

ANNUAL REPORT 2000-2001



facilitating healing.



SUN
PHARMACEUTICAL
INDUSTRIES LTD.



Facilitating healing.

Simply stated, helping put the pieces back together.

So that the body's zillion synchronized cycles with its plethora of cross-links, some known and some yet only assumed-and its vast array of hypertexts and regeneration-friendly systems can work. An estimated 6 trillion reactions take place in every cell every single second, and this stream of transformation continues every single moment of our lives.

Maintaining a functional system of balance and equipoise, more or less. Much more than a simple biochemistry of cells, an outpouring of energy and several terrabytes of information.

Only one of a trillion enzymes may function less than perfectly, and only the rarest neuron may misfire, and of an endless chain of DNA, only one may fail to autocorrect when damage occurs. When things fall out of sync, blood pressure can rise or fall or fluctuate whimsically, biochemicals can vary from their required levels, and cellular mutations can multiply out of control. Or much more can happen.

It is only one in a million times that things don't work quite the way that they are supposed to, and nature's correction systems are stretched past their tolerances.

The professional first spots and then quickly integrates a torrent of these trace and obvious signs across numerous organs and systems to first diagnose and then rectify. The process is pure alchemy-part science, part perception.

And the most precise equipment designed by astute minds, or the best drug discovered or developed to remedy is merely a tool - at best a secondary partner in this process of returning to the whole.

Measure your health by your sympathy with morning and spring.

Thoreau (1817-1862)



replenish

Speciality area emphasis remains the single factor driving growth at the company and is central to all that we do. Replicating the strategy that has worked for us in the domestic market across the high growth international markets of our interest remains an area of the highest priority, as markets the world over converge on quality and regulatory requirements.

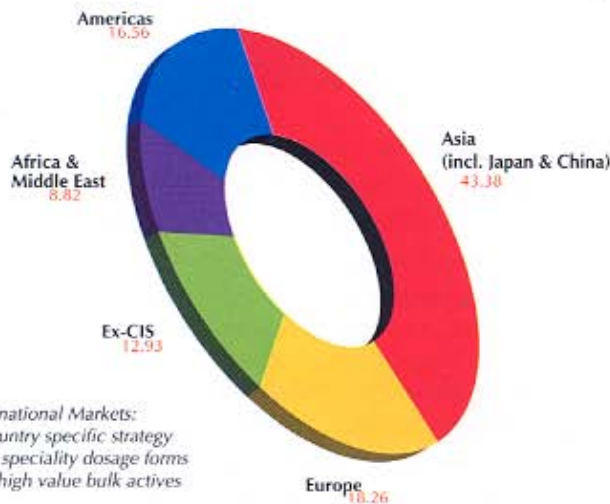
As new entrants try to make a mark in speciality segments in the domestic formulations arena attracted by the sustainable nature of margins, price led competition seems to be the entry strategy of the day. However, increasing competitive interest in these therapy areas that are largely undertreated also increases the noise factor for a product in the long term and shifts existing prescriptions from older molecules to actively promoted therapies. There is, as such, no sure fire formula to building or protecting market shares in speciality therapy areas, and there is no short cut to building stable, carefully nurtured customer relationships.

This year too, growth is the sum total of 2 sectors: the domestic formulation market with leadership in key therapy areas and our continued efforts in the international market for bulk actives. Our well proven skills in research- both in dosage form development and process chemistry help support our growth plans in these sectors. With this rich speciality product basket the international market for dosage forms is virtually an untapped opportunity, and in context of structural changes we had put in place a year ago, the turnaround has begun and we expect this change to happen over the next 2 years.

We closed the year ended March 2001 with a domestic market ranking of 5th (note: and continue to hold this rank despite industry wide consolidation well into 2002). As we continue to build strong relationships with customers we recognize a fact: even as a well run , efficient pharma company, our role at best can be that of a facilitator or partner in the entire healthcare equation. As the doctor repairs, heals, corrects or reshapes, all that we do is to offer him a palette of treatment options that he can deploy as he thinks most appropriate.



Summary



*International Markets:
A country specific strategy
with speciality dosage forms
and high value bulk actives*

Total income was up 29%, largely due to continued domestic market growth.

Domestic market formulation growth of 22% factors in a much larger base and increasing competitive interest in our key therapy areas. The correction plan for dosage form exports which was put in place in 2000, clearly requires more time to pan out- the direction is clear, and the correction process has begun: pruning product lists in some markets and a clear definition of the number of high growth therapy areas that we intend to be identified with.

The export of speciality bulk actives crossed Rs. 84cr. The approval by the USFDA of the Ahmednagar bulk active plant has helped in selling to large customers across the regulated markets of North America and Europe, and a number of bulk actives that have been filed for, await approval. (note: Panoli was submitted for USFDA approval in 2001-02).

As per data from the ORG Retail Chemist Audit for March 2001, across segments we registered a growth of over 24%, a rate that is clearly 3 times that for the industry (note: and in 2001 despite a slowdown in industry we maintained these numbers). Market share for March 2001 was 2.61%, up from 2.49% for March 2000 (and was 2.77% in Dec 2001). With newer treatment options and increased usage, our speciality therapy areas continue to grow faster than industry average.

	2000-01	1999-00*
Domestic Formulation	372.01	304.55
Domestic Bulk	121.35	74.63
Exports Formulation	33.75	23.54
Exports Bulk	84.16	90.03
Exports others	0.17	0.12

* Sun Pharma Export sales have been consolidated for the previous year on a notional basis for comparison.

PSR Team size by division

Symbiosis	64
Inca	152
Synergy	83
Spectra	248
Sun	231
Aztec	136
Solares	249
Milmet	93

(March 01)

Numbers for 2001 do not mention Sun Pharma Exports separately since these are already included postmerger with Sun Pharma

Customer centred teams have earned Sun Pharma strong ranks with specialist consultants

29% GROWTH

reinvigorate

The Heart, Brain and Lungs - high growth areas with unmet needs



CMARC RANKS

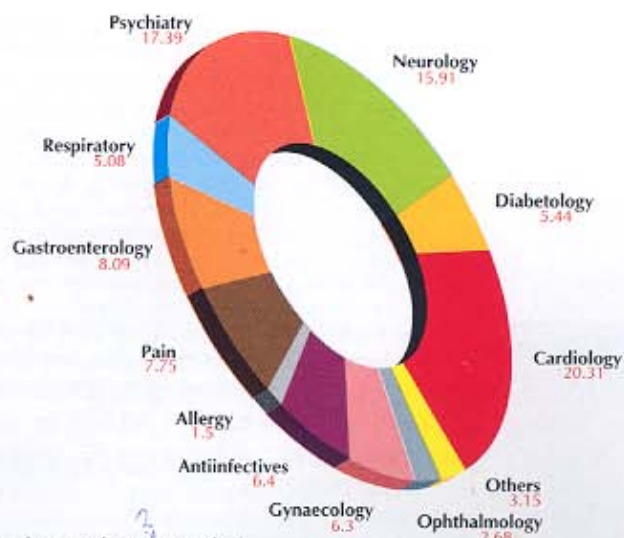
	March-June	July-Oct	Nov 00-Feb 01
Cardiology	2	2	3
Psychiatry	1	1	1
Neurology	1	1	1
Diabetology	7	7	6
Gastroenterology	2	1	3
Orthopedics	3	3	3
Ophthalmology	5	3	3
Chest Physicians	5	5	4
Consultant physicians	3	4	6*
Oncologists	15	17	10
Gynaecologists	27	27	19

CMARC Audits for the periods mentioned, 2000-2001.

Therapy review

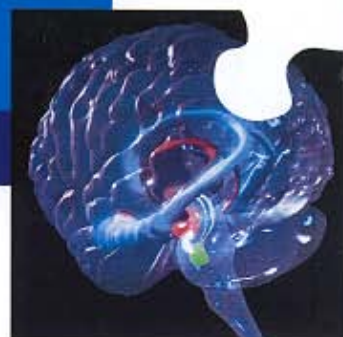
Psychiatry and neurology accounted for over 33% of sales. Cardiology and diabetology accounted for 25.75%. 6 brands continued to feature among the top 300 pharma brands in the domestic market. Gynaec and orthopedics began to deliver on their high growth promise as new product successes were witnessed in these areas. Among recently launched brands, Oleanz and Celact were rated among the best launches in the pharma industry for 2000.

The CMARC audits continue to signal strong customer support in key therapy areas and highlighted action areas for correction well before prescription trends became evident. In 2000-01 a number of interesting bulk actives were scaled up, taking the total for active promotion to over 80.



(based on March 2001 MAT data)

SYNERGY



TOP 5 PRODUCTS

	(Rs. cr)	
	val	gr%
Encorate	14.73	58
Zeptol	12.71	16.8
Syndopa	8.14	15.6
Lonazep	6.01	15
Oleanz	5.1	924

(ORG Retail Chemist Audit, March 2001)

NEW!
Veniz XR • Nodict



*Two shades of brain healing :
In schizophrenia, therapy slowly
helps to resculpt worldview.
In epilepsy, medication "resets"
the firing of neurons restoring
a state of synchronicity.*

For the 5th year running, Synergy continued to reiterate its top standing with the key customer groups of psychiatrists and neurologists, backed by an increasing share of prescriptions. Several new entrants in these high growth therapy areas not only translated into aggressive new product introduction, but also helped grow the market in terms of faster pickup and acceptance of new products by doctors.

An interesting change in Synergy's top product roll call was the inching in of the antipsychotic Oleanz among its top 5 products-Oleanz, which was launched last year based on captive bulk active, seems to be displacing older antipsychotics on the strength of its side effect profile-a much lesser propensity for irreversible movement disorders, and a significant improvement on negative symptoms and cognitive impairment compared to older medication. The medication in Oleanz is also being tested in other indications where agitation is an accompanying symptom: agitation with bipolar mania, agitation with Alzheimer's (more than 75% of patients with Alzheimer's show agitation).

Antiepileptics continues to be mainstay of Synergy's business with Zeptol, Encorate, Lonazep, Gabantin firmly establishing Synergy as one of the top contenders in this area.

Encorate, the antiepileptic, seems well placed to cross milestones-the long acting form Encorate chrono offers compliance related advantages as also creates a technology related entry barrier for competitors. Gabantin's usage as the treatment of choice in diabetic neuropathy and post herpetic nerve pain has found increasing acceptance as reflected by a doubling of its sales.




"In Karnataka, about 3% of the population suffer from some kind of neurological disorder, of which approx. one third is epilepsy... In India there are an estimated 8 mill epileptics, and this is the most common neurological disorder after headaches, the incidences for epilepsy are 5.7/1000 in the urban, 11.9/1000 in the rural and an overall 9/1000 in the total population...other conditions like PD, stroke, mental retardation, tremors are much lower in the order of conditions...."

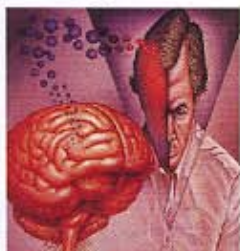
-Report on the Indian Pediatric Congress in Bangalore, Dec 12,2000, pharmabiz.com



Here comes the Sun!
Putting together the pieces for a
brighter, more complete day...



is depression the rogue factor?



Brain imaging studies at Yale indicate that in patients with depression, there is a decrease in the volume of the hippocampus (the part of the brain related to learning, moods, emotions) possibly because of neuronal atrophy and loss- antidepressants seem to promote nerve growth and protect cells in this part of the brain.

- Journal of Neuroscience,
Dec 15, 2000

One of the most interesting facets of work reported last year seems to be the linkages that depression exhibits with other diseases, a fact that doctors were perhaps subconsciously aware of.

This year, Synergy topped up its depression product basket with the novel antidepressant Veniz XR, and introduced a product for alcohol de-addiction with Nodict.

Veniz XR is a novel antidepressant with a dual mode of neurotransmitter action- blockade of the re-uptake of 2 important neurotransmitters, norepinephrine and serotonin. Veniz XR is positioned as the treatment of choice for major depression, targeted at the large subsegment of patients who do not respond adequately to antidepressant treatment, or patients in whom depression recurs after treatment. As an ailment, depression seems to be treated but not cured- about 30-50% of patients treated with existing antidepressants experience a relapse 6 months after treatment. The medication in Veniz XR is being studied in the treatment of generalized anxiety disorder, mixed anxiety disorder and in non-psychiatric indications like diabetic nerve pain.

Diabetes and depression:

Diabetics seems to be twice as likely to suffer from depression as those without the disease, say doctors at the University of Washington after analysis of 25 years of data, and this may be a typical chicken and egg situation.

Diabetes Care, June 2001

Diabetes gets worse with depression:

Findings presented at the American Diabetes association indicates that depression impairs glycemic control in diabetics over time- selfcare does not affect this link- depression linked physiological changes could be to blame.

Hypertension and depression:

People who experience depression/anxiety are at increased risk of developing hypertension, says the result of a 2-decade study with the CDC. The increase in risk is comparable to a 10 point change in baseline diastolic pressure or a 10 point change in body mass index. How depression and anxiety lead to the development of hypertension is not entirely known, but may be linked to the nervous system response to stress.

The national nutrition examination follow up study,
Psychosomatic Medicine, March 2000

Heart disease and depression:

According to studies at the Duke University research center, which were presented at the annual meeting in March 2001 of the American College of Cardiology, the risk of death is twice as high in a group of congestive heart failure patients who were depressed, compared to patients who were not depressed- physicians had earlier assumed that heart patients were depressed because they were unhappy about being sick, but it now seems that depression in these heart patients independently predicts a poor outcome, and the occurrence of cardiovascular complications also increased in the depressed group. Apparently, heart rate variability in depressed patients is decreased and the depressed seem to have stickier platelets that are likely to clot together, setting up conditions for a heart attack...

... and the simply just depressed :

patients studied over a 4 yr period in Amsterdam showed that depression increases the risk of death in older patients whether or not they have cardiac disease.

- Archives of General Psychiatry, 2001, 58



AZTEC



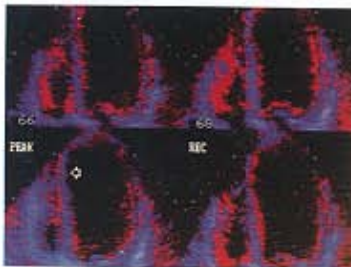
TOP 5 PRODUCTS

	(Rs. cr)	
	val	gr%
Monotrate	22.48	5.5
Glucored	15.71	33.1
Angizem	9.03	3.3
Cardivas	5.97	110.9
Repacé	5.43	69.5

(ORC Retail Chemist Audit, March 2001)

NEW!

- Glypride
- Rapilin
- Rezult
- Rezult A/AF
- Aquazide
- Sibutrex
- Monosprin



An echocardiogram uses sound waves to take moving pictures of the heart. This test assesses the pumping function and will indicate if there is a problem with the heart valves.

diabetes the countdown



- Prevalence is up 32% in the US since the 90's, according to CDC surveys
- Diabetes is occurring at a younger age- this is serious since complications like retinopathy, renal damage, cardiovascular disease are dependent on the duration of the disease. Diabetics are 2- 4 times more likely to have heart disease than people without the disease.
- By 2025, over 300 million may suffer from diabetes- up from about 150 million people currently.

- Damage to the nervous system in Diabetics may affect the central as well as peripheral nervous system- so far only the peripheral nerve damage/pain have been studied, but the brain and spinal cord are affected as well.
- Women with type 2 diabetes have a dramatically raised risk of death from heart disease- this may be related to increased triglyceride levels and decreased levels of the 'good cholesterol' HDL.

Two primary factors that impacted Aztec's performance for the year increased competitive interest and a slew of new product launches. Aztec witnessed the largest number of new product launches concentrated in any single area, in the area of diabetology.

Internationally, the cardiovascular market is being driven by increasing candidate patient base for certain classes of drugs (particularly lipid lowering agents and antihypertensives) and expanding indications for existing drugs.

Monotrate, an antianginal and the largest selling product for the company was supplemented with the launch of Monosprin (a combination of the drug in Monotrate with the clot busting agent aspirin). The launch of Monosprin was based on actual co-prescription patterns seen with the single ingredient antianginal.

While there is no significant change in the list of leading products for the division, a number of studies were reported during the course of the year that point to increasing acceptance for Cardivas (carvedilol) and Repacé (losartan).

Both Monotrate and Glucored were strongly promoted during the course of the year using an emotionally appealing campaign, the MG Golden Movement campaign.

Hypertension is associated with a continuum of renal damage, and patients with Type 2 diabetes are particularly vulnerable to renal disease. Results from a study called RENAAL* showed that the medication in Repacé reduced the risk of end stage renal disease equal to an average delay of 2 years in the need for transplantation or dialysis. Doctors hypothesize that losartan not only controls blood pressure but also controls angiotensin 2 which adversely affects the kidney independent of the blood pressure.

(*=Reduction of end points in NIDDM with angiotensin 2 antagonist losartan study)

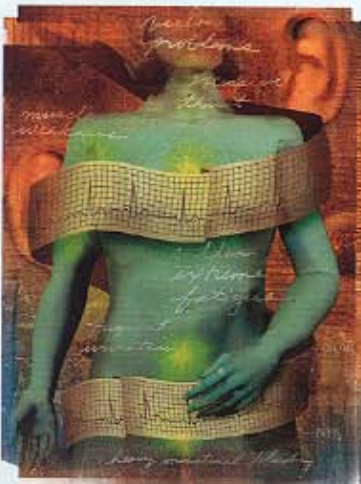
New cardiovascular guidelines:



Treat quicker.

The American Heart association and the American College of Cardiology recently updated guidelines on preventing heart attacks in people with existing cardiovascular disease (the earlier revision was in 1995). These new guidelines promote the use of betablockers and ACE inhibitors in heart attack survivors, more aggressive control of risk factors such as smoking and the benefits of lowering cholesterol. The guidelines are becoming more important because of the increasing incidence of heart disease and rapid increase in diabetes. It is estimated that 2/3rds of deaths in diabetes patients is from cardiovascular disease, and the growth of type 2 diabetes is staggering in proportion...

from the Journal of the American College of Cardiology, Nov 2001



Diabetes in India- on a silent rampage?

"By 2005, India will have the largest number of diabetics (30-35mill) and every 5th diabetic in the world will be an Indian. Incidences in South India have increased 40% over a 6 year span, from 8.2% in 1988-89 to 11.6% in 1994-95. The onset is at a much younger age and most cases come with complications at the time of diagnosis. Almost 50% have tissue damage- eye problems (23%), kidney problems (6%), nerve problems (28%), hypertension (38%), heart disease (12%). the number of patients at the diabetes clinic at the Govt. Hospital in Chennai have increased from 6190 in 1993 to 19,991 in 1999..."

Reuters Health Report, Jan 31 '01.



An artist's representation of atherosclerotic deposits that gradually narrow and then block blood supply to the vital organs.

Cardivas, the medication for congestive heart failure and hypertension continued to race up the number charts with remarkable support from reported clinical trials. Betablockers are prescribed, at best, in 5-15% cases with heart failure. But the results of these trials were such that physicians would be compelled to use betablockers. One such trial was COPERNICUS, which studied what was probably the sickest collection of patients ever studied in heart disease- patients whose hearts were pumping less than 25%. Even in this statistically skewed patient group, there was a remarkable reduction in the risk of dying, regardless of the age, the etiology of the heart failure or the extent of impairment. This trial was stopped because the ethical committee monitoring the trial felt that it was unethical to continue the treatment of patients with a placebo, and all patients were then offered carvedilol. Another trial CAPRICORN reinforced these findings-people who have suffered a heart attack (even a class 4 heart failure) can prevent a second attack and reduce their risk of dying if they are taking the betablocker carvedilol.

