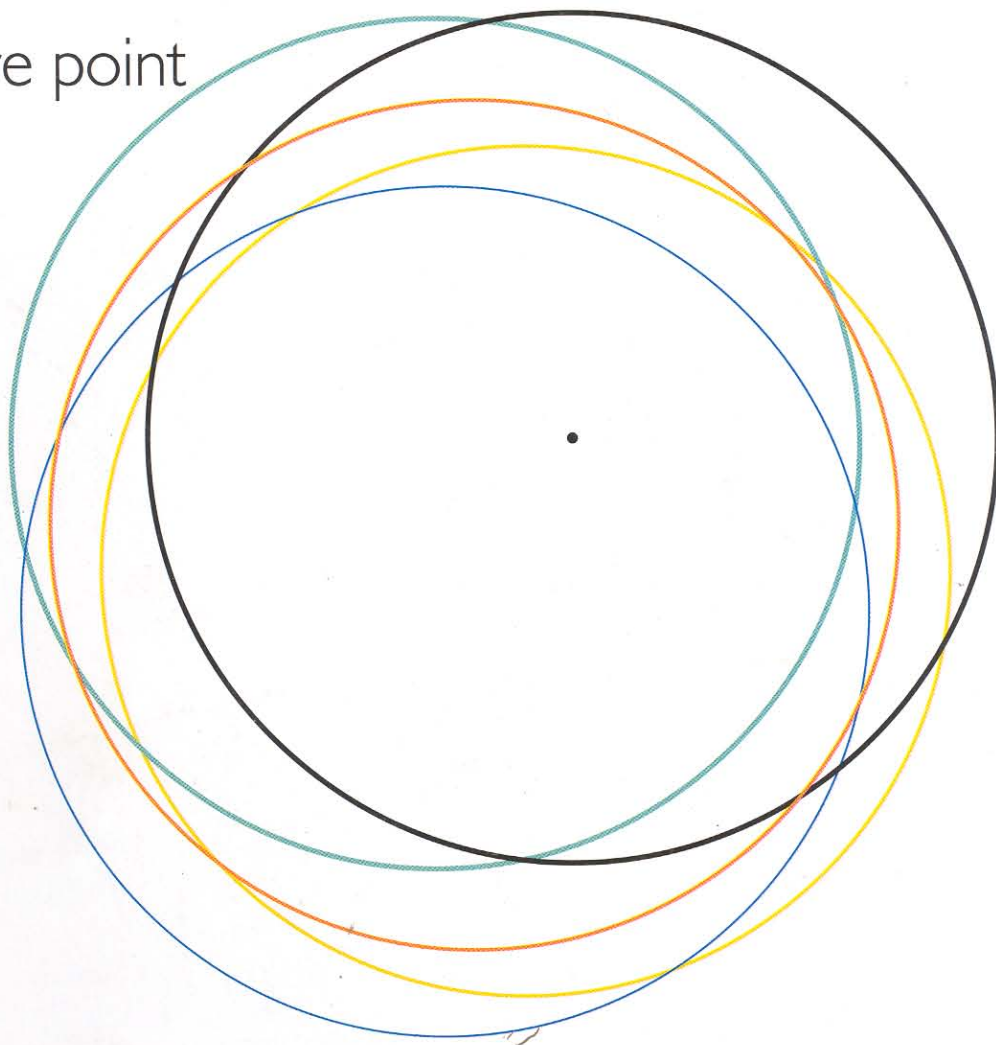


centre point



# focus

**NOUN:**

1. A place of concentrated activity, influence, or importance: center, headquarters, heart, hub, seat. See **EDGE**. 2. A point of origin from which ideas or influences, for example, originate: bottom, center, core, heart, hub, quick, root/. See **START**.

**VERB:**

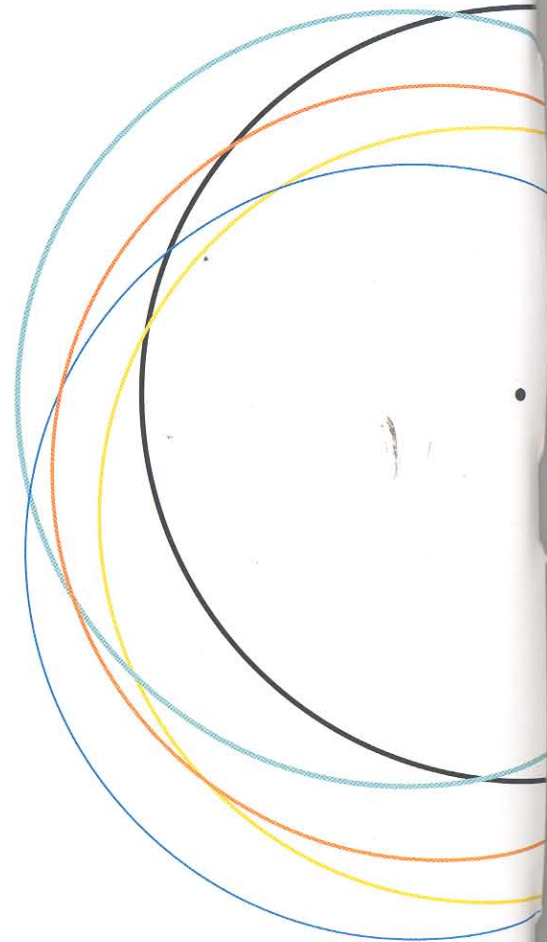
1. To devote (oneself or one's efforts): address, apply, bend, buckle down, concentrate, dedicate, devote, direct, give, turn. See **COLLECT**. See **WORK**. 2. To direct toward a common center: center, channel, concentrate, converge, focalize. See **EDGE**.

*Roget's II: The New Thesaurus, Third Edition.*  
Copyright © 1995 by Houghton Mifflin Company Publishers

**Focus on the speciality customer is the centre point at Sun Pharma**

**It is the principle of light  
in which all things are found dissolved,  
Its only from this light that mind  
expresses clarity of thought.  
All burning fire, all shining sun  
all subtle qualities of the atmosphere  
all silver radiance of the moon  
are nothing else but this.**

*4.1. Shvetashvatara Upanishad  
excerpted from "From the Upanishads"  
Ananda Wood, Full Circle Publications*



## centre point

Last year when we wrote to you, we detailed the three areas we had honed in on as drivers of our business: clear leadership in therapeutic areas of focus, management of innovation and international markets. These continue to be the thrust of our strategy-the focus areas where we are diligently building strengths to take the company well into the new century.

Rapid sea changes in the Indian markets mirror the state of flux that the international pharma market has been witness to. Quick fire responses and a sense of urgency in making the most of opportunities across an expanding canvas remain paramount.

Our continuing double-digit growth (in excess of 34% that we've shown this year) had 2 important elements- growth across the speciality therapy areas and growth across the international markets. While the therapy areas in which we have already reached a significant presence continue to form a foundation on which we are building, growth from new therapy areas have now added to this base. Research is becoming an increasingly important area for your company and the investments in the past year reflect this. Our blueprint for the international markets is delivering numbers as far as the speciality bulk active business is concerned, the strategy for the international dosage form business requires fine tuning. Several structural changes to this effect were put into place this year.

From a ranking of 10<sup>th</sup> place in the domestic prescription market in March last year, in March 2000 we had moved up to 8<sup>th</sup> position. Our rank for May, cumulative from January is 5<sup>th</sup>. We added prescription share in all our key therapy areas: psychiatry, neurology, cardiology, and gastroenterology- each increase in prescription share very closely fought. As satisfying was the ranking upswing with the newer therapy areas as we diligently put into place our template for growth.

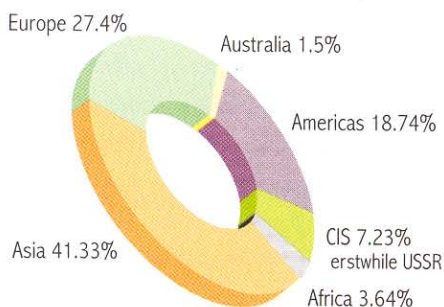
Our template for growth is centered around a single element-the **customer**. We have learnt and internalized that one creates lasting value only when one delivers value to the customer year after year. The elements that enable us to deliver value remain unchanged: In house sourcing of complex bulk active that equips us to launch new molecules ahead of competition, new products that deliver therapy advantages for the patient, effective coverage and meaningful promotional strategies.



# summary

Total income was up 34% propelled by domestic growth and even stronger bulk active export. Domestic formulation sales moved from strength to strength. We now intend to leverage our bulk skills to enter developing markets with interesting dosage forms at attractive prices ahead of the competition. The idea is to build a similar therapy area specific speciality franchise in those markets. Ideally, we would like to be identified closely with atleast 2 high growth therapy areas in each country we operate in.

Exports of speciality bulk actives across Sun Pharma and Sun Pharma Exports increased 42% to Rs.90.23cr. These are repeat orders from large end users where we have already established a presence over the last few years. Increasing approvals from the regulatory authorities from the developed markets such as the Canadian HPB, the EU and the US FDA will also translate into value addition for these bulk actives. In India your company continues to grow at a rate that is more than 3 times the average rate of growth for the industry. (ORG Retail Chemist Audit, March 2000). As we take steps to consolidate our position in newer therapy areas that we entered post acquisition, market share stands at 2.49%, up from 2.18% last year and 0.9% at the time of our IPO in 1994 (a sensible baseline year). The speciality segments of our interest are growing faster than industry average and are expected to continue this pace of growth, led by expanding markets and new treatments for hitherto unaddressed areas.



International Markets :  
High value bulk actives enabled the company make inroads in exacting markets

Domestic Markets :  
The size of the team depends on the speciality covered - their number and spread

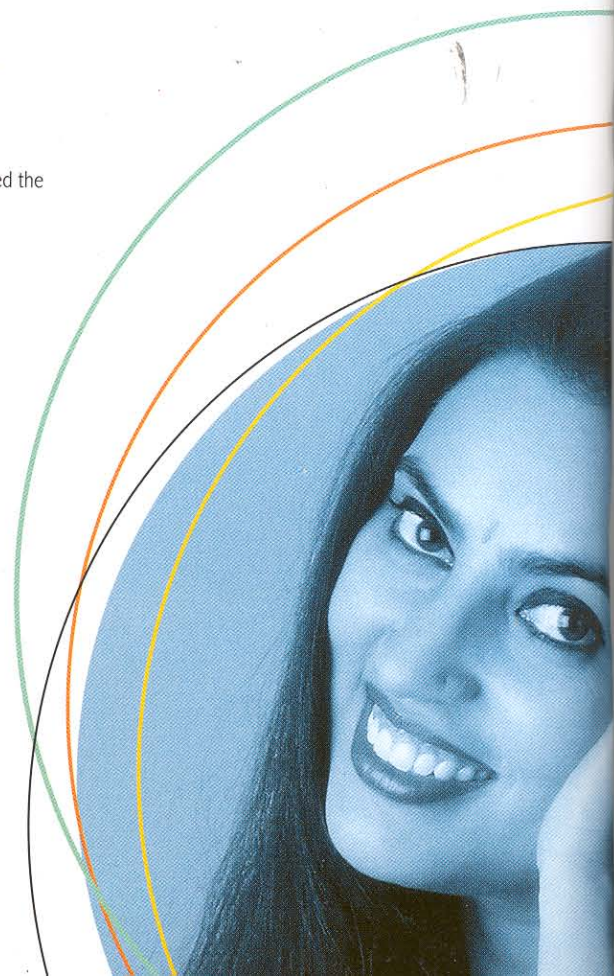
FIELD TEAM SIZE		
Division	PSR	Managers
Synergy	95	36
Aztec	166	53
Sun	246	67
Solares	268	79
TDPL	274	79
Symbiosis	68	17
Inca	68	19
Milmet	94	29

SALES BREAK UP BY TYPE; SUN PHARMA (Rs. cr.)

	1999-2000	1998-1999
<b>Domestic</b>		
Formulation	311.16	236.44
Bulk actives	106.18	53.43
<b>Exports</b>		
Formulations	9.27	12.44
Bulk Actives	48.77	53.04
<b>others</b>		
Other Sales	12	0
	0.92	0.24

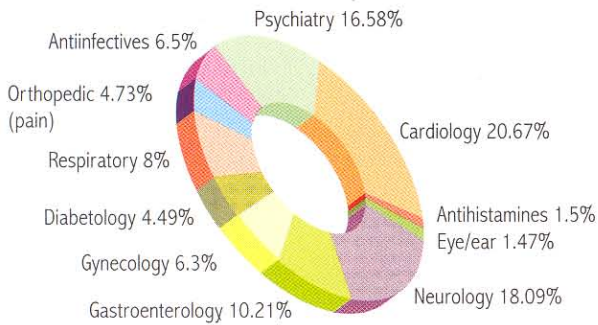
SALES BREAK UP BY TYPE; SUN PHARMA EXPORTS (Rs. cr.)

	1999-2000	1998-1999
Formulations	14.27	13.39
Bulk actives	41.26	10.57
Domestic	10.43	15.76



# therapy review

BREAK UP BY THERAPY AREA



At close to 35% of domestic formulation sales, psychiatry and neurology continue to be the largest segments. Cardiology/diabetology are a close second, at over 25% sales. Gynecology, oncology and orthopedics are the high growth areas, although on a smaller base. 6 brands feature among the country's top prescribed 300 pharma brands (Montrate, Alzolam, Zeptol, Glucored, Encorate, Coldact). This year a new speciality division Symbiosis was made operational in order to bring the benefits of cross promotion to older yet frequently prescribed psychiatry and neurology lines.

# customer centric

The increase in customer rankings signals increasing acceptance in the newer therapy areas that we have entered in the last few years. A sensible mix of elements has caused this rank increase- effective field coverage, focused product promotion, aggressive new product introduction and the right doctor-product match. Major among the products with a delivery system advantage that have been launched this year are Timolet GFS (timolol maleate gel forming system), Direc 2 (diazepam rectal gel), Azelast nasal spray (azelastine nasal spray). 9 Bulk actives were developed in-house and scaled up. Several of these bulk actives allowed us to enter interesting formulation markets. Some of these dosage forms were designed to offer a delivery system advantage, making it more convenient for the patient.

This report looks at the events behind the numbers- the progress and significant highlights at each of our marketing divisions.

Nov 1999 Feb 2000 July 1999 October 1999

Psychiatrists	1	1
Neurologists	1	1
Cardiologists	2	2
Gastroenterologists	2	2
Diabetologists	7	7
Chest physicians	3	5
Consultant physicians	3	5
Orthopedicians	4	4
Oncologists	7	5
Ophthalmologists	5	6
Nephrologists	7	7
Surgeons	22	20
GP	15	19
Pediatricians	15	21
Gynecologists	29	35
ENT specialists	6	7

(CMARC audits for the periods mentioned)

## SYNERGY

Synergy continues to be firmly entrenched with its key customer groups- psychiatrists and neurologists as a company of choice. A new division Symbiosis was spun off from Synergy. This effectively doubles the "face time" Sun Pharma gets with this important customer group- representatives from two divisions visit in place of one earlier. This also allows detailing time for older product lines that have interesting market sizes and uses.

Over the last year, Synergy introduced products to treat ailments that are commonly encountered in children- Addwize (for the treatment of attention deficit disorder), Direc2 (a rectal gel containing diazepam). The latest schizophrenia treatment Oleanz (olanzapine) was also introduced in order to round off the treatment basket for schizophrenia.

With Addwize, we have begun to use a marketing approach that has worked with us earlier: entry into a nascent market, increasing awareness with grassroot level programs, making the therapy available and building molecule size year after year.

Direc 2 treats episodes of epileptic fits and febrile convulsions in children. Treating epilepsy in children is different than treating it in adults because behavioral and learning side effects are very important. The primary advantage with Direc 2 is that it can be safely administered by the patient's family members without medical/paramedical assistance-unlike an injectable. This is certainly a plus in a home/vacation setting where immediate medical attention may not always be available. Addwize and Direc 2 also add value to our product offering for pediatricians.

Oleanz (olanzapine), one of the latest among molecules to treat schizophrenia symptoms was also introduced. Oleanz scores over other molecules used to treat schizophrenia on several counts. Extrapyramidal side effects such as involuntary tremor are very low with Oleanz. Oleanz is much less likely to cause cognitive impairment and interfere with day to day living than older molecules. We are fully integrated for this drug- we make the bulk active olanzapine, the active ingredient in Oleanz.

Synergy's antiepileptic portfolio, which had several new introductions in 1998 and 1999, witnessed steady growth as the sales for several of these products picked up. Encorate (sodium valproate), which was relaunched last year with the long acting form Encorate chrono, has grown by leaps and bounds to become the 5th largest selling brand for the company. Zeptol (carbamazepine) and Lonazep (clonazepam) are the other antiepileptics that feature in the company's list of leading products.

## TOP 5 PRODUCTS

Brands	Value (Rs.)	GR%
ZEPTOL	10.88cr	53.5%
ENCORATE	9.32cr	138.6%
SYNDOPA	7.04cr	48.4%
LONAZEP	5.23cr	17.7%
AMIXIDE	4.08cr	16.3%

(ORG Retail Chemist Audit, March 2000)

## ADD

### ATTENTION DEFICIT DISORDER

ADD consists of two basic symptoms:

Poor attention span and weak impulse control. Hyperactivity may or may not be present.

ADD is characterized by distinct behavior, specifically inattention, hyperactivity, and impulsiveness. Although typically identified in children, ADHD is also increasingly being identified in adolescents and adults.

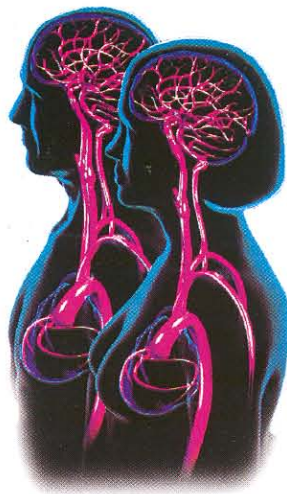
Children with ADD live in a world that is at high speed, a world of excitability and impulsiveness. Easily bored and distracted, they have trouble in focusing on any one thing for an extended length of time. A person with ADD does not think before he acts.



**A recent study on ADD (New York Times, June 20, 2000) emphasizes the urgency that is linked to the correct diagnosis of this disease. People with ADD are at a very high risk of developing other problems like depression, bipolar mood disorder, and learning disabilities. Another important finding is that people with ADD have a chronic difficulty with the brain's executive function which deals with short term memory, planning and staying focused on a job despite lack of interest.**

**ADD tends to be under diagnosed in girls, adolescents and young adults- these groups are less likely to exhibit overtly aggressive behavior.**

Antiepileptics are now believed to act through several different mechanisms like limiting sustained firing by neurons, increasing the effect of inhibitory neurotransmitters, slowing the speed at which messages are transmitted in the brain. New antiepileptics are supposed to work through several mechanisms, and hence are likely to be more effective.



