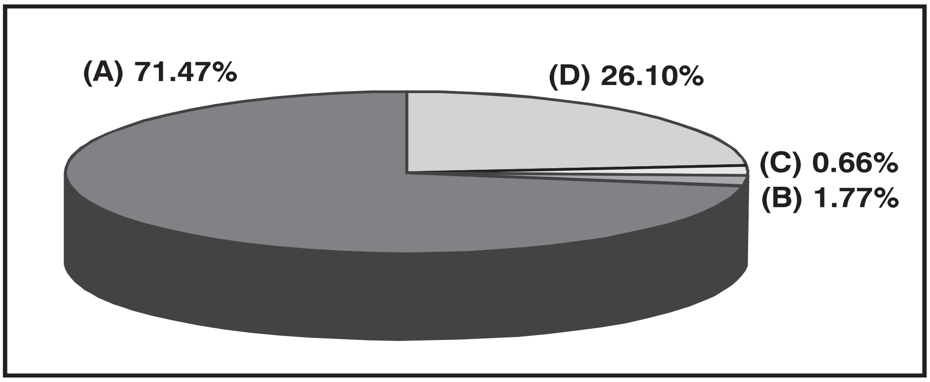


A.	Promoter and Persons acting in concert	[71.74%]	66,885,302
B.	International Investors (FII/FMF/NRIs/OCB)	[13.32%]	12,414,638
C.	Indian Financial Institution/Banks/ Mutual Funds	[4.13%]	3,849,365
D.	Others Public	[10.81%]	10,073,473

Total No. of Equity Shares = 93,222,778

Your Company has not issued any GDRs/ADRs/Warrants or any convertible instruments.

Distribution of Shareholding as on 31st March 2003 of Preference Shares.



A.	Promoter and Persons acting in concert	[71.47%]	133,770,604
B.	International Investors (FII/FMF/NRIs/OCB)	[1.77%]	3,318,574
C.	Indian Financial Institution/Banks/ Mutual Funds	[0.66%]	1,229,896
D.	Others Public	[26.10%]	48,858,158

Total No. of Preference Shares = 187,177,232

9.12 Dematerialisation of Shares

About 97% of the outstanding Equity shares and 97.53% of the outstanding Preference Shares have been de-materialised up to 31st March, 2003. Trading in Equity Shares of the Company is permitted only in de-materialised form w.e.f. 29th November, 1999 as per notification issued by the Securities and Exchange Board of India (SEBI).

Liquidity:

Your Company's equity shares are fairly liquid and are actively traded on The Stock Exchange Mumbai (BSE) and National Stock Exchange (NSE). The highest trading activity is witnessed on the BSE and NSE. Relevant data for the **average daily turnover** for the financial year 2002-2003 is given below:

	BSE		NSE		BSE + NSE		
	Before split up of Equity Shares	**After split up of Equity Shares**	**Before split up of Equity Shares**	**After split up of Equity Shares**	**Before split up of Equity Shares**	**After split up of Equity Shares**	**Combined effect for Rs. 5 Equity Shares**
In no. of Equity shares (in Thousands)	6.66	19.14	10.40	25.57	17.06	44.71	78.83
In value terms (Rs. Millions)	3.83	5.39	6.07	7.27	9.90	12.66	22.56

9.13 Plant locations of the Company:

1. C1/2710, GIDC, Phase-III, Vapi – 396 195.
2. Plot No.214, Govt. Industrial Area,Phase-II, Piparia, Silvassa – 396 230.
3. Plot No.20, Govt. Industrial Area,Phase-II, Piparia, Silvassa – 396 230
4. Plot No.223,Span Industrial Complex, Near R.T.O. Check Post, Dadra- 396 191 (U.T)
5. Plot No.25, GIDC, Phase-IV,Panoli – 395 116.
6. A-7 & A-8, MIDC Industrial. Area, Ahmednagar – 414 111
7. Plot No.4708, GIDC, Ankleshwar – 393 002.
8. Sathammai Village, Karunkuzhi Post,Maduranthakam T.K., Kanchipuram District, Tamilnadu - 603 303.

9.14 Investor Correspondence

(a) For transfer/dematerialisation of Shares, payment of dividend on Shares, and any other query relating to the shares of the Company	**For Shares held in Physical form** Mr. N. Mahadevan Iyer Intime Spectrum Registry Ltd., C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai – 400 078. E-Mail: isrl@vsnl.com **For Shares held in Demat Form** To the Depository Participant.
(b) Any query on Annual Report	**Mr. Kamlesh H. Shah/Mr. Ashok I. Bhuta/Ms. Mira Desai**, Acme Plaza, Andheri Kurla Road, Opp. Sangam Cinema, Andheri (East), Mumbai – 400 059. kamlesh_shah@sunpharma.com ashok_bhuta@sunpharma.com mira_desai@sunpharma.com corpcomm@sunpharma.com

Mumbai,
Date: 28th July,2003

AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT

To the Members of Sun Pharmaceutical Industries Limited

We have examined the compliance of the conditions of Corporate Governance by Sun Pharmaceutical Industries Limited for the year ended March 31, 2003, as stipulated in clause 49 of the Listing Agreements of the said Company with Stock Exchanges in India.

The compliance of the conditions of Corporate Governance is the responsibility of the Company's Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of an opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

We state that in respect of investor grievances received during the year ended March 31, 2003, no investor grievances are pending against the Company as on July 28, 2003 as per the records maintained by the Company and presented to the Investors/ Shareholders Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Partha Ghosh
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

Mumbai,
Date: July 28, 2003

Auditors' report to the Board of Directors of Sun Pharmaceutical Industries Limited on the Consolidated Financial Statements of Sun Pharmaceutical Industries Limited and its Subsidiaries

1. We have audited the attached consolidated balance sheet of Sun Pharmaceutical Industries and its subsidiaries as at March 31,2003, the consolidated profit and loss account for the year ended on that date annexed thereto, and the consolidated cash flow statement *[except for the figures of year ended March 31,2002]* for the year ended on that date, which we have signed under reference to this report. These consolidated financial statements are the responsibility of the Sun Pharmaceutical Industries Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the financial statements of Subsidiary Companies, Caraco Pharmaceutical Laboratories Limited year ended December 31,2002, Sun Pharma Global Inc. year ended March 31,2003, ZAO Sun Pharma Industries Limited year ended December 31,2002, Milmet Pharma Limited year ended March 31,2003 and Sun Pharmaceutical (Bangladesh) Limited year ended March 31,2003, whose financial statements reflect total assets of Rs. 1,374.67 million as at March 31,2003 / December 31,2002 and total revenues of Rs. 1,351.87 million for the year ended on that dates. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of these subsidiaries, is based solely on the report of the other auditors.

4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India, on the basis of the separate audited financial statements of Sun Pharmaceutical Industries Limited and its subsidiaries included in the consolidated financial statements.

5. On the basis of the information and explanations given to us and on consideration of the separate audit reports on individual audited financial statements of Sun Pharmaceutical Industries Limited and its aforesaid subsidiaries, in our opinion, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   (a) in the case of the consolidated balance sheet, of the consolidated state of affairs of Sun Pharmaceutical Industries Limited and its subsidiaries as at March 31,2003;

   (b) in the case of the consolidated profit and loss account, of the consolidated results of operations of Sun Pharmaceutical Industries Limited and its subsidiaries for the year ended on that date;

   and

   (c) in the case of the consolidated cash flow statement *[except for the figures of year ended March 31,2002]*, of the consolidated cash flows of Sun Pharmaceutical Industries Limited and its subsidiaries for the year ended on that date.

PARTHA GHOSH
Partner
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

Place: Mumbai
Dated: July 28, 2003

SUN PHARMACEUTICAL INDUSTRIES LTD.

SUN PHARMACEUTICAL INDUSTRIES LIMITED (CONSOLIDATED)
BALANCE SHEET AS AT 31ST MARCH, 2003

	Schedules	As at 31st March, 2003 Rs in Million	As at 31st March, 2003 Rs in Million	As at 31st March, 2002 Rs in Million	As at 31st March, 2002 Rs in Million
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	**1A**	**622.2**		467.7	
Share Capital Suspense	**1B**	**0.0**		0.2	
Reserves and Surplus	**2**	**5141.3**	**5763.5**	4955.8	5423.7
Minority Interests					
Share Capital		**27.6**		26.2	
Reserves and Surplus		**0.0**	**27.6**	0.0	26.2
Loan Funds					
Secured Loans	**3**	**1167.6**		0.0	
Unsecured Loans	**4**	**3.2**	**1170.8**	1.7	1.7
			6961.9		5451.6
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	**5**	**4032.8**		3007.2	
Less: Depreciation and Lease Terminal Adjustment		**1351.0**		915.1	
Net Block		**2681.8**		2092.1	
Add: Capital Advances and Work-in-Progress		**804.5**	**3486.3**	483.4	2575.5
Investments	**6**		**37.9**		818.3
Current Assets, Loans and Advances					
Inventories	**7**	**1824.2**		1311.3	
Sundry Debtors	**8**	**2220.6**		1062.6	
Cash and Bank Balances	**9**	**815.5**		256.3	
Loans and Advances	**10**	**580.6**		625.9	
		5440.9		3256.1	
Less: Current Liabilities and Provisions	**11**	**1715.7**	**3725.2**	967.2	2288.9
Deferred Tax Liability	**12**		**(287.5)**		(231.1)
			6961.9		5451.6

NOTES TO THE FINANCIAL STATEMENTS **19**

Schedules referred to herein form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our report of even date.

For and on behalf of the Board

DILIP S.SHANGHVI
Chairman & Managing Director

SUDHIR V. VALIA
Wholetime Director

Partha Ghosh
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

KAMLESH H. SHAH
Company Secretary

SAILESH T. DESAI
Wholetime Director

Mumbai, 28th July, 2003

Mumbai, 28th July, 2003

SUN PHARMACEUTICAL INDUSTRIES LIMITED (CONSOLIDATED)
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2003

	Schedules	**Year ended 31st March, 2003**		Year ended 31st March, 2002	
		Rs in Million	**Rs in Million**	Rs in Million	Rs in Million
INCOME					
Income from Operations	**13**	**9725.2**		7504.8	
Other Income	**14**	**87.2**	**9812.4**	47.1	7551.9
EXPENDITURE					
Material Cost	**15**	**3543.5**		3075.7	
Indirect Taxes	**16**	**994.7**		793.0	
Personnel Cost	**17**	**685.7**		433.5	
Operational Expenses	**18**	**1718.1**		1208.2	
Depreciation		**212.0**	**7154.0**	173.8	5684.2
PROFIT BEFORE TAXATION			**2658.4**		1867.7
Provision for Taxation			**158.2**		123.5
Provision for Deferred Tax			**56.4**		36.9
PROFIT AFTER TAXATION			**2443.8**		1707.3
Exceptional Item - Cost of Investment in excess of nominal value of shares of MJPL			**0.0**		26.4
Minority Interest			**(42.8)**		0.0
PROFIT FOR THE YEAR			**2486.6**		1680.9
BALANCE BROUGHT FORWARD			**1346.2**		1241.3
AVAILABLE FOR APPROPRIATIONS			**3832.8**		2922.2
APPROPRIATIONS					
Dividend					
Preference Shares		**20.6**		13.5	
Equity Shares-Final-Proposed		**465.2**		233.9	
Corporate Dividend Tax		**60.1**	**545.9**	1.4	248.8
Transferred to General Reserve		**1500.0**		1000.0	
Transferred to Capital Redemption Reserve		**30.1**	**1530.1**	327.2	1327.2
BALANCE CARRIED TO BALANCE SHEET			**1756.8**		1346.2
EARNING PER SHARE (Rs.) - BASIC AND DILUTED, FOR FACE VALUE OF RS. 5 EACH			**26.4**		17.8

NOTES TO THE FINANCIAL STATEMENTS **19**

Schedules referred to herein form an integral part of the Profit and Loss Account.

This is the Profit and Loss Account referred to in our report of even date.

For and on behalf of the Board

DILIP S.SHANGHVI
Chairman & Managing Director

SUDHIR V. VALIA
Wholetime Director

Partha Ghosh
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

KAMLESH H. SHAH
Company Secretary

SAILESH T. DESAI
Wholetime Director

Mumbai, 28th July, 2003

Mumbai, 28th July, 2003

SUN PHARMACEUTICAL INDUSTRIES LIMITED (CONSOLIDATED)
SCHEDULES TO THE FINANCIAL STATEMENTS

	As at 31st March, 2003		As at 31st March, 2002	
	Rs in Million	**Rs in Million**	Rs in Million	Rs in Million
SCHEDULE 1A : SHARE CAPITAL				
Authorised				
20,00,00,000 (Previous Year 10,00,00,000) Equity Shares of Rs. 5 (Previous Year Rs.10) each		**1000.0**		1000.0
30,00,00,000 (Previous Year 30,00,000) Preference Shares of Re.1 (Previous Year Rs.100) each		**300.0**		300.0
Issued and Subscribed				
930,48,478 (Previous Year 467,74,537) Equity Shares of Rs. 5 (Previous Year Rs. 10) each		**465.2**		467.7
15,70,46,848 (Previous Year Nil) 6% Cumulative Redeemable Preference Shares of Re.1 each		**157.0**		0.0
		622.2		467.7

Notes:

1) 3,44,37,166 (Previous Year 3,44,37,166) Equity shares of Rs.10 each were allotted as fully paid Bonus Shares by capitalisation of Share Premium Account, Profit and Loss Account and Amalgamation Reserve.

2) 4,13,633; 2,08,000; 4,77,581; 11,438; 18,519 and 19,771 Equity Shares of Rs.10 each fully paid, were allotted to the shareholders of erstwhile Tamilnadu Dadha Pharmaceuticals Ltd, Milmet Laboratories Pvt. Ltd, Gujarat Lyka Organics Ltd, Sun Pharmaceutical Exports Ltd, Pradeep Drug Company Ltd and M. J.Pharmaceuticals Ltd respectively, pursuant to Schemes of Amalgamations, without payment being received in cash.

3) 18,71,77,232 (Previous Year Nil) 6% Cumulative Redeemable Preference Shares of Re.1 each were allotted as fully paid bonus shares, to the equity shareholders, by capitalisation of Capital Redemption Reserve. Out of this, 301,30,384 shares were redeemed at par during the year.

4) One equity share of Rs.10 each fully paid up was split into two equity shares of Rs. 5 each fully paid up, as on record date 21st January, 2003 thereby increasing number of equity shares from 467,94,308 to 935,88,516.

5) During the year, Company has bought 5,40,138 equity shares of Rs. 5 each, under the buy-back scheme, through open market route.

SCHEDULE 1B : SHARE CAPITAL SUSPENSE				
Nil (Previous Year 19,771) equity shares of Rs.10 each fully paid up, issued pursuant to the scheme of Amalgamation of M. J. Pharmaceuticals Ltd. with the Company.		**0.0**		0.2
SCHEDULE 2 : RESERVES AND SURPLUS				
Capital Reserve				
As per last Balance Sheet		**6.7**		6.7
Share Premium				
As per last Balance Sheet	**57.4**		317.3	
Add: Transferred from Amalgamating Company (Gross)	**0.0**		49.0	
	57.4		366.3	
Less: Utilised for Buy-Back of Equity Shares	**57.4**		0.0	
Less: Debit balance in Profit & Loss Account of Amalgamating Company	**0.0**		308.1	
Less: Utilised for writing off Issue Expenses of Amalgamating Company	**0.0**	**0.0**	0.8	57.4
Capital Redemption Reserve				
As per last Balance Sheet	**501.8**		174.6	
Add : Transferred from Profit and Loss Account	**30.1**		327.2	
	531.9		501.8	
Less: Utilised for Issue of Bonus Preference Shares	**187.2**	**344.7**	0.0	501.8

SUN PHARMACEUTICAL INDUSTRIES LIMITED (CONSOLIDATED)
SCHEDULES TO THE FINANCIAL STATEMENTS

	As at 31st March, 2003		As at 31st March, 2002	
	Rs in Million	Rs in Million	Rs in Million	Rs in Million
Share Capital Buyback Reserve				
Transferred from General Reserve		2.7		0.0
Amalgamation Reserve				
Surplus on Amalgamation	0.0		41.3	
Less: Transferred to General Reserve	0.0	0.0	41.3	0.0
General Reserve				
As per last Balance Sheet	3034.9		2182.7	
Add : Transferred from Amalgamating Company	0.0		5.0	
Add : Transferred from Amalgamation Reserve	0.0		41.3	
Add : Transferred from Profit and Loss Account	1500.0		1000.0	
	4534.9		3229.0	
Less: Transferred to Share Capital Buyback Reserve	2.7		0.0	
Less: Utilised for Buy-Back of Equity Shares	88.8		0.0	
Less: Transferred to Deferred Tax Liability	0.0		194.1	
Less: Excess of value of Investment over the value of				
Net Assets of a Foreign Subsidiary - Majority Interest.	1006.8		0.0	
- Minority Interest.	458.6		0.0	
Less: Share of Current Losses of Minority in Foreign Subsidiary	42.8	2935.2	0.0	3034.9
Currency Fluctuation Reserve on Consolidation				
As per last Balance Sheet	8.8		0.0	
Additions during the Year	86.4	95.2	8.8	8.8
Profit and Loss Account				
As per Annexed Account		1756.8		1346.2
		5141.3		4955.8

SCHEDULE 3 : SECURED LOANS

From Banks - Term Loan		1151.0		0.0
From Others		16.6		0.0
		1167.6		0.0

Credit facilities from Bank are secured by hypothecation of fixed assets, equitable mortagage at Bangladesh Plant in Sun Pharmaceutical (Bangladesh) Ltd.