Aztor, the cholesterol lowering medication launched last year witnessed substantial price related pressure as lower priced products were introduced by competitors prompted by a steady fall in bulk active prices. On the plus side, there is increasing evidence supporting quicker use of the medication in Aztor after angina. Currently this medication is prescribed for heart patients after they leave the hospital- but evidence is increasing for these to be prescribed much earlier, and the maximum benefit is when the drugs are prescribed within a 24-96 hour window after an angina attack.

The most aggressive addition to Aztec's product portfolio was in the surging area of diabetes. The Aztec team designed a special diabeto campaign to make their presence felt in this extremely competitive segment. Diabetes continues to be terribly undertreated, and drugs that try to treat diabetes complications like nerve damage, renal failure, retinopathy- continue to reach market.

Aztec's introductions spanned the oral antidiabetics Rezult (rosiglitazone), Rapilin (repaglinide), Glypride (glimiperide).

The most important amongst these perhaps is Rezult, an activator of PPAR gamma receptors (present in the liver, skeletal muscles, fat tissue) that decreases plasma levels of glucose with the amount of insulin that is available. Since it spares beta cells in the pancreas from exhaustion, it delays the need for external insulin. New data indicates that the medication in Rezult also decreases certain cardiovascular risk markers, suggesting that there could be a potential cardiovascular benefit in type 2 patients. These cardiovascular markers have a role in atherosclerosis.



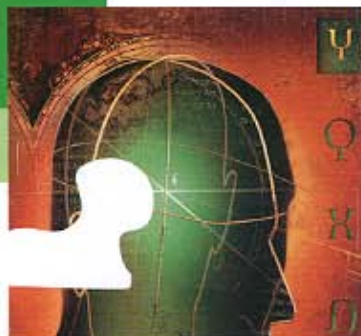
Do Indians have a different sort of Diabetes?

"Diabetes in Indians has several distinctive features compared to diabetes in Europeans- the family history appears to be stronger, patients are less obese- this suggests that genetic factors may play a very important role..."

Dr Mohan, on setting up of a genetic lab at the Madras Diabetes research foundation, Chennai

Report in pharmabiz.com, Dec. 18, 2000.

SUN



TOP 5 PRODUCTS

	(Rs. cr)	
	val	gr%
Alzolam	14.66	2.1
Pantocid	6.53	157.7
Celeact	5.95	999
Mesacol	4.12	3.8
Famocid	4.63	3.9

(ORG Retail Chemist Audit, March 2001)

- NEW!**
- Pantocid IV
 - Irovel **
 - Mozex
 - Edegra
 - Prazopress XL**
 - Pioglit**

(Irovel, Pioglit and Prazopress XL were subsequently transferred to the new cardiac division, Arian as well as to Aztec, in 2001)



In GERD, the acidic contents of the stomach can surge back into the oesophagus and cause cell damage.

Alzolam and Pantocid remain as the star players for the Sun division. Alzolam witnessed inroads in its market from lower priced competitors. Pantocid, the proton pump inhibitor for the treatment of ulcers that was launched last year continued to notch success due to its efficacy and safety profile. The launch of Pantocid IV for the first time in India was another major landmark for the division.

With the introduction of Mozax, the latest treatment for gastroesophageal reflux, the division continued to make headway with Gastroenterologists and Physicians. Mozax offers a much better cardiac safety profile compared to its precursor molecules. The market for Mozax is promising as it is expected to replace the older molecule in this category, namely Cisapride.

Irovel (irbesartan), the follow on molecule to losartan (promoted as Repace by the Aztec division), and AT2 receptor blocker specifically indicated for hypertension with clear advantages for renal safety, was introduced in order to top up the line of commonly prescribed antihypertensives. The medication in Irovel appears to have advantages in patients with type 2 diabetes where it appears to delay the progression of renal disease, however the USFDA recently turned down approval for this use as a separate indication for the original research brand. Several earlier studies had indicated that kidney protection and the delay in dialysis were independent of irbesartan's blood pressure lowering effect.



In Anxiety disorders, Alzolam helps restore a sense of calm and order and all's right with the world...

Generalized anxiety disorder

Less than 50% of patients with generalized anxiety disorder (GAD) experience a partial or full remission over 5 years, according to a study reported in the British Journal of Psychiatry. A significant number of the world's population is affected by a chronic anxiety that is so severe that its disabling effects are more serious than lung disease, sleep disorders, drug addiction and major depression. GAD affects 5% of the population and is poorly recognized- less than 20% receive proper treatment. The key characteristic of GAD is loss of control over worrying. This worrying lasts for months and years, resulting in sleeplessness, irritability, poor concentration and muscle tension. The worry and anxiety can impair all social roles, and this can worsen coexisting health conditions and chronic depression.



Celact can be used in acute pain conditions, such as those caused by sports injuries.

Pioglit, the oral antidiabetic, was an important addition to Sun's portfolio. Pioglit has a better action on the lipid profile compared to other drugs in its class - it is believed to increase HDL (the good cholesterol) about 20% from baseline.

Celact, the cox 2 inhibitor launched last year, which incidentally was among the best new products to be launched industry-wide in 2000, continued to notch impressive gains for long term prescriptions in arthritis. Celact offers a much-needed boost for the division and catapults the division among serious contenders in the Orthopaedics segment. The national conference of Orthopaedicians (IOACON) in Jaipur last year, offered an excellent opportunity for the promotion of Celact.

The recently concluded global study SUCCESS-1 showed that patients who were prescribed cox 2 inhibitors for the treatment of arthritis or acute pain were less likely to withdraw for gastrointestinal side effect related reasons. SUCCESS-1 covered 13000 patients in 39 countries and 112 sites, which should help take into account any genetic variations related to the drug's efficacy or safety.

Stressed out?
You've got company
in 15%
Indians

About 1% of India's one billion population suffers from severe mental disorders and another 5% from less serious problems, according to Dr R S Murthy, editor of the WHO report "Mental health: new understanding, new hope" At any given time in a general clinic in India, around 10-15% patients have symptoms of emotional stress and disorder...In India, the severity of the problem is due to not having done enough, soon enough"

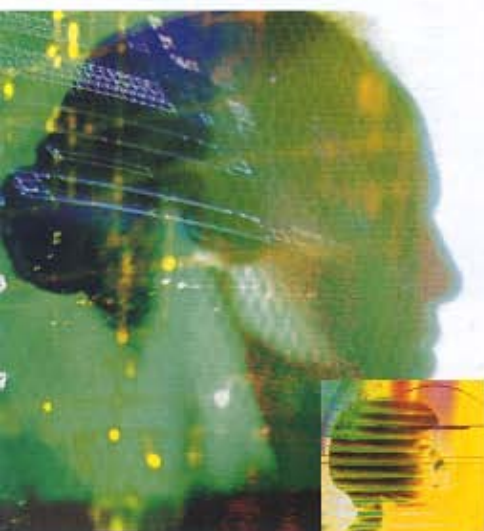
Story in The Economic Times, October 8, 2001



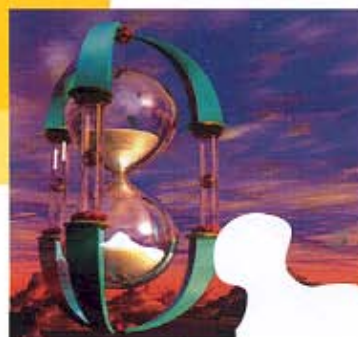
A new medication class for arthritis

A new type of NSAID, COX-2 inhibitors, has joined the old standbys, the NSAIDs. These drugs help suppress arthritis with less stomach irritation. Cyclooxygenases are enzymes needed for the synthesis of hormone-like substances called prostaglandins. There are two types of cyclooxygenases: the COX-2 enzyme that mediates inflammation and pain, and the COX-1 enzyme that helps maintain other physiological functions in the body. Traditional NSAIDs inhibit both enzymes. The new NSAIDs, however, block mostly the COX-2 enzyme, offering a new treatment option for people who have had difficulty tolerating the old NSAIDs. "COX-2 inhibitors are just as effective in treating osteoarthritis as other NSAIDs," says Maria Villalba, M.D., a medical officer with the Food and Drug Administration's Center for Drug Evaluation and Research. The FDA approved the first COX-2 inhibitor, celecoxib in 1998 to treat rheumatoid arthritis and osteoarthritis. Rofecoxib became the second COX-2 inhibitor to receive approval, in 1999, for the treatment of osteoarthritis, dysmenorrhea (pain with menstrual periods), and the relief of acute pain in adults, such as that caused by dental surgery. Both drugs, taken orally, were found to substantially lower the risk of stomach and upper intestinal ulcers detected by endoscopy in clinical trials, compared with some of the other NSAIDs tested.

From the U.S. Food and Drug Administration FDA Consumer magazine, May-June '00



SOLARES



TOP 5 PRODUCTS

	val	(Rs, cr) gr%
Coldact	10.84	0.1
Splanz	4.76	12.2
Rofact	2.84	NA
Natamox	4.21	-16.8
Zofer	2.64	39.9

(ORG Retail Chemist Audit, March 2001)

NEW!

- Betaday
- Rofact
- Fexotrol
- Graniset
- Mozasef



The aerosol product development lab at SPARC facilitates quick introduction of new molecules to make a headway in this therapy area.

Experts warn about the dangers of untreated Asthma epidemic

"The incidence of asthma around the world is growing alarming... what's more, we don't quite understand the cause of this global surge in breathlessness... Children are the worst hit, and one among 10 children in the US has asthma... this is a staggering number because this disease causes tremendous amount of morbidity and mortality... the WHO estimates that along with asthma, COPD will become the third leading cause of death by 2020 around the globe."

-article in The Times Of India, 15 Nov 2001



A slew of new products in the respiratory and pain areas helped Solares add to its standing with respiratory specialists and consultants.

The cox 2 inhibitor Rofact (rofecoxib), with a once a day treatment advantage, quickly emerged as one of the division's primary products. Clinical data from several trials have backed its safety profile.

Betaday (bambuterol) was an important addition to the Solares asthma portfolio for maintenance therapy in asthma and COPD. With this introduction, Solares has a presence across all the subsegments in the asthma area. The medication in Betaday is a long acting bronchodilator and gets converted to terbutaline in the body, which is one of the most commonly prescribed asthma medications. Since Betaday acts over a 24 hour period, patient compliance is good and problems that arise with long term use of some of the other medications, like tremors and palpitations are not experienced with this drug.

POINTERS TO AN ASTHMA EPIDEMIC

A 56- country study of asthma in childhood lists conditions critical in the development of asthma:

» **Air pollutants :** While tobacco smoke, traffic exhaust are shortlisted as asthma triggers, evidence suggests that tobacco smoke-exposure could be linked to childhood asthma and airway responsiveness

Allergen exposure : to dust mites, cat allergens

Body mass index and asthma : heavier people are more likely to be asthma prone

Studies point to the protective effect that early life respiratory infections have against asthma.

A curious finding- children growing up in rural settings in developing countries, and on farms close to animals are less likely to develop allergies and asthma... this may be due to allergy protective effects of environmental endotoxins.

The Lancet, May 2000



Whether adult asthma sufferers who have intermittent attacks should be treated all the time is a major puzzle for most specialists. Asthma sufferers with mild symptoms can look forward to better treatment guidelines, specifically whether they should be taking antiinflammatory drugs regularly, once the US National Institutes of Health shares results of a large 2 year study called IMPACT.

Are asthma sufferers more prone to heart disease?

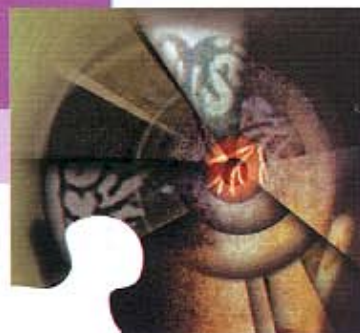
Research has linked asthma with heart trouble for years. Doctors now say that even non smokers with asthma have an elevated risk of heart disease-atleast a one third higher risk. Researchers think that the chronic inflammation in asthma may damage arteries over time, and this is being investigated.



FROM THE MESSAGE BOARDS

" I am new to the boards and was wondering if anyone has any suggestions that could make life a little more bearable... I am 20 yrs old and was diagnosed with asthma 8 years ago. The doctors have tried every combination of medications that they know of, but my asthma remains uncontrolled. I am an active person and love exercise of all kinds, but that is now being limited. I have been in and out of hospitals. Does anyone have any suggestions that I should run by my docs?"

SYMBIOSIS



TOP
5
PRODUCTS

	(Rs. cr)	
	val	gr%
Fluvoxin	3.34	NA
Sizodon	2.69	-2.1
Mirtaz	Not Reported	
Lithosun	2.88	2.1
Lobazam	1.91	211.4

(ORG Retail Chemist Audit, March 2001)

NEW! • Rimarex
• Mirtaz



Depression affects 20-30% of the elderly. The elderly are more likely to show anxiety preoccupation, lack of drive and cognitive deficits.

The objective of doubling the in-clinic time with psychiatrists and neurologists, the primary reason that we launched this parallel division last year, seems to be working. Several older products, which were otherwise open to competitive attacks, received a new lease of life- as demonstrated in their growth rates, and several new molecules could be introduced without potential conflict of interest situations.

Fluvoxin, the treatment for resistant or difficult to treat obsessive compulsive disorder/ spectrum disorder takes the pride of place as the largest selling product for this division. The drug is increasingly finding use in related psychiatric illnesses ranging from schizoaffective disorder, premenstrual dysphoric disorder to social phobia.

Sizodon (risperidone), the antipsychotic continued to gain prescriber support in the treatment of schizophrenia. This medication is associated with much lower incidence of movement problems compared to older molecules like haloperidol.

Lithosun, the age old treatment for bipolar mood disorder continues to notch interesting numbers, with use in new indications like treatment resistant depression.

Two antidepressants were introduced based on specific positioning platforms: Mirtaz (mirtazapine) and Rimarex (moclobemide)

Mirtaz is the first molecule in its class, a dual noradrenergic & serotonergic receptor blocker. Such dual acting molecules are thought to have shorter therapeutic lag times, and are believed to begin acting quicker than older, "single mode of action" antidepressants. This difference in the speed of action is more marked in severely depressed, hospitalized patients or in the elderly depressed. Unlike other antidepressants the medication in Mirtaz does not cause weight gain nor does it interfere with sexual function. Other side effects like nausea, headaches and vomiting that limit the use of older antidepressants are not seen with Mirtaz, and this is a treatment advantage that physicians and gastroenterologists appreciate.

Rimarex is positioned on a safety platform for the elderly depressed, particularly those with heart disease or memory related changes. Rimarex improves cognition and has lesser cardiac or gastric side effects compared to currently prescribed antidepressants. Slowing metabolism, a common feature in the elderly does not affect the manner in which Rimarex is cleared from the body.

SPECTRA



A new name, new launches and a reinvigorated product portfolio encapsulates the story of a turnaround at Spectra. With increasing emphasis on appropriate doctor selection and strategy implementation, we'd like to believe this is the precursor of much better times ahead.

TOP 5 PRODUCTS

	val	(Rs. cr) gr%
Susten	1.13	143.5
Anofer	2.24	NA
Roxetomin	5.03	-16.5
Dazolic	2.78	31.3
Epival	3.81	11.5

(ORG Retail Chemist Audit, March 2001)

NEW! • Susten • Sterotop



Time for good tidings!

Among new products launched this year, Susten and Anofer helped the division gain a foothold with specialists in the therapy areas of gynaec; while Sterotop did the same for dermatology. With these launches, the process of adding serious gynaec/derma products in order to replace the heritage TDPL portfolio, continues. Anofer, the iron and vitamin supplement specially formulated to meet the needs of nursing mothers, quickly gathered prescriber support in a competitive arena and posted sales of over Rs 2cr. Among existing products, Dazolic and Gynazol continued to post interesting numbers. Gynazol (danazol) is used in the treatment of endometriosis. Dazolic finds use in trichomonal vaginitis and pre operative cover for gram negative and anaerobic infections. With the introduction of Susten, Spectra offers products both for the occurrence and sustenance of pregnancy.

Susten (progesterone suppositories) were launched for use in cases of luteal phase defect- where there is a difficulty in maintaining pregnancy due to inadequate progesterone hormone levels. When used as a suppository, the drug gets delivered directly to the uterus and better concentrations are achieved in the uterine lining. Since the product contains progesterone in a micronized form, even if the product is administered rectally or orally it has good bioavailability.

Fertility and more



The probability of having a baby decreases 3-5% a year after the age of 30 and even faster after age 40. At the same time, the threats to a woman's fertility have risen with the switch to newer methods of contraception. These have increased the risk that an STD will compromise a woman's ability to conceive and bear a child. As a woman ages, the risk of miscarriage, stillbirth or premature delivery increase. If a woman's fallopian tubes have been damaged by a pelvic infection or if she has suffered from endometriosis (misplaced growth of uterine lining), fertilization or implantation may be difficult.

How long should a couple wait to seek professional help in having a baby? Infertility associations recommend that for a woman under 35, ovulation timing methods should be limited to a year and those over 35 should not wait more than 6 months before consulting a fertility specialist.

From "What women must know about fertility", The New York Times, Jan 1, 2002

INCA



TOP 5
PRODUCTS

Vecuron
Volumin
Fertigyn
GMH
Fendrop

Retail Chemist sales not mentioned since sales are largely institutional

NEW!

- Cytofos
- Puregest
- Aredronate



First with Cardiject and Adenoject and then with Fendrop and Vecuron, Inca's critical care products are a standard part of the OT tray across reputed hospitals

Amifostine, the medication in Cytofos, has a cell protective effect which helps doctors limit the side-effects of anticancer regimens

From a modest beginning with ICU medications, Inca has gradually gained ground in the three value based specialities- infertility management, oncology, anaesthesiology.

Vecuron (vecuronium bromide) an anaesthetic, is the division's largest brand and also the brand leader in this market with a molecule share of over 50%.

Fendrop (fentanyl), an opioid analgesic has been gaining acceptance across all major institutions in India despite the fact that it has to be sold under strict controls.

Inca has been strengthening its presence in the oncology market with several new molecules introduced. Cytofos (amifostine), a medication that protects normal cells during cancer therapy, is likely to become a major product for the division. In treating cancer with chemotherapy or radiation the doctor has to gingerly balance efficacy with side effects that can require delaying treatment cycles or dose reductions. Of particular limiting significance is an irreversible side effect called xerostomia which is commonly encountered while treating head and neck cancers. Amifostine, the medication in Cytofos, can vastly limit loss of taste and irreversible damage to normal cells. When administered with other anticancer medications such as cisplatin or taxanes, amifostine can limit kidney and liver toxicities making it possible to complete course of the anticancer treatment.

Another major product that offers tremendous potential is Aredronet (pamidronet), a drug that is used to treat hypercalcemia associated with cancer, especially breast cancer and multiple myeloma. Aredronet prevents demineralization, thus protecting bones.



MILMET



TOP 5
PRODUCTS

Viscomet
Ketlur
Toba/Toba DM
Chlormet/DM
Azelast

Retail Chemist sales not mentioned since sales are either institutional or concentrated, hence not adequately reported in market audits.

NEW!

- Ketorid
- Milflox DM
- Facidase
- Natamet
- Bluring

The ramp up of new product launches continued to strengthen Milmet's presence in the high growth area of ophthalmology. Now the product offering ranges across antiinfectives, antiinfective- antiinflammatory combinations, antifungals, antiglaucoma products, products for eye allergies as well as products that are used in eye operations and products for in clinic use like cycloplegics and mydriatics.

The list of top products also featured an interesting change with new product Azelast (azelastine), an ocular antiallergic quickly entering the new product list. Natamet (natamycin), contains medication that is the gold standard for fungal infections of the eye, this is an important addition to Milmet's product basket. The trio of Timolet GFS (the glaucoma medication Timolol in a gel forming delivery system), Dudrop (for dry eyes) and Ketorid (an antiallergic) continue to find prescriber support among ophthalmologists countrywide.