Lonazep, an antiepileptic medication that is quickly replacing diazepam as the drug of choice in status epilepticus, has grown to a rank among the top 10 largest selling products for the company. A better comprehension of its mode of action has prompted its use in the treatment of conditions as diverse as cluster headache, panic, pediatric epilepsy, manic depressive psychosis and multiple sclerosis.

Gabantin, the antiepileptic that was launched last year is now beginning to find usage in the treatment of pain relief in 2 conditions where pain is inadequately treated-nerve pain after a herpes infection and pain in diabetic patients. Several other conditions in which Gabantin is being studied are multiple sclerosis, mood disorders, insomnia, and drug withdrawals.

Addwize (methylphenidate), a tried and tested treatment for the treatment of attention deficit disorder (ADD) was launched to a very good response. ADD comprises of an entire spectrum of disorders far beyond inattention and hyperactivity. The incidence of ADD is as high as 1 case in 6. The American Academy of Pediatrics puts the estimate at 4-12% of all school going children. Children with ADD experience academic underachievement, have difficulty interacting with family and peers and experience behavioral problems like aggression and impulsiveness.

The most common disorders that coexist with ADD are defiant disorder, conduct disorder, anxiety disorder, depression and learning disorder. About 28% of children have more than 1 coexisting disorder.

We are putting in place an awareness campaign that uses a mix of inputs starting from the GP level to increase awareness of the disorder.

Amixide (amitryptaline + chlordiazepoxide) despite being one of the oldest products for the company, reached a top 5 rank among the division's products. This medication holds its own leaving behind some of the newer antidepressants launched in the past few years. The increasing acceptance for this molecule despite the availability of several newer molecules only vindicates our insistence on the complete product basket hypothesis.

# S I G N S

## Inattention

- Inability to attend to details at school/work
- Difficulty in paying attention for extended lengths of time
- Inability or refusal to follow instructions, complete work or chores
- Tendency to avoid tasks that require sustained mental effort
- Disorganized, careless, distractible, forgetful

## Hyperactivity

- Fidgety, restless, agitated
- Difficulty playing or engaging in leisure activities
- Constantly "on the go" or driven
- Excessively talkative

## Impulsivity

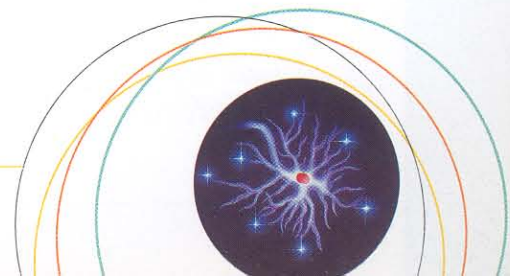
- Impatience
- Difficulty delaying responses or waiting one's turn
- Tendency to blur out, interrupt, intrude on others
- Risky, provocative, explosive, antisocial behaviour



There are more than 50 million people worldwide who have epilepsy- it is estimated to affect 1-2% of the population. More than half these cases are not adequately treated, particularly patients with adult onset partial epilepsy. There is no single drug that is superior for all patients.

A better understanding of brain function and neurotransmitters has led to several innovative uses of antiepileptic drugs: in mood disorders, migraine headaches, movement disorders, anxiety disorders, insomnia and drug withdrawal. Clinical trials are underway to establish the efficacy of several of these drugs in these indications.

**Direc 2**  
(Diazepam 2mg/ml solution for rectal administration - 10 doses of 2.5 ml each)



## AZTEC

Against an intensely competitive backdrop, Aztec proved its mettle by moving up to 2nd rank with cardiologists, and maintaining its rank, 7th, with diabetologists.

While Montrate continued to be the largest selling product for the company, products launched in the last year caused a significant shift in Aztec's list of leading products. Repace and Cardivas overtook Prazopress as they gained prescription share and the confidence of the medical fraternity. Glucored quickly added value and reached a prestigious rank among the top 300 pharma brands in the country.

Two new products were launched in 1999-2000: Repace H (losartan + hydrochlorothiazide) and Aztor (atorvastatin).

Our optimism about Repace has paid off- Repace is now among the leading losartan brands and we expect it to feature among our top 10 products by value.

Aztec's field force used an innovative campaign called MRC (Montrate, Repace and Cardivas) to build prescription support for these products. This was also transliterated as "Must rule in cardiology", and doctors were asked to commit increased prescription support for these brands.

The medication in Repace, losartan, added one more feather to its cap with the completion of studies that recommended its usage in the elderly. Unlike other medication, the dose for Repace does not have to be changed, even for patients who have hypertension with kidney related complications. Since Repace has very few adverse effects, patients are likely to stay with the therapy, a definite advantage in hypertension where the treatment is long term.

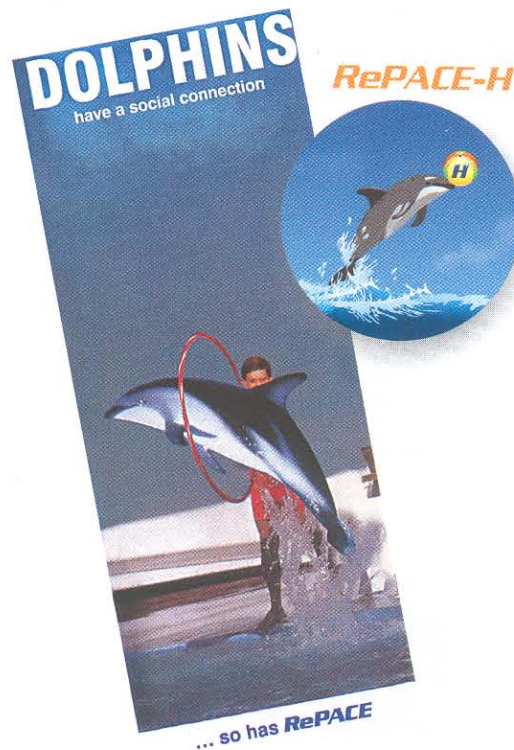
Repace H (losartan + hydrochlorothiazide) is the preferred treatment for patients who are not adequately controlled with losartan alone. Not only does this provide the patient with usage convenience and better symptom control, these drugs when taken together also offer a synergistic mechanism of action. It is also simpler for the patient to adhere to a once a day medication schedule.

Cardivas, the medication for congestive heart failure and hypertension, is another new entrant in Aztec's leading product list. The clinical data supporting extensive use of Cardivas is increasing- carvedilol has been shown to improve the neuronal function in dilated heart failure. Effective scientific promotion of this molecule has helped Aztec maintain a market share of over 60% among other brands of the same molecule.

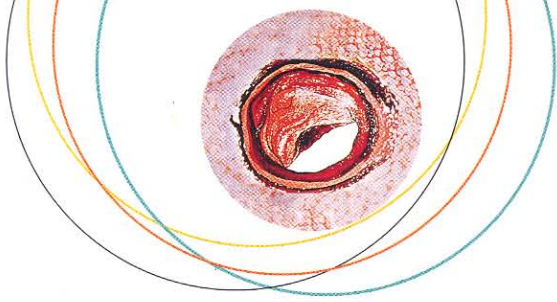
## TOP 5 PRODUCTS

Brands	Value (Rs.)	GR%
MONOTRATE	18.34cr	13.5%
GLUCORED	11.80cr	34.7%
ANGIZEM	8.74cr	9.1%
REPACE	3.20cr	108.6%
CARDIVAS	2.83cr	999%

(ORG Retail Chemist Audit, March 2000)







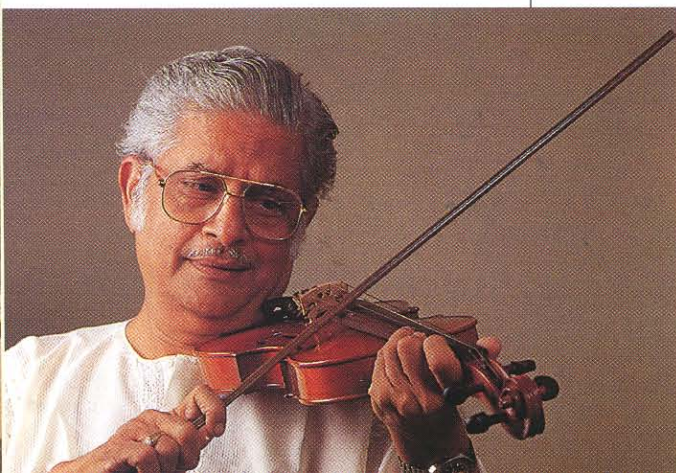
Aztor, a new cholesterol reducing agent belonging to a class called HMG COA reductase inhibitors was launched this year. HMG reductase is a key enzyme in cholesterol synthesis. The medication in Aztor inhibits this enzyme and reduces the "bad cholesterol"- the LDL cholesterol. Aztor also reduces elevated triglycerides, a common feature in people with elevated cholesterol in our country. Of all the cholesterol reducing agents launched so far, the medication in Aztor is the most effective in controlling LDL and triglyceride levels. A recent study has shown that atorvastatin when compared with cardiac intervention procedures like angioplasty reduced the risk of subsequent cardiac events 36%- this places the drug in the realm of prevention.



## hypertension

In 1997, when the US 6th joint national commission guidelines for the treatment of hypertension included a recommendation for fixed dose combinations, it cleared a practice that had been widely followed for more than 30 years. A study of hypertension control with multiple drug therapy versus single drug therapy (The Hypertension Optimal study HOT) showed that 92% of the patients on multiple drug therapy achieved adequate hypertension control versus 25-30% on single drug regimens who did not reach adequate blood pressure control. HOT concluded that multiple drugs controlled hypertension better and that lowering blood pressure below levels considered normal reduces the incidence of illness & death.

Modern medication with quality of life benefits:  
so that one can savour the joys of living



# Cholestrol



Why is cholesterol important?

Cholesterol is a fatty substance that occurs naturally in the body (as a part of cell walls) and certain hormones. Although the body can manufacture enough cholesterol on its own, additional cholesterol is absorbed from the foods we eat. This means that blood levels of cholesterol are a reflection of both body-made cholesterol and the cholesterol intake from food. In the bloodstream, cholesterol is attached to proteins and is transported in the form of complex molecules called lipoproteins. High levels of one specific lipoprotein, called low-density lipoprotein (LDL), are linked to atherosclerosis. In atherosclerosis, the accumulation of cholesterol-rich fatty deposits within the walls of arteries narrows or blocks the blood supply to vital organs, especially the heart and brain. When atherosclerosis affects the heart's coronary arteries, it is called coronary artery disease (CAD). CAD can cut off the blood supply to areas of the heart muscle and cause a myocardial infarction (heart attack). When atherosclerosis blocks arteries that supply blood to the brain, a cerebral infarction (brain attack, or stroke) can occur.

Most patients with high cholesterol have no symptoms until cholesterol-related atherosclerosis leads to significant narrowing of arteries to their heart or brain. The result can be angina (heart-related chest pain) or other symptoms of CAD, as well as symptoms of decreased blood supply to the brain (either transient ischemic attacks or a stroke).

## SUN DIVISION

The product with most promise among the brands that the Sun division launched this year was the revolutionary chronic pain treatment Celact (celecoxib).

The year just past was a good year for the Sun division- it consolidated positions with leading speciality groups across gastroenterology, pain management, and large volume segments. The most dramatic rank change was seen in orthopedics as the rank moved up from 7th last year to 4th this year, in a very competitive market. Several important antihypertensives that were shifted to Sun division last year also registered interesting growth and rather than being pure "cardiovascular products" in terms of usage, earned the prescription support of doctors across therapy areas.

Alzolam (alprazolam), a large selling tranquilizer, posted sales in excess of Rs.14cr, propelled by steadily increasing prescriptions across therapy areas. Zosert (sertaline), the latest generation antidepressant, which was launched last year continued to notch gains in market share. In the gastroenterology portfolio, Famocid (famotidine) and Pantocid (pantoprazole) continue to post increasing acceptance with gastroenterologists and are part of the reason for the rank increase to 2nd position this year. Octride (octreotide) is another medication from Sun Division that has been welcomed by gastroenterologists. Octride is an emergency medication that finds use in life threatening conditions such as pancreatitis & variceal bleeding. Octride, a high precision peptide based product is the first such product to be launched in India. The bulk active for Octride, as well as the formulation, were developed by our team at SPARC.

Addressing chronic pain continues to be an important part of the mandate for Sun division, and more so with the launch of Celact, our brand of the Cox-2 inhibitor celecoxib. Celecoxib has been faring very well across markets that it has been launched in so far- in the US, more than 3 million prescriptions for celecoxib have been written, and more than 2 million patients who have osteoarthritis and rheumatoid arthritis are estimated to be taking celecoxib.

Celecoxib scores over older arthritis medication that belongs to a class called NSAIDS, both in terms of side effect profile and efficacy.

NSAIDS work by inhibiting cyclooxygenase enzymes called Cox1 and Cox2. Both enzymes help produce inflammatory molecules called prostaglandins. Prostaglandins are responsible for the typical symptoms that patients with arthritis experience, such as pain and swelling. Currently available medication inhibits Cox1, which are essential enzymes that are needed for the kidney to function properly

## TOP 5 PRODUCTS

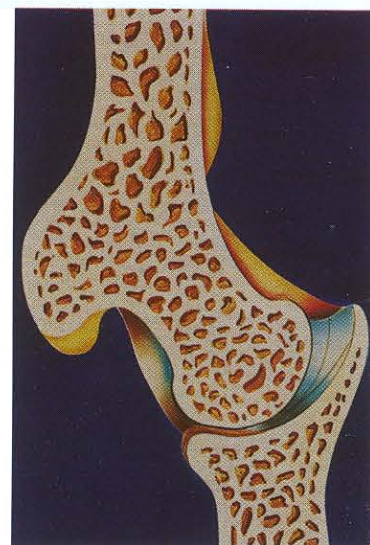
Brands	Value (Rs.)	GR%
ALZOLAM	14.36cr	25.6%
FAMOCID	4.46cr	1.9%
NITROSUN	4.04cr	16.1%
BETATROP	4.03cr	-3.8%
MESACOL	3.98cr	35.3%

(ORG Retail Chemist Audit, March 2000)

## arthritis



The prevalence of arthritis will increase 57% by the year 2020. In the same period, arthritis causing activity limitation will increase significantly. By age 75, over 80% of people will have some radiographic evidence of osteoarthritis.

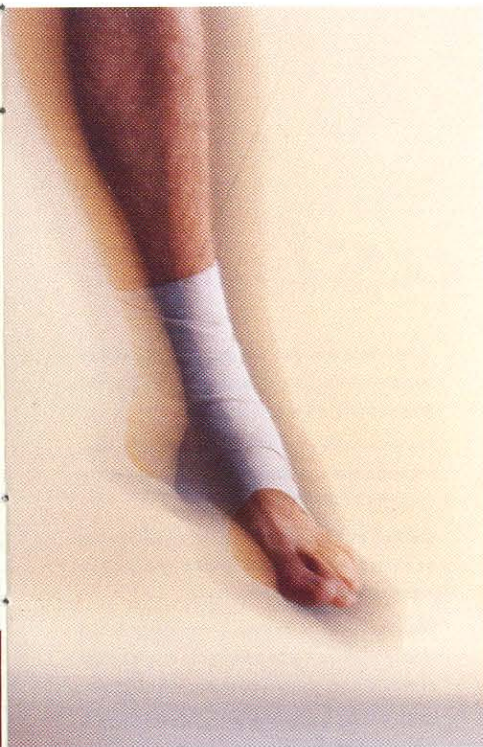




## The hidden costs of sleep cuts

10-20% of the population complain of chronic insomnia. 40-50% complain of occasional/episodic insomnia. Lack of sleep is associated with decreased work productivity, missed workdays, higher risk of accidents due to problems with short-term memory and impairment of learning/thinking abilities and coordination.

insomnia



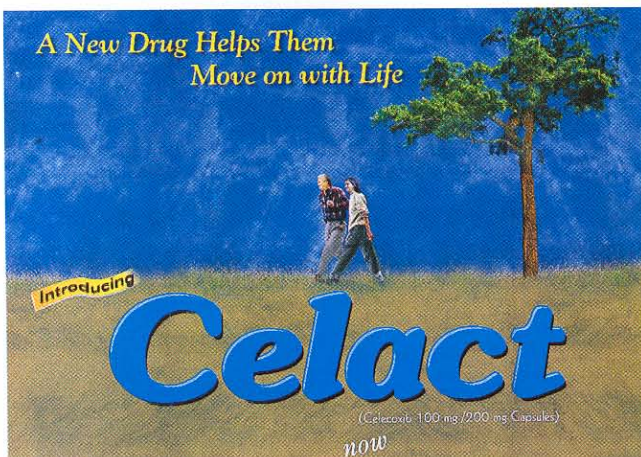
Sun's orthopedic portfolio spans different kinds of pain

and for the protection of the stomach. Two well-documented side effects of NSAIDs are that they can make kidney failure worse in patients who have underlying kidney disease and they can cause peptic ulcers.

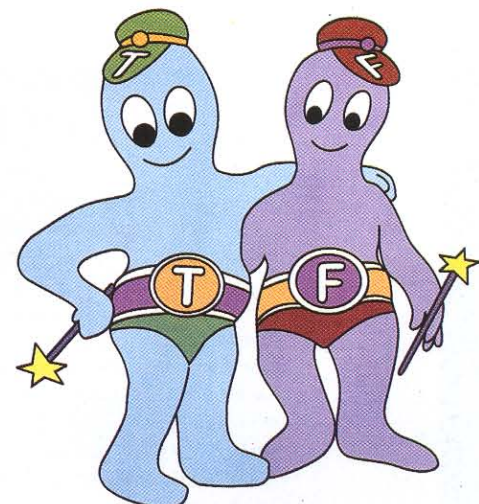
Celecoxib inhibits the Cox2 enzyme selectively thus avoiding side effects such as gastric bleeding while improving stiffness by decreasing joint tenderness and swelling.

Sun division's single product sedative/hypnotic presence received a good push with the introduction of Nitrest (zolpidem), a short acting sleep inducing agent that does not interfere with learning and comprehension. Zolpidem scores over older sedative-hypnotics because it does not have any active metabolites that may cause residual daytime sleepiness. Nitrest is free of problems like "tolerance" and "rebound", offers near normal sleep without frequent awakenings.

Tizafen (tizanidine + ibuprofen) was launched for the treatment of lower back pain and sciatica in response to suggestions from the orthopedic community. This is a synergistic combination of two medication- while ibuprofen has a peripheral action, tizanidine works at the supraspinal and spinal levels.