Term Loan taken in Caraco Pharmaceutical Laboratories Ltd from Economic Development Corporation of the City of Detroit are secured by first mortgage on other property and first lien on furniture, fixtures, equipment and intellectual property located at Caraco Unit.

Term Loan taken in Caraco Pharmaceutical Laboratories Ltd from ICICI Bank of India and Bank of Nova Scotia are secured by Corporate Guarantee given by Parent Company.

SCHEDULE 4 : UNSECURED LOANS

Short Term Loan - From Financial Institution		0.0		1.7
- From Others		3.2		0.0
		3.2		1.7

SUN PHARMACEUTICAL INDUSTRIES LTD.

SUN PHARMACEUTICAL INDUSTRIES LIMITED (CONSOLIDATED)
SCHEDULES TO THE FINANCIAL STATEMENTS

SCHEDULE 5 : FIXED ASSETS **Rs in Million**

Particulars	Gross Block					Depreciation					Net Block	
	As At 01.04.02	Opening Balance of Caraco	Additions 02-03	Deletions 02-03	**As at 31.03.03**	As at 01.04.02	Opening Balance of Caraco	For the year 02-03	Written back/ Deleted 02-03	**As at 31.03.03**	**As at 31.03.03**	As at 31.03.02
Freehold Land	14.9	9.4	0.0	0.1	**24.2**	0.0	0.0	0.0	0.0	**0.0**	**24.2**	14.9
Leasehold Land	19.3	0.0	0.0	0.0	**19.3**	1.7	0.0	0.2	0.0	**1.9**	**17.4**	17.6
Buildings	676.6	297.7	213.5	69.8	**1118.0**	105.5	70.4	24.3	0.1	**200.1**	**917.9**	571.1
Plant and Machinery	1667.4	236.7	396.9	0.3	**2300.7**	615.9	162.0	149.3	0.1	**927.1**	**1373.6**	1051.5
Vehicles	34.8	0.0	6.7	1.2	**40.3**	14.1	0.0	3.4	0.6	**16.9**	**23.4**	20.7
Furniture and Fixtures	57.7	9.9	5.9	0.7	**72.8**	22.4	8.1	5.0	0.0	**35.5**	**37.3**	35.3
Trademarks, Designs and other Intangible Assets	469.5	0.0	0.9	79.9	**390.5**	102.7	0.0	26.6	13.8	**115.5**	**275.0**	366.8
SUBTOTAL-A	**2940.2**	**553.7**	**623.9**	**152.0**	**3965.8**	**862.3**	**240.5**	**208.8**	**14.6**	**1297.0**	**2668.8**	**2077.9**
Assets Given On Lease	67.0	0.0	0.0	0.0	**67.0**	21.0	0.0	3.2	0.0	**24.2**		
Lease Terminal Adjustment	0.0	0.0	0.0	0.0	**0.0**	31.8	0.0	0.0	2.0	**29.8**		
SUBTOTAL-B	**67.0**	**0.0**	**0.0**	**0.0**	**67.0**	**52.8**	**0.0**	**3.2**	**2.0**	**54.0**	**13.0**	**14.2**
TOTAL A+B	**3007.2**	**553.7**	**623.9**	**152.0**	**4032.8**	**915.1**	**240.5**	**212.0**	**16.6**	**1351.0**	**2681.8**	
Previous Year	2674.8	141.6	341.5	150.7	**3007.2**	784.1	49.0	174.6	92.6	**915.1**		**2092.1**
Capital Advances and Work-in-Progress											**804.5**	483.4
											3486.3	2575.5

NOTES :

1. Buildings include Rs.1020 (Previous Year Rs 500) towards cost of shares in a Co-operative Housing Society and Rs. 27.09 Million (Previous Year Nil) towards capitalisation of borrowing cost.
2. Capital Advances and work-in-progress includes Rs. 14.6 Million (Previous Year Rs 10.4 Million) on account of Pre-operative expenses.

	As at 31st March, 2003		As at 31st March, 2002	
	Rs in Million	**Rs in Million**	Rs in Million	Rs in Million
SCHEDULE 6 : INVESTMENTS (LONG TERM, AT COST)				
Government Securities				
National Savings Certificates Rs. 12,000 (Previous Year Rs. 12,000) (Deposited with Government Authorities)		**0.0**		0.0
Trade Investments				
A) Quoted				
In Associate Companies				
Caraco Pharmaceutical Laboratories Ltd.USA -Nil (Previous Year 101,05,323) fully paid Common Shares of No Par Value **Market Value - Rs.Nil (Previous Year Rs. 1822.7 Million)**		**0.0**		350.5
B) Unquoted				
In Subsidiary Company				
Promissory Note-Caraco Pharmaceutical Laboratories Ltd., USA. *		**32.5**		0.0
In Associate Companies				
Promissory Note-Caraco Pharmaceutical Laboratories Ltd., USA.		**0.0**		467.8
C) In Capital of Partnership Firm				
Sun Pharma Exports Rs.152 (Previous Year Rs. -8,168)		**0.0**		0.0
Non-Trade Investments				
Ramin Developers Pvt . Ltd. - 200 (Previous Year Nil) Equity Shares of Rs. 100 each fully paid (pending registration)		**5.4**		0.0
		37.9		818.3

Note: During the year 5000 equity shares of Arpita Finvest Pvt. Ltd., were purchased (Rs.10.0 Million) and sold (Rs.10.0 Million).

* Unadjusted due to different Accounting Year.

SUN PHARMACEUTICAL INDUSTRIES LIMITED (CONSOLIDATED)
SCHEDULES TO THE FINANCIAL STATEMENTS

	As at 31st March, 2003		As at 31st March, 2002	
	Rs in Million	**Rs in Million**	Rs in Million	Rs in Million
SCHEDULE 7 : INVENTORIES				
(As valued and certified by the Management)				
Consumables Stores		**1.2**		0.7
Raw Materials	**881.6**		564.7	
Packing Materials	**100.2**		53.9	
Finished Goods	**431.7**		428.1	
Work-in-Progress	**409.5**	**1823.0**	263.9	1310.6
		1824.2		1311.3
SCHEDULE 8 : SUNDRY DEBTORS				
(Unsecured-Considered Good, unless stated otherwise)				
Over Six Months				
Considered Good		**208.5**		163.4
Considered Doubtful	**6.0**		0.0	
Less: Provision for Doubtful Debts	**6.0**	**0.0**	0.0	0.0
Others		**2012.1**		899.2
		2220.6		1062.6
SCHEDULE 9 : CASH AND BANK BALANCES				
Cash and Cheques in hand		**5.6**		10.9
Balances with Scheduled Banks on-				
Current Accounts	**102.5**		139.8	
Deposit Accounts	**701.9**		101.1	
Unpaid Dividend Accounts	**5.5**	**809.9**	4.5	245.4
		815.5		256.3
SCHEDULE 10 : LOANS AND ADVANCES				
(Considered Good)				
Loan to Employees# / Others*		**118.3**		85.0
Advances Recoverable in Cash or in Kind or for Value to be received		**59.8**		42.8
Advances to Suppliers		**83.9**		71.7
Due on Sale of Undertaking		**0.0**		189.4
Balances with Central Excise and Customs		**80.1**		63.6
DEPB and Advance Licence		**94.6**		88.4
Other Deposits		**45.7**		28.1
Advance Payment of Income Tax (Net of Provision)		**98.3**		56.9
		580.6		625.9

Due from an Officer of the Company Nil (Previous Year Rs. 1.0 Million)
Maximum amount outstanding during the year Rs. 1.0 Million (Previous Year Rs. 1.1 Million)
* Secured Loans Rs. 24.4 Million (Previous Year Rs. 24.4 Million)

SCHEDULE 11 : CURRENT LIABILITIES AND PROVISIONS				
Current Liabilities				
Sundry Creditors and Advances from Customers				
Due to Small Scale Industrial Undertakings	**6.7**		6.4	
Others	**620.5**		369.9	
Deferred Sales Tax	**41.3**		31.5	
Security Deposits	**17.3**		14.3	
Unclaimed Dividend #	**5.5**		4.5	
Temperory Bank Overdraft	**92.4**		89.1	
Other Liabilities	**386.1**	**1169.8**	217.6	733.3
Provisions				
Proposed Dividend - Equity	**465.2**		233.9	
- Preference	**20.6**	**485.8**	0.0	233.9
Corporate Dividend Tax		**60.1**		0.0
		1715.7		967.2

There are no amounts due and outstanding to be credited to the
Investor Education and Protection Fund.

SCHEDULE 12 : DEFERRED TAX LIABILITY				
Deferred Tax Assets				
Unpaid Liabilities Allowable on payment basis U/S 43B		**3.3**		2.1
Others		**0.1**		0.2
		3.4		2.3
Less: Deferred Tax Liability-Depreciation on Fixed Assets		**290.9**		233.4
		(287.5)		(231.1)

SUN PHARMACEUTICAL INDUSTRIES LTD.

SUN PHARMACEUTICAL INDUSTRIES LIMITED (CONSOLIDATED)
SCHEDULES TO THE FINANCIAL STATEMENTS

	Year ended 31st March, 2003		Year ended 31st March, 2002	
	Rs in Million	Rs in Million	Rs in Million	Rs in Million
SCHEDULE 13 : INCOME FROM OPERATIONS				
Sales		9721.4		7445.0
Service Charges		0.6		2.9
Export Incentives		0.0		0.6
Interest-TDS Rs. 5.4 Million (Previous Year Rs. 11.1 Million)		0.0		45.3
Lease Rental and Hire Charges-TDS Nil (Previous Year Rs. 0.1 Million)	1.2		2.2	
Add: Lease Equalisation Account	2.0	3.2	8.5	10.7
Conversion and Analytical Charges Rs. 3200-TDS Nil (Previous Year 0.3 Million)		0.0		0.3
		9725.2		7504.8
SCHEDULE 14 : OTHER INCOME				
Other Interest-TDS Rs. 0.3 Million (Previous Year Rs. 0.3 Million)		12.1		2.8
Profit on sale of Fixed Assets		31.6		0.0
Sundry Balances Written Back (Net)		1.2		0.0
Insurance Claims		2.1		2.2
Dividend (TDS Rs. 2026 (Previous Year Nil))		0.2		0.0
Miscellaneous Income-TDS Rs. 1.8 Million (Previous Year Rs. 0.5 Million)		40.0		42.1
		87.2		47.1
SCHEDULE 15 : MATERIAL COST				
Inventories at the beginning of the year		1451.3		1477.0
Purchases during the year		3919.6		2909.3
Inventories at the end of the year		(1827.4)		(1310.6)
		3543.5		3075.7
SCHEDULE 16 : INDIRECT TAXES				
Excise Duty		713.3		567.3
Sales Tax		277.4		217.3
Turnover Tax		1.3		3.8
Purchase Tax		2.7		4.6
		994.7		793.0
SCHEDULE 17 : PERSONNEL COST				
Salaries, Wages, Bonus and Benefits		566.0		350.6
Contribution to Provident and Other Funds		41.3		33.2
Other Welfare Expenses		78.4		49.7
		685.7		433.5
SCHEDULE 18 : OPERATIONAL EXPENSES				
Stores and Spares Consumed		58.3		55.0
Manufacturing Charges		177.0		78.3
Power and Fuel		149.8		115.1
Rent		14.2		9.0
Rates and Taxes		19.7		7.7
Insurance		33.3		10.6
Selling and Distribution		290.2		355.6
Commission and Discount		89.5		50.1
Repairs				
Building	14.3		11.1	
Plant and Machinery	85.6		57.5	
Others	23.5	123.4	14.0	82.6
Printing and Stationery		16.5		15.0
Travelling and Conveyance		41.4		40.2
Overseas Travel and Export Promotion		172.6		135.9
Communication		36.5		34.8
Research and Development		318.7		72.3
Irrecoverable Debts/Advances Written Off		0.1		15.7
Professional and Consultancy		31.4		21.9
Donations		0.5		1.4
Loss on Sale of Fixed Assets		0.5		6.8
Share of Loss from Partnership Firm (Previous Year Rs 8,168)		0.0		0.0
Auditors' Remuneration (including service tax)				
Audit Fees	1.8		1.7	
Limited Review	0.4		0.0	
Certification Fees (Rs. 16200)	0.0		0.1	
Other Services	0.5		0.9	
Out of Pocket Expenses	0.1	2.8	0.1	2.8
Miscellaneous		141.7		97.4
		1718.1		1208.2

SUN PHARMACEUTICAL INDUSTRIES LIMITED (CONSOLIDATED)
SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2003

SCHEDULE 19 : NOTES TO FINANCIAL STATEMENTS

1. SUBSIDIARIES

The Consolidated Financial Statements present the consolidated accounts of Sun Pharmaceutical Industries Ltd with its following subsidiaries :

Name of Subsidiary	Country of Incorporation	Proportion of ownership	Year ending	Audited By
Indian Subsidiary				
Milmet Pharma Limited	India	99.60%	31-03-2003	Pravin Doshi & Co.
Foreign Subsidiaries				
Sun Pharma Global Inc.	British Virgin Islands	100.00%	31-03-2003	Valia & Timbadia
ZAO Sun Pharma Industries Limited	Russia	100.00%	31-12-2002	OOO Audit - 911
Sun Pharmaceutical (Bangladesh) Limited	Bangladesh	72.40%	31-03-2003	Rahman Rahman Huq
Caraco Pharmaceutical Laboratories Limited (CARACO)	United States Of America	49.39%	31-12-2002	Rehmann Robson

2. (i) Significant Accounting Policies and Notes to these Consolidated Financial Statements are intended to serve as a means of informative disclosure and a guide for better understanding of the consolidated position of the Companies. Recognising this purpose, the Company has disclosed only such policies and notes from the individual financial statements which fairly represent the needed disclosures. Lack of homogeneity and other similar considerations made it desirable to exclude some of them, which in the opinion of the management, could be better viewed when referred from the individual financial statements.

(ii) The accounts have been prepared to comply in all material aspects with applicable accounting principles in India,the Accounting Standards issued by the Institute of Chartered Accountants of India.

(iii) The financial statements of the Parent Company and its subsidiarys' accounts for their respective accounting period have been consolidated on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances, intra-group transactions and unrealised profits.

(iv) During the current year CARACO has become a Subsidiary of Company by virtue of Management Control w.e.f. April 01, 2002.

(v) The Accounting Year of Sun Pharma Global Inc has been extented from 31st December, 2002 to 31st March, 2003 and accordingly the Annual Accounts are prepared for fifteen months ended on 31st March, 2003. However figures pertaining to Income and expenses for the twelve months ending 31st March, 2003 have been considered for the purpose of consolidation.

(vi) The Company has initiated the process for Liquidation of ZAO Sun Pharma Industries Limited and has appointed Official Liquidator as per the terms of Resolution passed at the General Meeting of referred Subsidiary held on 29th October, 2002.

3. SIGNIFICANT ACCOUNTING POLICIES

(i) **Basis of Accounting**
The financial statements have been prepared under historical cost convention on an accrual basis.

(ii) **Fixed Assets and Depreciation / Amortisation**

Fixed Assets including Intangible Assets are stated at historical cost less accumulated depreciation/ amortisation . Depreciation on tangible assets is provided on Straight Line Method at the rates specified in Schedule XIV to the Companies Act,1956. At CARACO depreciation is computed using the straight line method over the estimated useful lives of the related assets, which range from 3 to 40 years. Trademarks, designs,technical know-how ,non compete fees and other intangible assets are amortised on Straight Line Method over the useful life of the assets (10/20 years) as estimated by the Management. Leasehold land is amortised over the period of lease. In consonance with the matching concept of accounting principles, Lease Terminal Adjustment and Lease Equalisation Accounts have been created for the assets given on lease, wherever required.