GLAUCOMA

Doctors call glaucoma a collection of physical signs increased intraocular pressure, visual field loss, enlargement of blind spot and changes in the appearance of the optic nerve head. Medication is used to reduce aqueous fluid production and increase fluid drainage. An alternative is laser surgery to increase the outflow of aqueous liquid.



Milmet's range of glaucoma products now offers a product with a technology advantage : Timolet GFS.





new products

(till March 2001)

PRODUCT	THERAPY AREA	USE
<p>MILMET</p> <p>Azelast eyedrops (azelastine) Ketorid eye drops (ketotifen) Milflo DM eye drops (cipro + dexamethosone) Facidase (sodium hyaluronidase) Natamet eye drops (natamycin) Bluring (trypan blue)</p>	<p>Antiallergy- Eye Painful Eye Conditions Antiinfective Viscoelastic Antifungal</p> 	<p>Ocular Allergy Ocular Infections Ocular Infections Eye Surgery Eye Infections Adjunct For Eye Surgery</p>
<p>AZTEC</p> <p>Glypride (glimiperide) Rapilin (repaglinide) Rezult (rosiglitazone) Repace A and AF (losartan + amlodipine) Aquazide (HCTZ) Monospirin (isosorbide mononitrate + aspirin) Sibutrex (sibutramine)</p>	<p>Oral Hypoglycemic Oral Hypoglycemic Oral Hypoglycemic Angina Oedema Angina Weight Loss</p>	<p>Antidiabetic Antidiabetic Antidiabetic Antihypertensive Diuretic Antianginal Obesity Control</p>
<p>SYNERGY</p> <p>Veniz XR (extended release venlafaxine) Nodict (naltrexone)</p>	<p>Psychiatry Psychiatry</p>	<p>Antidepressant Deaddiction</p>
<p>INCA</p> <p>Cytofos (amifostine) Puregest (pure progesterone pessaries) Aredronet (pamidronate)</p>	<p>Cytoprotective Infertility, Threatened Abortion Cancer Treatments</p>	<p>Cancer Treatment Adjuvant In Vitro Fertilization Treatments Bone Metastasis</p>
<p>SPECTRA</p> <p>Susten (pure progesterone pessaries) Sterotop (prednicarbate)</p>	<p>Infertility, Threatened Abortion Skin Inflammations</p>	<p>Infertility, Threatened Abortion Steroid Responsive Dermatoses</p>
<p>SYMBIOSIS</p> <p>Rimarex (moclobemide) Mirtaz (mirtazapine)</p>	<p>Psychiatry Psychiatry</p> 	<p>Antidepressant Antidepressant</p>
<p>SUN</p> <p>Pantocid IV (pantoprazole iv) Irovel (irbesartan) Mozex (mosapride) Edegra (sildenafil) Prazopress XL (osmotic release prazosin) Pioglit (pioglitazone)</p>	<p>Antiulcerant Angiotensin Receptor Blocker Gi Prokinetic, GERD Erectile Dysfunction SR Alpha Blocker Oral Hypoglycemic</p>	<p>Gastroenterology Antihypertensive Gastroenterology Urology/andrology Antihypertensive Antidiabetic</p>
<p>SOLARES</p> <p>Betaday (bambuterol) Rofact (rofecoxib) Fexotrol (fexofenadine) Graniset (granisetron) Mozasef (mosapride)</p>	<p>Bronchodilator Cox 2 Inhibitor Antihistamine Antiemetic For Cancer Trx Gi Prokinetic, GERD</p>	<p>Asthma Long Term Pain Anti Allergy Antiemetic Gastroenterology</p>



bulk drugs

A section of the Ahmednagar bulk active plant - this recently received US FDA approval, ISO 9002 approval and ISO 14001 approval



5-amino Salicylic Acid
Alendronate Sodium
Amifostine
Atorvastatin Calcium
Azithromycin
Bupropion Hcl
Buprenorphine Hcl
Buspirone Hcl
Carboplatin
Carvedilol
Cisplatin
Citalopram Hydrobromide
Clarithromycin
Clomipramine Hcl
Clonazepam
Clopidogrel Bisulfate
Desipramine Hcl
Desmopressin Monoacetate
Divalproex Sodium
Dobutamine Hcl
Dothiepin Hcl
Efavirenz
Eptifibatide
Erythromycin Estolate
Erythromycin Ethyl Succinate
Erythromycin Stearate
Esomeprazole Magnesium
Flurbiprofen
Flurbiprofen Sodium
Fluvoxamine Maleate
Gabapentine
Glimepride
Irbesartan
Isradipine
Lacidipine
Letrozole
Leuprolide Acetate
Lofepamine Hcl
Losartan Potassium

Loteprednol Etabonate
Meloxicam
Metamizol Magnesium
Metaxalone
Metformin Hcl
Methylphenidate Hcl
Metoprolol Succinate
Metoprolol Tartrate
Mirtazapine
Mitoxantrone Hcl
Mosapride Citrate Dihydrate
Naltrexone Hcl
Nicorandil
Octreotide
Olanzapine
Ondansetron Hcl
Oxaliplatin
Oxcarbazepine
Oxethazaine
Pamidronate Disodium
Pentoxifylline
Pioglitazone Hcl
Piroxicam Beta-cyclodextrin
Prednicarbate
Repaglinide
Riluzole
Rivastigmine Tartrate
Rofecoxib
Ropinirole Hcl
Rosiglitazone Maleate
Roxithromycin
Sertraline Hcl
Sodium Valproate
Tetrabenazine
Tizanidine Hcl
Topiramate
Tramadol Hcl
Valproic Acid
Venlafaxine 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.



DIRECTOR'S REPORT

Your Directors take pleasure in presenting the Ninth Annual Report and Audited Accounts for the year ended 31st March, 2001.

(Rs. Millions)

FINANCIAL RESULTS	Year ended 31st March, 2001	Year ended 31st March, 2000
Total Income	6211	4810
Profit after tax	1352	905
Dividend		
Preference Shares	41	53
Equity Shares Interim	234	154
Corporate Dividend tax	33	23
Transfer to various Reserves	664	513
Rate of dividend including interim on equity shares	@50%	100%
Book value per equity share (Rs.)	@93	199
@ on increased equity capital after 2:1 bonus		

The current year's results include figures of erstwhile Sun Pharmaceutical Exports Ltd. (SPEL), Sun Pharmaceutical Advanced Research Centre Ltd (SPARC) and Pradeep Drug Company Ltd. (PDCL), which have been merged with the company with effect from April 1, 2000.

50% dividend

An interim dividend at 9.5% (previous year 10.5%) p.a. was paid to the preference shareholders whose names stood on the register of members on 15th March, 2001. An interim dividend @ 50% post bonus (previous year 100% pre bonus) was paid to the equity shareholders of the Company whose names stood on the register of members on 2nd August, 2001. Your Directors recommend that the interim dividend on preference and equity shares be treated as final.

Annual General Meeting and its adjournment

As the shareholders are aware, the audited profit and loss account for the year ended 31st March, 2001 and the balance sheet as at the said date could not be presented before the shareholders at the Annual General Meeting (AGM) of the Company held on 28th November, 2001. This is because the accounting effect of the Scheme of Amalgamation/Merger of Pradeep Drug Company Ltd. with the Company w.e.f. 1st April, 2000 could not be incorporated in the accounts of the Company for the financial year 2000-2001, until the Scheme of Amalgamation/Merger was sanctioned by the Board for Industrial and Financial Reconstruction (BIFR). Accordingly, the said AGM was adjourned sine die for consideration of the audited accounts, the report of the Directors and the Auditors thereon for the year ended 31st March, 2001, confirmation of payment of interim dividend and the re-appointment of statutory auditors until after the sanction of the scheme by BIFR.

The Scheme of Amalgamation/Merger of Pradeep Drug Company Ltd. with your Company has been duly sanctioned by BIFR at its meeting held on 31st January, 2002





Against a backdrop of an overall slowdown that impacted both the economy and the sector, your Company continued to work by its principle of bottom-line focused, operationally efficient growth. To add to this was the lasting sense of uncertainty about the drug policy and the new framework of patent laws compliant with TRIPS. We expect that the new drug policy, when it does finally get announced, will pay due cognisance to competitive market realities and cost escalations. As regards TRIPS the industry has been rather vocal - lobbying for certain safeguards that are in line with the country's long-term healthcare interests. Some of these are compulsory licensing, parallel imports, limiting patent life (preventing patent ever greening), not allowing for import to be equal to the working of a patent, allowing product development work during patent protection (i.e. Bolar amendment in the US context). As corporate citizens we expect these issues to be heard fairly before framing one of the decades' most influential healthcare legislation within the agreed purview of GATT, of course.

Management discussion and analysis- Value from consistent revenue streams



Total income increased by 29% over last year. At the net level, profit increased by 49% over last year. However, these numbers are not strictly comparable due to the merger of the three companies as stated above.

Your Company operates in only one major business segment, namely pharmaceuticals. The domestic formulation business grew by 22% to Rs 3.70 billion. Export grew by 4% to 1.18 billion. (This is after adjusting for the sales of Sun Pharmaceutical Exports Ltd. in the previous year ending March 2000.)

Brand building and research continue to be the primary thrust areas within the Company - as competition across all our speciality segments intensifies, we continue with the task of building our business around customer aspirations and abiding business relationships. Your Company continues to operate by the belief that strong customer relationships are the most appropriate prescription for long-term, consistent and dependable growth. Across all our speciality therapy areas - both the core areas where we hold market leadership, as well as newer therapy areas where we are working towards attaining market leadership, this principle remains unchanged.

Our objective is to become a better company - not merely a larger company. A natural corollary to this aim is improved efficacy, sharper focus and an emphasis on strong brands, research and international markets.



Market Ranking

Against a competitive framework that witnessed several mergers & acquisitions as the Indian pharma industry continued to consolidate; we closed the year at 5th rank, with a growth rate of 24.4%, which is about more than twice that for the domestic pharma industry. Market share moved from 2.28% to 2.61% despite continued competitive interest in our business areas. Competition not only forces companies with the first mover advantage like us in certain therapy areas to work harder, it also helps grow markets through increased awareness and appreciation of treatments for complex diseases.

Speciality brands

continue to feature among the country's prescription products

A strong pharmacokinetic capability supports product development in the controlled/modified release area.



6 of our important brands continued to move up the list of the country's leading prescription brands as the number of prescriptions for these chronic disease areas, speciality brands continued to build.

Our brand presence in the top 300 now reads: Monotrate (antianginal), Alzolam (tranquiliser), Zeptol and Encorate (antiepileptics), Glucored (oral antidiabetic) and Coldact (a prescription medication for colds).

Important new products launched this year replenished product baskets across these therapy areas for continued leadership. (For a complete list of new products please see the later pages, important new products are discussed in the following section.)

Peptide purification lab : Octride, an anticancer/product for variceal bleeding, developed at this lab is quickly becoming a large brand.



Topping CMARC's roster of specialist preferences

This year too, CMARC's prescription audit ranks have remained a signal for a subsequent change in prescription trends. This is the reason why the improvement in customer rankings with the newer customer groups excites us, and a drop in prescription ranks becomes a cause for concern.

In orthopedics our rank upswing was largely due to the headway that we made with **Celact**, our celecoxib, which rated among the top product launches for 2001 for the pharma industry.

We continue to move up the rankings in the newer therapy areas of orthopedics, oncology and chest physicians. A reorganization of our fertility and gynaecology business with the name "**Spectra**" and a distinct identity is expected to translate into a rank change down the line.

Update on Caraco

We continue to be extremely enthusiastic about the US generics market, although we recognise that competing in this market requires a more complex and intense set of skills. According to a report, drugs with branded sales of over \$40 billion would have come off patent in the period 2000-2005. More heartening - generics accounted for a full 50% of US sales in 2001, up from 18% a decade ago. (FT/Lex column, Dec 2, 2001) IMS values the current market for generics at \$10.26 million, with 6 of the top 20 prescription drugs coming off patent in a 5-year period. (Chemical Market Reporter, May 15, 2000)

When we wrote to you last year, we had shared our blueprint to engineer a turnaround at Caraco, a US-based generic formulations manufacturer. Sun Pharma holds a 48.54% stake in the company. We update you on the events in the interim.*

(This report relates to the period upto March 01, and subsequent period events are linked separately wherever relevant)

Caraco posted sales of \$2.38 million and loss of \$7.62 million (includes a \$3.30 million loss that was incurred for R&D work related to product filings) for the year ended Dec 2000, primarily due to an unforeseen delay in receiving new product approvals, focus of all management time and resources to secure FDA compliance and a cutback on contract manufacturing as the company tried to focus on more profitable business.

(Note: Caraco subsequently received approvals for 3 full ANDAs and the q3 numbers for Sep-Dec 2001 would be the first full quarter that sales from these new approvals would be booked. 2 more products were cleared after September. Currently Caraco has 4 ANDAs awaiting approval, and a number of interesting new products in the 21-product strong development pipeline).

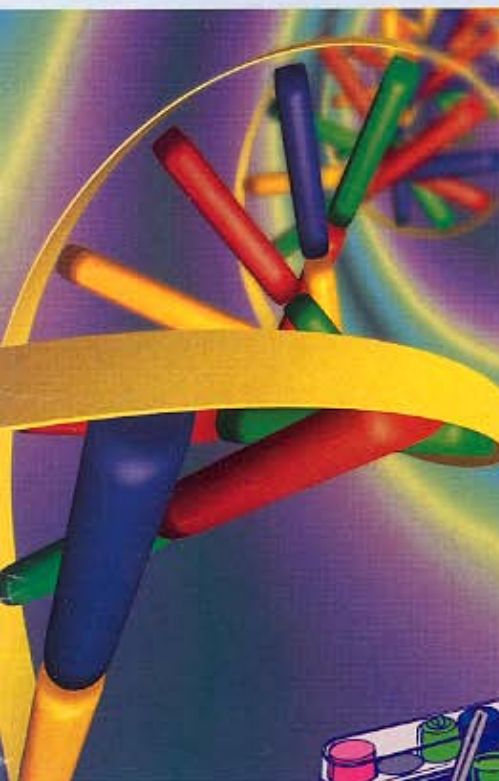
Several developments in the US generic market reiterate our long-term faith in an upside opportunity. For one, Indian companies have begun to demonstrate concrete revenue streams from the US generic market. Increasing pressures on cost containment are also making the market for generics more attractive. In the recent past, several decisive trends have been pro-generic. Some of these are - increasing public pressure for less expensive generics fuelled by a strong senior citizen and consumer lobby, consumer awareness and serious concern about the tactics used by brand name companies to extend patent life, and regulatory, federal as well as court action that is viewed as pro-consumer.

The events that marked the year at Caraco have been a reassuring signal for better times ahead.

The regulated markets product development lab, Kalina : 5 products developed here for Caraco recently received ANDA approvals .



Caraco



Research

At Sun Pharma, research has been vital to our plans, and increasing amount of management time and company resources continue to be invested in research. Current investments in research take the total spend to over Rs. 80cr, at a steady 4% of the turnover. The work at SPARC has enabled us to bring a stream of new products to the market. Over 40% of the current turnover is from products that have been introduced in the last 5 years.

In the last few years, one has witnessed a change in the business mix among Indian pharma companies from an entirely reverse engineered portfolio of brands sold in the domestic and neighbouring markets, to revenue streams that include an element of research-based products and international markets.

This change in the business structure necessarily forces an element of change across operations as skill-sets are refurbished - legal and regulatory understanding now needs to be made more comprehensive, quality is now moving towards a mean across markets and becoming increasingly stringent. To summarise: a virtually unreached opportunity exists, but is demanding too. Companies that are well prepared, and can judiciously balance the inevitable troughs in these challenging markets are the ones that are best placed to succeed.

At Sun Pharma, our conservative policy of timing research investments over the short-term, the medium-term and long-term have helped spread the associated risk. In the short-term the emphasis continues to be on process development for speciality bulk actives and development of formulations for the domestic and traditional markets. Our emphasis for the medium-term is on novel drug delivery systems and formulation development for the regulated markets. Our foray in drug discovery continues - this had begun in a modest manner 2 years ago with a 40-person team focusing on 3 therapy areas (the names of which we expect to share only later because of intellectual property right related reasons).

A better handle on logistics and need for interaction with our existing scientific team are two reasons why we have changed the location of our proposed R&D centre from Chennai to Baroda. We expect the centre to benefit from synergies with our current research base in Baroda. I expect to share more details about this once the new innovation based campus commences operations.

We envisage this new research initiative as adding vital elements to our research matrix. With the continual infusion of new skills, we will be well placed to make the most of exciting opportunities ahead.



A consistent value system

Our performance this year should be viewed against our value system and all that it represents: A respect for resources. Insistence on integrity. A will to deliver growth that is sustainable. A respect for people. A mindset that is achievement-driven. This is the philosophy that all of us work by.

Human Resources

The credit for generating one of the finest ROCE in the industry and delivering growth year after year goes to Team Sun Pharma. Team Sun Pharma now numbers over 2600 employees. We would venture to say that this team enjoys some of the finest minds in the sector - the fact that this team is largely home grown, nurtured with skillsets that have grown with the company, only ensures that all of us are aligned to the same set of ideals. This spirit of enterprise and achievement is the finest asset at Sun Pharma. Your directors wish to thank Team Sun Pharma for its relentless efforts.

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, is available in the Company's registered office. As per the provisions of Section 219(1)(b)(iv) of the said Act, the Report and Accounts are being sent to all Company shareholders 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 registered 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.



Finance

All the banks in consortium continue 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 their highest rating of "P1+", for your Company's Commercial Paper Program throughout the year.

During the year under review, your Company redeemed 1/3rd of the outstanding 49,07,500 Non Convertible Redeemable Preference Shares of Rs. 100 each as per the terms of the issue. (These preference shares were redeemed completely by December 2001.)

The Company does not offer any Fixed Deposit schemes.

Directors

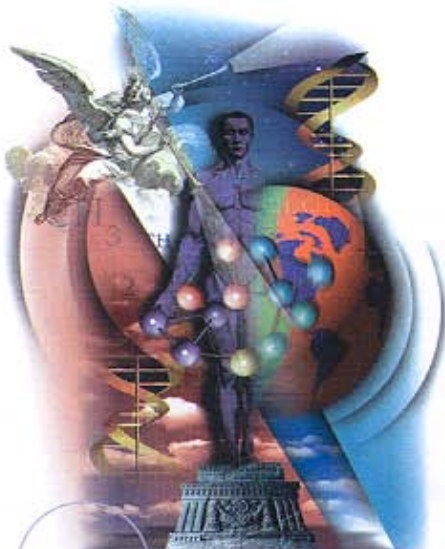
Shri Hasmukh S. Shah was appointed as the Company's additional director by the Board of Directors with effect from 22nd March, 2001 and was appointed by the members of your Company as the director liable to retire by rotation at the Annual General Meeting held on 28th November, 2001 (which has now been adjourned to 19th March, 2002). The resignation of Shri S. Mohanchand Dadha as the Executive Director of the Company was accepted w.e.f. 21st March, 2001 by the Board at its Board Meeting held on 22nd March, 2001. Shri S. Mohanchand Dadha continued to be a Director on the Board, liable to retire by rotation.

Shri S. Mohanchand Dadha and Shri Narendra N. Borkar retired by rotation and were re-appointed as the directors liable to retire by rotation on 28th November, 2001 when your company's Ninth Annual General Meeting was convened.

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, 2001 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, 2001 on a 'going concern' basis.





Auditors and Auditors' Report

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. The observations of the auditors in their report on accounts read with relevant notes are self-explanatory.

Acknowledgments

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

Mumbai,
15th February, 2002.