Celact is likely to replace older medication for treating osteoarthritis and rheumatoid arthritis



Mr. Tiza and Mr. Fen- a memorable mnemonic

# SOLARES

This year we've begun to witness the first benefits of the focus on the customer- right from customer selection to the efforts that go towards building a strong customer franchise. We'd like to think that our efforts at "customer choice correction" have just begun, since most of the moves we have implemented fetch returns that build over the long term. An array of new products is ready for launch. These products will help establish "an entry hook" in the relatively new therapy areas that Solares addresses. The gameplan that Solares uses will feature both: new products and increased penetration through customer selection to increase customer franchise.

The focus that had been brought to the new segments of respiratory care (specifically asthma) continued to drive growth for key products in this division. The respiratory care portfolio which consists of several products across inhaled steroids, bronchodilators, and antiinfectives continues to make a sure and steady headway in an extremely competitive market.

The increased ranking at 3rd position with chest physicians is a sign of increasing acceptance with our product range that encompasses inhaled steroids (Budez, Azrol), bronchial muscle relaxants (TR Phyllin), antiinfectives (Natamox, Nataclox, Flocy). Coldact, a prescription medication for colds and flu continues to rank among the company's top selling brands with a growth rate in excess of 121%.

Major brands that were launched by Solares included the antiinfective Ornizen (ornidazole), positioned for gastric infections and Tizaran (tizanidine + diclofenac) for pain and inflammation as in painful muscle spasms and low back pain. Another interesting introduction Diclosef (famotidine + diclofenac) is positioned for chronic use with an inbuilt "safety catch". In addition to the painkiller Diclofenac, it also contains an antiulcerant which works to avoid the side effects like gastric irritation & ulceration, associated with long term painkiller use.

## GI toxicity

According to the US National database on drugs taken by arthritis patients, complications from NSAIDS cause 107,000 hospitalizations and 16500 deaths every year in the US. Among complications with NSAIDS: GI toxicity, renal toxicity, CNS toxicity, and platelet effects. Of these GI toxicity is the most common and insidious since there are no symptoms or warning signs. Every year there are 200,000 hospitalizations in the US related to GI bleeding alone.



In arthritis, fine tasks become a battle of will versus pain and stiffness

# TOP 5 PRODUCTS

Brands	Value (Rs.)	MS%
COLDACT	6.68+4.34cr	112.4, 121%
NATAMOX	5.06cr	93.8%
SPLANZ	4.24cr	115%
FLOCY	3.66cr	51%
BETACAP	3.45cr	162.8%

(ORG Retail Chemist Audit, March 2000)



## asthma

The highest prevalence is in childhood and then in older adults. Early intervention can alter the progression of disease in later life.

The prevalence of asthma is increasing in more affluent nations, without any indication as to the cause for this trend.

Children with persistent asthma appear to have an altered immunological process and become sensitized to allergens early in life.

The prevalence of asthma is increasing in the elderly perhaps due to a decline in lung function as well as a decreased immunological response.

Undertreating asthma in children can cause a loss of pulmonary function similar to that seen in-patient with chronic pulmonary disease.

Failure to control asthma in children results in the suppression of growth and reduction of the quality of life.

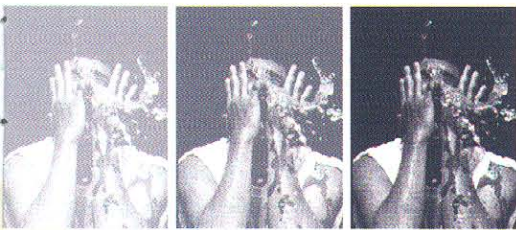
A moment of joy- also of painful effort for this young asthmatic



# TOP 5 PRODUCTS

Brands	Value (Rs.)	GR%
SIZODON	2.75cr	-22%
LITHOSUN	2.82cr	-6.2%
LOBAZAM	0.61cr	*
RIDAZIN	0.98cr	-8.6%
SENORM	1.04cr	-17.6%

(ORG Retail Chemist Audit, March 2000)



OCD patients feel entrapped in a cycle of endless repetition

## OCD

Within the general population, 2.5 percent suffer from this disorder within their lifetime.

People who suffer from obsessive-compulsive disorder get caught up in uncontrollable rituals and ruminations. Many times, the rituals and ruminations -- which can be relatively benign or quite bizarre-- begin as a way of imposing order on intense internal feelings of chaos. These repetitive thoughts and actions constitute a disorder when they become a source of considerable anxiety and distress and when they interfere dramatically with normal functioning. Although individuals with obsessive-compulsive disorder may recognize that their thoughts, impulses, and urges make no sense, and may well resist them, they nevertheless feel that they have no control over them.

## SYMBIOSIS

With a view to increase-nay, virtually double, the "in clinic time" with psychiatrists and neurologists, a new division called Symbiosis was launched. A second field force covering the same speciality offers the time required for older products and lines receive adequate customer attention -many of the older antidepressants continue to be large, multi-crore brands because therapy is individualized.

Symbiosis has been designed to offer a treatment basket across the areas of schizophrenia, epilepsy, mood disorders .

In its list of medication for the treatment of schizophrenia. Symbiosis features the drugs Sizodon (risperidone) and Senorm ( haloperidol).

Among antiepileptics, Symbiosis markets Lobazam (clobazam), which has been approved for first line monotherapy by FDA. Lobazam has also been finding increasing use in the treatment of chronic therapy resistant epilepsy.

The newly launched OCD treatment Fluvoxin (fluvoxamine) is yet another potential star in the Symbiosis portfolio. Fluvoxamine is free of certain receptor related side effects such as sedation, weight gain, dry mouth,cardiovascular side effects, sexual dysfunction that are observed with older classes of medication. Fluvoxin has been positioned for refractory obsessive compulsive disorder, obsessive compulsive spectrum disorders such as body dysmorphic disorder,trichotillomania, bulimia, binge eating, impulsive buying, gambling, compulsive buying behaviour.

Important among other products that Symbiosis introduced was the antidepressant Exodep (dothiepin), an analog of an older antidepressant amitriptyline. Exodep is being positioned as the drug of choice in mild to moderate depression with coexisting anxiety. We are the only bulk active manufacturers of the dothiepin in India.

## depression

Is depression a hidden bomb ?

**A clear association has now emerged between depression and mortality. Depressive state increases the risk for new onset illnesses like diabetes, cancer, hypertension and coronary heart disease. Increasing evidence points to antidepressants helping the medically ill beyond life improvement by improving the outcome of physical illness.**

**According to some researchers, the incidence of depression in men is equally high but the illness is not detected in 60-70% of men who do not have classic symptoms. An additional list of "male type" symptoms would include angry outbursts, workaholism, withdrawal and excessive risk taking. If these parameters are used in diagnosis, it might reduce the disparity in the male and female depression rates.**

(Special section on Men & Health, New York Times, June25, 2000)



Bereft, sad and alone-for the depressed there's no silver lining on the horizon

## TDPL

TDPL is yet another division that is benefiting from a repositioning strategy after being assimilated into the Sun Pharma fold. The prescription for building a long term customer base remains consistent: aggressive new product introduction (of which some products offer a delivery system or formulation advantage) the right customer selection.

TDPL fortified its presence in the therapy areas of ENT, gynecology, dermatology and pediatrics. Growth was seen across new products as well as older products. For instance, Anofer, an iron supplement launched this year is likely to become the largest selling brand in iron deficiency anemia. In line with continuing promotion and repeat coverage, market ranking with important customer groups also moved up several notches.

To fulfill TDPL's objective of meeting patient needs in gynecology from "the teens to the sixties", an iron, calcium and trace element supplement for mothers-to-be and nursing mothers was launched. Anofer is the only combination of its kind in the country. Anofer contains carbonyl iron, with calcium citrate, essential vitamins and trace elements which is much easier to absorb. Initial estimates indicate that Anofer could well be a brand with sales in excess of Rs. 5cr in the first year post launch.

Among TDPL's existing gynec range, the trio of Utodin, Gynazol and Cansoft are continuing to make a mark. Utodin (ritodrine) is used for the inhibition of preterm labour. Gynazol (HMG) finds use in fertility treatments and endometriosis. Cansoft is an antifungal in a soft gel delivery system which offers patient convenience and site specific delivery in candidiasis. These products have helped TDPL gain a foothold in the competitive gynecology market.

TDPL's presence with ENT specialists received a boost with the launch of antihistamine Azelast (azelastine) nasal spray for rhinitis and Betavert (betahistidine) for vertigo.

### The essentials of Anofer

The need for supplemental iron during pregnancy doubles from 15 to 30 mg/day. Mother and fetus both require additional iron, due to increased maternal blood volume and fetal iron storage to support post natal requirements. When iron is consumed with vitamin C, absorption of iron is increased.

Folic acid is an important water soluble vitamin that affects cell development in embryo and fetus. Low levels of folic acid have been linked to neural tube defects and other adverse pregnancy outcomes.

Vitamins such as A, B, E, minerals are essential for the overall health of the mother and child.

## TOP 5 PRODUCTS

Brands	Value (Rs.)	MS%
ROXETOMIN	6.02cr	82.3%
ETOMIN	4.66cr	-10.3%
ALCAINE MPS	2.18cr	7.4%
DAZOLIC	2.12cr	47.4%
EPIVAL	1.91cr	4.2%

(ORG Retail Chemist Audit, March 2000)



When mother nature's cycles are out of sync

## infertility

Infertility affects approximately 10-15% of couples of reproductive age. Some of the reasons for the drop in fertility are:

**Changing roles and aspirations for women**

**Postponement of marriage**

**Delayed age of childbearing**

**Increasing use of birth-control**

**Liberalized abortion**

**Unfavorable economic conditions**

Failure to ovulate is the major problem in approximately 40% of females with infertility. Another 40% is due to abnormalities of the fallopian tubes; 10% is due to unusual problems such as congenital abnormalities of the female reproductive tract, thyroid disease, smoking, and other endocrinological problems; 10% of female infertility is unexplained.



# TOP 5 PRODUCTS

VOLUMNIN
VECURON
FERTIGYN
GMH
ONCOTAXEL

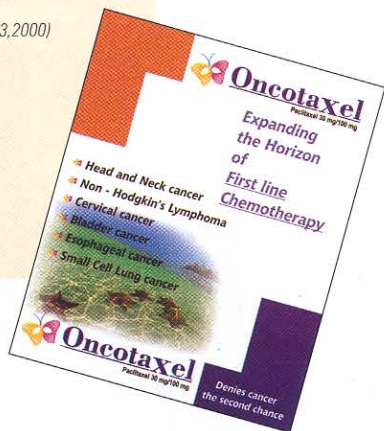
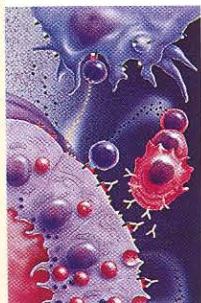
(Retail chemist numbers not mentioned since sales are largely institutional)

## Cancer

### Do faulty genes cause cancer?

A recent study, the largest of its kind yet, published in the *New England Journal of Medicine*, reports that genes cause more than 25% of three major kinds of cancer. Genes are estimated to cause 42% of the risk for prostate cancer, 35% for colorectal cancer, 27% for breast cancer. Overall, researchers say, genes account for 30% of various cancers

(The Associated Press, July 13, 2000)



Inca's fertility range: helping the stork deliver "good news"



## INCA SPECIALITIES

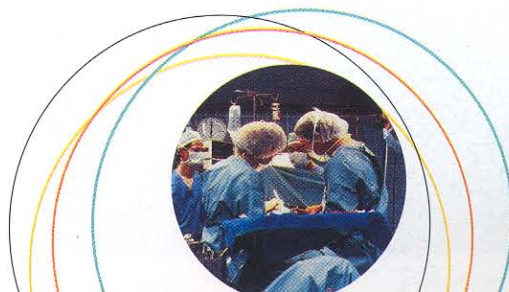
Inca's products continue to make a mark in an exceedingly competitive market across its therapy areas of fertility, oncology, anaesthesiology, nephrology and critical care.

Inca's anaesthesiology presence with the anesthetic Vecuron (vecuronium bromide) was considerably strengthened with the launch of Fendrop (fentanyl citrate), a potent anaesthetic-analgesic that can be used as an adjunct at the time of anaesthesia and can be used instead of several morphine derivatives. Fendrop, unlike morphine derivatives, has a much shorter duration of action, and is free of any side effects on the heart or respiratory system. Midosed (midazolam) an anxiolytic-sedative that scores over diazepam on several scores, is meeting with increasing acceptance. Midosed is also used to provide sedation before general anesthesia.

Inca's range of oncology products continues to occupy an important part of several chemotherapy protocols. Oncotaxel (paclitaxel), an important addition to Inca's anticancer offering, was launched this year and has met with an excellent response. Oncotaxel has been well established as a first line therapy across various kinds of cancers, its cardiac safety makes it easy to use even for patients at risk, and it can be easily combined with other anticancer medication. Oncotaxel is established as first line therapy in advanced ovary and breast cancer.

The other part of Inca's portfolio is its fertility range. Major products here are Fertigyn (human chorionic gonadotrophin, used to maintain pregnancy in cases of habitual abortion), GMH (human menopausal gonadotrophin, used in assisted reproduction techniques like intrauterine insemination and invitro fertilization), Lupride (gonadotrophin releasing hormone analog, used for the down regulation of the pituitary in assisted reproduction techniques).

Inca started its existence with a range of emergency medication of priority use in ICUs. Adenoject (adenosine), Nitroject (nitroglycerine) and Cardiject (dobutamine) continue to occupy a place of trust in critical care units across the country. Volumin (normal human serum albumin), a product that replaces plasma volume after burns, in acute kidney failure, cardiac surgery and liver cirrhosis is also building value steadily.



# MILMET

Milmet continued to make rapid inroads with an enlarged basket of products for ophthalmology and ENT.

Ophthalmology is now an extremely exciting area to be present in. Internationally, several new treatments for previously untreatable eye disease based on radically different therapy approaches were introduced in the last few years. Such treatments could offer Milmet an interesting entry strategy with key customer groups, and several such introductions are on the anvil for next year.

Milmet's range also received a facelift with the range now presented in truly international class packaging.

Major among products launched were the antibacterial Lomibact, the steroidal anti-inflammatory Flosef, the dry eyes treatment Dudrop.

Among older products Viscomet, Ketlur, Toba/Toba DM, and Chlormet/Chlormet DM continued to rank among leading brands for Milmet.

Milmet's other eyecare products also continued to earn prescription share: antibiotics, speciality eyecare products like cycloplegics, antiinfectives, corticosteroids, antiglaucoma products.

Milmet's presence in the viscoelastic segment was fortified with the launch of Hyvisc (sodium hyaluronate). Hyvisc is used as a surgical aid in anterior segment procedures such as intra and extra capsular cataract surgery, lens implantation, glaucoma surgery and post trauma surgery.

One of the likely bestsellers among the new products launch this year is Dudrop (Polyvinyl alcohol, povidone), a treatment for dry eyes. Dudrop is formulated to closely match the natural fluid of the eye in order to offer relief from eye irritation.

Timolet GFS (gel forming system), an unique once a day formulation for lowering intraocular pressure was also launched. Timolet GFS uses a specialized matrix in which the drug is embedded to allow day long, slow and steady drug release.

Smarter than glass? Tears keep the eye surface wet without interfering with vision



## TOP 5 PRODUCTS

VISCOMET

KETLUR

CHLORMET / CHLORMET DM

TOBA / TOBA DM

HYVISC

(Retail chemist numbers not mentioned since sales are largely institutional)

## Conjunctivitis

The conjunctiva is the transparent membrane that lines the eyeball and eyelid. This can become inflamed for a number of reasons, a condition called conjunctivitis. Bacterial conjunctivitis or pinkeye usually affects both eyes and produces a heavy discharge of mucus. Viral conjunctivitis is usually limited to one eye, causing copious tears and a light discharge. Allergic conjunctivitis produces tears itching, redness in the eyes and a runny nose. Children sometimes contact conjunctivitis after a cold or a sore throat



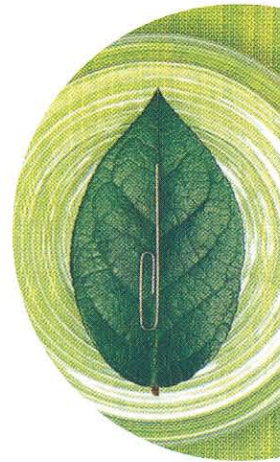
Ophthalmology holds tremendous promise: new treatment approaches for disorders

## dry eye syndrome

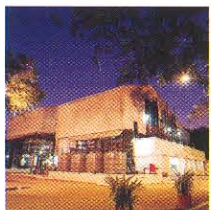
This is different from eyestrain or fatigue. Dry eye syndrome occurs when the eyes cannot make enough tears, or the mixture of fluids is not right or tears evaporate too quickly. This often feels like grains of sand trapped beneath the eyeball and scrapping the sensitive eye surface. There isn't a single test that identifies dry eye syndrome. The problem is often written off as "tired eye". Several causes can be responsible for this eye condition: aging, medications such as antihistamines, illnesses such as rheumatoid arthritis, hyperthyroidism or inflammation of the tear producing gland, excessively dry weather. Severe dry eye can make a person more prone to eye infections and erode the outer surface of the eye, potentially damaging sight. The treatment focuses on relieving the symptoms. For the patient with dry eye syndrome, drops of artificial tears can relieve irritation and burning.