(iii) **Investments**
Investments are stated at cost.

(iv) **Inventory Valuation**

Raw and Packing Materials	- at cost
Stores and Spares	- at cost
Work-in-Progress	- at cost
Finished Goods	- at lower of cost or net realisable value

(v) Deferred Tax Assets/Liability are recognised as per Accounting Standard (AS-22) on 'Accounting for taxes on Income' issued by the Institute of Chartered Accountants of India.

(vi) **Research and Development**
All revenue expenditures related to Research and Development are charged to the respective heads in the Profit and Loss Account.

(vii) **Sales**
Sales are stated net of returns and chargebacks at CARACO (Chargebacks are price adjustments given to wholesale customers seliling products further to those parties with whom the Company has established contractual pricing)., but includes sales tax, excise duty, interest on delayed payments and inter unit/company sales.

(viii) **Foreign Currency Transactions**
Liabilities in foreign currency as well as receivables in foreign currency have been reinstated into Indian Rupees at the rates of exchange prevailing as on the date of the Balance Sheet and/or rates as per forward exchange contracts whenever entered. The resultant exchange difference is adjusted in Profit and Loss Account except those relating to acquisition of fixed assets which is adjusted in the cost of such assets.

SUN PHARMACEUTICAL INDUSTRIES LTD.

SUN PHARMACEUTICAL INDUSTRIES LIMITED (CONSOLIDATED)
SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2003

For the purpose of consolidation, the amounts appearing in foreign currencies in the Financial Statements of the foreign subsidiaries are translated at the following rates of exchange:
a. Average rates for income and expenditure.
b. Year end rates for assets and liabilities.

(ix) **Terminal Benefits**
(a) The Company's contribution in respect of provident fund/Social Security Funds is charged to Profit and Loss Account each year.
(b) The Company's contribution to Life Insurance Corporation of India for group gratuity policy and superannuation fund is charged off to Profit and Loss account each year.
(c) Liability for accumulated earned privileged leave of employees is ascertained and provided for as per Company Rules.

(x) **Common Stock Issued**
Common Stock is issued by CARACO from time to time in lieu of cash for directors fees and in exchange for fees towards formula for products developed by Parents & its affiliates and is recorded as compensatory expenses/research & development costs respectively.

		As at 31st March, 2003 Rs in Million	As at 31st March, 2002 Rs in Million
4.	**CONTINGENT LIABILITIES NOT PROVIDED FOR**		
	Guarantees Given by the Company	**0.0**	732.0
	Letters of Credit	**241.4**	163.6
	Packing Credit	**0.0**	16.0
	Liabilities Disputed		
	Sales Tax	**86.7**	69.7
	Excise Duty	**27.6**	36.5
	Income Tax	**120.7**	102.6
	Towards Price Equalisation Fund-DPEA	**10.0**	10.0
	Import Duty-JDGFT	**19.1**	17.4
	ESIC Contribution	**0.2**	0.2
	Claims against the Company not acknowledged as debts	**0.4**	0.4
5.	**CAPITAL COMMITMENTS-FIXED ASSETS**	**94.3**	185.6

		Year ended 31st March, 2003 Rs in Million	Year ended 31st March, 2002 Rs in Million
6.	**REMUNERATION TO DIRECTORS**		
	Managerial Remuneration u/s 198 of the Companies Act, 1956		
	Salaries and Allowances	**14.3**	7.1
	Contribution to Provident and Superannuation Funds	**2.1**	1.4
	Perquisites and Benefits (Previous Year Rs.30,000)	**0.2**	0.0
	Commission	**1.2**	0.0
	Total	**17.8**	8.5
7.	**RESEARCH AND DEVELOPMENT EXPENDITURE**		
	Revenue	**603.1**	197.3
	Capital	**363.4**	139.4
8.	**INTEREST EXPENSES FOR**		
	Fixed Loans	**19.9**	26.8
	Debentures	**3.2**	3.0
	Others	**5.9**	6.3

9. Foreign currency transactions are translated as per the accounting policy referred to in item 3 (viii) above. The net exchange loss of Rs.10.41 million (previous year gain of Rs.30.26 million) is included in the net profit for the year. Foreign exchange gain of Rs.68.2 million (previous year gain of Rs.1.2 million) on account of income and expenditure consolidation and foreign exchange gain of Rs.18.2 million (previous year gain of Rs.7.6 million) on account of consolidation of assets and liabilities of subsidiaries have been transferred to Currency Fluctuation Reserve account.

10. Provision for taxation is arrived at after considering available tax credit under minimum alternate tax.

11. The figures of Previous Year does not include Accounts of CARACO as the same has become Subsidiary during the current year only.

12. As regards consolidation of Accounts of CARACO

(i) On consolidation of Accounts of CARACO a sum of Rs 1006.8 Million being excess of value of investments made by the Company in referred Subsidiary over the value of its net assets, and also the share of losses of minority shareholders of CARACO till the date of Company becoming the Subsidiary i.e. upto March 31, 2002 over their equity amounting to Rs 458.6 million have been reduced from General Reserve.

(ii) With respect to routine litigation incidental to the business, Management believes that the ultimate disposition of these matters willl not have any material adverse effect on the financial statements.

(iii) With respect to deferred tax, certain net operating losses available for set off will begin to expire from 2007 and utilisation of such loss may be limited due to ownership change.

SUN PHARMACEUTICAL INDUSTRIES LIMITED (CONSOLIDATED)
SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2003

13. Disclosure with respect to Accounting Standards issued by the Institute of Chartered Accountants of India

(i) **Accounting Standard (AS-18) on Related Party Disclosure - as per Annexure 'A'.**

(ii) **Accounting Standard (AS-20) on Earnings Per Share:**

	Year ended 31st March, 2003 Rs in Million	Year ended 31st March, 2002 Rs in Million
Net profit for the year	**2486.6**	1680.9
Less : Dividend on Preference Shares	**20.6**	13.5
Less : Corporate Dividend Tax on Preference Shares	**0.5**	1.4
Profit used as Numerator	**2465.5**	1666.0
Weighted Average number of Equity Shares used as Denominator	**93564866**	93588616
Nominal value per share	**Rs. 5.00**	Rs. 5.00
Earnings Per Share (Basic and Diluted)	**Rs. 26.4**	Rs. 17.8

(iii) **Accounting Standard (AS-17) on Segment Reporting:**

Primary Segment
The Company has identified "Pharmaceuticals" as the only primary reportable segment.

Secondary Segment (By Geographical Segment)

Sales		
India	**7117.9**	6081.2
Outside India	**2603.5**	1363.8
Total	**9721.4**	7445.0
Service Charges		
India	**0.0**	0.0
Outside India	**0.6**	2.9
Total	**0.6**	**2.9**

In view of the interwoven/intermix nature of business and manufacturing facility,other segmental information is not ascertainable.

14. Figures of Previous Year, corresponding to the Current Year after restated /regrouped/ reclassified wherever necessary.

Signatures to Schedule 1 to 19 form an integral part of Accounts

DILIP S. SHANGHVI
Chairman & Managing Director

SUDHIR V. VALIA
Wholetime Director

Partha Ghosh
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

Mumbai, 28th July, 2003

KAMLESH H. SHAH
Company Secretary

SAILESH T. DESAI
Wholetime Director

Mumbai, 28th July, 2003

SUN PHARMACEUTICAL INDUSTRIES LTD.

SUN PHARMACEUTICAL INDUSTRIES LIMITED (CONSOLIDATED)

ANNEXURE 'A'

ACCOUNTING STANDARD (AS-18) "RELATED PARTY DISCLOSURE"

(Rs in Million)

Particulars	Associates		Key Management Personnel		Relatives of Key Management Personnel		Enterprise under significant Influence of Key Management Personnel or their Relatives		Total	
	31-03-03	31-03-02	**31-03-03**	31-03-02	**31-03-03**	31-03-02	**31-03-03**	31-03-02	**31-03-03**	31-03-02
Purchases of goods	**0.0**	340.2	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**	340.2
Sale of goods	**0.0**	99.5	**0.0**	0.0	**0.0**	0.0	**6.3**	0.0	**6.3**	99.5
Purchases of fixed assets	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**26.4**	0.0	**26.4**	0.0
Sale of fixed assets	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**	0.1	**0.0**	0.1
Receiving of Service	**0.0**	13.3	**0.0**	0.0	**0.0**	0.0	**0.3**	0.0	**0.3**	13.3
Rendering of Service	**0.0**	0.2	**0.0**	0.0	**0.0**	0.0	**0.4**	0.2	**0.4**	0.4
Lease Rent received	**0.0**	1.6	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**	1.6
Recovery of Expenses	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**	0.1	**0.0**	0.1
Finance (including loans and equity contributions in cash or in kind)										
Equity Contribution	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0
Capital Contribution	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0
Promissory notes (Net of loan given received back of Rs.12.1 million)	**0.0**	179.9	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**	179.9
Advances received	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**	0.1	**0.0**	0.1
Guarantees and Collaterals										
Bank Guarantee as on 31/3/03	**0.0**	732.0	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**	732.0
Interest Income	**0.0**	26.6	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**	26.6
Rent Income	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.1**	0.1	**0.1**	0.1
Director's Remuneration	**0.0**	0.0	**16.6**	8.5	**0.0**	0.0	**0.0**	0.0	**16.6**	8.5
Director's Fees	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0
Rent Paid	**0.0**	0.0	**0.0**	0.0	**0.2**	0.2	**0.0**	0.2	**0.2**	0.4
Outstanding receivables, net of Payables as on 31/03/2003	**0.0**	22.3	**0.0**	0.0	**0.0**	0.0	**-19.7**	0.4	**-19.7**	22.7

Note :
Names of related parties and description of relationship

1. Associates	Sun Pharma Exports	
2. Key Management Personnel	Mr Dilip S. Shanghvi Mr Sudhir V. Valia Mr Sailesh T. Desai Mr Narendra N. Borkar	
3. Relatives of Key Management Personnel	Mrs Vibha Shanghvi Mrs Kumud Shanghvi Mrs Meera Desai Mrs Nirmala Desai	Wife of Chairman Mother of Chairman Wife of Wholetime Director Mother of Wholetime Director
4. Enterprise under significant Influence of Key Management Personnel or their relatives	Sun Petrochemical Pvt Ltd Sun Speciality Chemicals Pvt Ltd Navjivan Rasayan (Gujarat) Pvt Ltd	

SUN PHARMACEUTICAL INDUSTRIES LIMITED (CONSOLIDATED)
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2003

		Year ended 31st March 2003 Rs. in Million
A.	**Cash Flow From Operating Activities:**	
	Net Profit Before Tax	2,661.1
	Adjustments for:	
	Depreciation	212.0
	Interest Expense	29.0
	Interest Income	(41.1)
	Income From Investment-Dividend	(0.2)
	(Profit)/Loss On Fixed Assets Sold	(31.1)
	Debts/Advances Written Off	1.8
	Provision for Bad and Doubtful Debts	6.0
	Liability No Longer Required Written Back	(8.9)
	Provision For Gratuity And Leave Encashment	11.8
	Unrealised Foreign Exchange (Gain) / Loss	14.4
	Other Provisions	40.0
	Tax Deducted at Source (TDS) on Other Operating Income	(26.2)
	Lease Terminal Adjustment	(2.0)
	Operating Profit Before Working Capital Changes	2,866.6
	Adjustments for Changes In Working Capital :	
	(Increase)/Decrease in Sundry Debtors	(1,179.0)
	(Increase)/Decrease in Other Receivables	60.5
	(Increase)/Decrease in Inventories	(512.9)
	Increase/(Decrease) in Trade and Other Payables	445.3
	Cash Generated From Operations	1,680.5
	Taxes (Paid) / Received (Net of TDS and Refund)	(167.7)
	Net Cash From Operating Activities	1,512.8
B.	**Cash Flow From Investing Activities:**	
	Purchase of Fixed Assets - Additions During the Year	(675.9)
	Capital Work in Progress - Additions During the Year	(321.1)
	Proceeds From Sale of Fixed Assets	168.5
	Proceeds From Sale of Investments	10.0
	Purchase of Investments	(15.4)
	Loans/Inter Corporate Deposits Given	(780.5)
	Loans/Inter Corporate Deposits Refund Received	809.4
	Deposits With Bank	—
	Interest Received (Revenue)	32.7
	Dividend Received	0.2
	Net Cash Used In Investing Activities	(772.1)
C.	**Cash Flow From Financing Activities:**	
	Equity Share Buyback	(148.9)
	Redemption of Preference Share Capital	(30.1)
	Long Term Loan Taken	1,167.6
	Short Term Loan Taken	1.5
	Interest Paid	(29.0)
	Dividend Paid	(232.9)
	Dividend Tax Paid	—
	Net Cash Used In Financing Activities	728.2
	Net Increase/(Decrease) In Cash and Cash Equivalents	1,468.9
	Cash and Cash Equivalents (Opening)	254.6
	Consolidation Adjustment	(907.8)
	Cash and Cash Equivalents (Closing)	815.7
	Less: Unrealised Loss / (Gain) on Foreign Currency	0.2
		815.5
	Cash and Cash Equivalents Comprise:	
	Cash and Cheques in hand	5.6
	Balances with Scheduled Banks on-	
	Current Accounts	102.5
	Deposit Accounts	701.9
	Unpaid Dividend Accounts	5.5
		815.5

Notes:

1. The above Cash Flow Statement has been prepared under the “Indirect Method” set out in AS-3, issued by the Institute of Chartered Accountants of India.
2. Figures in brackets indicate cash outgo.
3. Issue of 18,71,77,232 6% Cumulative Redeemable Preference Shares of Re.1 each were alloted as fully paid bonus shares, to the equity shareholders, by capitalisation of Capital Redeemption Reserve - Rs. 187.2 Million being non cash transaction has not been considered in the cash flow statement.
4. Cash and cash equivalents includes Rs. 5.5 Million (Previous Year Rs. 4.5 Million), which are not available for use by the Company (Refer Schedule 9 in the accounts).
5. Since the accounts of Caraco Pharmaceutical Laboratories Ltd (Caraco) have been consolidated for the first time, changes with respect to assets and liabilities pertaining to Caraco has been considered as inflow/outflow during the year.
6. Previous Year figures have not been given as no Cash Flow Statement was prepared in the last year, being first year of preparation of Consolidated Financial Accounts.

This is the Cash Flow Statement referred to in our report of even date.

Partha Ghosh
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

Mumbai, 28th July, 2003

KAMLESH H. SHAH
Company Secretary

For and on behalf of the Board

DILIP S.SHANGHVI
Chairman & Managing Director

SUDHIR V. VALIA
Wholetime Director

SAILESH T. DESAI
Wholetime Director

Mumbai, 28th July, 2003

ZAO SUN PHARMA INDUSTRIES LTD. RUSSIA

Information enclosed to the annual account report concerning the business activity of Company ZAO «Sun Pharma Industries Limited» during 2002

In 2002 ZAO «Sun Pharma Industries Limited» did not perform the business activity. There were some financial operations, which made their influence on the financial state of the firm:

- a financial irrevocable Contribution received from the private persons: - 49841 roubles; the above-mentioned Contribution was spent to pay the salaries and to remit the salary fees and taxes in 2002, to execute the audit of ZAO «Sun Pharma Industries Limited» for the period of 2001. The received financial irrevocable contribution has been defined as the non-commercial income and the imposed tax on the profit resulted in the sum of 11962 roubles (the tax rate 24 % is applied);

- the non-commercial Expenditures include: the payment of salaries – 30443 roubles, the payment of a universal social fee – 7876 roubles, the operational bank expenses – 457 roubles, the audit – 12975 roubles. The total non-commercial Expenditures in 2002 are 51751 roubles.

Subsequently, in 2002 the balance Loss was 13873 roubles reflected in the enterprise accounting.

At the end of current the fiscal period the enterprise has the Debitor Indebtedness equal to 14630 roubles attributed as a debt of Migration Service (a non-returned guarantee loan paid for a foreign specialist to Migration Service - 12024 roubles) and an over-paid tax in the sum 2606 roubles; besides, there is a Credit Indebtedness resulted in the sum 86340 roubles, which is attributed as the liabilities in respect of the state budget.

A Loss introduced in the 3rd Section of the Balance Sheet (90659 roubles) means a financial result: a Loss of the previous years (76786 roubles) and the sum of a Loss of the fiscal period (13873 roubles).