For and on behalf of the Board of Directors
DILIP S. SHANGHVI
Chairman & Managing Director



*NMR : Increasing R&D allocation for innovation-
70% of the R&D budget to be invested in nce/ndds projects over the next two years.*

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

SR.VICE PRESIDENT – FINANCE AND COMPANY SECRETARY

Mr. R. K. Baheti

AUDITORS

Price Waterhouse
Chartered Accountants
Mumbai.

BANKERS

Bank of Baroda
State Bank of India
Standard Chartered Grindlays Bank
ICICI Bank Ltd
Bank of India
Bank of Nova Scotia

REGISTRARS & SHARE TRANSFER AGENTS

Intime Spectrum Registry Ltd.
260-A, Shanti Indl. Estate,
Sarojini Naidu Road,
Mulund (West), Mumbai – 400 080.
Tel:5647731,5672716,5684590-91
Fax 5672693
e-mail: isrl@vsnl.com

Additional Collection Centre
201, Daver House,
197/199 Dr. D.N. Road,
Mumbai – 400 001
Tel.: 2656929

OFFICES

REGISTERED

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

CORPORATE

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

RESEARCH CENTRES

Sun Pharma Advanced Research Centre (SPARC),
Akota Road,
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.21/22, 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,
Ankaleshwar – 393 002.

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

Plot No.223, Span Industrial Complex,
Dadra - 396 191.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the adjourned Ninth Annual General Meeting of the Members of Sun Pharmaceutical Industries Limited (which had been convened and held on Wednesday, 28th November, 2001 at 11.00 a.m. where the consideration of the under noted items of business was adjourned sine die) will be held at Hotel Holiday Inn, Convention Centre, Akota Gardens, Vadodara - 390 020, Gujarat on Saturday 30th March, 2002 at 11.00 A.M. to transact the following business:-

ORDINARY BUSINESS:

1. Item No. 1 of original notice – “To consider and adopt the Balance Sheet as at 31st March 2001, the Profit and Loss Account for the year ended on that date and the reports of the Board of Directors’ and Auditors thereon”.
2. Item No. 2 of original notice - “To confirm payment of interim dividend on Preference Shares and on Equity Shares”.
3. Item No. 5 of original notice – “To re-appoint. Price Waterhouse, Chartered Accountants, Mumbai as Auditors of the Company and to authorise the Board of Directors to fix their remuneration.”

By Order of the Board of Directors

Place : Mumbai
Date : 15th February, 2002

R. K. Baheti
Sr. Vice President-Finance & Company Secretary

Registered Office:
SPARC, Akota Road,
Akota, Vadodara – 390 020.

Notes:

- 1) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
- 2) The proxy form duly completed must reach the Registered Office of the Company not later than forty eight hours before the time appointed for holding the meeting.
- 3) Explanatory Statement for item No.1, 2 and 3 is annexed hereto.
- 4) **Listing of Equity Shares:**
The shares of the Company continue to be listed at the Stock Exchanges at Vadodara, Mumbai, Delhi, Kolkata, Ahmedabad, Chennai and the National Stock Exchange and the listing fee has been paid to each of the exchange within the stipulated time.
- 5) Members/Proxies should bring the Attendance Slip sent herewith duly filled in for attending the meeting.

ANNEXURE TO NOTICE

Explanatory Statement to Item Nos. 1, 2 & 3 of the Notice dated 15th February, 2002

Members are aware that at the Ninth Annual General Meeting (AGM) held on Wednesday, 28th November, 2001, the items of Business regarding (a) consideration and adoption of Annual Accounts and Directors' Report and Auditors' Report thereon, (b) confirmation of payment of interim dividend on Preference and Equity Shares, and (c) re-appointment of Auditors were deferred and the said AGM was adjourned sine die till the time the Amalgamation/Merger of Pradeep Drug Company Limited is approved by the Board for Industrial and Financial Reconstruction (BIFR).

BIFR has approved the Amalgamation/Merger of Pradeep Drug Company Limited with the Company w.e.f.. 1st April, 2000 by its order dated 31st January, 2002.

Accordingly, the audited Profit and Loss Account for the year ended 31st March, 2001 incorporating therein the impact of Amalgamation/Merger of Pradeep Drug Company Ltd. with the Company and the Balance Sheet as at that date and other documents attached thereto are sent herewith for consideration and adoption by the members. Consequently, the business of confirmation of payment of interim dividend on Preference and Equity Shares and reappointment of statutory auditors which was also adjourned sine die is also being taken up for the Members' approval.

By Order of the Board of Directors

Place : Mumbai
Date : 15th February, 2002

R. K. Baheti
Sr. Vice President-Finance & Company Secretary

Registered Office:
SPARC, Akota Road,
Akota, Vadodara - 390 020.

AUDITORS' REPORT

TO THE MEMBERS OF SUN PHARMACEUTICAL INDUSTRIES LIMITED

1. We report that we have audited the Balance Sheet of Sun Pharmaceutical Industries Limited (the Company) as at 31st March 2001 and the relative Profit and Loss Account for the year ended on that date, both of which we have signed under reference to this report and the above mentioned accounts are in agreement with the books of account.
2. In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account, together with the notes thereon/attached thereto, give in the prescribed manner, the information required by the Companies Act, 1956 of India (the 'Act') and also give respectively, *subject to paragraph 2.1 below and the related note on the accounts referred to therein with consequential effects on the Company's profit for the year and the relevant items of the Balance Sheet*, a true and fair view of the state of the Company's affairs as at 31st March 2001 and its profit for the year ended on that date.
- 2.1 *Note 15(b) on Schedule 19 regarding non-provision of possible diminution in the value of investments in MJ Pharmaceuticals Ltd., where net worth is fully eroded, carried at cost of Rs. 74.9 millions - amount not ascertainable.*
3. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for our audit. In our opinion, proper books of account have been kept as required by law so far, as appears from our examination of the books.
4. In our opinion, except for non-provision of possible diminution in the carrying costs of investments as referred to in paragraph 2.1 above, these accounts have been prepared in compliance with the applicable accounting standards referred to in Section 211 (3C) of the Act.
5. Based on representations made by all the directors of the Company and the information and explanations as made available, directors of the Company do not prima facie have any disqualification as referred to in Clause (g) of sub-section (1) of Section 274 of the Act.
6. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, dated 7th September 1988 and issued by the Central Government of India and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we further report that:
 - (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, stores, raw materials and packing materials of the Company at all the locations, except certain items lying with third parties in respect of which confirmations have been generally obtained, have been physically verified by the Management during the year/ at the year end.
 - (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 in the books of account, were not material.
 - (vi) In our opinion, the valuation of stocks of finished goods, stores, raw materials and packing materials 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 Act. In terms of sub-section (6) of Section 370 of the Act, provisions of the Section are not applicable to a 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, where available, 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 a 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,

AUDITORS' REPORT TO THE MEMBERS OF SUN PHARMACEUTICAL INDUSTRIES LIMITED

are generally regular in repaying the principal amounts as stipulated, and are also generally regular in the payment of interest, where applicable. In those cases where principal amounts and interests are not being paid as stipulated, reasonable steps have been taken by the Company for recovery of the principal and interest.

- (x) In our opinion in general 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, components, plant and machinery, equipment and other 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, 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 accounts.
- (xiii) In the cases of public deposits accepted by the Company, the directives issued by the Reserve Bank of India and the provisions of Section 58A of the Act and the rules framed thereunder, where applicable, have been complied with.
- (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 does not have any by-product.
- (xv) *In our opinion, the Company's present internal audit system is generally commensurate with its size and nature of business. However there is scope for enlargement to cover Pradeep Drug Company Ltd - amalgamated company.*
- (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 during the year in depositing provident fund dues and generally been regular during the year in depositing employees' state insurance dues with the appropriate authorities in India.
- (xviii) At the last day of the financial year, except for sales tax aggregating Rs. 663,867 (subsequently paid), there was no amount outstanding in respect of undisputed income tax, wealth tax, sales tax, customs duty and excise duty which was 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 followed 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 such case by the Management other than those payable under contractual obligations and accepted business practices.
- (xx) The Company is not a sick industrial company within the meaning of clause (o) of Section 3(1) of Sick Industrial Companies (Special Provisions) Act, 1985 of India.
- (xxi) As explained to us, the nature of the services rendered is such that it does not involve the consumption of materials and stores and does not require utilisation of man-hours.
- (xxii) In respect of trading activities, there are no damaged goods in the possession of the Company as at 31st March 2001.
- (xxiii) 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.
- (xxiv) We are informed that the provisions of special statue relating to chit fund, nidhi or mutual benefit society are not applicable to the Company during the year.
- (xxv) 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

Mumbai, 15th February, 2002

Sun Pharmaceutical Industries Ltd.

BALANCE SHEET AS AT 31ST MARCH, 2001

	Schedules	As at 31st March, 2001		As at 31st March, 2000	
		Rs in Millions	Rs in Millions	Rs in Millions	Rs in Millions
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1A	794.7		645.0	
Share Capital Suspense	1B	0.2		4.8	
Reserves and Surplus	2	<u>3858.6</u>	<u>4653.5</u>	<u>2997.4</u>	<u>3647.2</u>
Loan Funds					
Secured Loans	3	131.5		367.2	
Unsecured Loans	4	<u>225.6</u>	<u>357.1</u>	<u>119.0</u>	<u>486.2</u>
			<u>5010.6</u>		<u>4133.4</u>
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	5	2674.8		2311.8	
Less: Depreciation and Lease Terminal Adjustment		<u>784.1</u>		<u>613.3</u>	
Net Block		<u>1890.7</u>		<u>1698.5</u>	
Add: Capital Advances and Work-in-Progress		<u>91.3</u>	<u>1982.0</u>	<u>130.6</u>	<u>1829.1</u>
Investments	6		396.8		501.2
Current Assets, Loans and Advances					
Inventories	7	1479.7		723.8	
Sundry Debtors	8	939.9		708.9	
Cash and Bank Balances	9	105.6		43.5	
Deposit with ICICI Limited		300.0		300.0	
Loan to Caraco Pharmaceutical Laboratories Ltd, USA		247.7		334.7	
Loans and Advances-Others	10	<u>415.0</u>		<u>371.0</u>	
		<u>3487.9</u>		<u>2481.9</u>	
Less: Current Liabilities and Provisions	11	<u>856.1</u>	<u>2631.8</u>	<u>678.8</u>	<u>1803.1</u>
			<u>5010.6</u>		<u>4133.4</u>
NOTES TO ACCOUNTS	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

Mumbai, 15th February 2002

R.K.BAHETI
Sr.VP-Finance & 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

Sun Pharmaceutical Industries Ltd.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2001

	Schedules	Year ended 31st March, 2001		Year ended 31st March, 2000	
		Rs in Millions	Rs in Millions	Rs in Millions	Rs in Millions
INCOME					
Income from Operations	12	6148.1		4784.3	
Other Income	13	63.0	6211.1	25.7	4810.0
EXPENDITURE					
Material Cost	14	2401.9		2073.9	
Indirect Taxes	15	703.8		484.2	
Personnel Cost	16	371.5		291.4	
Operational Expenses	17	1125.5		849.7	
Interest (Net)		0.0		9.6	
Depreciation		162.1		165.1	
Less: Transferred from Amalgamation Reserve		0.0	4764.8	35.7	3838.2
PROFIT BEFORE TAXATION			1446.3		971.8
Provision for Taxation			94.5		66.4
PROFIT AFTER TAXATION			1351.8		905.4
Investments in Subsidiary (since merged) Cancelled		161.5		0.0	
Less: Amalgamation Adjustment	18	161.5	0.0	0.0	0.0
Deferred Revenue Expenditure Written Off			0.0		(70.1)
Depreciation Written Back			0.0		1.3
PROFIT FOR THE YEAR			1351.8		836.6
BALANCE BROUGHT FORWARD			762.9		669.1
Balance brought forward from Amalgamating Company			34.2		0.0
AVAILABLE FOR APPROPRIATIONS			2148.9		1505.7
APPROPRIATIONS					
Dividend					
Preference Shares		41.1		52.7	
Equity Shares-1st Interim-Proposed		233.8		92.5	
Equity Shares-2nd Interim		0.0		61.7	
Corporate Dividend Tax		33.1	308.0	22.8	229.7
Transferred to General Reserve		500.0		500.0	
Transferred to Debenture Redemption Reserve		0.0		2.1	
Transferred to Capital Redemption Reserve		163.6	663.6	11.0	513.1
BALANCE CARRIED TO BALANCE SHEET			1177.3		762.9
NOTES TO ACCOUNTS					
	19				

Schedules referred to herein form an integral part of 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

Mumbai, 15th February 2002

R.K. BAHETI
Sr.VP-Finance & 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

Sun Pharmaceutical Industries Ltd.

SCHEDULES TO THE ACCOUNTS

	As at 31st March, 2001		As at 31st March, 2000	
	Rs in Millions	Rs in Millions	Rs in Millions	Rs in Millions
SCHEDULE 1A : SHARE CAPITAL				
Authorised				
5,00,00,000 (Previous Year 5,00,00,000) Equity Shares of Rs 10 each		<u>500.0</u>		<u>500.0</u>
60,00,000 (Previous Year 60,00,000) Redeemable, Cumulative, Non-Convertible Preference Shares of Rs.100 each		<u>600.0</u>		<u>600.0</u>
Issued and Subscribed				
467,56,018 (Previous Year 154,22,833) Equity Shares of Rs. 10 each	467.5		154.2	
Less: Calls Unpaid (Previous Year Rs. 5800)	<u>0.0</u>	467.5	<u>0.0</u>	154.2
49,07,500 (Previous Year 49,07,500) 9.5% (Previous Year 10.5%) Redeemable, Cumulative, Non-Convertible Preference Shares of Rs.100 each fully paid, redeemable in three equal half yearly instalment at the end of second year from the date of allotment and first such repayment commencing on 13th November, 2000 or as per the terms and conditions of the offer document.		<u>327.2</u>		<u>490.8</u>
		<u>794.7</u>		<u>645.0</u>
Notes:				
1) 3,44,37,166 (Previous Year 35,92,500) 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 Account.				
2) 4,13,633; 2,08,000; 4,77,581 and 11,438 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 and Sun Pharmaceutical Exports Ltd. respectively, pursuant to Schemes of Amalgamations, without payment being received in cash.				
SCHEDULE 1B : SHARE CAPITAL SUSPENSE				
18,519 (Previous Year 4,77,788) Equity shares of Rs.10 each fully paid up, to be issued pursuant to the scheme of Amalgamation of Pradeep Drug Company Ltd (Previous Year-Gujarat Lyka Organics Ltd) with the Company. (Refer note no. 2(ii)(c) of Schedule 19)		<u>0.2</u>		<u>4.8</u>
SCHEDULE 2 : RESERVES AND SURPLUS				
Capital Reserve				
As per last Balance Sheet	6.7		1.6	
Add : Transferred from Amalgamating Company	0.0		3.5	
Add : Subsidy received during the year	0.0		1.5	
Less: Shares Forfeited, Rs. 5064	<u>0.0</u>	6.7	<u>(0.1)</u>	6.7
Revaluation Reserve				
Transferred from Amalgamating Company	0.0		17.9	
Less: Utilised to write down Gross Block / Depreciation	<u>0.0</u>	0.0	<u>17.9</u>	0.0

SCHEDULES TO THE ACCOUNTS

	As at 31st March, 2001		As at 31st March, 2000	
	Rs in Millions	Rs in Millions	Rs in Millions	Rs in Millions
Share Premium				
As per last Balance Sheet	565.2		547.1	
Add: Transferred from Amalgamating Company (Gross)	141.2		20.2	
Add: Received / Receivable during the year	0.1		0.2	
	<u>706.5</u>		<u>567.5</u>	
Less: Utilised for Redemption of Debentures	0.0		0.1	
Less: Transferred to Profit and Loss Account	141.2		0.0	
Less: Utilised for writing off Issue Expenses of Amalgamating Company	1.2		1.7	
Less: Utilised for issuing Bonus Shares	246.7		0.0	
Less: Shares Forfeited	0.1		0.4	
Less: Calls Unpaid	0.0	317.3	0.1	565.2
			<u>0.1</u>	
Debenture Redemption Reserve				
As per last Balance Sheet	6.3		4.2	
Add: Transferred from Profit and Loss Account	0.0		2.1	
Less: Transferred to General Reserve	6.3	0.0	0.0	6.3
	<u>6.3</u>		<u>0.0</u>	
Capital Redemption Reserve				
As per last Balance Sheet	11.0		0.0	
Transferred from Profit and Loss Account	163.6	174.6	11.0	11.0
	<u>163.6</u>		<u>11.0</u>	
Amalgamation Reserve				
As per last Balance Sheet	61.7		0.0	
Add : Surplus on Amalgamation	92.4		97.4	
Less: Transferred to General Reserve	92.4		0.0	
Less: Depreciation of earlier years of Amalgamating Company	0.0		35.7	
Less: Utilised for issuing Bonus Shares	61.7	0.0	0.0	61.7
	<u>61.7</u>		<u>0.0</u>	
General Reserve				
As per last Balance Sheet	1583.6		1285.6	
Add: Transferred from Debenture Redemption Reserve	6.3		0.0	
Add: Transferred from Amalgamating Company	0.4		0.0	
Add: Transferred from Amalgamation Reserve	92.4		0.0	
Add: Transferred from Profit and Loss Account	500.0		500.0	
	<u>2182.7</u>		<u>1785.6</u>	
Less: Debit Balance of Profit & Loss Account of Amalgamating Company	0.0	2182.7	202.0	1583.6
			<u>202.0</u>	
Profit and Loss Account				
As per Annexed Account		1177.3		762.9
		<u>3858.6</u>		<u>2997.4</u>

SCHEDULE 3 : SECURED LOANS

Debentures

0.0

6.7

1,00,000-Secured Non-Convertible Debentures of Rs.100 each privately placed with The Industrial Finance Corporation of India, Redeemable at premium of 5% in three equal annual instalments due on 26.3.2000, 26.3.2001 & 26.3.2002. The debentures have been fully repaid during the year.

The above debentures are secured by the first mortgage of immovable properties, both present and future of Chennai unit of the Company and first charge by way of hypothecation of movables of Chennai unit of the Company except book debts, present and future, subject to prior charges created/to be created

SCHEDULES TO THE ACCOUNTS

As at 31st March, 2001
Rs in Millions

As at 31st March, 2000
Rs in Millions

in favour of the Company's Bankers on stock of raw materials, semi finished & finished goods, consumable stores, book debts and other movables for securing working capital facilities,

From Banks-Demand Loan, Cash Credit and Packing Credit	131.5	280.1
From Financial Institutions	0.0	75.0
From Others	0.0	5.4
	131.5	367.2

Notes:

- 1) Credit facilities from Banks are secured by hypothecation of stocks & book debt. Further, it is secured by way of first charge on fixed assets at Vapi unit & second charge on fixed assets at Chennai unit.
- 2) Loans of Rs Nil (Previous Year Rs 75.0 millions) from Financial Institutions are secured by first charge on all movable assets of the erstwhile Gujarat Lyka Organics Ltd. - Ankleshwar unit, both present and future, excluding book debt and stocks specifically charged to banks for securing working capital facilities.
- 3) Loans of Rs Nil (Previous Year Rs 5.4 millions) from others are secured by mortgage and / or hypothecation of specific assets at various locations as per loan agreements.