PRODUCT	THERAPY AREA	USE
<b>MILMET</b> <b>Lomibact eye (lomefloxacin)</b> <b>Betavert (betahistine)</b> <b>Flofef (fluometholone)</b> <b>Dudrop (PVA + PVP)</b> <b>Timolet GFS (timolol maleate)</b>	antiinfective- eye neurological ailment related to ear antiinfective lubricant eye	ocular infections in vertigo ocular infections dry eye to reduce intraocular pressure - gel forming system
<b>AZTEC</b> <b>Duracard (doxazosin)</b> <b>Repace H (losartan + HCTZ)</b> <b>Aztor (aztatin)</b>	alpha blocker combination AT2blocker + diuretic cardiology	antihypertensive antihypertensive cholesterol reducer
<b>SYNERGY</b> <b>Lonazep inj (clonazepam)</b> <b>Addwize (methylphenidate)</b> <b>Direc2 (diazepam rectal)</b> <b>Oleanz (olanzapine)</b>	antiepileptic psychiatry/pediatrics neurology/pediatrics psychiatry	status epilepticus attention deficit disorder epilepsy/febrile seizures in children schizophrenia
<b>INCA</b> <b>Fendrop (fentanyl)</b> <b>Oncotaxel (paclitaxel)</b>	analgesic used in anaesthesia	adjunct to anaesthesia anticancer
<b>TDPL</b> <b>Terbiderm (terbinafine)</b> <b>Anofer (iron + calcium + vitamins)</b> <b>Relif (cetirizine + paracetamol + pseudoephedrine)</b> <b>Azelast nasal spray (azelastine)</b>	dermatology	antifungal prenatal vitamin cold/flu antihistamine
<b>SYMBIOSIS</b> <b>Exodep (dothiepin)</b> <b>Fentoin ER (phenytoin)</b> <b>Fluvoxin (fluvoxamine)</b>	psychiatry neurology psychiatry	antidepressant antiepileptic OCD
<b>SUN</b> <b>Tizafen (ibuprofen + tizanidine)</b> <b>Nitrest (zolpidem)</b> <b>Celact (celecoxib)</b>	orthopedics/pain sleep disorders orthopedics/pain	lower back muscular conditions insomnia osteoarthritis, rheumatoid arthritis
<b>SOLARES</b> <b>Ornizen (ornidazole)</b> <b>Tizaran (diclofenac + tizanidine)</b> <b>Dicosef (diclofenac + famotidine)</b>	antiinfective pain killer with muscle relaxant pain killer with antiulcerant	general infections pain, inflammatory conditions pain, inflammatory conditions



# BULK DRUGS



Part of the multiproduct bulk active plant, Ahmednagar



Environmental controls are an intrinsic feature of each plant



Product processing area, Panoli

5-Amino Salicylic Acid

7-ADCA

Alendronate Sodium

Amifostine

Azithromycin

Buprenorphine HCl

Bupropion

Buspirone HCl

Carboplatin

Carvedilol

Cefadroxil Monohydrate

Celecoxib

Cephalexin Monohydrate

Cisplatin

Clarithromycin

Clomipramine HCl

Clonazepam

Danazol

Desipramine HCl

Desmopressin Monoacetate

Dobutamine HCl

Dothiepin HCl

Erythromycin Estolate

Erythromycin Ethyl Succinate

Erythromycin propionate

Erythromycin Stearate

Flurbiprofen

Fluvoxamine Maleate

Gabapentine

Irebesartan

Isosorbide-5-Mononitrate

Lacidipine

Leuprolide Acetate

Lofepamine Hydrochloride

Losartan Potassium

Meloxicam

Metamizol Magnesium

Metaxalone

Metformin HCl

Methylphenidate HCl

Metoprolol Tartrate

Mitoxantrone

Mitoxantrone

Mosapride

Naltrexone

Nefazodone

Nicorandil

Nortryptiline

Octreotide

Olanzapine

Ondansetron

Ornidazole

Oxethazaine

Pamidronate

Pantoprazole

Pentoxifylline

Piroxicam Beta Cyclodextrin

Prednicarbinat

Repaglinide

Rofecoxib

Roxythromycin

Rosiglitazone

Sertraline HCl

Sildenafil Citrate

Sodium Valproate

Tetrabenazine

Tizanidine HCl

Tramadol HCl

# DIRECTOR'S REPORT 1999-2000

Your Directors take pleasure in presenting the Eighth Annual Report and Audited Accounts for the year ended 31<sup>st</sup> March, 2000.

## Financial Results

	Year ended 31st March <b>2000</b>	Year ended 31st March <b>1999</b>	(Rs. in Lacs)
<b>Total Income</b>	<b>48100</b>	<b>35967</b>	
Profit before depreciation and tax	<b>11011</b>	<b>6966</b>	
Depreciation	1294	867	
Tax	664	195	
<b>Profit after tax</b>	<b>9067</b>	<b>5904</b>	
<b>Dividend</b>			
▪ Preference Shares	527	186	
▪ Equity Shares Interim	1542	925	
▪ Equity Shares Final		309	
<b>Corporate Dividend tax</b>	<b>228</b>	<b>154</b>	
<b>Transfer to various Reserves</b>	<b>5131</b>	<b>4007</b>	
<b>Rate of dividend including interim on equity shares</b>	<b>100%</b>	<b>80%</b>	
<b>Book value per equity share (Rs.)</b>	<b>199</b>	<b>168</b>	

The current year's results include figures of erstwhile Gujarat Lyka Organics Ltd (GLOL)

An interim Dividend at 10.5% p.a. was paid to the Preference Share Holders whose names stood on the Register of Members on 15th March 2000. First and Second Interim Equity Dividends at the rate of 60% & 40% on the paid up equity share capital were paid to the Members whose names stood on the Register of Members as on 29th December, 1999 & 23rd March 2000 respectively. Your Directors recommend that the two interim dividends on equity shares aggregating 100% (Previous year 80%) be treated as final.

The Company on 1st April, 2000, allotted 3,08,44,466 Bonus Equity Shares of Rs.10/-each to the shareholders of the Company as on Record Date, 23rd March, 2000 in the ratio of 2 (two) shares for every 1 (one) held by the shareholders which are pari passu with existing equity shares in all respects. With this, the equity capital increases from Rs15.42 Cr to Rs46.26 Cr w.e.f. 1-4-2000.

100%  
DIVIDEND

# Consolidation, Operations and Future outlook

*Operations:  
A strategy that  
delivers value*



Total income increased 34% over last year. At the net level profit increased 54% over last year. As your company becomes larger, we need to restate to ourselves that it is more important for us to become a tightly run, sharply focused company with strong brands that are the mainstay of therapy rather than simply a larger sized company.

The pivot of our business is meeting customer aspirations. Our performance this year only affirms our belief in customer service creating value for consistent, long-term growth.

Over the last 5 years we have made a significant headway in speciality rankings. Yet there is immense untapped potential; not the least because the segments themselves are growing. As we stretch to post increased prescriptions both in new therapy areas and in the therapy areas where we are already lead, we continue to become a better company.

NET PROFIT  
INCREASED  
**54%**

persist  
with  
higher  
than  
industry  
growth

## Market Ranking

On a cumulative basis since January this year, your company was ranked 5<sup>th</sup> by domestic prescription market share, up from 10<sup>th</sup> rank last year. According to the retail chemist audit from the research agency Operations Research Group (ORG, March 1999 and 2000) we are ranked 8<sup>th</sup> by moving annual total. This means your company moved up 5 places from March last year, and by 26 places from our baseline 34<sup>th</sup> rank at the time of our IPO in January 1994. Market share is 2.49% cumulative from January, up from 0.9% in 1994. With a growth rate of 35.6%, we continue to grow at more than three times the rate of growth for the pharma industry (9.8%).



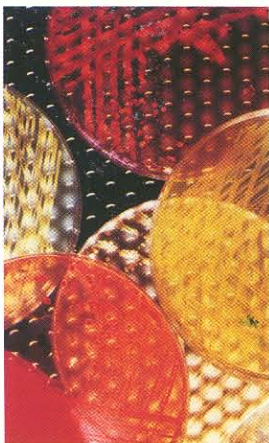
## BCG ranks us among the top value creators

We are glad to share with you another important rating that we consider as reinforcement of our strategy. In a recent survey, the international consulting company Boston Consulting Group reviewed the performance of companies listed on the stock exchanges in India over a 5 year period. (Corporate Dossier/ The Economic Times, May 12, 2000)

This survey ranked companies by Total Shareholder Return, which measured the ability to deliver value consistently over time. A key parameter was year after year quality of growth demonstrated over a 5 year timeframe and not merely "flash in the pan" episodic growth.

BCG rated your company no 1 among all pharma companies, as also no. 8 across industries.

No.1





# 6 speciality brands rank among the top 300 brands in the country

Encorate, an antiepileptic, entered the list of the top 300 pharma brands in the country. This fortifies our presence with 6 brands that span the speciality range: Monotrane (antianginal), Alzolam (tranquiliser), Zeptol and Encorate (antiepileptics), Glucored (oral antidiabetic) and Coldact (a prescription medication for colds). This affirms our belief that speciality brands build with time, and command a prescription share that is fairly stable.

Rated among top 5 across speciality segments

## CMARC registers specialist preferences



Year after year, CMARC's prescription audit ranks have proven to be a precursor of likely prescription trends. This is the reason why the improvement in customer rankings with the newer customer groups excites us. Such upswing in ranking is an assurance that the strategies which we have put to work in the newer therapy areas post acquisition, are bringing results to the table.

In the newer therapy areas of orthopaedics, oncology and chest physicians we have improved ranks significantly and rank among the top 5. In these segments, a portfolio has been built with a mix of acquired brands and own brands, new products have been launched, customer lists refined and coverage made more intensive. We are confident that this focused approach will help us build on these rankings going ahead.

## Update on Caraco

We continue to be positive about the US generics market. The overall market for generic drugs was estimated at \$27 billion in 1998 and is expected to reach \$43 billion in 2003. Three factors will push this growth: patent expirations of blockbuster drugs in the US, increasing presence of managed care and cost containment programs, higher number of prescriptions filled with generic alternatives. (MedAd news, October 1999)

When we wrote to you last year, we had shared our plans about Caraco, a US based generic formulations manufacturer, in which your company holds 48.54% stake. We continue to work towards using Caraco as an entry vehicle for the US generic market.

Caraco posted a loss of \$9.3 million on sales of \$2.89 million for the year ended Dec 1999. This \$9.3 million loss includes \$6.3 million that were incurred for R&D related to product filings. The primary reason for continuing losses at Caraco is the delay in receiving ANDA approvals from the USFDA.



# CARACO

Caraco's current range is marketed to large wholesalers, such as Cardinal, Amerisource and Bergen Brunswick. Efforts are underway to increase the number of products ordered by these wholesalers from across Caraco's formulary. In the course of the year some of Caraco's products have been listed by Federal and State agencies such as the Veteran Administration.

Caraco currently has 5 ANDAs (abbreviated new drug applications; a regulatory filing for generic drugs) submitted to the USFDA for approval. 3 more products await submission. In all Caraco has 21 products (including the filings made) under scale up and development.

Caraco is trying to make its mark in a very competitive market with a differentiated product selection strategy. Our intent is to build a line of generics where margin erosions are not as steep because of technical complexity. Over time, Caraco may introduce branded generics that have a product/technology/ delivery advantage.





At Sun Pharma, research has been crucial to our long-term plans, right from the time we commenced research investments in 1993. The work at SPARC has enabled us to bring a stream of new products to market. Over 40% of current turnover is from products that have been introduced in the last 5 years.

In the last two years, we have witnessed the first returns on the investments Indian companies have made in research over the past decade. We believe the post 2005 years offer a tremendous opportunity for well prepared pharma companies to move up the learning curve. These initial investments form a platform for innovative technologies with a much higher scope for value addition.

At Sun Pharma, we have followed a phased approach to research and have invested over Rs. 60cr since 1993. We have invested in projects that will earn us revenue streams over three distinct time horizons- the short, medium and long term. In the short term the emphasis has been on process development for speciality bulk actives and development of formulations for the Indian market, and other markets similar to India. The emphasis for the medium term is on novel drug delivery systems and formulation development for the regulated markets across North America and Europe. These skills build the platform for drug discovery, where the value addition is the most and revenue streams can be earned across markets.

The missing piece in our research strategy so far had been drug discovery research, with the necessary infrastructure such as molecular biology, pharmacology, toxicology. Last year, a 40-person team in Vadodara commenced work in three specific therapy areas in drug discovery. This group is actively working on interesting approaches and is screening more than 1 compound/day.

During the course of the year 2000, our research campus in Chennai- our third research location- will commence operations. This research campus will focus almost entirely on innovation- spanning projects across new chemical entity and novel drug delivery systems. This large 30 acre site will be staffed with a 150 strong team of scientists over the next 18 months- effectively doubling our research strength.

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.



Drug discovery research was the missing piece

from left above : peptide chemistry lab lyophilizer, blood chemistry lab, FTIR, pharmacokinetics lab, screening.

# arc

# International markets

## a presence for the long term

Exports are up 27%, largely on account of increased bulk active sales. Dosage form sales across Sun Pharma and Sun Pharma Exports was flat at Rs.23.54cr.

In the international markets too, our intention is to move up the value addition chain. Using the export of speciality bulk active as a starting point, this value chain extends to higher margin dosage forms/generics. The market presence, which we build today, can eventually be a means to register our research-based products.

In the coming year, bulk active sales are expected to continue increasing as we move from the less regulated markets to the high value markets. We have begun the process for DMF approvals from the USFDA and European Certificate of Suitability for our speciality bulk actives from the EU authorities. These approvals, once received, may result in much higher value addition for the same bulk actives that we currently sell.

We are revamping our international formulation products business, and are reviewing the way we are structured across markets. Our intention is to focus on building market share for a dependable revenue stream with year on year growth. Over the long term, we intend to become an attractive partner for international companies in these markets.

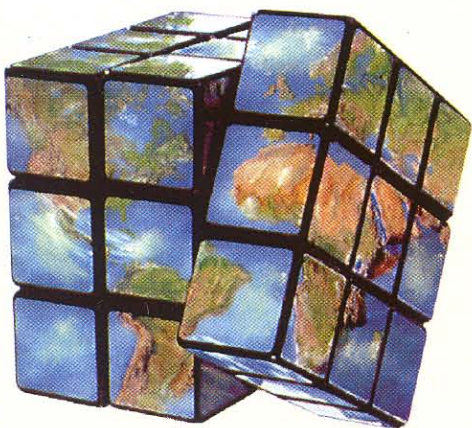
An extensive study that aims to match market potential with appropriate field structure is now underway. While the completion of this exercise is likely to take two years, we expect to put corrective measures in place immediately.

## Other developments

This year marked the merger of the bulk cephalosporin manufacturer Gujarat Lyka Organics Ltd after the requisite approval from BIFR - a logical next step. GLOL was merged effective 1st April, 1999 at a post bonus swap ratio of 21.33:1 in pursuance of the order from the Board for Industrial and Financial Reconstruction, New Delhi. Ever since we took an equity stake in GLOL in 1996, its products were being marketed internationally by Sun Pharma. This arrangement had given a boost to the rest of our speciality bulk active business, as is evident from the increase in bulk export turnover over the last 4 years. After the merger, functions such as purchase, operations and manufacturing have been integrated, resulting in substantial cost savings.

Sun Pharmaceutical Exports Ltd, the company's subsidiary, is proposed to be merged with the Company, subject to approvals of the shareholders and the High Court.

The mergers of Gujarat Lyka and Sun Pharma Exports into your company only strengthen our growth platform further. These moves effectively complement the framework we've built so far through a judicious mix of organic growth and acquisitions.





## A consistent value system

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At the close of 15 years of our existence of our business, the principles on which this growth engine moves remains unchanged. We have always believed in making the most of resources- we continue to retain this startup mindset. The enthusiasm with which we approach our business too, remains undiluted. Integrity, respect for people, a need for high performance these continue to be the unwritten beliefs that influence every single thing that we do as a company.

## Finance

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All the banks in consortium have given their highest rating to your Company enabling it to source funds from the Banks at the finest rate of interest. CRISIL continued to reaffirm their highest rating of "P1+", to your Company's Commercial Paper Programme throughout the year.

During the year under review, your Company redeemed 1,10,000 Non Convertible Redeemable Preference Shares of Rs.100 each. The coupon of 10.5% was reduced to 9.5% on balance preference shares with effect from 1<sup>st</sup> April, 2000.

No fresh Fixed Deposits were accepted by your Company during the year under review. All deposits matured during the year under review were either repaid or renewed on time. One fixed deposit amounting to Rs.5000 has not been claimed upto 31/3/2000.

## Directors

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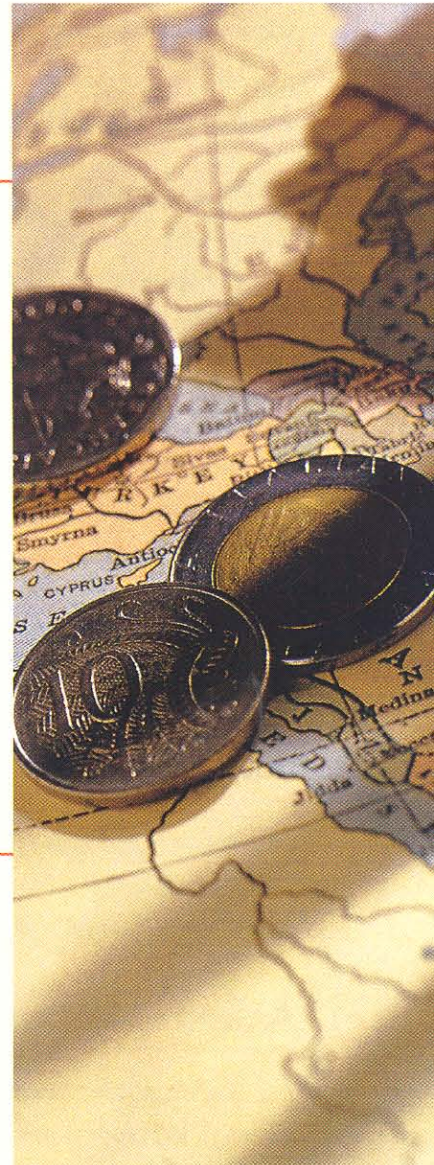
Mr.S. Mohanchand S. Dadha's term of appointment as Whole-time Director expired on 1<sup>st</sup> February, 2000 and has been re-appointed as Whole-time Director of the Company for a further period of two years from 1<sup>st</sup> February, 2000 which has been approved by the shareholders of the Company at the Extra Ordinary General Meeting held on 3<sup>rd</sup> March, 2000.

Mr. Sudhir V. Valia and Mr. Dilip S. Shanghvi retire by rotation and being eligible, offer themselves for re-appointment.

## Status of Y2K Compliance

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The Company managed to roll over successfully to the new millennium in a smooth manner without any adverse impact, thanks to intensive efforts undertaken by the Company.



## Auditors and Auditors' Report

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Your Company's auditors, Price Waterhouse, Chartered Accountants, Mumbai, retire at the conclusion of the forthcoming Annual General Meeting. The Company has received 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.

## Human Resources

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If Sun Pharma enjoys a "can do" reputation today, the credit for this goes solely to the team. It is the team that challenges high stretch targets year after year to place the company forward on a high growth trajectory. As a campaign slogan from one of the divisions succinctly put it; "Together we can, together we will". Your directors recognise this commitment and wish to thank the team for their contribution.

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 Registered Office of the Company. As per the provisions of Section 219(1)(b)(iv) of the said Act, the Report and Accounts are being sent to all Shareholders of the company excluding the statement of particulars of employees u/s 217(2A) of the said Act. Any shareholder interested in obtaining a copy of this statement may write to the Company Secretary at the Registered Office of the Company.