In the fiscal year the Company-Founder made up the resolution about the initiative liquidation of ZAO «Sun Pharma Industries Limited» (the Resolution of the Share-Holders adopted at the General Meeting held on October 29, 2002 in Mumbai, India) and appointed Mr. Sinarevsky Pavel Alexandrovich to the post of an official liquidator (the Power of Attorney issued on October 29, 2002 in Mumbai, India). All decisions related with the liquidation of ZAO are made up by the official liquidator. At the time, when the Balance Sheets were prepared, ZAO «Sun Pharma Industries Limited» is in the status of liquidation. The Balance Sheets for the period of 2002 is the intermediate liquidation balance.

Liquidator P. A. Sinarevsky

April 14, 2003

AUDITING CONCLUSION
ON THE BOOKKEEPING BALANCE

ADRESSEE: **Attn. to the Management of Company ZAO "Sun Pharma Industries Limited"**

AUDITOR

Name:	Auditing Company "OOO AUDIT-911"
Legal Address:	107078, Moscow, ul. Novaya Basmannaya, dom 10, stroenie 1, office 87;
Official Address:	see above;
Number and date of the state registration:	Certificate №.001.252.669 of 21.01.97
Number and date of the Auditing Licence, Name of the official Body Authorized to issue the Auditing Licence:	Licence №.000203 of 20.05.02 issued by the RF Ministry of Finance; the Licence is valid within five years.

AUDITED SUBJECT

Name:	ZAO "Sun Pharma Industries Limited";
Legal Address:	109444, Moscow, ul. Sormovskaya, dom 8, korpus 2;
Official Address:	117420, Moscow, ul. Profsoyuznaya, dom 57, office 722;
Number and date of the state registration:	Certificate №. 031.055 of 15.04.1994

Auditing Company "OOO AUDIT-911" has performed the audit of ZAO "Sun Pharma Industries Limited" accounting documentation for the period of 2002, since January 01 till December 31.

The bookkeeping balance consists of:
- the balance sheets;
- the profits and loss accounts;

It is the responsibility of ZAO "Sun Pharma Industries Limited" Executive Management to prepare and to submit the above-mentioned accounting documentation. Our obligation is to make up the official opinion about the authenticity of the mentioned documentation and to check the documentation is composed in accordance with the Russian Federation Law by means of our audit.

We carried out the audit in accordance with:
- the Federal Law of RF " Auditing Activity ";
- Federal Rules (Standards) worked out to execute the Audit adopted by the RF Government Statement №.696 of 23.09.2002;
- the auditing rules (standards) issued by Auditing Company "OOO AUDIT-911";
- the internal orders and provisions of ZAO "Sun Pharma Industries Limited" issued to manage the mentioned company.

The audit was planned and carried on in order to get the confirmation that there had not been admitted any grave infringements in the internal accounting documentation.

During the audit we selected the appropriate materials and studied them:
- we had checked the proofs confirming the authenticity of the accounting documentation and the information of ZAO "Sun Pharma Industries Limited" business activity;
- we had considered the methods and principles applied in the bookkeeping balance along with the requirements applied during the preparation of the bookkeeping balance;
- we had determined the initial approach which the top management of the audited company had used during the preparation of the bookkeeping balance;
- we had received the entire idea about the bookkeeping balance;

We guess that the executed audit gives us the reasons to confirm that the bookkeeping balance is true and has been maintained in accordance with the Russian Federation Legislation.

Our opinion is that ZAO "Sun Pharma Industries Limited" documentation is properly composed to define the exact financial situation of the audited company on the 31st of December, 2002 and the results of business activity in 2002, since January 01 till December 31.

The audit of ZAO "Sun Pharma Industries Limited" is completed on the 17th of April 2003.

Director of Auditing Company "OOO AUDIT - 911"	D.I.Popov
Head of General Auditing Department	V.A.Melnikov (Life-Licence No. 025329)
Auditor	I.V.Anosova (Life-Licence No. 044655)

BALANCE SHEET AS AT 31ST DECEMBER, 2002

	Amount (RRu) As at 31/12/2002	Amount (RRu) As at 31/12/2001
ASSETS		
I FIXED ASSETS		
Office Equipments	**0**	0
II CURRENT ASSETS		
Inventories	**0**	0
Finished Goods	**0**	0
Receivables (less than 12 months)		
Debtors for goods & services	**12.024**	12.024
Other Debtors	**2.606**	0.143
Cash & Bank Balances		
Bank Balances	**1.051**	6.145
Other Current Assets	**0**	0
III PROFIT & LOSS ACCOUNT		
Profit & Loss Account	**90.659**	76.786
	106.340	95.098
LIABILITIES		
IV CAPITAL AND RESERVES		
Authorised Capital	**20.000**	20.000
Paid up Share Capital	**20.000**	20.000
V CURRENT LIABILITIES		
Sundry Creditors		
For Goods & Services	**0**	0
Advances from Customers	**0**	0
Other Liabilities	**86.340**	75.098
	106.340	95.098

P. A. Sinarevsky
Liquidator

Date - 14/04/2003
ZAO «Sun Pharma Industries Limited»

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2002

	Amount (RRu) As at 31/12/2002	Amount (RRu) As at 31/12/2001
Net Sales	**0**	0
Interest	**0**	0
Other Income	**49.841**	433.084
	49.841	433.084
Cost of Sales of Goods & Services	**0**	0
Commercial Expenses	**0**	0
Interest	**0**	0
Other Operating Expenses	**63.714**	259.925
Road Tax & Property Tax	**0**	288
	63.714	260.213
Profit for the period	**0**	172.871
Loss for the period	**13.873**	0
Add: Preliminary Expenses	**0**	17.429
Balance brought forward	**76.786**	232.228
Balance carried over to Balance Sheet	**90.659**	76.786

P. A. Sinarevsky
Liquidator

Date - 14/04/2003
ZAO «Sun Pharma Industries Limited»

SUN PHARMA GLOBAL INC. BRITISH VIRGIN ISLAND

DIRECTORS' REPORT

To,

The Members of Sun Pharma Global Inc., British Virgin Island.

Your Directors take pleasure in submitting the 7th Annual Report and Statement of Audited Accounts for the period ended 31st March, 2003.

Financial Results

The working of the Company during the Fifteen months period has been satisfactory and the Company has made profit of U.S. $ 4,416,795 (Previous year U.S. $ 292,985) from its operations.

Dividend

No Dividend (Previous year @ 10%) for the Financial Period under review was paid to the equity shareholders of the Company.

Auditors

Yours Company's auditors Messrs. Valia & Timbadia retire at the conclusion of the forthcoming Annual General Meeting and have offered themselves for reappointment. The Members are requested to reappoint the auditors for the current year and fix their remuneration.

ON BEHALF OF THE BOARD OF DIRECTORS

DILIP S. SHANGHVI — Director
SUDHIR V. VALIA — Director

MUMBAI , 28th April, 2003

AUDITORS' REPORT TO THE MEMBERS

We have audited the attached Balance Sheet of Sun Pharma Global Inc. British Virgin Island as at 31st March, 2003 and Profit and Loss Account of the Company for the period ended on that date annexed thereto and report that :

(a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

(b) In our opinion , proper books of account have been kept by the Company so far as appears from our examination of those books.

(c) The Balance Sheet and Profit and Loss Account dealt with by the report are in agreement with the books of account.

(d) In our opinion and to the best of our information and according to the explanation given to us , the said accounts give a true and fair view :

i. In the case of the Balance Sheet of the state of affairs of the Company as at 31st March, 2003.

ii. In the case of the Profit and Loss Account of the profit of the Company for the period ended on that date.

For VALIA & TIMBADIA
Chartered Accountants

HITEN C TIMBADIA
Partner

Mumbai , 28th April, 2003

BALANCE SHEET AS AT 31ST MARCH, 2003

(Amount in USD)

	SCHEDULES	As at 31st March, 2003	As at 31st December, 2001
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	**500,000**	500,000
Reserves and Surplus			
Profit and Loss Account		**5,606,033**	1,189,238
		6,106,033	1,689,238
APPLICATION OF FUNDS			
Investments	2	**5,577,025**	1,522,078
Current Assets, Loans and Advances			
Current Assets	3	**526,927**	180,600
Loans and Advances		**2,331**	–
Less : Current Liabilities and Provisions			
Creditors		**250**	13,440
		529,008	167,160
		6,106,033	1,689,238
NOTES TO ACCOUNTS	7		

This is the Balance Sheet referred to in our report of even date.

For and on behalf of the Board

For **VALIA & TIMBADIA**
Chartered Accountants

HITEN C. TIMBADIA — Partner
DILIP S. SHANGHVI — Director
SUDHIR V. VALIA — Director

Mumbai, 28th April, 2003

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH, 2003

(Amount in USD)

	SCHEDULES	For the period ended 31st March, 2003	For the year ended 31st December, 2001
INCOME			
Income from Operations	4	**5,084,569**	952,467
Interest Income		**57,071**	52,616
		5,141,640	1,005,083
EXPENDITURE			
Material Cost	5	**330,000**	—
Operating Expenses	6	**394,845**	712,098
		724,845	712,098
PROFIT FOR THE YEAR		**4,416,795**	292,985
BALANCE BROUGHT FORWARD		**1,189,238**	946,253
AVAILABLE FOR APPROPRIATION		**5,606,033**	1,239,238
APPROPRIATIONS			
Interim Dividend		—	50,000
		5,606,033	1,189,238
NOTES TO ACCOUNTS	7		

This is the Profit and Loss Account referred to in our report of even date.

For and on behalf of the Board

For **VALIA & TIMBADIA**
Chartered Accountants

HITEN C. TIMBADIA — Partner
DILIP S. SHANGHVI — Director
SUDHIR V. VALIA — Director

Mumbai, 28th April, 2003

SUN PHARMA GLOBAL INC. BRITISH VIRGIN ISLAND

SCHEDULES TO THE ACCOUNTS

(Amount in USD)

	As at 31st March, 2003	As at 31st December, 2001
SCHEDULE : 1 SHARE CAPITAL		
Authorised		
500,000 Shares of US $ 1/- Each	**500,000**	500,000
Issued and Subscribed		
500,000 Shares of US $1/- each fully paid up	**500,000**	500,000
(Entire Share Capital is held by Holding Company Sun Pharmaceutical Industries Ltd. , India.)	**500,000**	500,000
SCHEDULE : 2 INVESTMENTS		
A) **Trade Investments (Quoted)**		
Caraco Pharmaceutical Laboratories Ltd. U.S.A. 3,354,657 (Previous Year 1,722,657) Fully paid and Non Assessable Common Shares of No par value (Market Value **$ 9,460,133** (Previous Year $ 1,981,056))	**5,364,914**	951,986
B) **Trade Investments (Unquoted)**		
Sun Pharmaceutical (Bangladesh) Ltd.		
i] 1- (Previous Year - **1**) Equity Shares of 100 Takas each fully paid	**2**	2
ii] Equity Contribution (Previous Year - $ 98.16) pending allotment	**98**	98
Others		
Promissory Note - Caraco Pharmaceutical Laboratories Ltd., USA	**212,011**	569,992
	5,577,025	1,522,078
SCHEDULE : 3 CURRENT ASSETS		
Inventories of finished goods (As certified by the Management)	**16,800**	16,800
Debtors - Considered good	**437,756**	28,560
Balance with Bank	**62,371**	125,240
Security Deposit	**10,000**	10,000
	526,927	180,600

(Amount in USD)

	For the period ended 31st March, 2003	For the year ended 31st December, 2001
SCHEDULE : 4 INCOME FROM OPERATIONS		
Sales	**4,412,928**	—
Service Charges	**12,915**	952,467
Commission Received	**658,326**	—
Miscellaneous Income	**400**	—
	5,084,569	952,467

(Amount in USD)

	For the period ended 31st March, 2003	For the year ended 31st December, 2001
SCHEDULE : 5 MATERIAL COST		
Opening Stock	**16,800**	16,800
Purchases	**330,000**	—
Less : Closing Stock	**16,800**	16,800
	330,000	—
SCHEDULE : 6 OPERATING EXPENSES		
Conveyance	**39,020**	60,491
Office Expenses	**8,811**	37,787
Business Promotion Expenses	**59,094**	24,000
Printing and Stationery	**3,860**	20,357
Professional Charges	**53,004**	38,213
Rent	**24,926**	18,000
Repairs and Maintanance	**8,041**	20,342
Selling and Distribution Expenses	**115,941**	325,108
Entertainment Expenses	**25,933**	127,267
Car Hire	**4,036**	6,356
Communication Expenses	**19,510**	32,038
Miscellaneous Expenses	**32,544**	1,580
Preliminary Expenses written off	—	434
Audit Fees	**125**	125
	394,845	712,098

SCHEDULE 7

NOTES TO ACCOUNTS

1. Significant accounting policies
   i) Revenue Recognition : Revenue is recognised on accrual basis
   ii) Shares of Caraco Pharmaceutical Laboratories Limited acquired in exchange for technology transfer are accounted at issue price.
   iii) Inventory of stock of goods is valued at lower of cost or market value
2. Loan of US $ 200,000 to Caraco Pharmaceutical Laboratories Ltd.. , USA (CARACO) is in the nature of unsecured demand notes which accrue interest @ 8% p.a.
3. The Accounting Year of the company has been extended from 31st December, 2002 to 31st March, 2003 and accordingly the Annual Accounts of the Company has been prepared for 15 months ended on 31st March, 2003.
4. The Previous Year figures represents 12 months from January to December, 2001.

MILMET PHARMA LIMITED

DIRECTORS' REPORT

To

The Members of

MILMET PHARMA LIMITED.

Your Directors have pleasure in presenting you the 7th Annual Report of your Company together with the Audited Accounts for the year ended on 31st March, 2003.

FINANCIAL RESULTS

	Year ended 31st March, 2003	Year ended 31st March, 2002
Profit Before Tax	**10,87,276**	7,20,973
Profit After Tax	**7,27,886**	3,20,695
Balance B/f from Previous Year	**9,39,639**	6,18,944
Surplus carried to Balance Sheet	**16,67,524**	9,39,639

DIVIDEND

In view to conserve the resources of the Company, your Directors do not recommend any dividend on the equity capital of the Company.

OPERATIONS

During the year under review the Company achieved the total income of Rs.213.30 Lakhs as compared to Rs.208.24 Lakhs of previous year and the Company earned profit of Rs.7.28 Lakhs as compared to Rs.3.23 lakhs during the previous year.

DIRECTORS:

Shri Kashyap Upadhyay has been appointed as an additional Director of the Company by the Board of Directors on 18th November,2002 and holds office up to the ensuing Annual General Meeting. The Company has received a notice from a member to propose his name for being appointed as Director of the Company liable to retire by rotation.

Shri Ajay Bhatt resigned as the Director with effect from 9th December, 2002.The Board places on record its appreciation of the valuable guidance & services provided by him to the Company during his tenure as the Director of the Company.

Shri Ashok Bhuta retires by rotation at the forthcoming Annual General Meeting of the Company and being eligible has offered himself for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act,1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

(i) that in the preparation of the annual accounts for the financial year under review, the applicable accounting standards have been followed along with proper explanation relating to material departures;

(ii) that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and on the profit of the Company for the year under review;

(iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(iv) that the Directors have prepared the annual accounts for the financial year ended under review on a 'going concern' basis.

PUBLIC DEPOSIT:

The Company has not accepted any deposit from the public during the period under provisions of the Companies Act, 1956 and rules framed thereunder.

INFORMATION ON CONVERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGOES AS REQUIRED UNDER SECTION 217 (11) (E) OF THE COMPANIES ACT, 1956.

The Company has no activities relating to conservation of energy or technology absorption. The Company has no foreign exchange earnings and outgoes.

PARTICULARS OF EMPLOYEES:

No particulars pursuant to Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rule, 1975 as amended have been furnished, since your Company has no person in its employment drawing salary in excess of Rs.24,00,000 per annum or Rs.2,00,000 per month.