SCHEDULE 4 : UNSECURED LOANS

Fixed Deposits * (Previous Year Rs 5000)	0.0	0.0
Short term Loans		
From Financial Institution	2.5	3.3
Commercial Papers	200.0	100.0
Deferred Sales Tax #	23.1	15.7
	225.6	119.0

* Repayable within one year Rs Nil (Previous Year Rs 5000)

Repayable within one year Rs. 2.6 millions (Previous Year Rs 0.4 million)

SCHEDULE 5 : FIXED ASSETS

Rs in Millions

Particulars	GROSS BLOCK						DEPRECIATION					NET BLOCK		
	As At 1.4.00	Additions on Amalgamation	Additions 00-01	Write Down	Deletions 00-01	As at 31.3.01	As at 1.4.00	Additions on Amalgamation	For year 00-01	Write Down	Written back/ Deleted 00-01	As at 31.3.01	As at 31.3.01	As at 31.3.00
FREEHOLD LAND	6.5	3.1	0.0	0.0	0.0	9.6	0.0	0.0	0.0	0.0	0.0	9.6	6.5	
LEASEHOLD LAND	16.5	0.0	0.0	0.0	0.0	16.5	1.0	0.0	0.2	0.0	0.0	1.2	15.3	15.5
BUILDINGS	490.2	32.0	29.7	0.0	0.0	551.9	48.0	5.8	12.7	0.0	0.0	66.5	485.4	442.2
PLANT & MACHINERY	1063.0	66.5	249.4	0.0	31.9	1347.0	379.7	27.7	100.0	0.0	22.7	484.7	862.3	683.3
VEHICLES	31.5	0.8	3.1	0.0	2.5	32.9	8.9	0.1	3.1	0.0	1.0	11.1	21.8	22.6
FURNITURE & FIXTURES	43.8	0.9	6.2	0.0	1.4	49.5	15.6	0.4	3.0	0.0	0.5	18.5	31.0	28.2
TRADEMARKS, DESIGNS AND OTHER INTANGIBLE ASSETS (Refer note no. 14 of Schedule 19)	462.2	0.0	4.4	0.0	0.0	466.6	42.1	0.0	30.3	0.0	0.0	72.4	394.2	420.1
SUBTOTAL-A	2113.7	103.3	292.8	0.0	35.8	2474.0	495.3	34.0	149.3	0.0	24.2	654.4	1819.6	1618.4
ASSETS GIVEN ON LEASE	198.1	0.0	2.7	0.0	0.0	200.8	44.4	0.0	12.7	0.0	0.0	57.1		
LEASE TERMINAL ADJUSTMENT	0.0	0.0	0.0	0.0	0.0	0.0	73.6	0.0	5.4	0.0	6.4	72.6		
SUBTOTAL-B	198.1	0.0	2.7	0.0	0.0	200.8	118.0	0.0	18.1	0.0	6.4	129.7	71.1	80.1
TOTAL A+B	2311.8	103.3	295.5	0.0	35.8	2674.8	613.3	34.0	167.4	0.0	30.6	784.1	1890.7	1698.5
CAPITAL ADVANCES AND WORK IN PROGRESS	130.6	0.0	39.8	0.0	79.1	91.3	0.0	0.0	0.0	0.0	0.0	0.0	91.3	130.6
GRAND TOTAL	2442.4	103.3	335.3	0.0	114.9	2766.1	613.3	34.0	167.4	0.0	30.6	784.1	1982.0	1829.1
PREVIOUS YEAR	2019.7	192.8	553.9	49.7	274.3	2442.4	372.4	102.9	176.5	31.8	6.7	613.3	1829.1	

SCHEDULES TO THE ACCOUNTS

	As at 31st March, 2001		As at 31st March, 2000	
	Rs in Millions	Rs in Millions	Rs in Millions	Rs in Millions
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				
M.J. Pharmaceuticals Ltd. - 21,92,734 (Previous Year 21,92,734) Equity Shares of Rs.10 each fully paid	33.1		33.1	
Caraco Pharmaceutical Laboratories Ltd., - USA 83,82,666 (Previous Year 65,60,000) fully paid Common Shares of no par value	303.9	337.0	288.6	321.7
Market Value - Rs 253.8 millions (Previous Year Rs 323.7 millions)				
B) Unquoted				
In Subsidiary Companies-				
Sun Pharmaceutical Exports Ltd. - Nil (Previous Year 19,74,092) Equity Shares of Rs 10 each fully paid	0.0		161.1	
Sun Pharma Advance Research Centre Ltd. - Nil (Previous Year 50,750) Equity Shares of Rs 10 each fully paid	0.0		0.5	
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. - 9,000 (Previous Year 9,000) Equity Shares of Rs 10 each fully paid	0.1		0.1	
Sun Pharmaceutical (Bangladesh) Ltd.- 724 (Previous Year Nil) Equity Shares of 100 Takas each fully paid	0.1	18.0	0.0	179.5
Others				
M.J. Pharmaceuticals Ltd. - 400,000 (Previous Year Nil) 15% Cumulative Redeemable Preference Shares of Rs 100 each fully paid		41.8		0.0
		<u>396.8</u>		<u>501.2</u>
SCHEDULE 7 : INVENTORIES				
(As valued and certified by the Management)				
Consumables Stores		3.5		0.7
Raw Materials	563.5		290.9	
Packing Materials	37.1		22.4	
Finished Goods	548.3		307.7	
Work-in-Progress	327.3	1476.2	102.1	723.1
		<u>1479.7</u>		<u>723.8</u>

SCHEDULES TO THE ACCOUNTS

	As at 31st March, 2001		As at 31st March, 2000	
	Rs in Millions	Rs in Millions	Rs in Millions	Rs in Millions
SCHEDULE 8 : SUNDRY DEBTORS				
(Unsecured-Considered Good)				
Over Six Months		125.3		64.4
Others		814.6		644.5
		<u>939.9</u>		<u>708.9</u>
SCHEDULE 9 : CASH AND BANK BALANCES				
Cash and Cheques in hand		13.7		7.6
Balances with Scheduled Banks on-				
Current Accounts	79.2		28.8	
Deposit Accounts	9.3		3.5	
Unpaid Dividend Accounts	3.4	91.9	3.6	35.9
		<u>105.6</u>		<u>43.5</u>
SCHEDULE 10 : LOANS AND ADVANCES				
(Unsecured-Considered Good, unless stated otherwise)				
Loan to Employees # / Others*		191.9		90.1
Advances recoverable in cash or in kind or for value to be received		28.5		21.1
Advances to Suppliers				
Considered Good		28.4		94.5
Considered Doubtful	0.2		0.8	
Less: Provision for Doubtful Advances	0.2	0.0	0.8	0.0
Balances with Central Excise and Customs		44.6		36.0
DEPB and Advance Licence		72.3		87.2
Other Deposits		26.0		26.8
Advance Payment of Income Tax (Net of provision)		23.3		15.3
		<u>415.0</u>		<u>371.0</u>
# Due from Director/Officer of the Company Rs. 1.1 millions (Previous Year Rs. 1.2 millions)				
Maximum amount outstanding during the year Rs. 1.2 millions (Previous Year Rs. 1.3 millions)				
* Secured Loans Rs. 32.4 millions (Previous Year Rs. 32.4 millions)				
SCHEDULE 11 : CURRENT LIABILITIES AND PROVISIONS				
Current Liabilities				
Acceptances	0.0		58.2	
Sundry Creditors and Advances from Customers				
Due to Small Scale Industrial Undertakings	0.3		16.4	
Others	321.1		284.4	
Security Deposits	61.5		61.5	
Unclaimed Dividend	3.4		3.6	
Other Liabilities	212.2		185.5	
Interest Accrued but Not Due	0.0	598.5	0.7	610.3
Provisions				
Proposed Equity Dividend		233.8		61.7
Corporate Dividend Tax		23.8		6.8
		<u>856.1</u>		<u>678.8</u>

SCHEDULES TO THE ACCOUNTS

	Year ended 31st March, 2001		Year ended 31st March, 2000	
	Rs in Millions	Rs in Millions	Rs in Millions	Rs in Millions
SCHEDULE 12 : INCOME FROM OPERATIONS				
Sales		6114.4		4764.1
Export Incentives		1.2		0.8
Interest-Tax deducted at source Rs 12.4 millions (Previous Year Rs Nil)		9.5		0.0
Lease Rental / Hire Charges-	12.6		21.1	
Tax deducted at source Rs 27000 (Previous Year Rs Nil)				
Add: Lease Equalisation Account	1.0	13.6	(8.2)	12.9
Conversion / Analytical Charges-		0.3		4.4
Tax deducted at source Rs 28000 (Previous Year Rs 66000)				
Dividend		9.1		2.1
		<u>6148.1</u>		<u>4784.3</u>
SCHEDULE 13 : OTHER INCOME				
Other Interest-Tax deducted at source Rs 1.2 millions (Previous Year Rs 0.2 millions)		8.9		4.0
Profit on Sale of Fixed Assets		0.0		0.2
Profit on Sale of Investments		0.0		0.5
Sundry Balances Written Back (Net)		10.2		0.0
Insurance Claims		3.8		3.6
Miscellaneous Income-Tax deducted at source Rs 0.5 million (Previous Year Rs 0.5 million)		40.1		17.4
		<u>63.0</u>		<u>25.7</u>
SCHEDULE 14 : MATERIAL COST				
Inventories at the beginning of the year	723.1		497.2	
Transferred from Amalgamating Company	76.5	799.6	65.8	563.0
Purchases during the year		3078.5		2234.0
Inventories at the end of the year		(1476.2)		(723.1)
		<u>2401.9</u>		<u>2073.9</u>
SCHEDULE 15 : INDIRECT TAXES				
Excise Duty		529.4		364.6
Sales Tax		166.2		113.4
Turnover Tax		5.0		2.7
Purchase Tax		3.2		3.5
		<u>703.8</u>		<u>484.2</u>
SCHEDULE 16 : PERSONNEL COST				
Salaries, Wages, Bonus and Benefits		302.0		236.8
Contribution to Provident and Other Funds		26.4		25.0
Other Welfare Expenses		43.1		29.6
		<u>371.5</u>		<u>291.4</u>
SCHEDULE 17 : OPERATIONAL EXPENSES				
Stores and Spares Consumed		40.9		30.1
Manufacturing Charges		103.3		68.7
Power and Fuel		118.0		84.2
Rent		8.5		9.4
Rates and Taxes		8.6		3.9
Insurance		8.0		6.8
Selling and Distribution		303.4		246.9
Commission and Discount		31.5		33.5
Repairs: Building	10.2		4.9	
Plant and Machinery	53.6		39.8	
Others	10.2	74.0	8.4	53.1

SCHEDULES TO THE ACCOUNTS

	Year ended 31st March, 2001		Year ended 31st March, 2000	
	Rs in Millions	Rs in Millions	Rs in Millions	Rs in Millions
Printing and Stationery		13.8		11.8
Travelling and Conveyance		36.2		40.0
Overseas Travel and Export Promotion		135.9		79.7
Communication		40.8		35.4
Research and Development		89.8		29.2
Irrecoverable Debts/Advances Written Off	0.0		44.4	
Less: Bad Debts Recovered	0.0	0.0	12.3	32.1
Professional and Consultancy		19.8		14.0
Donations		0.9		3.0
Loss on Sale of Fixed Assets		1.5		0.0
Share of Loss from Partnership Firm, Rs 320 (Previous Year Rs Nil)		0.0		0.0
Auditors' Remuneration				
Audit Fees		1.2		1.1
Certification Fees/Other Services		0.4		0.4
Out of Pocket Expenses		0.1		0.1
Miscellaneous		88.9		66.3
		<u>1125.5</u>		<u>849.7</u>

SCHEDULE 18 : AMALGAMATION ADJUSTMENT

(Refer Note no. 2(ii) of Schedule 19)

Amount transferred from Reserves			
Share Premium		141.2	0.0
Balance of Share Capital Accounts of SPEL and SPARC Ltd.		20.3	0.0
		<u>161.5</u>	<u>0.0</u>

SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2001

SCHEDULE 19 : NOTES TO ACCOUNTS

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 and other intangible assets are amortised on Straight Line Method over the useful life of the assets 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) **Research and Development**

All revenue expenditures related to Research and Development are charged to the respective heads in the Profit and Loss Account since 1st April, 1999.

(vi) **Sales**

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

SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2001**(vii) 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 & Loss Account except those relating to acquisition of fixed assets which is adjusted in the cost of such assets.

(viii) Terminal Benefits

- (a) The Company's contribution in respect of provident fund is charged to Profit and Loss Account each year.
- (b) The Company contributes to Life Insurance Corporation of India for group gratuity policy and superannuation fund.
- (c) Liability for accumulated earned privileged leave of employees is ascertained and provided for as on the date of the Balance Sheet.

2. Mergers & Acquisitions

- (i) Sun Pharmaceutical Exports Ltd (a 99.28% subsidiary), Pradeep Drug Company Ltd and Sun Pharmaceutical Advanced Research Centre Ltd (a 100% subsidiary) have been merged with Sun Pharmaceutical Industries Ltd, w.e.f. 1st April 2000. The amalgamation has been accounted for under the "Pooling of Interests Method" as prescribed in the Accounting Standard (AS-14) issued by the Institute of Chartered Accountants of India. Accordingly, the assets, liabilities and reserves of the erstwhile Sun Pharmaceutical Exports Ltd, Pradeep Drug Company Ltd & Sun Pharmaceutical Advanced Research Centre Ltd as at 1st April 2000, have been taken over at their respective book values, subject to adjustments made for the differences in the accounting policies between the two companies.
- (ii)
 - (a) Sun Pharmaceutical Exports Ltd (SPEL)
 - (1) The Company's investment of 19,74,092 equity shares of Rs.10 each fully paid in SPEL stands cancelled. Accordingly, a sum of Rs.161.0 millions, being the cost of such investment of the company, has been transferred on 1st April 2000, from Share Premium Account Rs. 141.2 million and balance of Share Capital Account of SPEL Rs. 19.8 millions to Profit & Loss Account.
 - (2) After considering the extinguishment of shares held by the Company, 11,438 (net of cancellation) equity shares of Rs. 10 each of the Company have been issued to the shareholders of erstwhile SPEL in the ratio of 4 shares of the Company for every 5 shares of SPEL.
 - (b) Sun Pharmaceutical Advanced Research Centre Ltd (SPARC Ltd)
 - (1) The Company's investment of 50750 equity shares of Rs.10 each fully paid in SPARC Ltd, stands cancelled. Accordingly, a sum of Rs.0.5 million, being the cost of investment in the company has been transferred on 1st April 2000, from balance in Share Capital Account of SPARC Ltd Rs. 0.5 million to Profit and Loss Account.
 - (2) SPARC Ltd. used to provide depreciation on its fixed assets as per WDV method. The Company has recomputed the depreciation on these assets on SLM basis and accordingly Rs.0.1 million being excess depreciation provided for the period upto 31.3.2000 has been written back during the current year. Consequently, the profit for the year and fixed assets are overstated by the same amount.
 - (c) Pradeep Drug Company Ltd (PDCL)

Pursuant to the scheme of rehabilitation of the erstwhile PDCL with the Company, as sanctioned by the Board for Industrial and Financial Reconstruction-

 - (1) The assets and liabilities of the erstwhile PDCL were transferred to and vested in the Company with effect from 1st April, 2000. The scheme has accordingly been given effect to in these accounts.
 - (2) PDCL used to provide depreciation on its data processing equipment @4.75%. However, the Company provides depreciation @16.21% on the same. Accordingly, the Company has re-computed depreciation on the data processing equipment of erstwhile PDCL @16.21% since inception. An additional depreciation of Rs. 0.03 million (Rs. 25260) arising out of this change has been provided during the current year. Consequently, the profit for the year and fixed assets are understated by the same amount.
 - (3) Accumulated debit balance of Rs.154.2 millions in the Profit and Loss Account of erstwhile PDCL has been adjusted in the Profit and Loss Account.
 - (4) Equity shares of Rs.10 each of the Company are to be issued to the shareholders of the erstwhile PDCL, in the ratio of 1 share of the Company for every 500 shares of erstwhile PDCL. Pending allotment of the aforesaid shares, an amount of Rs. 0.2 million has been disclosed as Share Capital Suspense, as on 31st March, 2001.

SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2001

(iii) The Company is in the process of covering the employees of erstwhile SPEL and SPARC Ltd, under its Group Gratuity Policy with Life Insurance Corporation of India. These employees are presently not eligible for any gratuity payment.

3. Figures for the current financial year include figures for the erstwhile SPEL, PDCL and SPARC Ltd and are therefore strictly not comparable to those of the previous year. Pursuant to the approval dated 25th June 2001 received from Department of Company Affairs-Ministry of Law, Justice and Company Affairs, figures are stated in Rupees in Millions. Figures of previous year, corresponding to the current year are restated/ regrouped/ reclassified, wherever necessary.

	<u>As at 31st March, 2001</u> Rs in Millions	<u>As at 31st March, 2000</u> Rs in Millions
4. CONTINGENT LIABILITIES NOT PROVIDED FOR		
Guarantees Given by the Company	525.1	37.3
Letters of Credit	79.3	75.5
Bills Discounted	0.0	36.2
Liabilities Disputed		
Sales Tax	67.6	49.0
Excise Duty	0.6	2.1
Income Tax	93.5	8.9
Towards Price Equalisation Fund-DPEA	10.0	10.0
ESIC Contribution (Current year Rs. 23758)	0.0	0.0
Import duty-JDGFT	15.6	15.0
5. CAPITAL COMMITMENTS-FIXED ASSETS	24.2	13.9

	<u>Year ended 31st March, 2001</u> Rs in Millions	<u>Year ended 31st March, 2000</u> Rs in Millions
6. REMUNERATION TO DIRECTORS		
Managerial Remuneration u/s 198 of the Companies Act, 1956 *		
Salaries and Allowances	7.8	7.6
Contribution to Provident and Superannuation Funds	1.5	0.6
Perquisites and Benefits (Current Year Rs. 40,000)	0.0	0.1
* No commission is paid to Directors. Remuneration paid to the Directors is within limits specified under Section 198 of the Companies Act, 1956.		