## Additional Information

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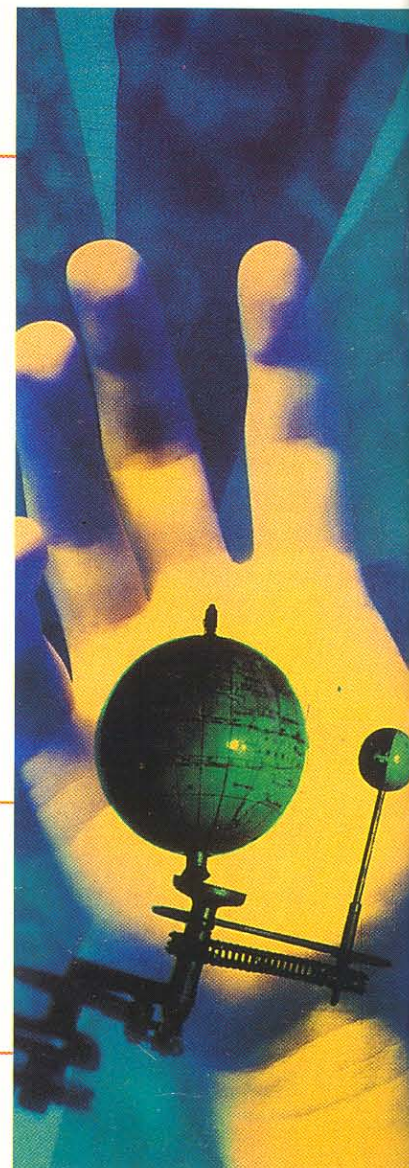
The additional information pursuant to Section 217(1)(e) of the Companies Act 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is given in Annexure and forms part of this report.

## Acknowledgments

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Your Directors wish to thank the 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 have reposed in the Company.

For and on behalf of the Board of Directors  
DILIP S. SHANGHVI  
CHAIRMAN & MANAGING DIRECTOR



## BOARD OF DIRECTORS

**Mr. Dilip S. Shanghvi**  
*Chairman & Managing Director*

**Mr. Sudhir V. Valia**  
*Wholetime Director*

**Mr. S. Mohanchand Dadha**  
*Wholetime Director*

**Mr. Sailesh T. Desai**  
*Wholetime Director*

**Mr. Narendra N. Borkar**  
*Director*

## VICE PRESIDENT – FINANCE AND COMPANY SECRETARY

**Mr. R. K. Baheti**

## AUDITORS

**Price Waterhouse**  
Chartered Accountants  
Mumbai.

## BANKERS

Bank of Baroda  
State Bank of India  
ANZ Grindlays Bank  
ICICI Bank  
Bank of India  
Bank of Nova Scotia

## REGISTRARS & SHARE TRANSFER AGENTS

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

**Additional Collection Centre**  
201, Daver House,  
197/199 Dr. D.N. Road,  
MUMBAI – 400 001

## 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

Dadha Nagar,  
Chennai – 600 074.

Sun Pharmaceutical Advanced Research Centre Ltd  
(Wholly owned subsidiary)  
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 Ind. Area,  
Ahmednagar – 414 111.

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

Dadha Nagar,  
Chennai – 600 074.



## NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Eighth Annual General Meeting of the Members of Sun Pharmaceutical Industries Limited will be held at "Synergy House", Gorwa Road, Subhanpura, Varodara - 390 007 on Friday, 25<sup>th</sup> August 2000, at 11.00 a.m. to transact the following business :

### ORDINARY BUSINESS:

1. To consider and adopt the Balance Sheet as at 31<sup>st</sup> March, 2000, the Profit & Loss Account for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To confirm payment of interim dividend(s) on Preference Shares and Equity Shares.
3. To appoint a Director in place of Mr. Dilip S. Shanghvi, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. Sudhir V. Valia, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Price Waterhouse, Chartered Accountants, Mumbai as the 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 : 6th June, 2000

**R. K. Baheti**  
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 TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.

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.

2. **Listing of Equity Shares :**

The shares of the Company continue to be listed at the Stock Exchanges at Vadodara, Mumbai, Delhi, Calcutta, Ahmedabad, Chennai and the National Stock Exchange and the listing fee has been paid to each of the Exchanges within the stipulated time.

3. The Register of Members and Share Transfer Books of the Company will remain closed from 18<sup>th</sup> August, 2000 to 25<sup>th</sup> August, 2000 (both days inclusive).
4. Unclaimed Dividends declared upto the financial year ended on 31<sup>st</sup> March, 1995 of the Company and of the erstwhile Tamilnadu Dadha Pharmaceuticals Limited which has been merged with the Company with effect from 1<sup>st</sup> April, 1997 have been transferred to the General Revenue Account of the Central Government and the same can be claimed by such

Sun Pharmaceutical Industries Ltd.

Members from the Registrar of Companies, Gujarat, CGO Complex, Opp. Rupal Park, Naranpura, Ahmedabad – 380 013, Gujarat.

Consequent upon amendment in Section 205A of the Companies Act, 1956 and introduction of Section 205C, by the Companies (Amendment) Act, 1999, now the amount of dividend remaining unclaimed for a period of seven years shall be transferred to the Investor Education and Protection Fund.

Members who have not encashed their dividend warrants, for the financial year ended 31<sup>st</sup> March 1996 and onwards may approach the Company's Registrar & Transfer Agents, Intime Spectrum Registry Pvt. Ltd., 260, Shanti Industrial Estate, Sarojini Naidu Road, Mulund (West), Mumbai – 400 080 for revalidating the warrants or for obtaining duplicate warrants.

5. The Members of erstwhile Tamilnadu Dadha Pharmaceuticals Limited, and erstwhile Gujarat Lyka Organics Limited who have yet not sent their share certificates of erstwhile Tamilnadu Dadha Pharmaceuticals Limited and Gujarat Lyka Organics Limited respectively for exchange with the share certificates of Sun Pharmaceutical Industries Limited are requested to do so at the earliest, since share certificates of the erstwhile Tamilnadu Dadha Pharmaceuticals Limited and Gujarat Lyka Organics Limited held by them are no longer tradable.
6. Please note that as per the Notification of SEBI, Sun Pharmaceutical Industries Ltd's shares are under Compulsory Demat trading with effect from 29<sup>th</sup> November, 1999 for all the investors. You may, therefore, demat your equity share holdings if not already demated, to avoid any inconvenience.
7. Members/proxies should bring the attendance slip duly filled in for attending the meeting.

## **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 31<sup>st</sup> March 2000 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 31<sup>st</sup> March 2000 and its profit for the year ended on that date.
- 2.1 Note 14 on Schedule 18 regarding non-provision of possible diminution in the value of investments in and loan given (including interest accrued) to an associate company, where net worth of the associate company is fully eroded, carried at cost of Rs. 2,886.37 lacs and Rs. 2,440.96 lacs (net) respectively – 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 in and loan given to an associate company 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. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, dated 7<sup>th</sup> 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, spare parts and raw 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, spare parts and raw 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) We are informed 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 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 and unsecured, granted by the Company to 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.
  - (ix) The parties (including employees) to whom loans or advances in the nature of loans have been given by the Company, are generally regular in repaying the principal amounts as stipulated, and are also generally regular in the payment of

## AUDITORS' REPORT TO THE MEMBERS OF SUN PHARMACEUTICAL INDUSTRIES LIMITED

- 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 commensurate with the size and nature of its business.
  - (xvi) On the basis of records produced, we are of the opinion that, prima facie, the cost records prescribed by the Central Government of India under Section 209 (1)(d) of the Act, have been maintained in respect of bulk drugs and formulations. However, we are not required to and have not carried out any detailed examination of such accounts and records.
  - (xvii) The Company has been regular 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. 1,269,621, 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 it became payable.
  - (xix) During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, we have not come across any personal expenses which have been charged to Profit and Loss Account, nor have we been informed of any such case by the Management other than those payable under contractual obligations and 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 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 31<sup>st</sup> March 2000.
  - (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 statute 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.

Mumbai, 6<sup>th</sup> June 2000

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

## BALANCE SHEET AS AT 31st MARCH, 2000

	Schedules	As at 31st March, 2000		As at 31st March, 1999	
		Rupees in Lacs	Rupees in Lacs	Rupees in Lacs	Rupees in Lacs
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	1A	6449.72		6559.63	
Share Capital Suspense	1B	47.78		0.00	
Reserves and Surplus	2	<u>29974.35</u>	<u>36471.85</u>	<u>25075.36</u>	31634.99
<b>Loan Funds</b>					
Secured Loans	3	3671.91		4586.74	
Unsecured Loans	4	<u>1189.84</u>	<u>4861.75</u>	<u>2116.44</u>	6703.18
			<u>41333.60</u>		<u>38338.17</u>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	5	23118.05		18898.59	
Less: Depreciation and Lease Terminal Adjustment		<u>6132.76</u>		<u>3724.39</u>	
Net Block		16985.29		15174.20	
Add: Capital Advances and Work-in-Progress		<u>1306.12</u>	<u>18291.41</u>	<u>1298.76</u>	16472.96
<b>Investments</b>	6		5011.42		5601.87
<b>Current Assets, Loans and Advances</b>					
Inventories	7	7237.53		5010.29	
Sundry Debtors	8	7089.04		8236.75	
Cash and Bank Balances	9	435.33		850.47	
Deposit with ICICI Limited		3000.00		0.00	
Loan to Caraco Pharmaceutical Laboratories Ltd, USA		3346.98		326.42	
Loans and Advances-Others	10	<u>3709.83</u>		<u>8102.78</u>	
		24818.71		22526.71	
<b>Less: Current Liabilities and Provisions</b>	11	<u>6787.94</u>	<u>18030.77</u>	<u>6964.16</u>	15562.55
<b>Miscellaneous Expenditure</b>					
(to the extent not written off or adjusted)					
Deferred Revenue Expenditure			0.00		700.79
(Refer note no. 18 of Schedule 18)					
			<u>41333.60</u>		<u>38338.17</u>
<b>NOTES TO ACCOUNTS</b>					
	18				

Schedules referred to herein form an integral part of the Balance Sheet.  
This is the Balance Sheet referred to in our report of even date.

For and on behalf of the Board

**DILIP S.SHANGHVI**  
Chairman & Managing Director

**SUDHIR V. VALIA**  
Wholetime Director

**SAILESH T. DESAI**  
Wholetime Director

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

**R.K.BAHETI**  
VP-Finance & Company Secretary

Mumbai, 6th June, 2000

Sun Pharmaceutical Industries Ltd.



**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2000**

	Schedules Year ended 31st March, 2000		Year ended 31st March, 1999		
		Rupees in Lacs	Rupees in Lacs	Rupees in Lacs	Rupees in Lacs
<b>INCOME</b>					
Income from Operations	12	47843.62		35834.87	
Other Income	13	256.70	48100.32	132.14	35967.01
<b>EXPENDITURE</b>					
Material Cost	14	20739.44		16433.64	
Indirect Taxes	15	4842.30		3401.21	
Personnel Cost	16	2914.45		2712.15	
Operational Expenses	17	8496.68		5960.81	
Interest (Net)		96.06		493.18	
Depreciation		1650.77		866.90	
Less: Transferred from Amalgamation Reserve		357.25		0.00	
			38382.45		29867.89
<b>PROFIT BEFORE TAXATION</b>			9717.87		6099.12
Depreciation Written Back			13.07		0.32
Provision for Taxation			663.77		195.00
<b>PROFIT AFTER TAXATION</b>			9067.17		5904.44
Deferred Revenue Expenditure Written Off (Refer note no. 18 of Schedule 18)			(700.79)		0.00
<b>BALANCE BROUGHT FORWARD</b>			6690.23		6337.75
<b>TRANSFERRED FROM AMALGAMATING COMPANY</b>			0.00		29.36
<b>AVAILABLE FOR APPROPRIATIONS</b>			15056.61		12271.55
<b>APPROPRIATIONS</b>					
Dividend					
Preference Shares		526.84		186.15	
Equity Shares-1st Interim		925.37		925.37	
Equity Shares-2nd Interim-Proposed		616.91		0.00	
Equity Shares-Final		0.00		308.46	
Corporate Dividend Tax		227.60	2296.72	154.34	1574.32
Transferred to General Reserve		5000.00		4000.00	
Transferred to Debenture Redemption Reserve		21.00		7.00	
Transferred to Capital Redemption Reserve		110.00	5131.00	0.00	4007.00
<b>BALANCE CARRIED TO BALANCE SHEET</b>			7628.89		6690.23
<b>NOTES TO ACCOUNTS</b>	18				

Schedules referred to herein form an integral part of the Profit and Loss Account. This is the Profit and Loss Account referred to in our report of even date.

For and on behalf of the Board

**DILIP S. SHANGHVI**  
Chairman & Managing Director

**SUDHIR V. VALIA**  
Wholetime Director

**SAILESH T. DESAI**  
Wholetime Director

**Partha Ghosh**

Partner

For and on behalf of

**Price Waterhouse**

Chartered Accountants

Mumbai, 6th June, 2000

**R.K. BAHETI**

VP-Finance & Company Secretary

Sun Pharmaceutical Industries Ltd.

## SCHEDULES TO THE ACCOUNTS

	As at 31st March, 2000		As at 31st March, 1999	
	Rupees in Lacs	Rupees in Lacs	Rupees in Lacs	Rupees in Lacs
<b>SCHEDULE 1A : SHARE CAPITAL</b>				
<b>Authorised</b>				
5,00,00,000 (Previous Year 2,50,00,000) Equity Shares of Rs. 10 each		<u>5000.00</u>		<u>2500.00</u>
60,00,000 (Previous Year 60,00,000) Redeemable, Cumulative Non-Convertible Preference Shares of Rs.100 each		<u>6000.00</u>		<u>6000.00</u>
<b>Issued and Subscribed</b>				
154,22,833 (Previous Year 154,22,833) Equity Shares of Rs. 10 each	1542.28		1542.28	
Less: Calls unpaid	<u>0.06</u>	<u>1542.22</u>	<u>0.15</u>	<u>1542.13</u>
49,07,500 (Previous Year Rs. 50,17,500) 10.50% 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 offer document		<u>4907.50</u>		<u>5017.50</u>
		<u>6449.72</u>		<u>6559.63</u>
<b>Notes:</b>				
1) 2,08,000 Equity shares of Rs.10 each paid up were allotted to shareholders of erstwhile Milmet Laboratories Pvt Ltd, pursuant to Scheme of Amalgamation, without payment being received in cash.				
2) 4,13,633 Equity shares of Rs.10 each paid up were allotted to shareholders of erstwhile Tamilnadu Dadha Pharmaceuticals Ltd, pursuant to Scheme of Amalgamation without payment being received in cash.				
3) 35,92,500 Equity shares of Rs.10 each were allotted on 1st June, 1994 fully paid Bonus Shares by capitalisation of Share Premium Account and Profit and Loss Account.				
<b>SCHEDULE 1B : SHARE CAPITAL SUSPENSE</b>				
4,77,788 (Previous Year Nil) Equity shares of Rs.10 each fully paid up, to be issued pursuant to the scheme of Amalgamation of Gujarat Lyka Organics Ltd. with the Company (Refer note no. 2(v) of Schedule 18)		<u>47.78</u>		<u>0.00</u>
<b>SCHEDULE 2 : RESERVES AND SURPLUS</b>				
<b>Capital Reserve</b>				
As per last Balance Sheet	16.15		16.15	
Add: Transferred from Amalgamating Company	35.00		0.00	
Add: Subsidy received during the year	15.00		0.00	
Add: Shares forfeited of erstwhile Gujarat Lyka Organics Ltd.	<u>0.93</u>	<u>67.08</u>	<u>0.00</u>	<u>16.15</u>
<b>Revaluation Reserve</b>				
Transferred from Amalgamating Company	179.25		0.00	
Less: Utilised to write down Gross Block/Depreciation	<u>179.25</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

## SCHEDULES TO THE ACCOUNTS

	As at 31st March, 2000		As at 31st March, 1999	
	Rupees in Lacs	Rupees in Lacs	Rupees in Lacs	Rupees in Lacs
<b>Share Premium</b>				
As per last Balance Sheet	5471.23		5471.08	
Add: Transferred from Amalgamating Company (Gross)	201.60		0.00	
Add: Received / Receivable during the year	2.15		2.30	
	<u>5674.98</u>		<u>5473.38</u>	
Less: Utilised for Redemption of Debentures	1.66		0.00	
Less: Utilised for Writing off Issue expenses of Amalgamating Company	16.77		0.00	
Less: Shares forfeited of erstwhile Gujarat Lyka Organics Ltd.	3.92		0.00	
Less: Calls unpaid	0.81	5651.82	2.15	5471.23
<b>Debenture Redemption Reserve</b>				
As per last Balance Sheet	42.00		35.00	
Add: Transferred from Profit and Loss Account	21.00	63.00	7.00	42.00
<b>Capital Redemption Reserve</b>				
Transferred from Profit and Loss Account		110.00		0.00
<b>Amalgamation Reserve</b>				
Surplus on Amalgamation	974.57		5.20	
Less: Depreciation of earlier years of Amalgamating Company	357.25		0.00	
Less: Transferred to General Reserve	0.00	617.32	5.20	0.00
<b>General Reserve</b>				
As per last Balance Sheet	12855.75		8850.55	
Add: Transferred from Amalgamation Reserve	0.00		5.20	
Add: Transferred from Profit and Loss Account	5000.00		4000.00	
	<u>17855.75</u>		<u>12855.75</u>	
Less: Debit Balance of Profit and Loss Account of Amalgamating Company	2019.51	15836.24	0.00	12855.75
<b>Profit and Loss Account</b>				
As per Annexed Account		7628.89		6690.23
		<u>29974.35</u>		<u>25075.36</u>
<b>SCHEDULE 3 : SECURED LOANS</b>				
Debentures		66.66		100.00
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 at the end of 3rd year from the date of allotment. First repayment made on 26th March 2000 and remaining two instalments fall due on 26th March 2001 and 26th March 2002.				
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 in favour of the Company's Banker's 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		2800.70		1789.46
From Financial Institutions		750.00		2634.00
From Others		54.55		63.28
		<u>3671.91</u>		<u>4586.74</u>

## SCHEDULES TO THE ACCOUNTS

As at 31st March, 2000 As at 31st March, 1999  
Rupees in Lacs Rupees in Lacs Rupees in Lacs Rupees in Lacs

### 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. 750.00 lacs (Previous Year Rs. 2500.00 lacs) 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 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 *	0.05	17.33
Short term Loans		
From Financial Institution	33.33	0.00
From Directors of erstwhile Milmet Laboratories Pvt. Ltd.	0.00	9.63
From Others	0.00	8.04
Commercial Papers	1000.00	2000.00
Deferred Sales Tax #	156.46	81.44
	<b>1189.84</b>	<b>2116.44</b>

\* Repayable within one year Rs. 0.05 lacs (Previous Year Rs. 16.24 lacs)