AUDITORS:

The Auditors of the Company, M/s. Pravin Doshi & Co., Chartered Accountants, Vadodara, retire at the conclusion of forthcoming Annual General Meeting. The Company has received letter from them to the effect that their reappointment, if made, will be in accordance with the provisions of section 224(1B) of the Companies Act, 1956

ACKNOWLEDGEMENTS

Your Directors wish to thank the Company's team for their hard work and contribution.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

SAILESH T. DESAI DIRECTOR

KASHYAP UPADHYAY DIRECTOR

PLACE: VADODARA

DATE : 23rd April, 2003

AUDITORS' REPORT
TO THE MEMBERS OF MILMET PHARMA LIMITED

We have audited the attached Balance Sheet of Milmet Pharma Limited as at 31st March, 2003, and the Profit and Loss Account of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. We report that:

(a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

(b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;

(c) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account;

(d) In our opinion the Profit & Loss Account and Balance Sheet dealt with by this report comply with the Accounting Standards referred to in sub section (3C) of section 211 of the Companies Act, 1956:

(e) On the basis of the written representations from the Directors, taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2003 from being appointed as a Director under section 274 (1) (g) of the Companies Act,1956;

(f) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2003;

AND

(ii) In the case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date.

As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988, and on the basis of such examination of the books and records of the Company as we considered appropriate and the information and explanations given to us during the course of our audit, we report that:

1. The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956 or from Company under the same management as defined under Section 370 (1B) of the Companies Act, 1956.
2. The Company has not granted any loan during the year, secured or unsecured, to companies, firms or other parties listed in Register maintained under Section 301 of the Companies Act, 1956 or to Company under the same management as defined under Section 370 (1B) of the Companies Act, 1956.
3. According to the information and explanations given to us, the Company has granted loans, or advances in the nature of loans only to employees. Repayments of principal amounts and interest are stipulated generally in time.
4. According to the information and explanations given to us, the transactions of sale of services (there being no purchase and sale of goods and materials) made in pursuance of contracts and arrangements entered in the register maintained under Section 301 of the Companies Act, 1956, and aggregating during the year to Rs.50000/- or more in respect of each party have been made at prices which are reasonable having regard to the prevailing market prices.
5. The Company has not accepted any deposit from the public to which the provisions of Section 58A of the Companies Act, 1956, and the rules made thereunder apply.
6. According to the records of the Company Provident Fund and Employees' State Insurance dues have generally been regularly deposited during the year with the appropriate authorities.
7. There were no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty as at 31st March 2003, which were outstanding for a period of more than six months from the date they become payable.
8. No personal expenses of Directors and Employees have been charged to Revenue Accounts.
9. The Company is not a sick industrial company within the meaning of Clause (O) of sub- Section (1) of Section 3 of Sick Industrial Companies (Special Provisions) Act, 1985.
10. In respect of services activities:
    (a) Having regard to the nature of service activities, a system for allocating man-hours to the relative jobs is not considered necessary.
    (b) There is a reasonable system of authorization at proper levels and adequate system of internal control commensurate with the size of the Company and nature of its business.

As per the information and explanations given to us and taking into consideration the nature of the Company, clauses (i), (ii), (iii), (iv), (v), (vi), (x), (xii), (xiv), (xv) and (xvi) of paragraph of 4(A) and clause (ii) of paragraph 4(B) of the Manufacturing and Other Companies (Auditor's Report) Order 1988 are not applicable.

For **Pravin Doshi & Co.**
Chartered Accountants

(PRAVIN M. DOSHI)
Partner

Place : Baroda

Dated : The 23rd Day of April, 2003

MILMET PHARMA LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2003

(Amount in Rupees)

	Schedules	**As at 31st March, 2003**		As at 31st March, 2002	
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	A	**500000**		92000	
Reserves and Surplus	B	**1667524**	**2167524**	939639	1031639
			2167524		1031639
APPLICATION OF FUNDS					
Current Assets, Loans and Advances					
Sundry Debtors	C	**5911540**		3782096	
Cash and Bank Balances	D	**249148**		785703	
Loans and Advances	E	**1174543**		1725816	
		7335231		6293615	
Less : Current Liabilities and Provisions	F	**5170542**	**2164689**	5265756	1027859
Miscellaneous Expenditure					
(To the extent not written off or adjusted)					
Preliminary Expenses			**2835**		3780
			2167524		1031639
NOTES TO ACCOUNTS	K				

AS PER OUR REPORT OF EVEN DATE ATTACHED

For PRAVIN DOSHI & CO.
Chartered Accountants

PRAVIN M DOSHI
Partner

BARODA : 23rd APRIL,2003

FOR AND ON BEHALF OF THE BOARD

SAILESH T DESAI
DIRECTOR

KASHYAP UPADHYAY
DIRECTOR

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2003

(Amount in Rupees)

	Schedules	**Year ended 31st March, 2003**		Year ended 31st March, 2002	
INCOME					
Income from Operations	G	**21242051**		20791913	
Other Income	H	**87996**	**21330047**	32370	20824283
EXPENDITURE					
Personnel Expenses	I	**14289917**		13996242	
Operational Expenses	J	**5952855**	**20242771**	6107068	20103310
PROFIT BEFORE TAX			**1087276**		720973
PROVISION FOR TAXATION			**362590**		397134
TAX ADJUSTMENT FOR EARLIER YEAR			**(3200)**		3144
PROFIT AFTER TAX			**727886**		320695
BALANCE BROUGHT FORWARD			**939639**		618944
BALANCE CARRIED TO BALANCE SHEET			**1667524**		939639
EARNINGS PER SHARE (BASICS AND DILUTED)			**14.56**		34.86
NOTES TO ACCOUNTS	K				

AS PER OUR REPORT OF EVEN DATE ATTACHED

For PRAVIN DOSHI & CO.
Chartered Accountants

PRAVIN M DOSHI
Partner

BARODA : 23rd APRIL,2003

FOR AND ON BEHALF OF THE BOARD

SAILESH T DESAI
DIRECTOR

KASHYAP UPADHYAY
DIRECTOR

MILMET PHARMA LIMITED

SCHEDULES TO ACCOUNTS

	As at 31st March, 2003	As at 31st March, 2002
		(Amount in Rupees)
SCHEDULE A : SHARE CAPITAL		
Authorised		
50,000 Equity Shares of Rs.10 each	**500,000**	500,000
Issued and Subscribed		
50000 (Previous Year 9200) Equity Shares of Rs. 10 each fully paid up (Out of above 49,800 (Previous year 9,000) Equity Shares of Rs.10 each are held by Sun Pharmaceutical Industries Limited (the Holding Company))	**500,000**	92,000
	500,000	92,000
SCHEDULE B : RESERVES AND SURPLUS		
Profit and Loss Account As per Annexed Account	**1,667,524**	939,639
	1,667,524	939,639
SCHEDULE C : SUNDRY DEBTORS		
(Unsecured and considered good)		
Over six months	**0**	0
Others	**5,911,540**	3,782,096
(Debt due from holding company- Sun Pharmaceutical Industries Limited)		
	5,911,540	3,782,096
SCHEDULE D : CASH AND BANK BALANCES		
Cash in hand	**93,821**	15,070
Balances with Scheduled Banks on current account	**155,327**	770,633
	249,148	785,703
SCHEDULE E : LOANS AND ADVANCES		
(Unsecured and considered good)		
Advances recoverable in cash or in kind or for value to be received	**1,064,029**	1,617,824
Advance Payment of Income Tax (Net of provision)	**110,514**	107,992
	1,174,543	1,725,816
SCHEDULE F : CURRENT LIABILITIES & PROVISION		
Sundry Creditors	**88,892**	80,408
Other Liabilities	**5,081,650**	5,185,348
	5,170,542	5,265,756

	Year ended 31st March, 2003	Year ended 31st March, 2002
		(Amount in Rupees)
SCHEDULE G : INCOME FROM OPERATIONS		
Commission	**21,242,051**	20,791,913
	21,242,051	20,791,913
SCHEDULE H : OTHER INCOME		
Interest -Tax Deducted at Source Nil (Previous Year Nil)	**87,906**	32,370
Miscellaneous Income	**90**	0
	87,996	32,370
SCHEDULE I : PERSONNEL EXPENSES		
Salaries, Wages, Bonus and Benefits	**13,256,383**	12,823,535
Contribution to Provident and Other Funds	**800,702**	721,502
Other Welfare Expenses	**232,832**	451,205
	14,289,917	13,996,242
SCHEDULE J : OPERATIONAL EXPENSES		
Rent	**120,000**	120,000
Rates and Taxes	**1,000**	2,000
Insurance	**49,898**	84,564
Selling and Distribution	**3,423,840**	3,767,759
Travelling and Conveyance	**1,688,716**	1,512,538
Communication Expenses	**76,957**	32,325
Miscellaneous Expenses	**579,484**	577,382
Auditors Remuneration		
- Audit Fees	**12,960**	10,500
	5,952,855	6,107,068

SCHEDULE K : NOTES TO ACCOUNTS

1. **SIGNIFICANT ACCOUNTING POLICIES**

   i. **BASIS OF ACCOUNTING**

   The Financial statement are prepared under historical cost convention on an accrual basis and comply with the accounting standards referred to in Section 211(C) of the Companies Act, 1956.

   ii. **REVENUE RECOGNITION**

   All revenues are accounted on accrual basis.

   iii. **TERMINAL BENEFITS**

   Provision for Gratuity will be made as and when statutorily required. Liabilities for accumulated earned leave of employees is ascertained and provided for as on the date of the Balance Sheet.

   The Company's contribution in respect of Provident Fund is charged to Profit & Loss Account

   iv. **PRELIMINARY EXPENSES**

   Preliminary Expenses are written off equally over a period of 10 years.

2. Disclosure with respect to Accounting Standards issued by the Institute of Chartered Accountants of India

   Accounting Standard (AS-20) on Earning Per Share :

		Year ended 31st March, 2003 Amount Rs.		Year ended 31st March, 2002 Amount Rs.
(a) Net Profit				
Net Profit for the year		**727886**		320695
Less : Dividend on Preference Shares		0		0
Profit used as Numerator		**727886**		320695
(b) Weighted Average number of Equity Shares used as Denominator		**50000**		9200
(c) Nominal value per share	**Rs.**	**10**	Rs.	10
(d) Earnings Per Share (Basic and Diluted)	**Rs.**	**14.56**	Rs.	34.86

3. Additional information pursuant to Part II of Schedule VI to the Companies Act, 1956 are not applicable.
4. Previous year figures have been recasted / regrouped wherever necessary.

5. **BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

I. Registration Details

Registration No. 04/31523

Balance Sheet Date 31st March, 2003 State Code 04

II. Capital Raised during the year (Amount in Rs.Thousands)

Public Issue	Right Issue
NIL	NIL
Bonus Issue	Private Placement
NIL	408

II. Position of Mobilisation and Deployment of Funds (Amount in Rs.Thousands)

Total Liabilities	Total Assets
2167	2167
Sources of Funds	
Paid-up Capital	Reserves and Surplus
500	1667
Secured Loans	Unsecured Loans
0	0
Application of Funds	
Net Fixed Assets	Investments
0	0
Net Current Assets	Miscellaneous Expenditure
2165	3
Accumulated Losses	
0	

IV. Performance of Company (Amount in Rs.Thousands)

Turnover	Total Expenditure
21330	20243
Profit Before Tax	Profit After Tax
1087	728
Earning Per Share in Rs.	Dividend Rate %
14.56	NIL

V. Generic Names of Three Principal Products/Services of the Company

(As per Monetary Terms)

Item Code No. (Itc Code) NOT APPLICABLE

Product Description NOT APPLICABLE

SUN PHARMACEUTICAL (BANGLADESH) LIMITED

DIRECTORS ' REPORT

To,

The Members of Sun Pharmaceutical (Bangladesh) Limited.

Your Directors take pleasure in presenting the Annual Report and Audited Accounts for the Year ended on 31st March 2003.

Financial Results

There were no commercial activities during the accounting year as the Company's application for manufacturing is pending for approval by Drugs administration & Licensing Authority (Drugs) and Company is yet to commence the production

Project

During the accounting period the project were completed in all respect and ready for trial production. The inspection of plant by concern autority was pending. All other necessary permissions from respective authorities were obtained.

Auditors

Your Company's Auditors, Rahman Rahman Huq, Chartered Accountants, Dhaka, retire at the conclusion of the forthcoming Annual General Meeting. Your company has received a letter from them to the effect their re-appointment, if made, will be in accordance with the provision of Section 210 of the Companies Act, 1994.

Acknowledgements

Your Directors wish to thank all shareholders, Board of Investment, your Company's bankers for their continued support and valuable co-operation.

For and on behalf of the Board of Directors

Dhaka,
22nd April 2003

Chairman   Managing Director

AUDITORS ' REPORT TO THE SHAREHOLDERS OF SUN PHARMACEUTICAL (BANGLADESH) LIMITED

We have audited the accompanying balance sheet of Sun Pharmaceutical (Bangladesh) Limited as of 31 March 2003 and the related statement of changes in shareholders' equity and cash flow statement for the year then ended. The preparation of these financial statements are the responsibility of the company's management. Our responsibility is to express an independent opinion on these financial statements based on our audit.

We conducted our audit in accordance with Bangladesh Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements, prepared in accordance with Bangladesh Accounting Standards, give a true and fair view of the state of the company's affairs as of 31 March 2003 and of the results of its operations and its cash flows for the year then ended and comply with the Companies Act 1994 and other applicable laws and regulations.

We also report that:

a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;

b) in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of these books; and

c) the company's balance sheet dealt with by the report is in agreement with the books of account.

Dhaka, 22nd April 2003

BALANCE SHEET AS AT 31ST MARCH, 2003

	Schedule	**As at 31st March, 2003 Taka**	As at 31st March, 2002 Taka
Sources of fund			
Shareholders' equity :			
Share capital	1	**100,000**	100,000
Share money deposits	2	**108,845,547**	106,416,847
		108,945,547	106,516,847
Loan Funds:			
Secured Loan	3	**40,000,000**	—
Unsecured Loan	4	**3,850,000**	—
		43,850,000	—
		152,795,547	106,516,847
Applications of fund			
Property, plant and equipment		**137,392,162**	132,233,380
Preliminary and pre-operating expenses	5	**20,125,475**	9,632,047
Current assets:			
Advance, deposit and prepayments	6	**2,303,613**	1,300,538
Cash and bank balances	7	**28,888**	1,740,699
Total current assets		**2,332,501**	3,041,237
Current liabilities:			
Sundry creditors	8	(7,054,591)	(38,389,817)
Net current assets		(4,722,090)	(35,348,580)
Net assets		**152,795,547**	**106,516,847**
Notes to Financial Statements	9		

The Schedule **1** to **9** form an integral part of these financial statements.

Dhaka, 22nd April 2003
As per our annexed report of same date.

Auditor   Managing Director   Chairman

Commercial Manager

CASH FLOW STATEMENT AS AT 31ST MARCH, 2003

	For the period Year ended on 31st March, 2003 Taka	For the period **Year ended on** 31st March, 2002 Taka
A) Cash flows from pre-operating activities		
Payment to employees, suppliers etc.	(41,828,654)	(9,395,400)
B) Cash flows from investing activities		
Purchase of property, plant and equipment	(5,158,782)	(94,080,210)
Advance deposits and prepayments	(1,003,075)	(1,300,538)
Net cash out flows from investing activities	(6,161,857)	(95,380,748)
C) Cash flows from financing activities		
Share capital	—	100,000
Share money deposits	2,428,700	106,416,847
Loan fund	43,850,000	—
Net cash used in financing activities	46,278,700	106,516,847
D) Net increase in cash and bank balances (A+B+C)	(1,711,811)	1,740,699
E) Cash and bank balances at opening	1,740,699	—
F) Cash and bank balance at closing (Schedule 7)	28,888	1,740,699

Managing Director   Chairman

Commercial Manager

SUN PHARMACEUTICAL (BANGLADESH) LIMITED

NOTES TO FINANCIAL STATEMENTS

SCHEDULES 1 TO 9 FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2003

	As at 31/03/2003 Taka	As at 31/03/2002 Taka
1 Share capital		
Authorised:		
600,000 Ordinary shares of Tk 100 each	**60,000,000**	60,000,000
Issued, subscribed and paid-up:		
1,000 Ordinary shares of Tk 100 each fully paid	**100,000**	100,000

Shareholding position of the company is as follows:

	Nominal value Taka	% of present holding	Nominal value Taka	% of present holding
Sun Pharmaceutical Industries Limited	72,400	72.4	72,400	72.4
Sun Pharma Global Inc.	100	0.1	100	0.1
City Overseas Limited	27,500	27.5	27,500	27.5
	100,000	100.0	100,000	100.0

	As at 31/03/2003 Taka	As at 31/03/2002 Taka
2 Share money deposits		
Sun Pharmaceutical Industries Limited	**75,620,966**	75,620,966
Sun Pharma Global Inc.	**5,328**	5,328
City Overseas Limited	**33,219,253**	30,790,553
	108,845,547	106,416,847
3 Secured Loan		
From Bank - Term Loan	**40,000,000**	—
Credit facilities from Bank are secured by Hypothecation of Plant & machnieiries, equitable mortagage on land and building		
4 Unsecured Loan		
From Director	**3,850,000**	—
5 Preliminary and pre-operating expenses		
Licence fees and company registration expenses	**123,930**	101,980
Travelling expenses, car rental charge and motor car exp.	**3,389,972**	2,568,333
Salary and allowances	**3,482,620**	1,813,538
Office rent	**1,705,600**	745,600
Telephone and trunk call	**834,988**	560,409
Bank charges,L/c opening charges, Financial charges	**857,195**	612,619
Interest to Bank	**3,220,707**	—
Security services	**1,332,294**	493,494
Insurance premium	**805,400**	458,619
Power and fuel	**1,081,126**	595,101
Unloading charges	**436,436**	432,001
Office expenses and entertainment	**601,590**	340,231
Printing and stationery	**269,748**	214,108
Factory expenses **(SCHEDULE 5.1)**	**321,186**	166,520
Soil testing fees	**75,000**	75,000
Legal and professional fees	**65,350**	62,850
Books and periodicals	**72,851**	61,838
Advertisement	**56,340**	56,340
Audit fee	**80,000**	40,000
Quality control chemical	**48,695**	37,345
Subscription	**49,820**	34,020
Utilities	**159,469**	73,270
Postage and stamps	**27,576**	18,231
Bonus and gift	**58,306**	29,178
Repairs and maintenance	**84,250**	20,041
Rates and taxes	**30,000**	10,000
Garden Exp	**36,602**	—
Promotional exp	**799,568**	—
Others	**18,856**	11,381
	20,125,475	9,632,047

5.1 Factory expenses

The amount is net off of sundry income of Tk 67,650.