7. RESEARCH AND DEVELOPMENT EXPENDITURE		
Revenue	174.5	87.0
Capital	71.0	101.0
8. INTEREST EXPENSES FOR		
Fixed Loans	41.0	57.5
Debentures	1.5	8.1
Others	34.0	38.5

Raw Materials and Packing Materials	Quantity		Value	
			Rs in Millions	Rs in Millions
Raw Materials-KGs	9840155	1465.4	8350180	1002.1
Raw Materials-KLs	7472	370.5	468	11.9
Raw Materials (PEN G)-BOU (in '000)	635	295.9	492	232.6
Packing/Other Materials	*	123.9	*	73.3
Total		<u>2255.7</u>		<u>1319.9</u>

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

SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2001

Imported and Indigenous	%	Value		%	Value	
		Rs in Millions			Rs in Millions	
Raw Materials & Packing Materials						
Imported	30.35	684.6		26.03	343.6	
Indigenous	69.65	1571.1		73.97	976.3	
Total	100.00	2255.7		100.00	1319.9	
Stores and Spares						
Imported	0.59	0.2		1.39	0.4	
Indigenous	99.41	40.7		98.61	29.7	
Total	100.00	40.9		100.00	30.1	

10. INFORMATION RELATING TO LICENSED CAPACITY AND PRODUCTION

(*as certified by the Management)

As at 31st March, 2001

As at 31st March, 2000

Tablets/Capsules/Parenterals/Ointments (No.s Millions)

Licensed Capacity	Not Applicable	Not Applicable
Installed Capacity *	3542.1	3542.1
Actual Production (including loan licence)	1746.3	1533.8

Bulk Drugs/Chemicals(in KGs)

Licensed Capacity	Not Applicable	Not Applicable
Installed Capacity *	1841250.0	1252550.0
Actual Production (including loan licence)	1151880.0	423488.7

Liquids (KLs)

Licensed Capacity	Not Applicable	Not Applicable
Installed Capacity *	600.0	600.0
Actual Production (including loan licence)	0.0	0.0

11. INFORMATION RELATING TO TURNOVER, PURCHASE AND STOCKS

Rs in Millions

	Turnover		Purchases		Opening Stock*		Closing Stock	
	Qty	Value	Qty	Value	Qty	Value	Qty	Value
Formulations (Qty/Millions)								
2000-01	2069.3	4057.7	341.3	507.2	301.3	168.6	319.6	272.7
1999-00	1811.6	3102.7	392.0	716.3	182.0	124.7	301.3	168.1
Bulk Drugs/Chemicals (Qty/Kgs)								
2000-01	1229441.2	2056.7	79298.5	121.1	63179.4	156.7	64916.7	275.6
1999-00	717965.9	1651.1	48128.0	102.7	286664.2	90.9	63179.4	139.4
Others								
2000-01	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1999-00	0.0	10.4	0.0	9.7	0.0	0.1	0.0	0.0
Total								
2000-01		6114.4		628.3		325.3		548.3
1999-00		4764.2		828.7		215.6		307.5

* includes Opening Stock of erstwhile Sun Pharmaceutical Exports Ltd and Pradeep Drug Company Ltd

SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2001

	Year ended 31st March, 2001 Rs in Millions	Year ended 31st March, 2000 Rs in Millions
12. INCOME/EXPENDITURE IN FOREIGN CURRENCY		
Income		
Exports (FOB basis)	1133.8	552.0
Lease Rentals	1.4	0.0
Expenditure		
Raw Materials (CIF basis)	668.9	355.9
Packing Materials (CIF basis)	3.5	0.8
Finished Goods (CIF basis)	34.7	39.5
Capital Goods (CIF basis)	76.1	39.8
Spares and Components (CIF basis)	2.4	4.6
Overseas Travelling	21.3	20.9
Others	69.6	34.7

13. Foreign currency transactions are translated as per the accounting policy referred to in item 1 (vii) above. The net exchange gain of Rs. 27.69 millions (Previous Year Rs.11.81 millions) is included in the net profit for the year.
14. Other intangible assets include payments made for acquisition of entire branded formulation business of Natco Pharma Limited including copyrights, marketing and distribution rights, specialised technical knowhow and non-compete fees. Non-compete fees of Rs.140 millions, which was paid to the vendors to protect the market share/right of brands acquired, is amortised over a period of ten years and the rest of the intangible assets are amortised over twenty years, based on the information available, market survey, availability of substitutes, current technology and government policies. The above accounting treatment is in accordance with International Accounting Standard (IAS 38) on intangible assets.
15. (a) Investment in and loan given (including interest accrued) to one of the associate company i.e. Caraco Pharmaceutical Laboratories Ltd. (Caraco), a company incorporated in the USA is shown at cost valued at Rs. 303.9 million and Rs. 247.7 millions respectively. The net worth of Caraco has been completely eroded as on 31st December, 2000. In view of Caraco's future growth potential and the Company's investment in Caraco being of a long term nature, in the opinion of the Management, no provision for diminution in the value of investment and loan given is required.
- (b) The Company has not made provision for possible diminution (amount not ascertainable) in value of investments aggregating Rs. 74.9 millions in MJ Pharmaceuticals Ltd (MJPL) as rehabilitation scheme is submitted by MJPL to BIFR. The scheme envisages sale of plant & machinery and other movable assets of Halol unit of MJPL to a third party and merger of residual and Ankleshwar unit of MJPL with the Company w.e.f. 1st January, 2002.
16. Provision for Taxation is arrived at after considering available tax credit under minimum alternate tax.
17. Based on the information available, there are no sundry creditors being small scale industrial undertaking and having an amount outstanding in excess of Rs. 1 Lac and due for more than 30 days.
18. The Company has paid dividend in respect of shares held by non-resident on repatriable basis. The total amount of Rs. 0.06 million was remitted towards the dividend for financial year 1999-00 to one shareholder on total 5000 shares.

SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2001**19 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, 2001	04

II Capital Raised during the year (Rs. in Millions)

Public Issue	Right Issue
NIL	NIL
Bonus Issue	Private Placement
308.4	NIL

III Position of Mobilisation and Deployment of Funds (Rs. in Millions)

Total Liabilities	Total Assets
1213.2	5866.7
Sources of Funds	Reserves and Surplus
Paidup up Capital #	3858.6
794.9	Unsecured Loans
Secured Loans	225.6
131.5	

includes Rs. 0.2 million raised pursuant to the Scheme of Amalgamation of Pradeep Drugs Co. Ltd.

Application of Funds

Net Fixed Assets	Investments
1982.0	396.8
Net Current Assets	Miscellaneous Expenditure
2631.8	NIL
Accumulated Losses	
NIL	

IV Performance of the Company (Rs. in Millions)

Total Income	Total Expenditure
6211.1	4764.7
Profit Before Tax	Profit After Tax
1446.3	1351.8
Earning per share Rs.	Dividend Rate
27.83 *	50%

* EPS is calculated after considering dividend on Preference Share Capital upto 31st March, 2001

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

Item Code No. (ITC Code)	30049058
Product Description	ISOSORBIDE-5 MONONITRATE
Item Code No. (ITC Code)	30049013
Product Description	ALPRAZOLAM
Item Code No. (ITC Code)	30049065
Product Description	METFORMIN+GLIBENCLAMIDE

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

Partha Ghosh
PartnerFor and on behalf of
Price Waterhouse
Chartered Accountants

Mumbai, 15th February, 2002

R. K. BAHETI
Sr VP-Finance & Company SecretaryFor and on behalf of the Board
DILIP S. SHANGHVI
Chairman & Managing Director**SUDHIR V. VALIA**
Wholtime Director**SAILESH T. DESAI**
Wholtime Director

Sun Pharmaceutical Industries Ltd.

AUDITORS' CERTIFICATE

1. The attached cash flow statement and the notes thereon (initialled by us for the purpose of identification) has been compiled from and is based on the audited accounts of Sun Pharmaceutical Industries Limited for the year ended 31st March, 2001 reported by us on 15th February, 2002.
2. According to the information and explanations given, the attached cash flow statement with the notes thereon has been prepared pursuant to Clause 32 of the listing agreement with the concerned stock exchanges and the reallocations required for the purpose are as made by the Company.

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

Mumbai, 15th February, 2002

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2001

	Year ended 31st March, 2001 Rs in Millions	Year ended 31st March, 2000 Rs in Millions
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax and extraordinary items (incl. Net exchange gain Rs.27.69 millions)	1446.3	971.8
Adjustments for:		
Depreciation / Lease terminal adjustment	161.2	173.3
(Profit) / Loss on sale of assets	0.0	(0.2)
Profit on sale of investments	0.0	(0.5)
Net interest (received) / paid	(18.4)	5.6
Subtotal of Adjustments	142.8	178.2
Operating Profit before working capital changes	1589.1	1150.0
Adjustments for:		
Trade and Other Receivables	(267.0)	541.3
Deposit with ICICI Ltd.	0.0	(300.0)
Loans to Caraco Pharmaceutical Laboratories Ltd.,USA	87.0	(302.1)
Inventories	(755.9)	(222.7)
Trade Payables	(11.8)	50.9
Bank Borrowings availed (including Commercial Papers)	(48.6)	1.1
Subtotal of Adjustments	(996.3)	(231.5)
Cash generated from operations	592.8	918.4
Add : Interest received	86.1	94.5
Less: Interest paid	(76.6)	(104.1)
Less: Direct Taxes paid	(102.5)	(53.6)
Cash flow before extraordinary items	499.8	855.2
(Decrease) / Increase in reserves on amalgamation	287.4	(118.5)
Net Cash from operating activities	787.2	736.7

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2001

	Year ended 31st March, 2001 Rs in Millions	Year ended 31st March, 2000 Rs in Millions
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(325.5)	(373.3)
Sale of Fixed Assets	11.6	19.7
Subsidy received	0.0	1.5
Sale of Investments	0.0	59.5
Purchase of Investments	(57.2)	0.0
Interest received	8.9	4.0
Net Cash used in investing activities	(362.2)	(288.6)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of Equity Share Capital	0.0	4.8
Calls received	0.1	0.1
Redemption of Preference Share Capital	(163.6)	(11.0)
Redemption of Debentures	(6.7)	(3.5)
Repayment of Long Term Borrowings	(80.4)	(189.3)
Short Term Loans taken	6.6	7.3
Dividends and Corporate Dividend Tax paid	(118.9)	(298.2)
Net Cash used in financing activities	(362.9)	(489.7)
D. Net Increase in Cash and Cash Equivalents [A+B+C]	62.1	(41.5)
E. Cash and Cash Equivalents as at 1st April, 2000	43.5	85.0
F. Cash and Cash Equivalents as at 31st March, 2001 [D+E]	105.6	43.5

Notes:

- 1) The figures of 2000-01 include assets & liabilities of erstwhile Sun Pharmaceutical Exports Ltd., Sun Pharmaceutical Advanced Research Centre Ltd. and Pradeep Drug Company Ltd. transferred pursuant to scheme of amalgamation.
- 2) Previous year's figures have been regrouped/reclassified, wherever necessary.

Mumbai, 15th February, 2002

For and on behalf of the Board

DILIP S. SHANGHVI

Chairman & Managing Director

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

Sr.	Name of Subsidiary	Sun Pharma Industries Ltd. Russia	Sun Pharma Global Inc. BVI	Milmet Pharma Ltd.
1	The financial year of the Subsidiary Company ended on	31st December, 2000	31st December, 2000	31st March, 2001
2	Shares in the Subsidiary held by the Holding Company as at the above date A) Number of Shares B) Extent of Holding	1000 Shares of Rubles 20 each fully paid-up 100%	500000 Shares of US\$ 1 each fully paid-up 100%	9000 Equity Shares of Rs. 10 each fully paid-up 97.83%
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 31 st March, 2001 (i) For the Subsidiary's financial year ended as aforesaid (ii) For the Previous financial years of the Subsidiary, since it became Holding Company's Subsidiary B) Dealt with in Holding Company's accounts for the year ended 31st March, 2001 (i) For the Subsidiary's financial year ended as aforesaid (ii) For the Previous financial years of the Subsidiary, since it became Holding Company's Subsidiary	Rubles (67459) Rubles (164768) Nil Nil	US\$ 224789 US\$ 921464 Nil US\$ 200000	Rs. 418139 Rs. 195352 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, 2001 B) Material changes occurred between end of the financial year of the Subsidiary and 31st March, 2001	Nil Nil	Nil Nil	Nil Nil

Note: As On 31st March, 2001 the Company holds 72.40% being 724 Ordinary Shares of takas 100 each fully paid-up in Sun Pharmaceutical (Bangladesh) Ltd. (A Subsidiary Company) which was incorporated in Bangladesh on 29th March, 2001. The first financial year of the subsidiary will end on 31st March, 2002 and as such the information/ documents required pursuant to section 212 of Companies Act, 1956 are not applicable for the financial year ended on 31st March, 2001.

For and on behalf of the Board

DILIP S.SHANGHVI

Chairman & Managing Director

SUDHIR V. VALIA

Wholtime Director

SAILESH T. DESAI

Wholtime Director

Mumbai, 15th February 2002

R.K.BAHETI

Sr. VP-Finance & Company Secretary

Sun Pharmaceutical Industries Ltd.

ANNEXURE (1) TO DIRECTORS' REPORT**CONSERVATION OF ENERGY**

	<u>Year ended 31st March, 2001</u>	<u>Year ended 31st March, 2000</u>
A. Power and Fuel Consumption		
1. Electricity		
Purchased		
Unit (in '000 KWH)	15690	11381
Total Amount (Rs. in Millions)	69.5	48.6
Rate (Rs./Unit)	4.4	4.3
Own Generation through Diesel Generator		
Units (in '000 KWH)	778	719
Units per Litre of Diesel Oil	3.1	3.1
Cost (Rs./Unit)	4.5	4.6
2. Furnace Oil		
Quantity (in '000 Litres)	2061	2308
Total Amount (Rs. in Millions)	23.8	20.1
Average Rate (Rs./Unit)	11.5	8.7
3. Gas (for Steam)		
Gas Units (in '000 Litres)	1424	934
Total Amount (Rs. in Millions)	11.4	6.6
Average Rate (Rs./Unit)	8.0	7.1

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. We use 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.
2. We have installed isolating valve in main airline for preventing air loss.
3. We have diverted plant 1 A/B, Condensate Water of all reactor jacket to cooling tower pond.
4. Conversion of Boiler from Furnace Oil (Fuel) based to Natural Gas based, by installing a very high combustion efficiency (93%), WEISHAUP (Germany) make gas burner. This change has resulted in a drop of equated fuel cost per month from Rs. 1.0 million in November 2000 to Rs. 0.5 million in January 2001.

TECHNOLOGY ABSORPTION**A. Research and Development****1. Specific areas in which R&D is carried out by the Company**

R&D continues to be a vital driver of growth for the company and large investments continue to be & to ensure the company is equipped to readily introduce a slew of new products. Increasing part of the research budget is now earmarked for the innovation-based projects in the areas of new chemical entity and novel drug delivery systems. The research spending currently is tilted towards conventional research projects that can generate investable revenue streams for the short term-speciality bulk actives, peptides, tissue culture based projects and formulations, and we expect this ratio to undergo a change in the years ahead.

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

In 2000-2001, taking our trend of strong new product introduction further, as many as 33 formulations and 22 bulk actives reached market. This rapid pace of new product introduction and the ability to continually introduce products with a technology plus have helped the company to establish a position of trust with specialist consultants in the therapy areas in which we operate.

At our research center SPARC, we continue to develop processes for bulk actives that can enhance our edge in our formulations business. Most of these bulk actives are either difficult to source, in which case our own process allows us an entry into a high potential market. At times, we can make the bulk active using processes that are more environment and cost friendly. We continue to make a headway in selling these bulk actives to large reputed companies both in India and abroad.

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 continues to commit significant funding to innovation based projects in the area of new chemical entity (NCE) and novel drug delivery systems. About Rs 350 millions have been earmarked for projects in these areas. A 40 person team works on NCE projects. While plans to establish a research center at Chennai have been shelved, a new innovation based research lab in Baroda is taking concrete shape. These efforts complement investments in conventional dosage forms and bulk actives.

4. Expenditure on R&D	Year ended 31st March, 2001	Year ended 31st March, 2000
	Rs in Millions	Rs in Millions
Capital	71.0	101.5
Revenue	174.5	98.5
Total	245.5	200.0
Total R&D expenditure as % of Total Turnover	4.0%	4.2%

B. Technology Absorption, Adaptation and Innovation

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

Efforts in R & D Centre on developing efficient manufacturing processes for the products that the Company intends to launch in any of the markets that it operates in. In bulk drugs, efficient method of production for imported, difficult to source, costly raw materials are developed and then commercialized.

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

- Your Company was first to market with several products, this helped capture market share ahead of the competition
- Several technology based line extensions such as Encorate chrono and Zeptol CR have helped propel brands that were fairly old to a rank among the Company's top contributors. Such brands offer concrete patient benefits and have helped strengthen the Company's standing with specialists.
- Several products that were hitherto imported into the country by competitors could be introduced by your Company at extremely sensible prices. e.g. the fertility treatment product Lupride and the emergency gastric carcinoma product Octrade.
- Expertise in difficult to develop bulk actives has helped your Company establish a differentiated product list that attracts overseas buyers.

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, 2001	Year ended 31st March, 2000
	Rs in Millions	Rs in Millions
1. Earnings from Exports (FOB value)	1133.8	552.0
2. Expenditure (CIF basis)	908.1	496.2
3. Investment and Loan given	0.1	302.1
4. Loan given received back	2.3	0.0

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 Board of Directors of your Company is six Directors.

Composition and category of Directors is as follows:

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

Executive Director upto 21/03/2001. w.e.f. 22/03/2001 appointed as Non-Executive Director.

Number of Board meeting held and the dates on which held : 11 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: 1st April, 2000, 8th April, 2000, 28th April, 2000, 6th June, 2000, 17th July, 2000, 25th August, 2000, 18th October, 2000, 16th January, 2001, 17th February, 2001, 26th February, 2001 and 22nd March, 2001.

Attendance of each Director at the Board meetings, last Annual General Meeting 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 31 st March, 2001		No. of other directorship and committee member/ chairmanships as on 31 st March, 2001		
	Board Meetings	Last AGM	Other Directorships	Committee membership of the Company	Committee Chairmanships of the Company
Dilip S. Shanghvi	9	Yes	9	Investors' Grievance	None
Sudhir V. Valia	9	No	10	Investors' Grievance	None
Sailesh T. Desai	7	Yes	6	None	None
S. Mohanchand Dadha	3	No	5	Audit & Investors' Grievance	Audit & Investors' Grievance
Narendra N. Borkar	None	No	1	Audit	None
* Hasmukh S. Shah	None	N. A.	8	Audit	None

* Appointed as additional Director during the year w.e.f 22nd March, 2001.

The brief resume, experience and other details of the Directors i.e. new Director viz. Shri Hasmukh S. Shah and other Directors who retired by rotation at the Annual General Meeting (held on 28th November, 2001) i.e. Shri S. Mohanchand Dadha and Shri Narendra N. Borkar have already been furnished along with the notice of the Ninth AGM dated 19th October, 2001 to the shareholders.

3. Audit Committee

The Board of the Company has constituted an Audit Committee, comprising three independent Non-Executive Directors viz. Shri S. Mohanchand Dadha, Shri Narendra N. Borkar and Shri Hasrnukh S. Shah. The Chairman of the Committee is Shri S. Mohanchand Dadha. The constitution of Audit Committee also meets with the requirements under Section 292A of the Companies Act, 1956.

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 292 A of the Companies Act, 1956 .

The Audit Committee was formed on 22nd March, 2001 and no Audit Committee meetings were held during the year ended 31st March, 2001.

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. Presently, Non-Executive Directors do not draw any remuneration other than Board/Committee Meeting sitting fees.

Details of remuneration paid to all the Directors for the year:

The aggregate value of salary and perquisites including Company's contribution to Provident Fund, Superannuation fund, to the extent not taxable paid for the year ended 31st March, 2001 to Wholetime Directors is as follows:- Shri Dilip S. Shanghvi, Chairman & Managing Director Rs.33,35,200/-, Shri Sudhir V. Valia, Wholetime Director Rs.24,56,800/-, Shri Sailesh T. Desai, Wholetime Director, Rs.17,22,974/- and Shri S. Mohanchand Dadha, Wholetime Director upto 21st March, 2001, Rs. 17,95,300/-. Besides this, all the Wholetime Directors were also entitled to Gratuity and encashment of leave at the end of tenure, as per the rules of the Company.

Your Company presently does not have a scheme for grant of stock options.

5. Shareholders'/Investors' Grievance Committee

The Board of the Company has constituted a Shareholders'/Investors' Grievance Committee, comprising of Shri S. Mohanchand Dadha, Shri Dilip S. Shanghvi and Shri Sudhir V. Valia. The Chairman of the Committee is Shri S. Mohanchand Dadha. 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 balance sheet, non receipt of declared dividends, 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 have delegated the power of approving transfer of securities to M/s. Intime Spectrum Registry Ltd. and Shri R. K. Baheti, Sr. Vice President-Finance & Company Secretary of the Company.

The Board has designated Shri R. K. Baheti, Sr. Vice President-Finance & Company Secretary and Shri Ashok I. Bhuta, Sr. Manager-Accounts as Compliance Officers.

The total number of complaints received and replied to, to the satisfaction of shareholders during the year under review, was 1272. Outstanding complaints as on 31st March, 2001 were 25 which were attended/replied to by 2nd week of April, 2001. 70 requests for transfers and 74 requests for dematerialisation were pending for approval as on 31st March, 2001, which were approved and dealt with by 20th April, 2001 and 4th April, 2001 respectively.