# Repayable within one year Rs. 4.37 lacs (Previous Year Rs. 5.24 lacs)

### SCHEDULE 5 : FIXED ASSETS

Rupees in Lacs

Particulars	GROSS BLOCK						DEPRECIATION						NET BLOCK	
	As At	Additions on	Additions	Write	Deletions	As at	As at	Additions on	For year	Write	Written back/	As at	As at	As at
	1.4.99	Amalgamation	99-00	Down(1)	99-00	31.3.00	1.4.99	Amalgamation	99-00 (2)	Down(1)	Deleted 99-00	31.3.00	31.3.00	31.3.99
FREEHOLD LAND	63.37	0.00	1.19	0.00	0.00	64.56	0.00	0.00	0.00	0.00	0.00	0.00	64.56	63.37
LEASEHOLD LAND	149.31	31.39	2.40	18.37	0.00	164.73	6.10	3.70	1.68	1.48	0.00	10.00	154.73	143.21
BUILDINGS	4416.90	247.93	510.76	87.58	185.64	4902.37	332.73	59.63	105.79	16.95	1.37	479.83	4422.54	4084.17
PLANT & MACHINERY	7242.32	1608.54	2210.57	391.40	11.91	10658.12	2065.72	335.55	1110.87	299.67	14.95	3797.52	6860.60	5176.60
VEHICLES	242.45	13.28	78.12	0.00	18.86	314.99	65.02	10.49	24.94	0.00	11.94	88.51	226.48	177.43
FURNITURE & FIXTURES	329.20	27.05	82.09	0.00	0.10	438.24	125.22	19.47	17.95	0.00	6.88	155.76	282.48	203.98
TRADEMARKS, DESIGNS AND OTHER INTANGIBLE ASSETS (Refer note no. 13 of Schedule 18)	4502.00	0.00	120.00	0.00	0.00	4622.00	124.23	0.00	296.77	0.00	0.00	421.00	4201.00	4377.77
<b>SUBTOTAL-A</b>	<b>16945.55</b>	<b>1928.19</b>	<b>3005.13</b>	<b>497.35</b>	<b>216.51</b>	<b>21165.01</b>	<b>2719.02</b>	<b>1028.84</b>	<b>1558.00</b>	<b>318.10</b>	<b>35.14</b>	<b>4962.62</b>	<b>16212.39</b>	<b>14226.53</b>
ASSETS GIVEN ON LEASE	1953.04	0.00	0.00	0.00	0.00	1953.04	351.27	0.00	92.77	0.00	0.00	444.04		
LEASE TERMINAL ADJUSTMENT	0.00	0.00	0.00	0.00	0.00	0.00	654.10	0.00	114.41	0.00	32.41	736.10		
<b>SUBTOTAL-B</b>	<b>1953.04</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>1953.04</b>	<b>1005.37</b>	<b>0.00</b>	<b>207.18</b>	<b>0.00</b>	<b>32.41</b>	<b>1180.14</b>	<b>772.90</b>	<b>947.67</b>
<b>TOTAL A+B</b>	<b>18898.59</b>	<b>1928.19</b>	<b>3005.13</b>	<b>497.35</b>	<b>216.51</b>	<b>23118.05</b>	<b>3724.39</b>	<b>1028.84</b>	<b>1765.18</b>	<b>318.10</b>	<b>67.55</b>	<b>6132.76</b>	<b>16985.29</b>	<b>15174.20</b>
CAPITAL WORK IN PROGRESS	1298.76	0.00	2534.08	0.00	2526.72	1306.12	0.00	0.00	0.00	0.00	0.00	0.00	1306.12	1298.76
<b>GRAND TOTAL</b>	<b>20197.35</b>	<b>1928.19</b>	<b>5539.21</b>	<b>497.35</b>	<b>2743.23</b>	<b>24424.17</b>	<b>3724.39</b>	<b>1028.84</b>	<b>1765.18</b>	<b>318.10</b>	<b>67.55</b>	<b>6132.76</b>	<b>18291.41</b>	<b>16472.96</b>
PREVIOUS YEAR	13709.81	107.23	7457.68	0.00	1077.37	20197.35	2659.52	22.49	1050.29	0.00	7.91	3724.39	16472.96	

(1) Refer note no. 2(vi) of Schedule 18

(2) Refer note no. 2(vii) of Schedule 18

## SCHEDULES TO THE ACCOUNTS

	As at 31st March, 2000		As at 31st March, 1999	
	Rupees in Lacs	Rupees in Lacs	Rupees in Lacs	Rupees in Lacs
<b>SCHEDULE 6 : INVESTMENTS (AT COST)</b>				
National Savings Certificates (Deposited with Government Authorities)		0.12		0.00
<b>Trade Investments</b>				
<b>A) Quoted</b>				
M.J. Pharmaceuticals Ltd. - 21,92,734 (Previous Year 21,92,734) Equity Shares of Rs.10 each fully paid	330.58		330.58	
Gujarat Lyka Organics Ltd. - Nil (Previous Year 56,69,560) Equity Shares of Rs.10 each fully paid (Refer note no. 2(iii) of Schedule 18)	0.00		567.47	
Ambalal Sarabhai Enterprises Ltd. - Nil (Previous Year 1,94,650) Equity Shares of Rs.10 each fully paid	0.00		23.19	
Bank of India - Nil (Previous Year 1800) Equity Shares of Rs. 10 each fully paid	0.00		0.81	
Caraco Pharmaceutical Laboratories Ltd., - USA 65,60,000 (Previous Year 53,00,000) fully paid Common Shares of no par value	2886.37	3216.95	2886.37	3808.42
<b>Market Value - Rs. 3237.37 lacs (Previous Year Rs. 3748.06 lacs)</b>				
<b>B) Unquoted - In Subsidiary Companies</b>				
Sun Pharmaceutical Exports Ltd. - 19,74,092 (Previous Year 19,74,092) Equity Shares of Rs 10 each fully paid	1610.58		1610.58	
Sun Pharma Advance Research Centre Pvt. Ltd. - 50,750 (Previous Year 50,750) Equity Shares of Rs 10 each fully paid	5.08		5.08	
Sun Pharma Industries Ltd. Russia-1,000 (Previous Year 1,000) Shares of Rubles 20 each fully paid	2.29		2.29	
Sun Pharma Global Inc. BVI - 5,00,000 (Previous Year 5,00,000) Shares of US \$ 1 each fully paid	175.50		175.50	
Milmet Pharma Ltd. - 9,000 (Previous Year Nil) Equity Shares of Rs 10 each fully paid	0.90	1794.35	0.00	1793.45
		<u>5011.42</u>		<u>5601.87</u>

Note: Investment aggregating Rs. 0.41 lacs of erstwhile  
Gujarat Lyka Organics Ltd. have been written off during the year.

## SCHEDULE 7 : INVENTORIES

(As valued and certified by the Management)

	As at 31st March, 2000		As at 31st March, 1999	
	No.	Value Rs.	No.	Value Rs.
<b>Pharma Operations</b>				
Consumables Stores		6.93		12.60
Raw Materials	2908.43		1641.59	
Packing Materials	224.18		215.05	
Finished Goods	3077.00		2081.43	
Work-in-Progress	1020.99	7230.60	1032.95	4971.02
Shares and Securities *		0.00		1.00
Assets on Hire		0.00		25.67
		<u>7237.53</u>		<u>5010.29</u>

## \* Name of the Company

Quoted	Opening Stock		Purchase		Sales		Closing Stock	
	No.	Value Rs.	No.	Value Rs.	No.	Value Rs.	No.	Value Rs.
Sun F&C Mutual Fund - Units of Rs.10 each fully paid	10000	100000	0	0	10000	110000	0	0

Sun Pharmaceutical Industries Ltd.

## SCHEDULES TO THE ACCOUNTS

	As at 31st March, 2000		As at 31st March, 1999	
	Rupees in Lacs	Rupees in Lacs	Rupees in Lacs	Rupees in Lacs
<b>SCHEDULE 8 : SUNDRY DEBTORS</b>				
(Unsecured-Considered Good)				
Over Six Months		643.97		703.06
Others		6445.07		7533.69
		<u>7089.04</u>		<u>8236.75</u>
<b>SCHEDULE 9 : CASH AND BANK BALANCES</b>				
Cash and Cheques in hand		<u>76.63</u>		<u>80.53</u>
Balances with Scheduled Banks				
a) On Current Accounts	287.64		211.64	
b) On Deposit Accounts	35.20		535.41	
c) On Unpaid Dividend Accounts	<u>35.86</u>	<u>358.70</u>	<u>22.89</u>	<u>769.94</u>
		<u>435.33</u>		<u>850.47</u>
<b>SCHEDULE 10 : LOANS AND ADVANCES</b>				
(Unsecured-Considered Good, unless stated otherwise)				
Loan to Employees # / Others*		901.36		5394.70
Advances recoverable in cash or in kind or for value to be received		211.21		505.64
Advances to Suppliers				
Considered Good		945.09		1087.17
Considered Doubtful	8.41		8.41	
Less: Provision for Doubtful Advances	<u>8.41</u>	<u>0.00</u>	<u>8.41</u>	<u>0.00</u>
Balances with Central Excise and Customs		360.08		347.57
DEPB and Advance Licence		871.37		318.06
Other Deposits		268.33		169.42
Advance Payment of Income Tax (Net of provision)		<u>152.39</u>		<u>280.22</u>
		<u>3709.83</u>		<u>8102.78</u>
# Due from an officer of the Company				
Rs. 11.66 lacs (Previous Year Rs. 12.81 lacs), Maximum amount outstanding during the year				
Rs. 12.81 lacs (Previous Year Rs. 13.00 lacs)				
* Secured Loans Rs. 324.35 lacs (Previous Year Rs. 1082.23 lacs)				
<b>SCHEDULE 11 : CURRENT LIABILITIES AND PROVISIONS</b>				
<b>Current Liabilities</b>				
Acceptances	582.00		2426.44	
Sundry Creditors and Advances from Customers				
Due to Small Scale Industrial Undertakings	164.37		0.00	
Others	2844.64		1500.87	
Security Deposits	614.89		615.33	
Unclaimed Dividend	35.86		22.84	
Other Liabilities	1854.72		1015.74	
Interest Accrued but Not Due	<u>6.69</u>	<u>6103.17</u>	<u>13.39</u>	<u>5594.61</u>
<b>Provisions</b>				
Equity Dividend		616.91		1233.83
Corporate Dividend Tax		<u>67.86</u>		<u>135.72</u>
		<u>6787.94</u>		<u>6964.16</u>

## SCHEDULES TO THE ACCOUNTS

	Year ended 31st March, 2000		Year ended 31st March, 1999	
	Rupees in Lacs	Rupees in Lacs	Rupees in Lacs	Rupees in Lacs
<b>SCHEDULE 12 : INCOME FROM OPERATIONS</b>				
Sales		47641.62		35559.16
Export Incentives		8.05		23.58
Share of Profit from Partnership Firm		0.00		116.95
Lease Rental / Hire Charges	210.60		311.19	
Less: Lease Equalisation Account	82.00	128.60	183.39	127.80
Conversion/Analytical Charges-Tax deducted at source Rs. 0.66 lacs (Previous Year Rs. 0.10 lacs)		43.69		7.34
Dividend		21.66		0.04
		<u>47843.62</u>		<u>35834.87</u>
<b>SCHEDULE 13 : OTHER INCOME</b>				
Other Interest-Tax deducted at source Rs.1.54 lacs (Previous Year Rs.1.16 lacs)		40.12		67.50
Profit on Sale of Fixed Assets		2.44		0.00
Profit on sale of Investments		4.63		0.00
Insurance Claims		35.70		0.34
Miscellaneous Income-Tax deducted at source Rs. 5.66 lacs (Previous Year Rs. 0.86 lacs)		173.81		64.30
		<u>256.70</u>		<u>132.14</u>
<b>SCHEDULE 14 : MATERIAL COST</b>				
Inventories at the beginning of the year	4972.02		4891.97	
Transferred from Amalgamating Company	658.10	5630.12	87.30	4979.27
Purchases during the year		22339.92		16426.39
Inventories at the end of the year		(7,230.60)		(4,972.02)
		<u>20739.44</u>		<u>16433.64</u>
<b>SCHEDULE 15 : INDIRECT TAXES</b>				
Excise Duty		3645.81		2194.09
Sales Tax		1134.23		1161.95
Turnover Tax		27.51		44.28
Purchase Tax		34.75		0.89
		<u>4842.30</u>		<u>3401.21</u>
<b>SCHEDULE 16 : PERSONNEL COST</b>				
Salaries, Wages, Bonus and Benefits		2368.47		2116.29
Contribution to Provident and Other Funds		250.10		245.07
Other Welfare Expenses		295.88		350.79
		<u>2914.45</u>		<u>2712.15</u>
<b>SCHEDULE 17 : OPERATIONAL EXPENSES</b>				
Stores and Spares Consumed		300.77		102.96
Manufacturing Charges		687.01		193.50
Power and Fuel		841.80		415.93
Rent		94.08		54.43
Rates and Taxes		39.19		40.03
Insurance		67.79		60.29
Selling and Distribution		2469.44		2038.29
Commission and Discount		335.20		84.95
Repairs: Building	48.84		60.61	
Plant and Machinery	397.97		244.18	
Others	83.94	530.75	6.53	311.32

## SCHEDULES TO THE ACCOUNTS

	Year ended 31st March, 2000		Year ended 31st March, 1999	
	Rupees in Lacs	Rupees in Lacs	Rupees in Lacs	Rupees in Lacs
Printing and Stationery		118.07		103.96
Travelling and Conveyance		400.07		453.70
Overseas Travel and Export Promotion		797.15		640.54
Communication		353.54		303.20
Research and Development		292.38		104.22
R&D Deferred Revenue Expenditure Written Off		0.00		120.28
Irrecoverable Debts/Advances Written Off	443.81		182.21	
Less: Bad Debts Recovered	<u>122.82</u>	<u>320.99</u>	<u>4.47</u>	<u>177.74</u>
Professional and Consultancy		139.52		112.42
Donations		30.17		3.64
Loss on Sale of Fixed Assets		0.00		3.52
Audit Fees		11.00		7.00
Miscellaneous		667.76		628.89
		<u>8496.68</u>		<u>5960.81</u>

## SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 2000

### SCHEDULE 18 : 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 & Spares	-	at cost
Work-in-progress	-	at cost
Finished goods	-	at lower of cost or net realisable value
Shares & Securities	-	at lower of cost or market value
Stock on hire	-	at agreement value less instalments received

(v) **Research and Development**

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

(vi) **Sales**

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

(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**

- The Company's contribution in respect of Provident Fund is charged to Profit and Loss Account each year.
- The Company contributes to Life Insurance Corporation of India for Group Gratuity Policy and Superannuation fund.



**SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 2000**

- (c) Liability for accumulated earned privileged leave of employees is ascertained and provided for as on the date of the Balance Sheet.
- 2 Pursuant to the scheme of rehabilitation of the erstwhile Gujarat Lyka Organics Ltd. with the Company, as sanctioned by the Board for Industrial and Financial Reconstruction;
- (i) The assets and liabilities of the erstwhile Gujarat Lyka Organics Ltd. were transferred to and vested in the Company with effect from 1st April, 1999. The scheme has accordingly been given effect to in these Accounts.
- (ii) 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 Gujarat Lyka Organics Ltd. as at 1st April 1999 have been taken over at their respective book values subject to adjustments made for the differences in the accounting policies between the two companies.
- (iii) The Company's investment in 56,69,560 equity shares of Rs. 10 each fully paid of Gujarat Lyka Organics Ltd., stands cancelled.
- (iv) Accumulated debit balance of Rs. 2019.51 lacs in the Profit and Loss Account of erstwhile Gujarat Lyka Organics Ltd. has been adjusted in the General Reserve.
- (v) After considering the extinguishment of shares held in the erstwhile Gujarat Lyka Organics Ltd. by the Company, 477,788 (net of cancellation) equity shares of Rs. 10 each of the Company are to be issued to the shareholders of erstwhile Gujarat Lyka Organics Ltd. in the ratio of 1 share of the Company for every 21.33 shares of Gujarat Lyka Organics Ltd. Pending allotment of the aforesaid equity shares, an amount of Rs. 47.78 lacs has been disclosed as share capital suspense as at March 31, 2000.
- (vi) Fixed assets being Land, Building and Plant & Machinery were stated at the revalued amounts in the books of erstwhile Gujarat Lyka Organics Ltd. As per the Company's accounting policy, fixed assets are stated at historical cost. Accordingly, Rs. 497.35 lacs and Rs. 318.10 lacs have been reduced from gross block and depreciation reserve respectively. Correspondingly, the balance of Rs. 179.25 lacs in revaluation reserve account of erstwhile Gujarat Lyka Organics Ltd. has also been adjusted.
- (vii) Gujarat Lyka Organics Ltd used to provide depreciation on its Plant & Machinery @ 5.28% considering it as a continuous process plant. However, the Company provides depreciation @ 10.34% on its other plants wherever the plants work on triple shift basis. Accordingly, the Company has re-computed depreciation on the Plant & Machinery of erstwhile Gujarat Lyka Organics Ltd. unit @ 10.34% since inception. An additional depreciation of Rs.373.21 lacs arising out of this change has been provided during the current year. Furniture, Fixture, Office Equipments and Vehicles of erstwhile Gujarat Lyka Organics Ltd. were depreciated on WDV basis. The Company has recomputed the depreciation on these assets on SLM basis, and Rs.15.96 lacs being excess depreciation provided for the period upto 31.3.99 has been written back during the current year. The net short provision of the depreciation of Rs.357.25 lacs has been adjusted from Amalgamation Reserve.
- (viii) Figures for the current financial year include figures for the erstwhile Gujarat Lyka Organics Ltd. and are therefore strictly not comparable to those of the previous year.

	As at 31st March, 2000 Rupees in Lacs	As at 31st March, 1999 Rupees in Lacs
<b>3. CONTINGENT LIABILITIES NOT PROVIDED FOR</b>		
(i) Guarantees given by the company	372.80	2934.19
(ii) Letter of credit	755.21	233.15
(iii) Bills discounted	361.87	293.60
(iv) Liabilities Disputed		
Sales Tax	489.82	287.90
Excise Duty	20.68	8.87
Income tax	89.25	10.20
Towards price equalisation fund - DPEA	100.49	100.49
ESIC Contribution	0.00	11.46
Import duty - JDGFT	149.84	122.59
<b>4. CAPITAL COMMITMENTS</b>		
Fixed assets	138.83	347.71

**SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 2000**

	Year ended 31st March, 2000 Rupees in Lacs	Year ended 31st March, 1999 Rupees in Lacs
<b>5. REMUNERATION TO DIRECTORS</b>		
a) Managerial Remuneration u/s 198 of the Companies Act, 1956		
Salaries & Allowances	76.48	50.42
Contribution to Provident Fund and Superannuation Funds	5.71	10.41
Perquisites and Benefits	1.43	0.23
b) No commission is paid to the Directors. Remuneration paid to the Directors is within the limits specified under Section 198 of the Companies Act, 1956.		