	As at 31/03/2003 Taka	As at 31/03/2002 Taka
6 Advance, deposits and prepayments		
Advances:	**1,883,806**	899,178
Deposits:	**313,500**	313,500
Pre-payments:	**106,307**	87,860
	2,303,613	1,300,538

	As at 31/03/2003 Taka	As at 31/03/2002 Taka
7 Cash and bank balances		
Cash in hand	—	—
Cash at bank:		
Standard Chartered Grindlays Bank	**22,498**	(4,017)
First Security Bank Limited	**3,180**	1,601,146
State Bank of India	**3,210**	143,570
	28,888	1,740,699
8 Sundry creditors		
Sun Pharmaceutical Industries Limited (Related party)	**2,730,458**	17,771,104
Others	**4,305,005**	20,473,403
TDS payable	**19,128**	145,310
	7,054,591	38,389,817

Statement of changes in shareholders' equity for the year ended 31st march, 2003

	Share Capital Taka
Balance as at 31.03.2001	1,00,000
Net Profit after tax for the year	
Additional equity fund (Share money deposit)	106,416,847
Balance as at 31.03.2002	106,516,847
Net Profit after tax for the year	—
Additional equity fund (Share money deposit)	2,428,700
Balance as at 31.03.2003	108,945,547

Managing Director

Chairman

Commercial Manager

Notes to the Financial Statements for the year ended 31st March, 2003

SCHEDULE 9

i) **Company profile**

Sun Pharmaceutical (Bangladesh) Limited is a private limited company incorporated on 29 March 2001 [registration no. C-42777 (2136)/2001] in Bangladesh under the Companies Act 1994 with an authorised capital of Tk 60 million divided into 600,000 ordinary shares of Tk 100 each.

The company was formed jointly with Sun Pharmaceutical Industries Limited (SPIL), a company incorporated in India, City Overseas Limited (COL), a company incorporated in Bangladesh and Sun Pharma Global Inc (SPGI), A company incorporated under the laws of British Virgin Island.

SPIL, COL and SPGI own 72.4%, 27.5% and 0.1% respectively of shareholding of SPBL.

ii) **Nature of business**

The objective of the company is to provide essential and specialty medicines for chronic disease ailing patients at affordable prices in support of "BETTER HEALTH FOR ALL" policy of WHO. The main activity of the company will be to produce various pharmaceutical products for cardiology, neurology, psychiatry, oncology, anti-asthmatics etc. and to sell them in the local and overseas markets.

iii) **Licence from Drug Administration**

Company's application for manufacturing is pending for approval by Drugs Administration & Licencing Authority (Drugs) and the Company is yet to commence the production.

iv) **Significant accounting policies**

a) **Basis of accounting**

These accounts have been prepared under the historical cost convention, in accordance with Bangladesh Accounting Standards and the requirements of the Companies Act, 1994 and other laws and rules applicable in Bangladesh.

b) **Foreign currency transactions**

Transactions in foreign currencies are translated into Bangladesh taka at the exchange rates ruling on the date of transactions. Monetary foreign currency assets and liabilities are restated at the balance sheet date using rates prevailing on that day.

c) **Reporting currency and level of precision**

The figures in the financial statements represent Bangladesh taka and are rounded off to nearest integer.

d) **Reporting period**

Financial statements of the company cover the period from 1 April 2002 to 31 March 2003.

CARACO PHARMACEUTICAL LABORATORIES, LTD.

DEAR SHAREHOLDERS AND FRIENDS:

2002 was an exciting year for our Company as we saw important, tangible results from our investments in regulatory compliance, newproduct development, manufacturing enhancements, and the ongoing process of building a talented and qualified organization. Here are some specifics:

Our revenues grew quite sharply in the second half, sending our full year net sales up 278% to a record $22,380,964 from $5,922,431 for 2001. Aided by the higher revenues, we saw immense improvement in our gross profit, which jumped 495% to $10,333,554 from $1,736,372 a year ago. We also recorded a net profit for the third quarter the Company's first ever; and, as important, we lowered our net loss by 61% to $2,256,004, or $(0.10) per diluted share, from $5,757,463, or $(0.29) per diluted share, for 2001. The 2002 results include total R&D expense of $7,236,212, which includes a non cash R&D charge of $3,887,423, for common stock paid to Sun Pharmaceutical Industries, Ltd. (Sun Pharma) for three products received under our former R&D agreement.

Six Drugs Approved

We received FDA approval for six new generic drugs in 2002 twice the number for 2001. The drugs approved by the FDA in 2002, in the sequence of approvals, were oxaprozin, a generic form of Daypro; metformin hydrochloride, a generic form of Glucophage; tramadol hydrochloride, a generic form of Ultram; meperidine hydrochloride, a generic form of Demerol; ticlopidine hydrochloride, a generic form of Ticlid; and clozapine, a generic form of Clozaril.

We also have three drugs pending approval and the R&D team has 20 drugs in various stages of development.

The people in the R&D team as well as those in our plant, operations, administration, marketing, and across all levels are the most important component of our Company. Especially indispensable to our Company's turnaround and future growth is our management team. We now have a stable management organization with extensive experience and expertise in cGMP regulatory compliance, manufacturing, marketing and other key areas to move our Company forward.

Four Drugs Launched

To build our productline, we successfully launched four new generic drugs into the marketplace during the year. These were flurbiprofen, a generic form of Ansaid; plus three of the drugs noted above: tramadol hydrochloride, metformin hydrochloride and oxaprozin. At the close of the year, our formulary stood at 13 drugs, which were available in 22 different strengths and 46 package sizes. We expect the formulary to expand to 17 drugs in 29 strengths and 61 package sizes during the current year, without taking into consideration the ANDAs pending FDA approval.

We have substantially improved our marketing efforts over the past couple of years, while our product portfolio has been enriched. Today, our customer base includes some of the nation's top drug wholesalers, distributors, purchasing groups, retailpharmacy groups, hospitals, nursing homes and a broad range of other health care providers across the US. In addition, all of our products are listed in the Federal Supply Schedule, Federal Bureau of Prisons Prime Vendor Program, Veterans Administration Prime Vendor Program, the Department of Defense, and myriad state agencies.

New R & D Agreement

To maintain our newproduct pipeline, we filed three Abbreviated New Drug Applications (ANDA) with the FDA in 2002. These filings resulted from technologies that we received from Sun Pharma under our earlier R&D agreement. In 2002, we signed a new R&D agreement with Sun Pharma Global Inc. (Sun Global), a wholly owned subsidiary of Sun Pharma. The agreement provides for Sun Global to provide us with 25 drugs over the course of five years. In exchange for each technology transfer, Sun Global will receive 544,000 shares of a newly issued non voting preferred stock. The preferred shares are convertible to Rule 144 restricted common shares after two years and these can be converted to free-trading shares after one additional year. The new R&D agreement is especially beneficial to us because 1) we will be able to acquire new products without impairing our cash flow, and 2) we shall be able to rollout new products at a much faster pace than would be otherwise possible through an R&D team in Detroit. The details of the new R&D agreement are contained in a latter section of this Report.

At the plant level, we completed a $1.6 million expansion program that both added production capacity and enhanced efficiency through the installation of faster, higher capacity production equipment. The expansion was primarily funded from proceeds of an approximately $1.7 million private placement that we completed in May 2002. In 2003 we plan to complete a $2-million capital improvement program to additionally incease manufacturing capacity and augment the plant's infrastructure to support the expanded production capabilities. It is expected that these improvements will provide us with sufficient production capacity to take us through 2005.

We should note that our operations were inspected by the FDA in November and December of 2002 and found to be generally in compliance with current Good Manufacturing Practices (cGMP). We will continue a strong focus on compliance activities at all levels of our Company.

Strong Growth in 2003

Looking forward, we are very optimistic about the generic-drug sector in general and the outlook for our Company in particular in 2003. The generic drug sector is expected to continue its strong growth and add another 10% to 14% in overall sales in 2003. The positive outlook for the sector reflects heightened acceptance of generics by physicians and consumers and rising support for generic drugs from a wide range of cost-conscious interest groups, including medical and health insurers, HMOs and other managed care providers, labor unions, and government entities such as Medicare and Medicaid. Also boding well for the generic sector are industry estimates that point to some additional $35 billion in proprietary drugs likely to come off patent in this decade.

It's relevant to note that the FDA has expanded the size of its generic-drug-review staff to accelerate the approval process. Currently, the typical ANDA review process takes less than 18 months, considerably faster than the process entailed just a couple of years ago.

We expect that the strong sales growth of the last half of 2002 to continue into 2003. Our 2003 sales are forecast to rise more than 56% to the $35 million plateau, fueled by solid growth of our current formulary and the introduction of four new drugs, including clozapine, ticlopidine hydrochloride, meperidine hydrochloride and digoxin. We also expect our gross profit to continue to show strong improvement and that we should record a net profit in those quarters in which we do not incur a noncash charge for new-drug technology under our R&D agreement with Sun Global. On that point, we expect to acquire three to four new drugs from Sun Global, to file two to three additional ANDAs with the FDA, and to receive two or three ANDA approvals in 2003.

In 2003 we also expect to continue building upon our working relationship with Sun Pharma, which has continued to provide us with financial, management, R & D, production, distribution, and product support during 2002. One of the areas that Sun Pharma will help us with in 2003 is developing our vertical integration capabilities, at which Sun Pharma has been highly successful. We will also continue to look upon Sun Pharma as a primary supplier of active raw materials. Sun Pharma is among numerous FDA approved suppliers that we use in bids for active substances. Sun Pharma has one plant in India approved by the US FDA for active substance production and is working on the approval of a second plant. Sun Pharma provides us with products at very competitive prices.

Our management focus in 2003 will continue to be on several key areas:

- Regulatory compliance with FDA cGMP
- Speedy introduction of new products
- Building our manufacturing excellence
- Increasing our marketshare
- Enhancing our market width and depth by expanding our productline with good products and new customers
- Improving our bottomline through sourcing active substances at competitive prices and achieving economies of scale in manufacturing
- And, attracting and retaining the best employees to help us differentiate our Company from competitors

Before closing, I would like to report that by midyear we expect to sign a six year agreement with the Economic Development Corporation of the City of Detroit to restructure our mortgage loan. The new agreement provides us with more favorable interest rates as well as releasing our working capital from the collateral provided to the EDC.

In closing, I would like to express my thanks to all of our shareholders for your continued trust and encouragement, to the other members of the Board of Directors for their guidance and counsel and to all of our employees for their extraordinary efforts in 2002 and their commitment to our success in 2003.

Narendra N. Borkar
Chief Executive Officer

CARACO PHARMACEUTICAL LABORATORIES, LTD.

INDEPENDENT AUDITORS' REPORT

Stockholders and Board of Directors
Caraco Pharmaceutical Laboratories, Ltd.
Detroit, Michigan

We have audited the accompanying balance sheets of Caraco Pharmaceutical Laboratories, Ltd. (a Michigan corporation) as of December 31, 2002 and 2001, and the related statements of operations, stockholders' deficit and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Caraco Pharmaceutical Laboratories, Ltd. as of December 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

REHMANN ROBSON

Troy, Michigan

February 7, 2003

STATEMENTS OF OPERATIONS

	Year Ended December 31	
	2002	2001
Net sales	**$ 22,380,964**	$ 5,922,431
Cost of goods sold	**12,047,410**	4,186,059
Gross profit	**10,333,554**	1,736,372
Selling, general and administrative expenses	**3,827,707**	2,680,494
Research and development costs - affiliate (Note 7)	**3,887,423**	—
Research and development costs	**3,348,789**	3,079,804
Operating loss	**(730,365)**	(4,023,926)
Other income (expense)		
Interest expense	**(1,539,075)**	(1,748,922)
Interest income	**13,436**	15,385
Other expense - net	**(1,525,639)**	(1,733,537)
Net loss	**$ (2,256,004)**	$ (5,757,463)
Net loss per basic and diluted common share	**$ (0.10)**	$ (0.29)

The accompanying notes are an integral part of these financial statements.

BALANCE SHEETS

	December 31	
	2002	2001
ASSETS		
Current assets		
Cash and cash equivalents	**$ 534,228**	$ 241,110
Accounts receivable, net	**5,484,135**	1,486,508
Inventories	**5,615,962**	2,909,055
Prepaid expenses and deposits	**471,314**	179,201
Total current assets	**12,105,639**	4,815,874
Property, plant and equipment		
Land	**197,305**	197,305
Buildings and improvements	**7,346,797**	6,829,377
Equipment	**5,458,314**	4,407,323
Furniture and fixtures	**232,112**	207,750
Total	**13,234,528**	11,641,755
Less accumulated depreciation	**5,487,018**	4,947,673
Net Property, plant and equipment	**7,747,510**	6,694,082
Total assets	**$ 19,853,149**	$ 11,509,956

	December 31	
	2002	2001
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable	**$ 1,958,809**	$ 689,233
Accounts payable, Sun Pharma	**2,024,028**	273,668
Accrued expenses	**1,391,623**	296,715
Current portion of subordinated notes payable to stockholder	**5,850,000**	—
Current portion of loans payable to financial institutions	**625,000**	—
Short-term borrowings	—	75,000
EDC loan payable, current	**1,004,000**	5,380,000
Preferred stock dividends payable, current	**350,380**	—
Accrued interest	**549,052**	4,140,589
Total Current liabilities	**13,752,892**	10,855,205
Long-term liabilities		
Loans payable to financial institutions	**15,275,000**	15,000,000
EDC loan payable, net of current portion	**6,598,547**	—
Notes payable to stockholder	**3,850,000**	8,300,000
Preferred stock dividends payable	—	300,000
Total long-term liabilities	**25,723,547**	23,600,000
Total liabilities	**39,476,439**	34,455,205
Commitments and contingencies (Notes 5,9 and 12)		
Stockholders' deficit		
Series A preferred stock, no par value; authorized 5,000,000 shares, issued and outstanding -0- and 285,714	—	1,000,000
Common stock, no par value; authorized 30,000,000 shares, issued and outstanding 23,767,532 and 21,173,818 shares	**40,457,028**	34,111,543
Additional paid-in capital	**282,858**	—
Preferred stock dividends	**(350,380)**	(300,000)
Accumulated deficit	**(60,012,796)**	(57,756,792)
Total stockholders' deficit	**(19,623,290)**	(22,945,249)
Total liabilities and stockholders' deficit	**$ 19,853,149**	$ 11,509,956

The accompanying notes are an integral part of these financial statements.

CARACO PHARMACEUTICAL LABORATORIES, LTD.