6. General Body Meetings

Location and time for last 3 Annual General Meetings were:

Year	AGM	Location	Date	Time
1997-98	AGM	Synergy House-II, Gorwa Road, Subhanpura, Vadodara – 390 007.	24/07/1998	11.00 a.m
1998-99	AGM	Synergy House-II, Gorwa Road, Subhanpura, Vadodara – 390 007.	29/12/1999	11.00 a.m
1999-00	AGM	Synergy House-II, Gorwa Road, Subhanpura, Vadodara – 390 007.	25/08/2000	11.00 a.m

No postal ballots were used/invited for voting at these meetings in respect of special resolutions passed as there were no such provisions in the Companies Act, 1956. 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.
- 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'. E-mails are sent to Analysts and fund managers for quarterly, half-yearly, annual financial results as well as major events and Analysts meet are held from time to time to discuss company events.
- The Management Discussions and Analysis Report forms part of this Annual Report and is captioned "Management Discussions and Analysis" in Directors' Report.

9. General Shareholder Information

- 9.1 Annual General Meeting :**
- Date and Time : March 30, 2002 at 11.00 a.m
 - Venue : Hotel Holiday Inn, Convention Centre, Akota Gardens, Vadodara – 390 020, Gujarat.
- 9.2 Financial Calendar (tentative) :**
- Results for quarter ending March 31, 2002 – Last week of April 2002
 - Results for quarter ending June 30, 2002 – Last week of July 2002
 - Results for quarter ending September 30, 2002 – Last week of October 2002
 - Annual General Meeting to be finalised after receipt of approval/sanction of rehabilitation/merger scheme of M. J. Pharmaceuticals Ltd by Hon'ble BIFR.
- 9.3 Dividend (Interim) Paid Date :** 6th August, 2001
- 9.4 Details of Book Closure :** The Register of Members and Share Transfer Books of the Company were closed from Thursday, 22nd November, 2001 to Wednesday, 28th November, 2001, both days inclusive. There is no book closure for this adjourned Annual General Meeting.
- 9.5 Listing of Equity Shares on Stock Exchanges :** At Vadodara, Mumbai, Ahmedabad, New Delhi, Kolkata, Chennai and National Stock Exchange (NSE).
However, applications have been made for delisting of securities with Ahmedabad, Delhi, Calcutta and Madras Stock Exchanges.
- 9.6 (a) Stock Code**
Trading Symbol Bombay Stock Exchange (Demat Segment) : SUNPHARMA 524715
Trading Symbol National Stock Exchange (Demat Segment) : SUN PHARMA
- (b) Demat ISIN Numbers in NSDL : ISIN No. INE044A01010.**
and CDSL for Equity Shares.

9.7 Stock Market Data

	Bombay Stock Exchange (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 2000	629.65	368.00	655.00	366.20
May 2000	459.15	323.85	498.70	286.00
June 2000	608.25	432.50	649.00	420.00
July 2000	622.50	560.85	649.00	531.25
August 2000	627.80	557.30	635.00	556.00
September 2000	573.35	434.65	588.80	427.00
October 2000	549.90	417.05	556.00	411.75
November 2000	564.35	506.05	586.90	500.00
December 2000	584.70	510.05	603.00	493.00
January 2001	607.60	523.60	616.00	520.00
February 2001	605.00	581.10	632.65	571.65
March 2001	590.55	457.50	620.35	431.00

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

Your Company's share price performance relative to BSE Sensex based on share price on 31st March, 2001.

% Change in

PERIOD	SUN PHARMA SHARE PRICE	BSE SENSEX	SUN PHARMA RELATIVE TO SENSEX
Financial Year 2000-2001	-15%	-28%	+13%
Year-on-Year	-15%	-28%	+13%
2 Years	+231%	-4%	+235%
3 Years	+573%	-7%	+580%
5 Years	+513%	+7%	+506%

SUN PHARMA's share price performance relative to Nifty based on share price on 31st March, 2001.

% Change in

PERIOD	SUN PHARMA SHARE PRICE*	NIFTY	SUN PHARMA RELATIVE TO NIFTY
Financial Year 2000-2001	-14%	-25%	+11%
Year-on-Year	-14%	-25%	+11%
2 Years	+214%	+7%	+207%
3 Years	+604%	+3%	+601%

* Source: Economic Times

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

Ms. Swati Uchil
Intime Spectrum Registry Ltd.,
260-A Shanti Industrial Estate,
Sarojini Naidu Road, Mulund (West),
Mumbai – 400 080.
E-Mail :isrl@vsnl.com

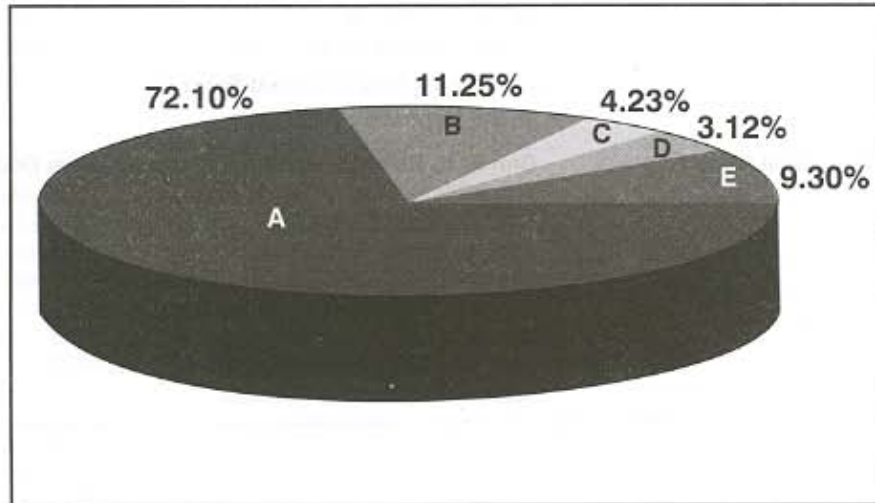
9.10 Share Transfer System

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 dematerialise 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.

9.11 Distribution of Shareholding as on 31st March, 2001



- A. Promoters and Persons acting in concert [72.10%] 3,37,12,776
- B. International Investors (FII/NRIs/OCB) [11.25%] 52,58,049
- C. Indian Financial Institutions/Banks/Mutual Funds [4.23%] 19,76,158
- D. Bodies Corporate [3.12%] 14,57,305
- E. Others [9.30%] 43,52,230

Total No. of Equity Shares = 4,67,56,518

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

9.12 Dematerialisation of Shares

About 70% of the outstanding shares have been dematerialised upto 31st March, 2001. Trading in Equity Shares of the Company is permitted only in dematerialised form w.e.f. 29th November, 1999 as per notification issued by the Securities and Exchange Board of India (SEBI).

Liquidity:

Your Company's shares are the fairly liquid and are actively traded on the Bombay Stock Exchange and National Stock Exchange. The highest trading activity is witnessed on the BSE and NSE Stock Exchanges. Relevant data for the **average daily turnover** for the financial year 2000-2001 is given below:

	Bombay Stock Exchange (BSE) *	National Stock Exchange (NSE)	BSE + NSE
In no. of share (in Thousands)	46.65	45.93	92.58
In value terms (Rs. Millions)	24.74	24.38	49.12

* Source BSE Official Website

9.13 Plant locations

: As provided on the front page of the Annual Report

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

Ms. Swati Uchil
Intime Spectrum Registry Ltd.,
260-A, Shanti Industrial Estate,
Sarojini Naidu Road, Mulund (West),
Mumbai – 400 080.
E-Mail: isrl@vsnl.com

For Shares held in Demat Form

To the Depository Participant.

- (b) Any query on Annual Report

Shri R. K. Baheti/Shri Ashok Bhuta/Ms. Mira Desai
Acme Plaza, Andheri Kurla Road,
Opp. Sangam Cinema,
Andheri (East),
Mumbai – 400 059.
rajkumar_baheti@sunpharma.com
ashok_bhuta@sunpharma.com
mira_desai@sunpharma.com
corpcomm@sunpharma.com

Auditors' Certificate on Compliance of Conditions of Corporate Governance under Clause 49 of the Listing Agreement.

The Board of Directors
Sun Pharmaceutical Industries Ltd.,

We have reviewed the report of the compliance to the mandatory conditions of Corporate Governance set out in pages 25 to 30 as stipulated in Clause 49 of the Listing Agreements prepared by Sun Pharmaceutical Industries Limited with the relevant books and records for the year ended 31st March, 2001.

In our opinion and to the best of our information and according to explanations given to us, the Company has complied with the mandatory requirements specified in said clause in the manner so required.

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

Mumbai, 15th February, 2002

ZAO SUN PHARMA INDUSTRIES LTD., RUSSIA

DIRECTORS' REPORT

Information enclosed to the 2000 annual report concerning the business activity of Company ZAO «Sun Pharma Industries Limited»

General Statements.

ZAO «Sun Pharma Industries Limited» (INN 7721003699 / 772101001) is registered by Moscow Registration Chamber (Registration No. 031.055). The Registration Certificate: serial No. BZ, No. 008892, is issued on 15.04.1994.

OKPO Code – 34615539, OKONH Code – 84500, 71100. Company is registered in the appropriate tax inspectorate of Russian Federation: Moscow Tax Inspectorate No. 21; Certificate: ser No. 77, No. 0292646

Location of Company:

Official Address: 643, 109444, Moscow, ul. Sormovskaya, dom 8, kor. 2, komnata pravlenia;

Actual Address: 117420, Moscow, ul. Profsoyuznaya, dom 57, office 722 Tel. 334-26-77

The Founder and Share-Holder of ZAO «Sun Pharma Industries Limited» is an Indian Company "Sun Pharmaceutical Industries Limited" (an official organization), a manufacturer of pharmaceutical drugs; its contribution into the Charter Capital is 100%.

At the current time the main activity of ZAO «Sun Pharma Industries Limited» is the marketing study of pharmaceutical drugs, the investigation of the situation with the investments in Russian Federation and the rendering of informative and consulting services to the Founder and its partners.

The basic official legislation.

The audit for 2000 was made up according to the below-mentioned official documents:

" Annual Accounting Reports " prepared in the Organizations ", Regulations No. 4/ 99 stated by the Order of RF Ministry of Finance: No. 43n of 06.07.1999.

Regulations "The forms of Accounting Reports" prepared in the Organizations, their volume and the order of their submission" stated by the Order of RF Ministry of Finance: No. 4n of 13.01.2000.

Regulations "The formulation of Accounting Reports in 2000" stated by the Order of RF Ministry of Finance: No. 60n of 28.06.2000.

Regulations "The Information about the affiliated companies" – PBU 11/2000 stated by the Order of RF Ministry of Finance: No. 5n of 13.01.2000.

Regulations "The Events after the Fiscal Period" - PBU 7/98 stated by the Order of RF Ministry of Finance: No. 56n of 25.11.1998.

Regulations "Terms of Business Activity" - PBU 8/98 stated by the Order of RF Ministry of Finance: No. 57n of 25.11.1998.

Regulations "Calculation of Liabilities having their cost in hard currency" - PBU 3/ 2000 stated by the Order of RF Ministry of Finance: No. 2n of 10.01.2000.

Regulations "Income of an Enterprise" - PBU 9/99 stated by the Order of RF Ministry of Finance: No. 32n of 06.05.99.

Regulations "Expenses of an Enterprise" - PBU 10/99 stated by the Order of RF Ministry of Finance: No. 33n of 06.05.99.

The audit was also performed in accordance with the business plan of Company adopted in 2000.

The Company business plan for 2001 was adopted without changes (the Company Order No. 4 of 31.12.2000). In 2001 Company will not use a new list of internal accounts.

- Short information about the business activity of ZAO «Sun Pharma Industries Limited».

In 2000 ZAO «Sun Pharma Industries Limited» did not carry out the business activity due to absence of orders from the side of the customer.

The financial condition of ZAO «Sun Pharma Industries Limited» deteriorated in 1999, because in May 1999 the UNIKOMBANK, where ZAO «Sun Pharma Industries Limited» had opened Russian Rouble and US Dollars bank accounts, was officially deprived of its bank licence. Besides, in on August 17, 1999 the Moscow Arbitratory Court issued the verdict about the bankruptcy of UNIKOMBANK and initiated the procedure of surveillance.

On the date of UNIKOMBANK license deprivation Company ZAO «Sun Pharma Industries Limited» had in UNIKOMBANK the balance sums: 147.090,35 Russian Roubles and 300 USD (equal to 7.458,00 Russian Roubles according to the rate of RF Central Bank).

In November 1999 ZAO «Sun Pharma Industries Limited» submitted the set of required papers to be included into a list of creditors.

In December 1999 ZAO «Sun Pharma Industries Limited» received the confirmation from UNIKOMBANK that the claims of Company had been accepted and the whole sum of claims (154.548,35 Russian Roubles) to be covered on the terms applied for the 5th creditors rank.

At the current time UNIKOMBANK is covering the claims of the 1st creditors rank, the satisfaction of ZAO «Sun Pharma Industries Limited» financial claims is hardly real. In 2000 Company calculated the salary for its employees equal to one minimal salary for each person; fees to pension and other funds of social insurance were

remitted throw the Saving Bank.

On October 24, 2000 ZAO «Sun Pharma Industries Limited» opened the Russian Rouble bank account in SODBUSINESSBANK, Affiliate "Oktiabrskoe, but, as far as Company did not have the cash, so the bank operations in 2000 were not executed.

4. The detailed information mentioned in the report.

At the end of the fiscal year the Company has the debit liability equal to 167.000,00 roubles. (pls., see line 240 of the balance).

The short-term debit liability of the Company (the Line 240 of the balance) means:

- the Migration Service debt in respect of the Company (a loan sum paid for a foreign employee) is 12.000,00 roubles – the Line 241 of the balance.
- the UNIKOMBANK debt in respect of the Company is 155.000,00 roubles – the Line 246 of the balance (i.e the remaining sum on the Company bank accounts left on the date of the recall of the UNIKOMBANK licence). This sum constitutes 92 % from all debit liability and is essential (in accordance with the Item 4 of the Methodical references about the order of formation of parameters of the accounts of organization in 2000); UNIKOMBANK is included in the list of the organizations - debtors having the greatest indebtedness (section « Debit and credit liabilities » of the form No. 5).

The credit liability is 376.000,00 roubles (please, see the Line 620 of the balance); it consists of:

- the remaining sum shown in the account 64 « Advance payments received » (" in hard currency ") - 354.000,00 roubles (the sum is received under the contract with a foreign firm and is revaluated due the exchange rate) – the Line 627;
- the salary liability is 5.000,00 roubles – the Line 624;
- the Company liability in respect of the accountable persons is 16.000,00 roubles - the Line 628;
- the Company liability in respect of the state budget is 1.000,00 – the Line 626.

At the end of the fiscal year the tax payments due to the budget estimated on the basis of presented tax accounts, constitute:

- the tax on property is 1354 roubles 00 kopecks; *
- the income tax paid by the persons is 13 roubles 28 kopecks.

The Line 612 of the balance means the loan sum (10.000,00 roubles) received by the Company from the persons (i.e. the Company employees) on the terms of the interest-free loan applied for the period less 12 months and reflected on the account 94 « Moneys " at short notice " ».

In the form No. 2 « The Report on profits and losses » there are:

- the Line 100 « Other operational expenses » means taxes and fees, the sum is 1.000,00 roubles; it is attributed as the financial results of the Company activity (tax on property);
- the Line 120 « The Other non-sale incomes » has the positive exchange rate; the sum is 11.000,00 roubles, it is reflected on the account 80 as a result of the cost revaluation of property and the obligations formulated in a foreign hard currency;
- the Line 130 « The Other non-sale expenses » has the negative exchange rate; the sum is 26.000,00 roubles, as a result of the cost revaluation of property and obligations formulated in a foreign hard currency.

The Company loss due to its business activity is shown on the Line 140 of the form No. 2 « The Report on profits and losses »; the advantage of negative exchange rate over the positive one resulted in the difference of 15.000,00 roubles.

The Line 190 of the form No. 2 shows the uncovered loss of the fiscal year in foreign hard currency; it is 16.000,00 roubles.

5. Information about the affiliated persons

ZAO «Sun Pharma Industries Limited» is the enterprise with the 100 % foreign investments.

The firm - founder is the Indian company « Sun Pharmaceutical Industries Limited », at the address: C1/2710, GIDC, Phase III, Vapi-396 195, Gujarat, India.

The firm - founder has 100 % of the stocks of ZAO «Sun Pharma Industries Limited» charter capital and completely monitors an activity of ZAO; The firm - founder nominates the General director, defines character and conditions of management of the Company activity, makes a decision on reorganization or liquidation of ZAO.

During the fiscal period ZAO «Sun Pharma Industries Limited» did not conduct any operations with the affiliated persons.

6. The Conclusion

Having considered the annual accounting reports of ZAO «Sun Pharma Industries Limited» composed on the basis of the Company business activity during the fiscal year, the board of the firm decided to keep the uncovered loss equal to 16.000,00 roubles on the balance of the Company because of absence of the sources of funding.

Temporarily executing the duties of General Director
The chief accountant

P. A. Sinarevsky
N. P. Lobzenkova

ZAO SUN PHARMA INDUSTRIES LTD., RUSSIA

THE AUDITOR CONCLUSION

Auditor Company "Audit-911" (legal address: 107078, Moscow, Novaya Basmanaya, 10/1, office 87) is registered by the Moscow Registration Chamber, account No 407028106380701100684; the license No 000943 is issued according to the order of the Ministry of Finance of the Russian Federation No 193 from July 22, 1999) carried out the audit of finance-economic activity and accounts of the ZAO «Sun Pharma Industries Limited» for 2000 (de facto address: 109444, Moscow, Sormovskaya st., 8/2, room of the board; the code ОКПО 34615539 is registered by the Moscow registration Chamber 15.04.1994 in the register under No 031.055; account No 40702810700074407001, correspondence account No 30101810500000000662, БИК 044525862 in Commercial Bank "Sodbiznesbank", branch "Oktyabrskoye", Moscow).

The audit was executed on the basis of the Agreements N 28/03-1 from 28.03.2001 by the auditor Mrs. Galkina O. G.

The Conclusion of Auditor Company "Audit-911"

About accounts

ZAO «Sun Pharma Industries Limited» for 2000

- Company «Audit-911» executed the audit of the enclosed accounts of the ZAO «Sun Pharma Industries Limited» for 2000. The given report is prepared by the executive board ZAO «Sun Pharma Industries Limited» on the basis of the Federal Act of 21.11.96 N 129-ФЗ "About book keeping" (with changes and additions from 23.07.98) and "Positions on management of book keeping and accounts in Russian Federation", predicated by the order of Ministry of

Finance of the Russian Federation from 29.07.98 N 34» (with changes and additions from 30.12.99 and 24.03.2000).

- The responsibility for preparation of the given report carries the executive board ZAO «Sun Pharma Industries Limited». The responsibility of Auditor Company "Audit-911" consists in stating opinion on certainty in all essential aspects of the given reporting on the basis of the executed audit.
- The audit was carried out according to the legislation of the Russian Federation, in particular with the Temporary rules of auditor activity in Russian Federation predicated by the Decree of the President of Russian Federation "About auditor activity in Russian Federation" from December 22, 1993 No 2263. The audit was planned and was executed so that to get sufficient confidence that the accounts do not contain essential distortions. The audit was executed on a selective basis and, in our opinion; gives good causes to state opinion on reliability of the given reporting.
- In our opinion enclosed the present Conclusion the accounts is authentic, that is prepared so that to reflect in all essential aspects the assets and liabilities of the ZAO «Sun Pharma Industries Limited» on condition on January 1, 2001 and financial results of its activity for 2000 proceeding from the Federal Act from 21.11.96 N 129-ФЗ "About book keeping" (with changes and additions from 23.07.98) and "Positions on management of book keeping and accounts in Russian Federation", predicated by the order of Ministry of Finance of Russian Federation from 29.07.98 N 34» (with changes and additions from 30.12.99 and 24.03.2000).

General Director of
OOO "Auditor Company
Audit-911"

(Popov D. I.)