**6. RESEARCH AND DEVELOPMENT EXPENDITURE**

i) Revenue/Deferred Revenue Expenditure	869.59	528.49
ii) Capital Expenditure	1009.52	449.50

**7. INTEREST EXPENSES**

Interest paid on :		
Fixed Loans	574.55	750.76
Debentures	80.81	161.05
Others	385.35	282.72

**8. INFORMATION RELATING TO CONSUMPTION OF MATERIALS**

(a) Raw Materials and Packing Materials :	Quantity		Value	
		Rupees in Lacs		Rupees in Lacs
- Raw Materials - Kgs	8350180	10021.44	4290132	6445.24
- Raw Materials - Kilo Ltrs	468	118.62	206	65.21
- Raw Materials (PEN G) - BOU (in '000)	492	2325.54	0	0.00
- Packing/other Materials *	*	733.23	*	633.36
Total		<u>13198.83</u>		<u>7143.81</u>

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

(b) Imported and Indigenous :	%		Value	
		Rupees in Lacs		Rupees in Lacs
(i) Raw material & Packing materials :				
- Imported	26.03	3436.23	17.57	1254.94
- Indigenous	73.97	9762.60	82.43	5888.87
Total	<u>100.00</u>	<u>13198.83</u>	<u>100.00</u>	<u>7143.81</u>
(ii) Stores and Spares				
- Imported	1.39	4.18	8.23	8.47
- Indigenous	98.61	296.59	91.77	94.49
Total	<u>100.00</u>	<u>300.77</u>	<u>100.00</u>	<u>102.96</u>

## SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 2000

As at 31st March, 2000

As at 31st March, 1999

## 9. INFORMATION RELATING TO LICENSED CAPACITY AND PRODUCTION

(\* As certified by the Management)

## (a) Tablets/Capsules/Parenterals/Ointments (In millions)

Licensed Capacity	Not Applicable	Not Applicable
* Installed Capacity	3542	2672
Actual Production (including Loan Licence)	1534	1242

## (b) Bulk Drugs/Chemicals(in kgs)

Licensed Capacity	Not Applicable	Not Applicable
* Installed Capacity	1252550	403268
Actual Production	423489	169442

## (c) Liquids (in kilo Ltrs)

Licensed Capacity	Not Applicable	Not Applicable
* Installed Capacity	600	600
Actual Production (including Loan Licence)	0	146

## (d) Vials (In '000)

Licensed Capacity	Not Applicable	Not Applicable
* Installed Capacity	0	6240
Actual Production (including Loan Licence)	0	4745

## 10 INFORMATION RELATING TO TURNOVER, PURCHASE &amp; STOCK

(Rupees in Lacs)

	Turnover		Purchases		Opening Stock*		Closing Stock	
	Qty	Value	Qty	Value	Qty	Value	Qty	Value
(i) Formulations (Qty/Millions)								
1999-00	1811.60	31026.55	392.04	7162.79	182.04	1246.60	296.25	1680.72
1998-99	1505.66	24774.31	309.27	6870.08	131.68	1336.09	182.04	1246.60
(ii) Formulations (Qty/KiloLtrs)								
1999-00	0.00	0.00	0.00	0.00	0.57	2.30	0.57	2.30
1998-99	156.39	36.37	0.00	0.00	10.96	14.52	0.57	2.30
(iii) Bulk Drugs/Chemicals (Qty/Kgs)								
1999-00	717965.90	16511.01	48128.00	1027.36	286664.20	908.82	40314.95	1393.98
1998-99	191637.00	10724.32	272897.00	2756.08	33435.00	302.94	284137.00	832.53
(iv) Others								
1999-00	0.00	104.06	0.00	97.14	0.00	1.00	0.00	0.00
1998-99	0.00	24.16	0.00	25.00	0.00	0.00	0.00	1.00
<b>Total</b>								
1999-00		47641.62		8287.29		2158.72		3077.00
1998-99		35559.16		9651.16		1653.55		2082.43

\* includes Opening Stock of erstwhile Gujarat Lyka Organics Ltd. Rs 76.29 lacs

## SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 2000

### 11 INCOME/EXPENDITURE IN FOREIGN CURRENCY

	Year ended 31st March, 2000 Rupees in Lacs	Year ended 31st March, 1999 Rupees in Lacs
<b>INCOME</b>		
Export of goods on (FOB) basis	5520.01	6196.61
<b>EXPENDITURE</b>		
Raw Materials (CIF basis)	3558.63	1582.94
Packing Materials (CIF basis)	8.41	0.00
Finished goods (CIF basis)	394.52	1444.15
Capital Goods (CIF basis)	397.88	193.34
Spares & Components (CIF basis)	45.60	8.47
Overseas Travelling Expenses	209.41	159.74
Others	347.33	487.24

- 12 Foreign currency transactions are translated as per the accounting policy referred to in item 1 (vii) above. The exchange gain of Rs.118.08 lacs (P.Y. Rs.213.98 lacs) is included in the net profit for the year.
- 13 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.1400 lacs 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.
- 14 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 United States of America is shown at cost valued at Rs. 2886.37 lacs and Rs. 3346.98 lacs respectively. Caraco has repaid partial loan of Rs.882 lacs and interest Rs.24.02 lacs subsequent to the Balance Sheet date. The net worth of Caraco has been completely eroded as on December 31, 1999. 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.
- 15 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.
- 16 Impact of Y2K Issue**  
The Company has successfully rolled over into the Year 2000. All the critical information, accounting and communication systems are operating satisfactorily. While prevailing view of the experts is that the problem can still occur during the Year 2000, in the opinion of the Management, the extensive preparatory work carried out in 1999 is expected to enable the Company to address this problem successfully should it occur.
- 17 Remittance in Foreign Currency during the year on account of Dividend**  
The Company has paid dividend in respect of shares held by non-residents on repatriable basis. The total amount of Rs. 0.35 lacs was remitted towards the dividend for financial year 1998-99 to 2 shareholders on total 5800 shares.
- 18 Pursuant to the change in accounting policy (amortisation over a period of 5 years) relating to expenditure on Research & Development, the balance of Rs 700.79 lacs in the deferred revenue expenditure account as on April 1, 1999, has been taken to the Profit and Loss Account. Further from the current year onwards, the revenue expenditure incurred on research and development (R&D) activities is charged off to the Profit & Loss Account.  
Had the Company followed the earlier practice of deferring R&D expenses, the net profit for the year would have been higher by Rs.168.96 lacs.
- 19 Subsequent to the Balance Sheet date, the Company has issued 30,844,466 equity shares of Rs.10 each as bonus shares to the shareholders of the Company in the ratio of 2 bonus shares for each share.
- 20 Subject to the approval of the shareholders and other necessary approvals as may be required, Sun Pharmaceutical Exports Ltd., a subsidiary of the Company is being proposed to be merged with the Company with effect from April 1, 2000.
- 21 Figures of the previous year, corresponding to the current year are regrouped / reclassified wherever necessary.

**SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 2000****22 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. 04/19050 State Code 04  
 Balance Sheet Date 31st March, 2000

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

Public Issue	Right Issue
<span style="border: 1px solid black; padding: 2px;">NIL</span>	<span style="border: 1px solid black; padding: 2px;">NIL</span>
Bonus Issue	Private Placement
<span style="border: 1px solid black; padding: 2px;">NIL</span>	<span style="border: 1px solid black; padding: 2px;">NIL</span>

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

Total Liabilities	Total Assets
<span style="border: 1px solid black; padding: 2px;">1164969</span>	<span style="border: 1px solid black; padding: 2px;">4812154</span>
<b>Sources of Funds</b>	<b>Reserves and Surplus</b>
Paidup Capital	<span style="border: 1px solid black; padding: 2px;">2997435</span>
<span style="border: 1px solid black; padding: 2px;">649750</span>	Unsecured Loans
Secured Loans	<span style="border: 1px solid black; padding: 2px;">118984</span>
<span style="border: 1px solid black; padding: 2px;">367191</span>	

Paidup Capital includes Rs. 47.78 lacs raised pursuant to the Scheme of Amalgamation of Gujarat Lyka Organics Ltd.

**Application of Funds**

Net Fixed Assets	Investments
<span style="border: 1px solid black; padding: 2px;">1829141</span>	<span style="border: 1px solid black; padding: 2px;">501142</span>
Net Current Assets	Miscellaneous Expenditure
<span style="border: 1px solid black; padding: 2px;">1803077</span>	<span style="border: 1px solid black; padding: 2px;">NIL</span>
Accumulated Losses	
<span style="border: 1px solid black; padding: 2px;">NIL</span>	

**iv Performance of the Company (Amount in Rs. Thousands)**

Total Income	Total Expenditure
<span style="border: 1px solid black; padding: 2px;">4810032</span>	<span style="border: 1px solid black; padding: 2px;">3838245</span>
Profit Before Tax	Profit After Tax
<span style="border: 1px solid black; padding: 2px;">971787</span>	<span style="border: 1px solid black; padding: 2px;">906717</span>
Earning per share Rs.	Dividend Rate
<span style="border: 1px solid black; padding: 2px;">54.44</span> *	<span style="border: 1px solid black; padding: 2px;">100%</span>

\* The EPS has been calculated after considering dividend on Preference Share Capital upto 31st March, 2000

**v Generic Names of Three Principal Products/Services 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 18 form an integral part of Accounts

**Partha Ghosh**

Partner

For and on behalf of

**Price Waterhouse**

Chartered Accountants

Mumbai, 6th June, 2000

**R.K.BAHETI**

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.

## 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 2000 reported by us on 6th June 2000.
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, 6th June, 2000

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2000

	Year ended 31st March, 2000 Rupees in Lacs	Year ended 31st March, 1999 Rupees in Lacs
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Net Profit before tax and extraordinary items</b> (including foreign exchange gain Rs. 118.08 lacs)	<b>9717.87</b>	6099.12
<b>Adjustments for:</b>		
Depreciation / Lease terminal adjustment	1732.77	1042.70
Amortisation-Deferred Revenue Expenditure	0.00	120.28
(Profit) / Loss on sale of assets	(2.44)	3.52
Profit on sale of investments	(4.63)	0.00
Net interest paid	55.94	425.68
<b>Subtotal of Adjustments</b>	<b>1781.64</b>	1592.18
<b>Operating Profit before working capital changes</b>	<b>11499.51</b>	7691.30
<b>Adjustments for:</b>		
Trade and Other Receivables	5412.83	(6475.43)
Deposit with ICICI Ltd.	(3000.00)	0.00
Loans to Caraco Pharmaceutical Laboratories Ltd.,USA	(3020.56)	(326.42)
Inventories	(2227.24)	88.51
Trade Payables	508.56	1337.55
Bank Borrowings availed (including Commercial Papers)	11.24	3392.41
<b>Subtotal of Adjustments</b>	<b>(2315.17)</b>	(1983.38)
<b>Cash generated from operations</b>	<b>9184.34</b>	5707.92
Add: Interest received	944.65	701.37
Less: Interest paid	(1040.71)	(1194.55)
Less: Direct Taxes paid	(535.94)	(305.56)
<b>Cash flow before extraordinary items</b>	<b>8552.34</b>	4909.18
(Decrease) / Increase in reserves on amalgamation	(1185.35)	34.56
<b>Net Cash from operating activities</b>	<b>7366.99</b>	4943.74

Sun Pharmaceutical Industries Ltd.

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2000**

	Year ended 31st March, 2000 Rupees in Lacs	Year ended 31st March, 1999 Rupees in Lacs
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(3732.59)	(6524.45)
Sale of Fixed Assets	196.88	55.88
Subsidy received	15.00	0.00
Deferred Revenue Expenditure on Research & Development	0.00	(361.26)
Sale / (Purchase) of Investments	595.08	(1028.65)
Interest received	40.12	67.50
<b>Net Cash used in investing activities</b>	<b>(2885.51)</b>	<b>(7790.98)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of Equity Share Capital	47.78	20.80
Calls received	1.43	0.17
(Redemption)/Issue of Preference Share Capital	(110.00)	5017.50
Redemption of Debentures	(35.00)	0.00
Repayment of Long Term Borrowings	(1892.73)	(803.37)
Short Term Loans taken	73.40	34.24
Dividends and Corporate Dividend Tax paid	(2981.50)	(1208.94)
<b>Net Cash from financing activities</b>	<b>(4896.62)</b>	<b>3060.40</b>
<b>D. NET INCREASE IN CASH AND CASH EQUIVALENTS [A+B+C]</b>	<b>(415.14)</b>	<b>213.16</b>
<b>E. CASH AND CASH EQUIVALENTS AS AT 1ST APRIL, 1999</b>	<b>850.47</b>	<b>637.31</b>
<b>F. CASH AND CASH EQUIVALENTS AS AT 31ST MARCH, 2000 [D+E]</b>	<b>435.33</b>	<b>850.47</b>

**Notes:**

- 1) The figures of 1999-2000 includes assets & liabilities of erstwhile Gujarat Lyka Organics Ltd. transferred pursuant to scheme of amalgamation.
- 2) Previous year's figures have been regrouped/reclassified, wherever necessary.

For and on behalf of the Board

**DILIP S. SHANGHVI**  
Chairman & Managing Director

Mumbai, 6th June, 2000

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

	Name of Subsidiary	Sun Pharmaceutical Exports Ltd.	Sun Pharma Industries Ltd. Russia	Sun Pharma Global Inc. BVI	Sun Pharmaceutical Advanced Research Center Ltd.	Milmet Pharma Ltd.
1	The financial year of the Subsidiary Company ended on	31st March, 2000	31st December, 1999	31st December, 1999	31st March, 2000	31st March, 2000
2	Shares in the Subsidiary held by the Holding Company as at the above date A) Number of Shares B) Extent of Holding	1974092 Equity Shares of Rs. 10 each fully paid-up 99.28%	1000 Shares of Rubles 20 each fully paid-up 100%	500000 Shares of US\$ 1 each fully paid-up 100%	50750 Equity Shares of Rs. 10 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 <sup>st</sup> March, 2000 (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 31st March, 2000 (i) For the Subsidiary's financial year ended as aforesaid (ii) For the previous financial year of the Subsidiary, since it became the Holding Company's Subsidiary					
	(i) For the Subsidiary's financial year ended as aforesaid	Rs. 107542936	Rubles (79024)	US\$ 694409	Rs. 9733617	Rs. 195352
	(ii) For the Previous financial years of the subsidiary, since it became Holding Company's Subsidiary	Rs. 67404190	Rubles (85744)	US\$ 227055	Rs. (6602542)	Not Applicable
	(i) For the Subsidiary's financial year ended as aforesaid	Nil	Nil	Nil	Nil	Nil
	(ii) For the previous financial year of the Subsidiary, since it became the Holding Company's Subsidiary	Nil	Nil	Nil	Nil	Nil
4	A) Change in the interest of the Holding Company between the end of the last financial year of the Subsidiary and 31st March, 2000 B) Material changes occurred between end of the financial year of the Subsidiary and 31st March, 2000	Nil Not applicable	Nil Nil	Nil Nil	Nil Not applicable	Acquisition of 9000 Equity Shares of Rs. 10 Not applicable

**ON BEHALF OF THE BOARD**

**DILIP S.SHANGHVI**  
Chairman & Managing Director

**SUDHIR V. VALIA**  
Wholetime Director

**SAILESH T. DESAI**  
Wholetime Director

**R.K.BAHETI**  
VP-Finance & Company Secretary

Mumbai, 6th June, 2000

Sun Pharmaceutical Industries Ltd.



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

	<u>Year ended 31st March, 2000</u>	<u>Year ended 31st March, 1999</u>
<b>A. Power and Fuel Consumption</b>		
<b>1. Electricity</b>		
<b>(a) Purchased</b>		
Unit (in '000 kwh)	11381.37	7104.29
Total Amount (Rs. in lacs)	486.45	257.24
Rate (Rs./Unit)	4.27	3.62
<b>(b) Own Generation</b>		
<b>Through Diesel Generator</b>		
Unit (in '000 kwh)	718.84	334.69
Unit per litre of Diesel Oil	3.09	3.35
Cost per unit	4.57	3.67
<b>2. Furnace Oil</b>		
Quantity (Litres '000)	2307.66	1815.98
Total Amount (Rs. in lacs)	200.94	106.29
Average Rate (Rs./unit)	8.71	5.85
<b>3. Gas (for steam)</b>		
Through Gas units (Litres '000)	934.06	0.00
Total Amount (Rs. in lacs)	66.28	0.00
Average Rate (Rs./unit)	7.10	0.00

**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 have installed Filter Regulator Lubricator System in airline wherever required and use only Non-lubricated Air Compressor instead of using separate Lubricated Air Compressor.
2. We use steam in place of electricity for heating of Demineralized water, fluid bed dryers, for producing hot air systems for coating department and for making starch paste.
3. Conversion of Meg Brine into Methanol Brine. It will reduce the cost of Brine - Rs.4.00 lacs p.a.
4. Regeneration frequency revised after 2.5 microsiems/cm instead of 1.0 microsiems/cm.
5. Sanitation of Demineralized water system, frequency revised once in week instead of every three days. It will help to reduce the cost of Demineralized water.

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

Research & Development has continued to be an important part of growth and steps were taken to further strengthen it by way of additional investment during the year. Conventional research areas - speciality bulk actives, peptides, different dosage forms accounted for about 80% of the investments. Long term research projects in the areas of analog New Chemical Entity and Novel Drug Delivery System accounted for the rest. Several complex, multiple stage bulk actives were developed and marketed during the year.

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

In an increasing competitive scenario, product identification and designing a product with a differentiation are key factors that help gain customer share of mind. Your company has for years maintained an aggressive new product

introduction schedule, and these contribute to a large part of the turnover. Such new and differentiated products that have made Sun Pharmaceutical Industries Ltd. a rated company with its group of specialists.

The Bulk active of such products is difficult to source. Access to high quality process development skills in-house has helped cut costs as well as time to reach the market. All the bulk drugs manufactured by us are based on technology that is developed in-house at SPARC. Several of these bulk actives are also sold to large companies abroad.

The Department of Science & Technology, Government of India has granted approval to In-House Research and Development facility of your company under section 35 (2AB) of the Income tax Act, 1961 and recognised our 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

In view of the likely upside should a project succeed in drug discovery or novel delivery systems, your company is proposing an investments of about Rs. 35 Crores over the next 2 years. Our team at SPARC, Baroda is actively pursuing projects based on New Chemical Entities. This effort will be multiplied several fold once the new research campus at Chennai becomes operational and meets with success in its projects.

These efforts will complement investments in conventional dosage forms and bulk active synthesis required to maintain an active pipeline.

### 4. Expenditure on R&D

	Year ended 31st March, 2000	Year ended 31st March, 1999
	Rupees in Lacs	Rupees in Lacs
(i) Capital	1015.37	449.50
(ii) Revenue/Deferred Revenue	985.03	528.49
(iii) Total	2000.40	977.99
(iv) Total R&D expenses as % of total turnover.	4.20%	2.75%

(Including expenditure of Rs.121.30 lacs incurred by a wholly owned subsidiary company)

## 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 able to launch a few products at considerably competitive prices. These products were imported at very high prices by other companies.
- Continuous process development of bulk drugs produced in house has helped to control costs considerably.
- Several new products including combination were launched for the first time in the country based on the work done at SPARC.