STATEMENTS OF STOCKHOLDERS' DEFICIT

	Preferred Stock		Common Stock		Additional Paid-in	Preferred Stock	Accumelated	
	Shares	Amount	Shares	Amount	Capital	Dividends	Deficit	Total
Balances at January 1, 2001, as restated (Note 13)	285,714	$ 1,000,000	21,172,618	$ 34,111,093	$ —	$ (240,000)	$ (51,999,329)	$ (17,128,236)
Preferred stock dividends	—	—	—	—	—	(60,000)	—	(60,000)
Issuance of common stock to directors in lieu of cash compensation	—	—	1,200	450	—	—	—	450
Net loss	—	—	—	—	—	—	(5,757,463)	(5,757,463)
Balances at December 31,2001	285,714	1,000,000	21,173,818	34,111,543	—	(300,000)	(57,756,792)	(22,945,249)
Preferred stock dividends	—	—	—	—	—	(50,380)	—	(50,380)
Issuance of common stock to directors in lieu of cash compensation	—	—	36,000	41,400	—	—	—	41,400
Issuance of common stock under private placement	—	—	635,000	1,692,000	—	—	—	1,692,000
Issuance of common stock to affiliate in exchange for product technology transfers	—	—	1,632,000	3,887,423	—	—	—	3,887,423
Common stock subscribed	—	—	—	7,520	—	—	—	7,520
Preferred stock converted to common stock	(285,714)	(1,000,000)	285,714	717,142	282,858	—	—	—
Net loss	—	—	—	—	—	—	(2,256,004)	(2,256,004)
Balances at December 31,2002	—	$ —	23,762,532	$ 40,457,028	$ 282,858	$ (350,380)	$ (60,012,796)	$ (19,623,290)

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

	Year Ended December 31	
	2002	2001
Cash flows from operating activities		
Net loss	**$ (2,256,044)**	$ (5,757,463)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation	**539,374**	508,682
Common shares issued in exchange for product formula	**3,887,423**	—
Common shares issued in lieu of compensation	**41,400**	450
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	**(3,997,627)**	(1,020,062)
Inventories	**(2,706,907)**	(1,497,134)
Prepaid expenses and deposits	**(292,112)**	(115,817)
Accounts payable	**3,019,936**	45,902
Accrued expenses and interest	**925,917**	748,315
Net cash used in operating activities	**(838,600)**	(7,087,127)

	Year Ended December 31	
	2002	2001
Cash flows from investing activities		
Purchases of property, plant and equipment	**(1,592,802)**	(108,531)
Cash flows from financing activities		
proceeds from bank term loans	**900,000**	6,150,000
Repayments of short-term borrowings	**(75,000)**	—
Proceeds from stockholder loans	**1,400,000**	2,300,000
Repayments of EDC loan	**(1,200,000)**	(1,200,000)
Proceeds from issuance of common stock	**1,699,520**	—
Net cash provided by financing activities	**2,724,520**	7,250,000
Net increase in cash and cash equivalents	**293,118**	54,342
Cash and cash equivalents, beginning of year	**241,110**	186,768
Cash and cash equivalents, end of year	**$ 534,228**	$ 241,110

The accompanying notes are an integral part of these financial statemnets.

CARACO PHARMACEUTICAL LABORATORIES, LTD.

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Business

Caraco Pharmaceutical Laboratories, Ltd. ("Caraco" or the "Corporation") was established in Detroit, Michigan to develop, manufacture and market generic and private label prescription and over-the-counter pharmaceuticals in the United States. The process of developing a line of proprietary drugs requires approvals by the Food and Drug Administration (FDA) of Abbreviated New Drug Applications (ANDA). The Corporation's present product portfolio consists of a limited number of products in certain strengths and package sizes. The Corporation's drugs relate to a variety of therapeutic segments including the central nervous system, cardiology, pain management and diabetes.

Over the years, significant sources of funding for the Corporation have been received from private placement offerings, stockholder and financial institution loans and debt financing from the Economic Development Corporation of the City of Detroit (the "EDC"), which loaned approximately $9.1 million to the Corporation in accordance with a Development and Loan Agreement dated August 10, 1990 (see Note 5). During 2002 and 2001, the Corporation also obtained term loans providing total credit facilities of $17.5 million from two foreign banks.

The Corporation and a Mumbai, India based specialty pharmaceutical manufacturing company, Sun Pharmaceutical Industries, Ltd. ("Sun Pharma") completed an agreement, in 1997, whereby Sun Pharma invested $7,500,000 into the common stock of the Corporation, and was required to transfer to the Corporation the technology formula for 25 generic pharmaceutical products over a period of five years through August 2002 in exchange for 544,000 shares of Caraco common stock to be issued for each ANDA product and 181,333 shares for each DESI (Drug Efficacy Study Implementation) product. As of December 31, 2002, Sun Pharma has delivered to Caraco the formula for 13 products and beneficially owns approximately 49% of the outstanding common stock of the Corporation. In November 2002, a subsidiary of Sun Pharma agreed to transfer to the Corporation a technology formula for 25 generic pharmaceutical products over a period of five years through November 2007 in exchange for 544,000 shares of a new convertible preferred stock for each formula received (Note 7). In addition to Sun Pharma's equity holdings, the product and technology transfers which include various research and development activities conducted on an ongoing basis by Sun Pharma, loans made directly to and loans guaranteed on behalf of Caraco (see Note 5), Sun Pharma has also supplied Caraco with certain raw materials and equipment (see Note 4) and transferred to Detroit a number of qualified technical and management professionals having pharmaceutical experience. Furthermore, five of the eight Caraco directors are or were affiliated with Sun Pharma. Caraco is substantially dependent on the active involvement and support of Sun Pharma.

In addition to its substantial dependence on Sun Pharma, the Corporation is subject to certain risks associated with companies in the generic pharmaceutical industry. Profitable operations are dependent on the Corporation's ability to market its products at reasonable profit margins. In addition to achieving profitable operations, the future success of the Corporation will depend, in part, on its continuing ability to attract and retain key employees, obtain timely approvals of its ANDAs, develop new products and continue to raise in the near term the necessary funds to keep the Corporation in business.

Operations

For the first time since inception, during the second, third and fourth quarters of 2002, the Corporation has achieved sales necessary to support operations. During 2002, the Corporation's results did improve such that its loss from operations decreased from approximately $4,000,000 in 2001 to approximately $730,000 in 2002. The Corporation's net loss also decreased from approximately $5,750,000 in 2001 to approximately $2,250,000 in 2002. The net loss in 2002 includes approximately $3.9 million of research and development costs related to technology transfers from Sun Pharma Global in exchange for common stock of Caraco. There were no such technology transfers in 2001. In addition, cash used by operations decreased from approximately $7,100,000 in 2001 to approximately $840,000 in 2002. While management views these results as positive developments, the Corporation must still overcome its stockholders' deficit, which is $19,623,290 as of December 31, 2002. Realization of a major portion of its assets is thus dependent upon the Corporation's ability to meet its future financing requirements and the success of future operations. Management believes that sustained financial and operating support from Sun Pharma, along with continued improvement in profitability and cash flow, are key factors in the Corporation's ability to continue to operate in the normal course of business. While management has a basis to reasonably believe that Sun Pharma's substantial investment in Caraco provides Sun Pharma with sufficient economic incentive to continue to assist Caraco in developing its business, and Sun Pharma has expressed its intent to continue to support Caraco's operations in the near term, as it has done in the past, there can be no assurance that such support will, in fact, continue for a period of time sufficient to ensure Caraco's ultimate business success. For example, Sun Pharma, which is subject to the prevailing regulatory process in India, may be constrained from fully pursuing its business interest outside of India. The accompanying financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might be necessary should the Corporation be unable to continue operating in the normal course of business.

Management's plans with regard to improving profitability, cash flows and operations include infusion of additional funding from new investors pursuant to equity offerings planned to be carried out during the first half of 2003. Management's plans also include for 2003:

- Continued focus on FDA compliance.
- Continued research and development activities.
- Increased market share for certain existing products and recently introduced new products and enhance customer reach and satisfaction.
- Prompt introduction of newly approved products to the market.
- Striving to capture larger market share for existing products.
- Achieving operational efficiencies by attaining economies of scale, cost reduction per unit, and obtaining additional cost reductions for active raw materials acquired from competitors and/or Sun Pharma.
- Increase the width and depth of product portfolio to serve the customers effectively.
- Increase the number of products, as well as anticipated volume increases for existing products which, in turn, will improve manufacturing capacity utilization.
- Considering alternative ways of increasing cash flow including developing, manufacturing and marketing ANDAs owned by Sun Pharma.
- Prompt restructuring of the EDC loan.
- Locating and utilizing facilities of contract-manufacturers to enhance production and therefore sales.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include, but are not limited to, valuation allowances for accounts receivable and the recoverability of the Corporation's property, plant and equipment.

Cash and Cash Equivalents

The Corporation considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents. The Corporation from time to time may have cash balances which exceed federally insured limits.

Revenue Recognition

The Corporation recognizes revenue at the time its products are shipped to its customers as, at that time, the risk of loss or physical damage to the product passes to the customer, and the obligations of customers to pay for the products are not dependent on the resale of the product or the Corporation's assistance in such resale. Customers are permitted to return unused product in, certain instances, after approval from the Corporation upon the expiration date of the product's lot. Amounts billed by the Corporation, if any, in advance of performance with contracts to render certain manufacturing or research and development services are deferred and then recognized upon performance of those services.

Provisions for estimated returns, discounts, rebates and other price adjustments including chargebacks can be reasonably determined in the normal course of business based on historical results. A significant portion of the current allowance has been reserved for expected chargebacks. Chargebacks are price adjustments given to wholesale customers for product it resells to parties with whom the Corporation has established contractual pricing. The chargeback represents the difference between the sales price to the wholesaler and the contracted price. Approximately 96% of the current allowance for trade receivables has been reserved for estimated chargebacks.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Corporation provides for probable uncollectable amounts through a charge to earnings and a credit to a valuation allowance based on management's assessment of the current status of individual accounts. Balances that are still outstanding after the Corporation has attempted reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable.

Inventories

Inventories are stated at the lower of cost determined by the first-in, first-out method, or market.

Loss Per Share

Loss per share is computed using the weighted average number of common shares outstanding during each year and considers a dual presentation and reconciliation of "basic" and "diluted" per share amounts. Diluted reflects the potential dilution of all common stock equivalents.

At December 31, 2002 and 2001, options to purchase 310,000 and 2,705,199 shares, respectively, were excluded from the computation of loss per share because the options' exercise prices were greater than the average market price of the common shares.

The following table sets forth the computation of basic and diluted loss per common share.

	2002	2001
Numerator:		
Loss from continuing operations	$ 2,256,004	$ 5,757,463
Preferred stock dividends	50,380	300,000
Loss available for common stockholder	2,306,384	6,057,463
Denominator:		
Weighted average shares outstanding, basic and diluted	22,031,425	21,173,522
Loss per basic and diluted common share	$ .10	$ .29

Property, Plant and Equipment and Depreciation

Depreciation is computed using the straight line method over the estimated useful lives of the related assets, which range from 3 to 40 years. Management annually reviews these assets for impairment and reasonably believes the carrying value of these assets will be recovered through cash flow from operations, assuming the Corporation is successful in continuing to operate in the normal course of business.

Federal Income Taxes

Deferred income tax assets and liabilities are determined based on the difference between the financial statement and federal income tax basis of assets and liabilities as measured by the enacted tax rates which will be in effect when these differences reverse. The principal difference between assets and liabilities for financial statement and federal income tax return purposes is attributable to differing depreciation methods and net operating losses.

Research and Development Costs

Research and development costs are charged to expense as incurred.

Fair Values of Financial Instruments

The carrying values of cash equivalents, accounts receivable, and accounts payable approximate their values due to the short-term maturities of these financial instruments. The carrying amounts of short-term borrowings, notes payable to stockholders, and loans payable approximate their fair values because the interest rates are representative of, or change with, market rates.

The Corporation does not believe it is practicable to estimate the fair value of its note payable to the Economic Development Corporation of the City of Detroit. Management does not believe that comparable financing would currently be available on similar terms.

Common Stock Issued to Directors

Common stock is issued from time to time in lieu of cash for directors fees, and is recorded as compensation expense at the fair values of such shares on the date they were earned.

Common Stock Issued to Sun Pharma

Common stock is issued from time to time to Sun Pharma and its affiliates in exchange for the formula for products delivered by Sun Pharma to the Corporation. Research and development costs are recorded based on the fair value of the shares on the date the respective product formula has passed the bioequivalency study.

Recent Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board ("FASB") also issued Statement No. 142 *"Goodwill and Other Intangible Assets"* which was effective generally beginning January 1, 2002. Statement 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized but, instead, tested for impairment at least annually in accordance with the provisions of Statement 142. The Company has no goodwill and, accordingly, adoption of the new standard did not impact the Company's financial statements.

In June 2001, the FASB issued Statement No. 143 *"Accounting for Asset Retirement Obligations."* Statement 143 requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes the cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period and the capitalized cost is depreciated over the remaining useful life of the related asset. Upon settlement of the liability, the entity either settles the obligation for the amount recorded or incurs a gain or loss. Statement 143 is effective for fiscal years beginning after June 15, 2002. Adoption of this statement is not expected to impact the Company's results of operations or financial position.

In August 2001, the FASB issued Statement No. 144 *"Accounting for the Impairment or Disposal of Long-Lived Assets,"* effective prospectively for fiscal years beginning after December 15, 2001. Statement 144 supersedes Statement No. 121 *"Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of,"* and the accounting and reporting provisions of APB No. 30 *"Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and*

Extraordinary, Unusual and Infrequently Occurring Events and Transactions ("Opinion 30") for the disposal of a segment of business (as previously defined under Opinion 30). The FASB issued Statement No. 144 to establish a single accounting model for long-lived assets to be disposed of by sale. Statement 144 broadens the presentation of discontinued operations in the income statement to include a component of an entity (rather than a segment of a business). A component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of an entity. Statement 144 also requires that discontinued operations be measured at the lower of the carrying amount or fair value less cost to sell, rather than net realizable value. The Company does no believe Statement No. 144 will have a material impact on its financial position or results of operations.

In December 2002, the FASB issued Statement 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - an amendment of Statement No. 123", which is effective for years beginning after December 15, 2002. This statement amends Statement No. 123, "Accounting for Stock-Based Compensation", to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of Statement No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock based employee compensation and the effect of the method used on reported results. The Company does not currently plan to voluntarily adopt this statement and accordingly, the provisions will not have a material impact on its financial position or results of operations.

2. SUPPLEMENTAL CASH FLOWS INFORMATION

Other Cash Flows Information

Cash paid for interest during 2002 and 2001 was approximately $1,820,000 and $1,044,000, respectively.

3. ALLOWANCES FOR DOUBTFUL ACCOUNTS RECEIVABLE

The Corporation sells its products using customary trade terms; the resulting accounts receivable are unsecured. Accounts receivable and related allowances are summarized as follows as of December 31:

	2002	2001
Accounts receivable	$ 14,774,382	$ 1,886,508
Allowances:		
Chargebacks (Note 1)	8,972,247	283,000
Sales returns and allowances	223,000	42,000
Doubtful accounts	95,000	75,000
Total allowances	9,290,247	400,000
Accounts receivable, net of allowances	$ 5,484,135	$ 1,486,508

4. INVENTORIES

Inventories consist of the following amounts at December 31:

	2002	2001
Raw materials	$ 3,117,293	$ 1,810,364
Goods in transit	801,043	144,716
Work in process	1,153,913	719,729
Finished goods	543,713	234,246
Total	$ 5,615,962	$ 2,909,055

The principal components used in the Corporation's business are active and inactive pharmaceutical ingredients and certain packaging materials. Many of these components are available only from sole source suppliers, most of whom must be FDA approved. Qualification of a new supplier could serve to delay the manufacture of the drug involved.

During 2002 and 2001, the Corporation purchased raw materials of approximately $2,422,000 and $1,138,000, respectively, from Sun Pharma.

The Corporation also purchased approximately $-0- and $148,785 of raw materials from an entity owned by a shareholder during 2002 and 2001, respectively.

5. DEBT (INCLUDING RELATED PARTIES)

EDC Loan

Debt at December 31, 2002 includes a note payable to the Economic Development Corporation (EDC) of the City of Detroit (classified as a current obligation of $7,602,547 at December 31, 2002), plus accrued interest there on, related to funds advanced to the Corporation pursuant to a Development and Loan Agreement (the "Agreement") dated August 10, 1990, as amended. The note is collateralized by a first mortgage, effectively, on all of the Corporation's property and equipment purchased pursuant to the Agreement.