Auditor

(Galkina O. G.)

BALANCE SHEET AS AT 31ST DECEMBER, 2000

	Amount (RRu) As at 31/12/2000	Amount (RRu) As at 31/12/1999
ASSETS		
I FIXED ASSETS		
Office Equipments	6.315	7.298
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	155.116	635
Cash & Bank Balances		
Bank Balances	0	154.548
Other Current Assets	0	37.564
III PROFIT & LOSS ACCOUNT		
Profit & Loss Account	232.227	164.768
	<u>405.682</u>	<u>376.837</u>
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	354.152	339.564
Other Liabilities	31.530	17.273
	<u>405.682</u>	<u>376.837</u>

P. A. Sinarevsky
Deputy Gen. Director

Date - 27/04/2001
ZAO «Sun Pharma Industries Limited»

N. P. Lobzenkova
Chief Accountant

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2000

	Amount (RRu) As at 31/12/2000	Amount (RRu) As at 31/12/1999
Net Sales	0	0
Interest	0	0
Other Income	11.445	4.797
	<u>11.445</u>	<u>4.797</u>
Cost of Sales of Goods & Services	0	0
Commercial Expenses	0	0
Interest	0	0
Other Operating Expenses	26.033	83.004
Road Tax & Property Tax	859	772
	<u>26.892</u>	<u>83.776</u>
Loss for the period	15.448	78.979
Add: Preliminary Expenses	52.011	45
Balance brought forward	164.768	85.744
Balance carried over to Balance Sheet	<u>232.227</u>	<u>164.768</u>

P. A. Sinarevsky
Deputy Gen. Director

Date - 27/04/2001
ZAO «Sun Pharma Industries Limited»

N. P. Lobzenkova
Chief Accountant

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 5th Annual Report and Statement of Audited Accounts for the year ended 31st December, 2000.

Financial Results

The Company made profit of U.S. \$ 2,24,789 from its operations.

Dividend

Your Directors are pleased to recommend a dividend at the rate of 40% (Previous Year 40%) for the year ended 31st December, 2000.

Auditors

Your 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 BOARDS OF DIRECTORS

DILIP S. SHANGHVI
Director

SUDHIR V. VALIA
Director

Mumbai, 28th July, 2001.

AUDITORS' REPORT TO THE MEMBERS

We have audited the attached Balance Sheet of Sun Pharma Global Inc. British Virgin Island as at 31st December, 2000 and Profit and Loss Account of the Company for the year 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 December, 2000.
 - ii. In the case of the Profit and Loss Account of the profit of the Company for the year ended on that date.

For VALIA & TIMBADIA
Chartered Accountants

HITEN C TIMBADIA
Partner

Mumbai, 28th July, 2001.

SUN PHARMA GLOBAL INC. BRITISH VIRGIN ISLAND
BALANCE SHEET AS AT 31ST DECEMBER, 2000

	SCHEDULE	As at 31st December, 2000		(AMOUNT IN US \$) As at 31st December, 1999
SOURCES OF FUNDS				
Shareholders' Funds				
Share Capital	1	500,000.00		500,000.00
Reserves and Surplus				
Profit and Loss Account		<u>946,252.62</u>		<u>921,463.51</u>
		<u>1,446,252.62</u>		<u>1,421,463.51</u>
APPLICATION OF FUNDS				
Investments				
Trade Investments (Quoted)		951,985.50		947,985.50
Caraco Pharmaceutical Laboratories Ltd. U.S.A. 17,22,657 (Previous Year 17,14,657) Fully paid and Non Assessable Common Shares of No par value. (Market Value US \$ 3,49,872 (Previous Year US \$ 10,71,661)				
Current Assets, Loans and Advances				
Current Assets	2	60,568.72	73,613.52	
Loans and Advances		<u>689,056.00</u>	<u>879,512.69</u>	
		749,624.72	953,126.21	
Less : Current Liabilities and Provisions	3	<u>255,792.00</u>	<u>480,517.00</u>	
		493,832.72		472,609.21
Miscellaneous Expenditure				
(To the extent not written off or adjusted) Preliminary Expenses		434.40		868.80
		<u>1,446,252.62</u>		<u>1,421,463.51</u>
NOTES TO ACCOUNTS	7			

As per our report of even date attached

For and on behalf of the Board

For **VALIA & TIMBADIA**
Chartered Accountants

DILIP S. SHANGHVI
Director

SUDHIR V. VALIA
Director

HITEN C. TIMBADIA
Partner

Mumbai, 28th July, 2001

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2000

	SCHEDULE	For the year ended 31st December, 2000		For the year ended 31st December, 1999
INCOME				
Income from Operations	4	468,451.17	1,484,587.00	
Interest Income		<u>84,182.56</u>	<u>62,388.41</u>	
		552,633.73		1,546,975.41
EXPENDITURE				
Material Cost	5	15,650.00	355,172.00	
Operating Expenses	6	<u>312,194.62</u>	<u>297,394.66</u>	
		327,844.62		652,566.66
PROFIT FOR THE YEAR		224,789.11		894,408.75
BALANCE BROUGHT FORWARD		<u>921,463.51</u>		<u>227,054.76</u>
AVAILABLE FOR APPROPRIATION		1,146,252.62		1,121,463.51
APPROPRIATIONS				
Proposed dividend		<u>200,000.00</u>		<u>200,000.00</u>
		<u>946,252.62</u>		<u>921,463.51</u>
NOTES TO ACCOUNTS	7			

As per our report of even date attached

For and on behalf of the Board

For **VALIA & TIMBADIA**
Chartered Accountants

DILIP S. SHANGHVI
Director

SUDHIR V. VALIA
Director

HITEN C. TIMBADIA
Partner

Mumbai, 28th July, 2001

SCHEDULES TO THE ACCOUNTS

SCHEDULE	(AMOUNT IN US \$)	
	As at 31st December, 2000	As at 31st December, 1999
SCHEDULE : 1 SHARE CAPITAL		
Authorised		
500,000 Shares of US \$ 1/- Each	500,000.00	500,000.00
Issued and Subscribed		
500,000 Shares of US \$1/- each fully paid up (Entire Share Capital is held by Holding Company Sun Pharmaceutical Industries Ltd. , India.)	500,000.00	500,000.00
	500,000.00	500,000.00
SCHEDULE : 2 CURRENT ASSETS		
Inventories of finished goods (As certified by the Management)	16,800.00	16,800.00
Debtors - Considered good	32,875.35	45,793.19
Balance with Bank	893.37	1,020.33
Security Deposit	10,000.00	10,000.00
	60,568.72	73,613.52
SCHEDULE : 3 CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Creditors	55,792.00	280,517.00
Provisions		
Proposed Dividend	200,000.00	200,000.00
	255,792.00	480,517.00
	For the year ended 31st December, 2000	For the year ended 31st December, 1999
SCHEDULE : 4 INCOME FROM OPERATIONS		
Sales	16,000.00	1,323,284.00
Service Charges for Product Promotion	452,451.17	161,303.00
	468,451.17	1,484,587.00
SCHEDULE : 5 MATERIAL COST		
Opening Stock	16,800.00	16,800.00
Purchases	15,650.00	355,172.00
Less : Closing Stock	16,800.00	16,800.00
	15,650.00	355,172.00
SCHEDULE : 6 OPERATING EXPENSES		
Conveyance	23,790.00	23,861.34
Office Expenses	24,300.00	23,812.21
Printing and Stationery	8,006.00	7,506.00
Professional Charges	36,000.00	36,000.00
Rent	18,000.00	18,000.00
Repairs and Maintenance	8,000.00	10,000.00
Selling and Distribution Expenses	127,860.00	120,590.00
Entertainment Expenses	50,052.12	39,389.00
Car Hire	2,500.00	3,000.00
Communication Expenses	12,600.00	9,960.00
Miscellaneous Expenses	527.10	4,716.71
Preliminary Expenses written off	434.40	434.40
Audit Fees	125.00	125.00
	312,194.62	297,394.66

SCHEDULE 7

NOTES TO ACCOUNTS

- Significant accounting policies
 - Revenue Recognition : Revenue is recognised on accrual basis
 - Preliminary expenditure is written off over a period of 5 years
 - Shares of Caraco Pharmaceutical Laboratories Limited acquired in exchange for technology transfer are accounted at issue price.
 - Inventory of stock of goods is valued at lower of cost or market value
- Loan of US \$ 650,000 to Caraco Pharmaceutical Laboratories Ltd., USA (CARACO) is in the nature of unsecured demand notes which accrue interest @ 10% p.a.

MILMET PHARMA LIMITED

DIRECTORS' REPORT

To
The Members of
MILMET PHARMA LIMITED.

Your Directors have pleasure in presenting you the 5th Annual Report of your Company together with the Audited Accounts for the year ended on 31st March, 2001.

FINANCIAL RESULTS

	Year ended 31 st March, 2001	Year ended 31 st March, 2000
Profit Before Tax	7,07,053	3,24,692
Profit After Tax	4,27,414	1,99,684
Balance B/f from Previous Year	1,91,530	(8,155)
Surplus carried to Balance Sheet	6,18,944	1,91,530

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.159.97 Lakhs as compared to Rs.133.76 Lakhs of previous year and the Company earned higher profit of Rs.4.27 Lakhs as compared to Rs.2.00 lakhs during the previous year. In view of the amendments in section 3(i)(iv) of the Companies Act, 1956 by the Companies Amendment Act, 2000, the Company being the subsidiary of Sun Pharmaceutical Industries Ltd would achieve status of a Public Limited Company instead of earlier deemed Public Limited Company status u/s 43A of the Companies Act, 1956. The shareholders' approval is therefore being sought in the ensuing Annual General Meeting for conversion of the Company to a Public Limited Company by passing suitable resolutions and adoption of new set of Articles of Association of the Company.

DIRECTORS:

Mr. Ashok Bhuta has been appointed as an additional Director of the Company on 3rd September, 2001. The Company has received a notice from a member to propose his name for being proposed as Director of the Company liable to retire by rotation. Mr. Ajay A. Bhatt, retires by rotation 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:

AUDITORS' REPORT TO THE MEMBERS

We have audited the attached Balance Sheet of Milmet Pharma Limited as at 31st March, 2001, and the Profit and Loss Account of the Company for the year ended on that date annexed thereto and report that:

- 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.
- 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 said books.
- The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account.
- In our opinion, the Profit & Loss Account and Balance Sheet comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- 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, 2001 from being appointed as a Director under Section 274 (1) (g) of the Companies Act, 1956.
- 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 case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2001.

AND

- In 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 :

- 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.
- 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.

- 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;
- 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;
- 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 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.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUT GOES:

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

PARTICULARS OF EMPLOYEES:

No particulars pursuant to Section 217(2A) of the Companies Act, 1956 read with Companies (particulars of Employees) Rules 1975 as amended, your Company has no person in its employment drawing salary in excess of Rs.12,00,000 per annum or Rs.1,00,000 per month.

AUDITORS:

The Auditors of the Company, M/s. Pravin Doshi & Co., Chartered Accountants, Vadodara, retires 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 ASHOK BHUTA
Director Director

Place: Vadodara
DATE : 4th September, 2001

- 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.
- 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.
- 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.
- 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.
- There were no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty as at 31st March 2001, which were outstanding for a period of more than six months from the date they become payable.
- No personal expenses of Directors & Employees has been charged to Revenue Accounts.
- 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.
- In respect of services activities:
 - Having regard to the nature of service activities, a system for allocating man-hours to the relative jobs is not considered necessary.
 - 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), (xi), (xiv), (xv) and (xvi) of paragraph 4(A) and clauses (ii) (iii) and (iv) of paragraph 4(B) of the Manufacturing and Other Companies (Auditor's Report) Order 1988 are not applicable.

For Pravin Doshi & Co.
Chartered Accountants

Place : Baroda
Dated : The 30th Day of June, 2001

(PRAVIN M. DOSHI)
Partner

MILMET PHARMA LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2001

	SCHEDULE	As at 31 st March, 2001		As at 31 st March, 2000	
		Rupees	Rupees	Rupees	Rupees
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	A	92,000.00		92,000.00	
Reserves and Surplus	B	618,943.85	710,943.85	191,529.85	283,529.85
			<u>710,943.85</u>		<u>283,529.85</u>
APPLICATION OF FUNDS					
Current Assets, Loans and Advances					
Sundry Debtors	C	3,529,920.87		2,681,647.87	
Cash and Bank Balances	D	194,567.98		51,750.98	
Loans and Advances	E	1,634,516.00		743,688.00	
		5,359,004.85		3,477,086.85	
Less : Current Liabilities and Provisions	F	4,652,786.00	706,218.85	3,199,227.00	277,859.85
Miscellaneous Expenditure (to the extent not written off or adjusted) Preliminary Expenses			4,725.00		5,670.00
			<u>710,943.85</u>		<u>283,529.85</u>
NOTES TO ACCOUNTS	K				

AS PER OUR REPORT OF EVEN DATE ATTACHED

FOR AND ON BEHALF OF THE BOARD

For PRAVIN DOSHI & CO.
Chartered Accountants

SAILESH T DESAI
DIRECTOR

PRAVIN M DOSHI
Partner

AJAY BHATT
DIRECTOR

Baroda, 30th June, 2001

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2001

	SCHEDULE	For the year ended 31st March, 2001		For the year ended 31st March, 2000	
		Rupees	Rupees	Rupees	Rupees
INCOME					
Income from Operations	G	15,956,190.00		13,369,958.00	
Other Income	H	10,667.00	15,966,857.00	6,261.45	13,376,219.45
EXPENDITURE					
Personnel Expenses	I	12,256,024.00		10,733,959.60	
Operational Expenses	J	3,003,780.00	15,259,804.00	2,317,568.00	13,051,527.60
PROFIT BEFORE TAX			707,053.00		324,691.85
PROVISION FOR TAXATION			279,639.00		125,007.00
PROFIT AFTER TAX			427,414.00		199,684.85
BALANCE BROUGHT FORWARD			191,529.85		(8,155.00)
BALANCE CARRIED TO BALANCE SHEET			<u>618,943.85</u>		<u>191,529.85</u>
NOTES TO ACCOUNTS	K				

AS PER OUR REPORT OF EVEN DATE ATTACHED

FOR AND ON BEHALF OF THE BOARD

For PRAVIN DOSHI & CO.
Chartered Accountants

SAILESH T DESAI
DIRECTOR

PRAVIN M DOSHI
Partner

AJAY BHATT
DIRECTOR

Baroda, 30th June, 2001

MILMET PHARMA LIMITED

SCHEDULES TO ACCOUNTS

	As at 31st March, 2001 Rupees	As at 31st March, 2000 Rupees
SCHEDULE A : SHARE CAPITAL		
Authorised		
10,000 (Previous year 10,000) Equity Shares of Rs.10 each	100,000.00	100,000.00
Issued and Subscribed		
9,200 (Previous Year 9,200) Equity Shares of Rs. 10 each fully paid up Out of above 9,000 (previous year 9,000) Equity Shares of Rs.10 each are held by Sun Pharmaceutical Industries Limited (the Holding Company)	92,000.00	92,000.00
SCHEDULE B : RESERVES AND SURPLUS		
Profit and Loss Account As per Annexed Account	618,943.85	191,529.85
	618,943.85	191,529.85
SCHEDULE C : SUNDRY DEBTORS (Unsecured and considered good)		
Over six months	0.00	0.00
Others (Debt due from holding company - Sun Pharmaceutical Industries Limited)	3,529,920.87	2,681,647.87
	3,529,920.87	2,681,647.87
SCHEDULE D : CASH AND BANK BALANCES		
Cash in hand	126,471.00	30,915.00
Balances with Scheduled banks on current account	68,096.98	20,835.98
	194,567.98	51,750.98
SCHEDULE E : LOANS AND ADVANCES (Unsecured and considered good)		
Advances recoverable in cash or in kind or for value to be received Advance Payment of Income Tax (Net of provision)	1,384,413.00	574,556.00
	250,103.00	169,132.00
	1,634,516.00	743,688.00
SCHEDULE F : CURRENT LIABILITIES & PROVISION		
Sundry Creditors	122,087.00	85,219.00
Other Liabilities	4,530,699.00	3,114,008.00
	4,652,786.00	3,199,227.00
	For the Year ended 31st March, 2001 Rupees	For the Year ended 31st March, 2000 Rupees
SCHEDULE G : INCOME FROM OPERATIONS		
Commission	15,956,190.00	13,369,958.00
	15,956,190.00	13,369,958.00
SCHEDULE H : OTHER INCOME		
Interest -Tax Deducted at Source Nil (Previous Year Nil) Miscellaneous Income	9,167.00	4,771.00
	1,500.00	1,490.45
	10,667.00	6,261.45
SCHEDULE I : PERSONNEL EXPENSES		
Salaries, Wages, Bonus and Benefits	11,288,402.00	9,735,969.00
Contribution to Provident and Other Funds	615,746.00	587,789.00
Other Welfare Expenses	351,876.00	410,201.60
	12,256,024.00	10,733,959.60

SCHEDULE J : OPERATIONAL EXPENSES

Rent	120,000.00	120,000.00
Rates and Taxes	1,500.00	1,100.00
Insurance	27,404.00	0.00
Travelling and Conveyance	2,443,491.00	1,900,396.00
Communication Expenses	88,246.00	0.00
Miscellaneous Expenses	312,639.00	285,572.00
Auditors Remuneration - Audit Fees	10,500.00	10,500.00
	3,003,780.00	2,317,568.00

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.

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

4. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.	04/31523
Balance Sheet Date	31st March, 2001
State Code	04

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

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

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

Total Liabilities	711	Total Assets	711
Sources of Funds			
Paid-up Capital	92	Reserves and Surplus	619
Secured Loans	0	Unsecured Loans	0
Application of Funds			
Net Fixed Assets	0	Investments	0
Net Current Assets	706	Miscellaneous Expenditure	5
Accumulated Losses	0		

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

Turnover	15967	Total Expenditure	15260
Profit Before Tax	707	Profit After Tax	427
Earning Per Share in Rs.	46.41	Dividend Rate %	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



FINANCIAL HIGHLIGHTS

(Rs in Millions)

Particulars	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01
Total Income	323	531	939	1311	1909	2817	3595	4810	6211
Net Profit	25	74	214	370	491	561	590	907	1352
Gross Block	68	186	369	598	973	1371	2020	2442	2766
Net Worth	64	168	929	1271	1695	2177	3093	3647	4654
R&D Expenses									
Capital	22	34	24	26	45	35	45	102	71
Revenue	4	11	10	18	25	77	53	99	175
% of Turnover	8.03	8.75	3.92	3.85	4.13	4.21	2.75	4.20	4.00
Exports	16	34	83	275	309	507	894	1137	11808
Debt Equity ratio	1.33	1.02	0.16	0.14	0.11	0.18	0.21	0.13	0.08
Current ratio	3.17	2.29	5.19	4.62	4.32	4.21	4.04	4.00	4.07

2001-02

139.4
184.1
43%
323.5

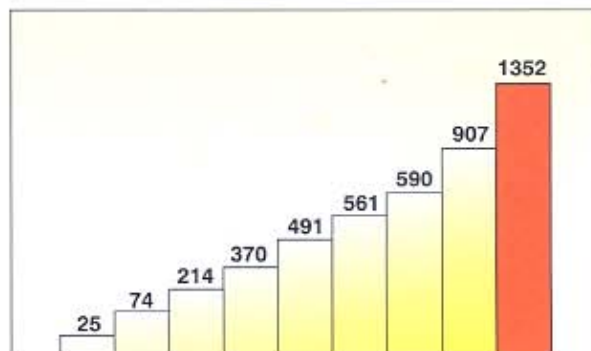
93.02
1173

(Rs in Millions)

Total Income



Net Profit



Gross Block



Net Worth





a cognito design