Effective April 2, 1993, and subsequently on August 5, 1997, the Corporation and the EDC of the City of Detroit restructured the Agreement discussed above. The amendment included the deferral of scheduled principal and interest payments until February 1, 1999, at which time additional deferred principal and interest due under the terms of the original agreement were required in amounts sufficient to amortize the total deferred amount through July 2002. Additionally the amendment included a reduction in the stipulated interest rate from the inception of the loan through 1993 from 10% to 8.5%. The interest rates from 1994 through July 2002 vary from 5% to 6.4%, as described in the amendments (effective rate of 6.31% at December 31, 2001).

As a condition of the deferral, the EDC was provided additional security on all the Corporation's existing equipment and the Corporation agreed to comply with several additional financial and operating covenants which include, limiting capital expenditures made without the consent of the EDC to under $2,000,000 during the deferral period, and abstaining from share redemption during the payment deferral period.

During both 2002 and 2001, the Corporation made payments of $1,200,000. Such payments have not brought the Corporation current in its obligations to the EDC, and such payments were made without prejudice to the rights of the EDC to exercise all remedies available to the EDC for failure to make the scheduled payments. While the terms of the restructured loan are being negotiated, the Corporation intends to continue to make payments to the EDC, again without prejudice to the rights of the EDC. Upon a final agreement of the restructured terms of the loan, the Corporation expects to then commence making the requisite agreed upon payments, which management believes has been agreed upon in principle.

The Corporation had submitted a proposal in April 2002 to the EDC to restructure the loan. Based on a resolution passed at a meeting of the Board of Directors of the EDC on September 25, 2002, and further extended at a meeting on March 19, 2003, the EDC approved a six year extension of the loan of approximately $7.8 million, with interest rates starting at 2.75% and increasing to 5.16% commencing effective January 1, 2003. Under the approval, the EDC would retain a first mortgage on other property, and a first lien on furniture, fixtures and equipment and intellectual property. The agreement will also remove the limit on capital expenditures and will allow the Corporation to pay dividends currently accrued by the Corporation. The EDC resolution will not become effective until a definitive agreement incorporating the above terms has been agreed to by the parties. Subsequent to the close of the year, the Corporation has received drafts of the agreement from the EDC, which is pending final approval. The Corporation has expressed that it has the interest and ability to finalize this agreement during 2003 and accordingly the EDC debt has been classified according to the resolution resulting in a portion of the EDC debt being classified as long-term.

Loans Payable

Loans payable to financial institutions consist of the following obligations as of December 31:

	2002	2001
Term loan payable to ICICI Bank of India, with quarterly principal payments of $625,000 commencing on December 31, 2003 and ending on September 30, 2005. Interest is adjusted semi-annually and is charged at the LIBOR rate plus 140 basis points (effective rate of 2.8% at December 31, 2002), and is due in quarterly installments.	$ 5,000,000	$ 5,000,000
$12.5 million term loan payable to Bank of Nova Scotia, with semi-annual principal payments of $3,125,000 commencing in February 2004 and ending in August 2005. Interest is charged at the LIBOR rate plus 30 basis points (effective rate of 1.7% at December 31, 2002), and is due in quarterly installments. An additional annual fee of $15,000 is charged.	10,900,000	10,000,000
Total loans payable	$ 15,900,000	$ 15,000,000

At December 31, 2002, $10,900,000 has been drawn on the Bank of Nova Scotia term loan. Additional amounts available to be drawn must be drawn prior to March 25, 2003, at which time no further draws are permitted. Principal prepayments are not permitted until August of 2003.

The Corporation incurred approximately $62,500 in bank fees as stipulated in the Bank of Nova Scotia term loan during both 2002 and 2001. The repayment of these term loans is guaranteed by Sun Pharma.

Stockholder Notes Payable

Stockholder notes payable consist of the following obligations as of December 31:

	2002	2001
Promissory note payable to Sun Pharma with the entire principal balance due in October 2003. Interest is charged at 8% per annum and is payable in semi-annual installments.	**$ 5,300,000**	$ 5,300,000
Promissory note payable to Sun Pharma with the entire principal balance due in August 2006. Interest is charged at 8% per annum and is payable in semi-annual installments.	**3,850,000**	2,450,000
Promissory note payable to Sun Pharma Global, Inc., a wholly-owned subsidiary of Sun Pharma, with the entire principal balance due in October 2003. Interest is charged at 8% per annum and is payable in semi-annual installments.	**550,000**	550,000
Total shareholder notes payable	**$ 9,700,000**	$ 8,300,000

Notes payable to Sun Pharma and Sun Pharma Global, Inc. are subordinated to the EDC loan.

Interest incurred on these stockholder notes amounted to $765,337 and $528,608 in 2002 and 2001, respectively. Accrued expenses include approximately $393,545 and $630,000 of accrued interest payable on stockholder notes at December 31, 2002 and 2001, respectively.

Scheduled maturities of all long-term debt for each of the years succeeding December 31, 2002 are summarized as follows:

Year ended December 31	Amount
2003	$ 7,479,000
2004	9,955,000
2005	7,740,000
2006	5,095,000
2007	1,292,000
Thereafter	1,641,547
	$ 33,202,547

6. INCOME TAXES

At December 31, 2002 a deferred income tax asset and related valuation allowance, attributable primarily to the net operating loss carryforwards (calculated using a 34% tax rate) of approximately $18,100,000 has been established. Changes in the valuation allowance were approximately $770,000 and $1,930,000 in 2002 and 2001, respectively

At December 31, 2002, net operating loss carryforwards of approximately $53,000,000 are available to offset future federal taxable income, if any. Certain of the net operating losses begin to expire in 2007. The Corporation's ability to utilize the net operating loss carryforwards may be limited due to ownership changes.

7. STOCKHOLDERS' DEFICIT

Other Common Stock Issuances (also see Note 2)

During 2002, the Corporation issued 1,632,000 shares of common stock to an affiliate of Sun Pharma in exchange for the formula for three ANDA products delivered to Caraco. The issuance of such shares have been recorded as research and development expense, based on the fair value of the respective shares on the date earned, which totaled $3,887,423 in 2002. These shares have also been included in the calculation of the weighted average number of common shares outstanding in the year the respective formula was delivered.

During 2002, 285,714 shares of preferred stock were converted into 285,714 shares of common stock. The Corporation recorded additional paid-in capital of $287,888 for the differences between the fair value of the common stock on the conversion date and the per share value of the preferred stock.

During 2002, the Corporation issued 635,000 shares of common stock in connection with a private placement offering resulting in net proceeds of $1,692,000 or approximately $2.66 per share.

During 2002 and 2001, the Corporation issued 36,000 and 1,200 shares, respectively, of common stock to non-employee directors in exchange for services rendered. The Corporation recorded compensation expense of $41,400 and $450, respectively, based on the fair values of such shares on the dates they were earned.

Common Stock

During 2002, the Corporation's Board of Directors approved the authorization of an additional 20,000,000 shares of common stock, which would be formally authorized upon the approval by the shareholders of the Corporation.

Preferred Stock

The Corporation has authorized 5,000,000 shares of preferred stock which are issuable in series with the terms and amounts set at the Board of Directors discretion. During 2002, the Corporation's Board of Directors authorized an additional 10,000,000 shares of preferred stock, which would be formally authorized upon the approval of the shareholders of the Corporation.

Each share of Series A Preferred Stock is nonvoting and was convertible, at the option of the holder, into one share of common stock. The preferred shares required annual dividends of $0.21 per share on a cumulative basis. Accrued dividends on preferred stock at December 31, 2002 and 2001 were $350,380 and $300,000, respectively. It is expected that such dividends will be paid in 2003 and, accordingly, the related liability is classified as a current obligation on the accompanying balance sheet.

In November 2002, in connection with the technology transfer agreement with a subsidiary of Sun Pharma (Note 1), the Corporation created a new series of preferred stock designated as the Series B Convertible Preferred Stock, consisting of 13,600,000 shares of no par nonredeemable preferred stock. The Series B Preferred Stock, which has no voting or dividend rights or liquidation preference other than priority liquidation based on their face value, can be converted after 3 years from the issuance date into one share of common stock, subject to a conversion adjustment in the event common stock equivalents are issued by the Corporation in certain circumstances. Formal authorization of these shares are pending final shareholder approval.

8. COMMON STOCK OPTIONS

Stock Option Plans

The Corporation maintains the 1999 Plan and the 1993 Stock Option Plan in which the Corporation may grant options to employees and non-employee-directors for the purchase of up to 3,450,000 shares of common stock. The exercise price of options granted may not be less than the fair value of the common stock on the date of grant. Options granted under this plan vest in annual installments, from the date of grant, over a five year period, and expire within six years from the date of the grant. Activity with respect to these options is summarized as follows:

	2002		2001	
	Shares	**Weighted Average Exercise Price**	Shares	Weighted Average Exercise Price
Outstanding, beginning of year	**679,375**	**$ 1.03**	428,331	$ 1.51
Granted	**—**	**—**	343,000	0.96
Terminated	**(14,000)**	**1.74**	(91,956)	(3.31)
Outstanding, end of year	**665,375**	**$ 1.01**	679,375	$ 1.03
Options exercisable, end of year	**288,075**	**$ 1.04**	168,200	$ 1.13

Options at December 31, 2002:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Shares	Remaining Contractual Life *	Exercise Price *	Shares	Exercise Price *
$0.68 to $1.00	334,375	3.4 years	$ 0.84	137,075	$ 0.89
$1.01 to $2.00	331,000	3.4 years	1.19	151,000	1.17
Total	665,375	3.4 years	$ 1.01	288,075	$ 1.04

*Weighted average

Other Common Stock Option Agreements

The Corporation has issued other stock options outside of the 1999 and 1993 Plans. These stock options have been issued with various vesting schedules and expire at various dates through October 2006. Activity with respect to these options is summarized as follows:

	2002		2001	
	Shares	**Weighted Average Exercise Price**	Shares	Weighted Average Exercise Price
Outstanding, beginning of year	**2,250,824**	**$ 2.00**	2,300,824	$ 2.01
Granted	**—**	**—**	—	—
Terminated	**—**	**—**	(50,000)	3.50
Outstanding, end of year	**2,250,824**	**$ 2.00**	2,250,824	$ 2.10
Options exercisable, end of year	**2,250,824**	**$ 2.00**	2,250,824	$ 2.00

Options at December 31, 2002:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Shares	Remaining Contractual Life *	Exercise Price *	Shares	Exercise Price *
$0.66 to $1.00	250,000	1.9 years	$ 0.75	250,000	$ 0.75
$1.01 to $2.00	1,024,158	2.9 years	1.45	1,024,158	1.45
$2.01 to $3.00	666,666	3.3 years	2.63	666,666	2.63
$3.01 to $4.00	310,000	1.4 years	3.50	310,000	3.50
Total	2,250,824	2.7 years	$ 2.00	2,250,824	$ 2.00

*Weighted average

The Corporation follows the disclosure aspects of Statement of Financial Accounting Standards (SFAS) No. 123, *"Accounting for Stock-Based Compensation"*. The Corporation continues to apply Accounting Principles Board (APB) Opinion No. 25 in accounting for its plans and, accordingly, no compensation cost has generally been recognized in the financial statements for its outstanding stock options. Had stock compensation expense been determined pursuant to the methodology provided in SFAS No. 123, using the Black-Scholes option pricing model, the following weighted average assumptions for grants in 2001 would have been employed: expected volatility of 104%, risk free interest rate of 1.7%, and expected lives of 6 years. The proforma effect on operations would have been an increase in the 2001 net loss of approximately $265,000, or $0.01 per common share. The weighted average fair value of the options granted in 2001 was $0.77 per share. No options were granted during 2002.

In December 2001, the Board of Directors extended the exercise date to December 31, 2005 with respect to options for 224,158 shares of Caraco common stock previously granted to an independent director. The modification has resulted in the options being treated as variable rather than fixed in accordance with Financial Accounting Standards Board Interpretation 44 (FIN 44). Variable compensation expense of $262,265 has been recorded during 2002 for the difference between the fair value of the underlying common stock and the exercise price of the respective options. No corresponding compensation expense was appropriate in 2001.

Strategic Alliance Stock Option Arrangement

Pursuant to an agreement between the Corporation and Hexal-Pharma BmbH & Co., KG, a German pharmaceutical company and its United States affiliate (together, "Hexal") dated October 1, 1993, Hexal agreed to convey to the Corporation the formulations, technology, manufacturing processes and know-how, and other relevant information, and to pay for the bioequivalency studies required for the preparation of ANDAs for each of two specified generic drugs (the "Product"). The Corporation agreed to pay Hexal royalties on the yearly sales of each Product (see below). The Corporation filed an ANDA in March 1995 with respect to Metoprolol Tartrate, received approval from the FDA in December 1996 and introduced it in 1997. (Metoprolol Tartrate is one of our 13 current products. See "Caraco's Products and Product Strategy".) Hexal has decided not to proceed with the development of the second Product.

Pursuant to the agreement, the Corporation has, for each Product (i) a Sign-Up Option to purchase 100,000 shares of Common Stock at $3.50 per share; and (ii) a Product Option to purchase shares at an exercise price of $3.50 per share. These options may be exercised and payment for shares may be made only out of royalties, and any interest earned on the royalties while held by the Corporation payable to Hexal for sales of the related product. No options have yet been exercised. Royalties payable to Hexal, which are included in accrued expenses, amount to $801,144 and $296,715 at December 31, 2002 and 2001, respectively. The Corporation has recently learned that the formula provided to them by Hexal, with respect to Metoprolol Tartrate, may be different than the formula currently used for manufacturing by the Corporation. The Corporation is investigating further whether they should continue to accrue the related royalties based on these formula differences.

9. LEASES

The Corporation entered into two noncancelable operating leases during 2000 with Sun Pharma to lease production machinery. The leases each require quarterly rental payments of $4,245 and expire during 2005.

The Corporation entered into a noncancelable operating lease with an unrelated party during 2002 to lease an additional warehouse. The lease requires monthly payments of $8,750 and expires in November 2005.

Net rental expense on these operating leases was $51,460 and $33,960 in 2002 and 2001, respectively.

The following is a schedule of annual future minimum lease payments required under the operating leases with remaining noncancelable lease terms in excess of one year as of December 31, 2002:

Year	Amount
2003	$ 138,960
2004	138,960
2005	108,985
Total minimum payments due	$ 386,905

The Corporation also paid Sun Pharma approximately $310,000 during 2002 for the purchase of various parts needed to operate production machinery.

10. RETIREMENT PLAN

The Corporation established in 2001 a deferred compensation plan qualified under Section 401(k) of the Internal Revenue Code. Under this plan, eligible employees are permitted to contribute up to the maximum allowable amount determined by the Internal Revenue Code. The Corporation may make discretionary matching and profit sharing contributions under the provisions of the Plan. No discretionary contributions were made by the Corporation during either 2002 or 2001.

11. SALES AND CUSTOMERS

Major Customer

Shipments to one wholesale customer accounted for approximately 65% and 35% of net sales in 2002 and 2001, respectively. Balances due from this customer represented approximately 80% and 40% of accounts receivable at December 31, 2002 and 2001, respectively.

The loss of this customer could have a negative effect on short-term operating results.

Sales Commitment

The Corporation entered into an agreement with an unrelated party effective August 5, 2002 to ship approximately $13,000,000 of product to the customer over a one year period. The agreement provides for certain penalty provisions if the Corporation is unable to meet its sales commitment.

Other

Net sales in 2002 and 2001 included approximately $850,000 and $250,000 related to contracted manufacturing activities.

12. OTHER MATTERS

Employment Contracts

The Corporation has employment agreements with three of its executive officers which provide for fixed annual salaries and a six month continuance including insurance benefits and immediate stock options vesting upon termination without cause. The agreement with one of the executives also provides for six-month salary and benefits continuance in the event of a change in ownership control of the Corporation and a significant change in employment duties.

Litigation

The Corporation is involved in routine litigation incidental to its business. The Corporation is defending its interests and it is contesting the claims against it. Management believes the ultimate disposition of these matters will not have a material adverse affect on the financial statements.

Product Liability and Insurance

The Corporation currently has in force general and product liability insurance, with coverage limits of $10 million per incident and in the aggregate. The Corporation's insurance policies provide coverage on a claim made basis and are subject to annual renewal. Such insurance may not be available in the future on acceptable terms or at all. There can be no assurance that the coverage limits of such policies will be adequate to cover the Corporation's liabilities, should they occur.

13. RESTATEMENT

In 2002, the Corporation recorded a prior period adjustment to restate common stock and the accumulated deficit as of January 1, 2001 in connection with the valuation of its common shares issued to Sun Pharma in exchange for product technology transfers received through that date. The restatement, which served to increase the accumulated deficit and capital previously reported at that date by $1,155,492, had no effect on operating results in 2002 or 2001.