### 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, 2000	Year ended 31st March, 1999
	Rupees in Lacs	Rupees in Lacs
Earning from Export	5520.01	6196.61
Expenditure in Foreign Currency	4961.78	3875.88
Investment/Loan given in Foreign Currency	3020.56	1342.80

# SUN PHARMACEUTICAL EXPORTS LTD.

## DIRECTORS' REPORT

To,

The Members of Sun Pharmaceutical Exports Ltd.

Your Directors have pleasure in presenting you the 12th Annual Report of your Company together with the Audited Accounts for the year ended on 31st March, 2000.

### FINANCIAL RESULTS AND OPERATIONS

	1999-2000 Rupees	1998-1999 Rupees
Sales and Other Income	663,076,891.63	320,044,361.09
Gross Profit for the year	108,816,011.57	73,827,797.08
Less: Interest	—	5,765,032.61
Depreciation	103,282.11	91,680.56
Prior Period Taxation	389,869.00	—
<b>Net Profit for the year</b>	<b>108,322,860.46</b>	<b>67,971,083.91</b>

### DIVIDEND

In order to conserve the resources of the Company, your Directors do not recommend any dividend on the Equity Shares of the Company.

### OPERATIONS

During the year under review there has been a significant growth in the turnover and net profit of the company. The performance in the major thrust area i.e. export has been very good during the year. The export turnover was recorded at Rs.5,553 lacs as compared to Rs. 2,185 lacs of that of previous year (up by 154%). The net profit for the year has increased to Rs.1,083 lacs which is higher by 59% over the previous years profit of Rs.680 lacs.

### FUTURE OUTLOOK

Your Company, subject to approval of shareholders and High Court, is proposed to merge with its holding company, Sun Pharmaceutical Industries Ltd.

### DIRECTORS

In accordance with the provisions of the Companies Act, 1956, Shri Sudhir V. Valia retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

### PARTICULARS OF EMPLOYEES

No particulars pursuant to Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules 1975 as amended, are given, since the Company has no person in its employment drawing salary in excess of Rs.600,000/- per annum or Rs.50,000/- per month.

### AUDITORS

Your Company's auditors Messrs. Valia & Timbadia retire at the conclusion of the forthcoming Annual General Meeting and have offered themselves for re-appointment.

### ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation for the wholehearted and sincere co-operation the Company has received from Government Bodies, Bankers, Customers and Suppliers.

ON BEHALF OF THE BOARD OF DIRECTORS

DILIP S. SHANGHVI Director

SUDHIR V. VALIA Director

Mumbai, 5th June, 2000

## AUDITORS' REPORT

To,

The Members of Sun Pharmaceutical Exports Ltd.

We have audited the attached Balance Sheet of Sun Pharmaceutical Exports Ltd. as at 31st March, 2000 and also the Profit and Loss Account of the Company for the year ended on that date, annexed thereto, and we report as follows:

- As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order, on the basis of such checks 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;
- Further to our comments in the Annexure referred to in paragraph (1) above:
  - we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;

- the Balance Sheet and the Profit and Loss Account dealt with by the 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.
- 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 the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2000 and,
  - 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, 5th June, 2000

# SUN PHARMACEUTICAL EXPORTS LTD.

## ANNEXURE TO THE AUDITORS' REPORT\*

(\*Referred to in paragraph 1 of our Report of even date on the accounts of Sun Pharmaceuticals Exports Limited for the year ended 31st March, 2000)

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets which have been physically verified by the management during the year and no material discrepancies were noticed on such verification.
2. The fixed assets of the Company have not been revalued during the year.
3. The stocks of finished goods and raw materials have been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
4. 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 the nature of its business.
5. The discrepancies noticed on physical verification of stocks as compared to book records were not material and the same have been properly dealt with in the books of account.
6. On the basis of our examination of stock records, we are of the opinion that the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles, and is on the same basis as in the preceding year.
7. The Company has not taken any loans from companies, firms or other parties listed in the register maintained under Section 301 and/or 370 (1B) of the Companies Act, 1956.
8. The Company has not granted any loans to companies, firms or other parties listed in the register maintained under Section 301 and/or 370 (1B) of the Companies Act, 1956.
9. The employees to whom loans or advances in the nature of loans have been given by the Company are repaying the principal amounts alongwith interest regularly as stipulated.
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of raw materials, plant and machinery, equipment and other assets and for the sale of goods.
11. In our opinion and according to the information and explanations given to us, the transactions of 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 Companies Act, 1956 and aggregating during the year to Rs.50,000/- or more 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 transactions for similar goods, materials or services have been made with other parties.

12. As explained to us, the Company has a regular procedure for determination of unserviceable or damaged raw materials and finished goods. However, during the year, no such items of raw materials or finished goods have been noticed and accordingly, the question of making any provision for loss in the accounts in respect of such items does not arise.
13. The Company has not accepted any deposits from the public to which the provisions of Section 58A of the Companies Act, 1956, and the rules made thereunder apply.
14. According to information and explanations given to us, the company does not have realisable by-products and scraps.
15. In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.
16. According to the records of the Company, Provident Fund dues have been regularly deposited during the year with the appropriate authorities.
17. According to the records of the Company, there were no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty outstanding as at 31st March, 2000, for a period of more than six months from the date they became payable.
18. On the basis of our examination of the books and according to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
19. The Company is a not a sick industrial company within the meaning of clause (a) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
20. In respect of the trading activity of the Company, we are informed that there were no damaged goods.
21. As per information and explanations given to us and taking into consideration the nature of business of the Company, Clause (xvi) of Paragraph 4 (A) of the Manufacturing and Other Companies (Auditors' Report) Order, 1988 are not applicable

For VALIA & TIMBADIA,  
Chartered Accountants.

HITEN C. TIMBADIA  
Partner.

Mumbai, 5th June, 2000

## BALANCE SHEET AS AT 31ST MARCH, 2000

	SCHEDULE	As at 31 st March, 2000		As at 31 st March, 1999	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	1	19,883,900.00		19,883,900.00	
Reserves and Surplus	2	317,393,121.29		209,070,260.83	
			337,277,021.29		228,954,160.83
<b>Loan Funds</b>					
Secured Loans	3	—		1,684,000.00	
Unsecured Loans	4	—		4,330,046.00	
			—		6,014,046.00
			337,277,021.29		234,968,206.83

## BALANCE SHEET AS AT 31ST MARCH, 2000

	SCHEDULE	As at 31 st March, 2000		As at 31 st March, 1999	
		Rupees	Rupees	Rupees	Rupees
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>	5				
Gross Block		2,701,622.38		2,701,622.38	
Less : Depreciation		194,962.67		91,680.56	
Net Block		2,506,659.71		2,609,941.82	
Add : Capital Advances and Work in Progress		7,598,467.13		3,377,485.00	
			10,105,126.84		5,987,426.82
<b>Investments</b>	6		41,802,221.00		41,802,221.00
<b>Current Assets, Loans and Advances</b>					
Inventories	7	2,646,630.80		1,393,843.50	
Sundry Debtors	8	266,272,026.66		172,952,378.60	
Cash and Bank Balances	9	37,359,737.50		9,986,579.42	
Loans and Advances	10	5,434,489.24		6,847,141.75	
		311,712,884.20		191,179,943.27	
<b>Less: Current Liabilities and Provisions</b>	11	26,343,210.75		4,001,384.26	
			285,369,673.45		187,178,559.01
			337,277,021.29		234,968,206.83
<b>NOTES TO ACCOUNTS</b>	16				

As per our report of even date attached

For VALIA & TIMBADIA  
Chartered Accountants

HITEN C. TIMBADIA  
Partner

Mumbai, 5th June, 2000

For and on behalf of the Board

DILIP S. SHANGHVI      SUDHIR VALIA  
Director                      Director

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

	SCHEDULE	For the year ended	For the year ended
		31st March, 2000	31st March, 1999
		Rupees	Rupees
<b>INCOME</b>			
Sales		659,600,255.40	320,044,361.09
Miscellaneous Income		2,176,464.00	-
Interest received (Tax deducted at source Rs. 533,704/-)		1,300,172.23	-
		663,076,891.63	320,044,361.09
<b>EXPENDITURE</b>			
Material Cost	12	500,781,595.42	217,625,602.82
Indirect Taxes	13	13,126,348.00	12,160,228.00
Personnel Cost	14	1,321,371.53	937,822.80
Operational Expenses	15	39,031,565.11	15,492,910.39
Interest		-	5,765,032.61
Depreciation		103,282.11	91,680.56
		554,364,162.17	252,073,277.18
<b>PROFIT BEFORE TAXATION</b>		108,712,729.46	67,971,083.91
<b>PRIOR PERIOD TAXATION</b>		389,869.00	-
<b>PROFIT AFTER TAXATION</b>		108,322,860.46	67,971,083.91
<b>BALANCE BROUGHT FORWARD</b>		67,893,019.91	(78,064.00)
<b>BALANCE CARRIED TO BALANCE SHEET</b>		176,215,880.37	67,893,019.91
<b>NOTES TO ACCOUNTS</b>	16		

As per our report of even date attached

For VALIA & TIMBADIA  
Chartered Accountants

HITEN C. TIMBADIA  
Partner

Mumbai, 5th June, 2000

For and on behalf of the Board

DILIP S. SHANGHVI      SUDHIR VALIA  
Director                      Director

# SUN PHARMACEUTICAL EXPORTS LTD.

## SCHEDULES TO THE ACCOUNTS

	As at 31 st March, 2000 Rupees	As at 31 st March, 1999 Rupees
<b>SCHEDULE 1 : SHARE CAPITAL</b>		
<b>Authorised</b>		
2,000,000 Equity shares of Rs 10 each	20,000,000.00	20,000,000.00
25,000 12% Redeemable Non Convertible Preference shares of Rs 100 each	2,500,000.00	2,500,000.00
250,000 Unclassified shares of Rs 10 each	2,500,000.00	2,500,000.00
	<u>25,000,000.00</u>	<u>25,000,000.00</u>
<b>Issued, Subscribed and Paid up</b>		
1,988,390 (Previous Year 1,988,390) equity shares of Rs 10 each fully paid up	19,883,900.00	19,883,900.00
<b>Note</b>		
1. Out of above shares 80,000 Equity shares of Rs 10 each fully paid up were allotted pursuant to a contract without payments being received in cash		
2. 1,974,092 (Previous Year 1,974,092) Equity shares are held by Holding Company Sun Pharmaceutical Industries Ltd		
<b>SCHEDULE 2 : RESERVES AND SURPLUS</b>		
<b>Share Premium</b>	141,176,250.00	141,176,250.00
<b>Profit and Loss Account</b> As per Annexed Account	176,215,880.37	67,893,019.91
<b>Capital Reserves</b>	990.92	990.92
	<u>317,393,121.29</u>	<u>209,070,260.83</u>
<b>SCHEDULE 3 : SECURED LOANS</b>		
From Banks - Export Packing Credit (Secured against Hypothecation of Stocks and Book Debts and Personal Guarantee of Mr Dilip S. Shanghvi, a Director)		
	-	1,684,000.00
<b>SCHEDULE 4 : UNSECURED LOANS</b>		
From a Body Corporate		
	-	4,330,046.00
	-	4,330,046.00
<b>SCHEDULE 5 : FIXED ASSETS</b>		

		GROSS BLOCK				DEPRECIATION				NET BLOCK	
Sr.No.	Description of assets	I	II	III	IV	V	VI	VII	VIII	IX	X
		As at 1st April, 1999 Rupees	Additions during the year Rupees	Deductions during the year Rupees	As at 31st March, 2000 Rupees	As at 1st April, 1999 Rupees	Provided during the year Rupees	Deductions during the year Rupees	As at 31st March, 2000 Rupees	As at 31st March, 2000 Rupees	As at 31st March, 1999 Rupees
1	Freehold Land	129,306.00	-	-	129,306.00	-	-	-	-	129,306.00	129,306.00
2	Building	1,383,714.00	-	-	1,383,714.00	41,024.66	46,216.05	-	87,240.71	1,296,473.29	1,342,689.34
3	Plant and Machinery	1,150,156.38	-	-	1,150,156.38	48,495.63	54,632.43	-	103,128.06	1,047,028.32	1,101,680.75
4	Furniture and Fixtures	38,446.00	-	-	38,446.00	2,160.27	2,433.63	-	4,593.90	33,852.10	36,285.73
	<b>Total</b>	<b>2,701,622.38</b>	<b>-</b>	<b>-</b>	<b>2,701,622.38</b>	<b>91,680.56</b>	<b>103,282.11</b>	<b>-</b>	<b>194,962.67</b>	<b>2,506,659.71</b>	<b>2,609,941.82</b>
	Previous Year	129,306.00	2,572,316.38	-	2,701,622.38	-	91,680.56	-	91,680.56		
	Capital Work in Progress									7,598,467.13	3,377,485.00
	<b>Total</b>									<b>10,105,126.84</b>	<b>5,987,426.82</b>

## SCHEDULES TO THE ACCOUNT

	As at 31 st March, 2000		As at 31 st March, 1999	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE 6 : INVESTMENTS</b>				
<b>Trade Investments Unquoted (At Cost)</b>				
M J Pharmaceuticals Ltd. 400,000 (Previous Year 400,000) 15% Cumulative Redeemable Preference shares of Rs.100 each fully paidup		41,802,221.00		41,802,221.00
<b>SCHEDULE 7 : INVENTORIES</b>				
Raw Materials		208,732.80		-
Finished Goods		2,437,898.00		1,393,843.50
		<u>2,646,630.80</u>		<u>1,393,843.50</u>
<b>SCHEDULE 8 : SUNDRY DEBTORS (Unsecured - Considered Good)</b>				
Over Six Months		85,887,888.00		97,908,170.31
Others		180,384,138.66		75,044,208.29
		<u>266,272,026.66</u>		<u>172,952,378.60</u>
<b>SCHEDULE 9 : CASH AND BANK BALANCES</b>				
Cash and Cheques in hand		25,792.37		370,963.30
Balances with Scheduled Banks				
a) On EEFC and Other Current Accounts	9,361,034.16		4,123,255.33	
b) On EEFC and Other Deposit Accounts	27,972,910.97		5,492,360.79	
		<u>37,333,945.13</u>		<u>9,615,616.12</u>
		<u>37,359,737.50</u>		<u>9,986,579.42</u>
<b>SCHEDULE 10 : LOANS AND ADVANCES (Considered Good)</b>				
Advances recoverable in cash or in kind or for value to be received		3,249,997.25		5,201,995.75
Advance payment of Income Tax ( Net of provision)		2,035,311.00		1,502,649.00
Balances with Central Excise		27,487.00		61,113.00
Other Deposits		39,585.00		36,588.00
Income Accrued		82,108.99		44,796.00
		<u>5,434,489.24</u>		<u>6,847,141.75</u>
<b>SCHEDULE 11 : CURRENT LIABILITIES AND PROVISIONS</b>				
<b>Current Liabilities</b>				
Sundry Creditors		16,917,869.51		1,700,747.24
Other Liabilities		9,425,341.24		2,300,637.02
		<u>26,343,210.75</u>		<u>4,001,384.26</u>
		<u>For the year ended 31st March, 2000</u>		<u>For the year ended 31st March, 1999</u>
		Rupees		Rupees
<b>SCHEDULE 12: MATERIAL COST</b>				
Inventories at beginning of the year		1,393,843.50		5,785,752.51
Purchases during the year		502,034,382.72		213,233,693.81
Inventories at the end of the year		(2,646,630.80)		(1,393,843.50)
		<u>500,781,595.42</u>		<u>217,625,602.82</u>
<b>SCHEDULE 13 : INDIRECT TAXES</b>				
Excise duty		12,733,565.00		12,160,228.00
Sales Tax		392,783.00		-
		<u>13,126,348.00</u>		<u>12,160,228.00</u>
<b>SCHEDULE 14 : PERSONNEL COST</b>				
Salaries, Wages, Bonus and Other Benefit		1,212,353.28		869,302.30
Contribution to Provident and Other Fund		89,201.00		58,373.00
Other Welfare Expenses		19,817.25		10,147.50
		<u>1,321,371.53</u>		<u>937,822.80</u>

# SUN PHARMACEUTICAL EXPORTS LTD.

## SCHEDULES TO THE ACCOUNT

	For the year ended 31st March, 2000 Rupees	For the year ended 31st March, 1999 Rupees
<b>SCHEDULE 15: OPERATIONAL EXPENSES</b>		
Manufacturing Charges	269,960.00	348,415.00
Power and Fuel	9,909.00	12,134.00
Stores and Spares Consumed	4,700.80	1,370.00
Repairs : Plant and Machinery	1,493.00	487,078.00
Others	14,335.00	7,495.00
Rent	11,400.00	14,840.00
Rates and Taxes	8,354.00	6,065.21
Insurance	303,436.00	134,835.00
Selling and Distribution Expenses	34,179,253.69	12,864,423.64
Printing and Stationery	33,665.00	24,519.37
Travelling and Conveyance	78,957.45	40,095.50
Miscellaneous Expenses	4,116,101.17	1,551,639.67
	<u>39,031,565.11</u>	<u>15,492,910.39</u>

### SCHEDULE 16 : NOTES TO ACCOUNTS

#### 1. SIGNIFICANT ACCOUNTING POLICIES

(i) **Basis of Accounting**

The financial statements are 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) **Revenue Recognition**

All revenues are accounted on accrual basis.

(iii) **Fixed Assets and Depreciation**

Fixed Assets are stated at historical cost. Depreciation is provided on Straight Line Method at the rates specified in Schedule XIV to the Companies Act, 1956.

(iv) **Investments**

Investments are stated at cost.

(v) **Inventory Valuation**

Raw Materials - at cost  
Finished goods - at lower of cost or net realisable value. Cost is determined on actual cost basis.

(vi) **Sales**

Sales are stated net of returns and discount and include excise but exclude sales tax

(vii) **Foreign Currency Transactions**

Liabilities in foreign currency as well as receivables in foreign currency have been converted 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 cost of such assets.

(viii) **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 and Loss Account every year.

#### 2. CONTINGENT LIABILITIES NOT PROVIDED FOR

	As at 31st March, 2000 Rupees	As at 31st March, 1999 Rupees
Bills Discounted	42,549,627.00	-
Liabilities Disputed	-	-
Income tax	-	4,936.00

#### 3. REMUNERATIONS TO AUDITORS

Audit fees	15,750.00	15,750.00
Tax matters	5,250.00	5,250.00
Other Services	10,500.00	5,250.00

#### 4. Interest Expenses/(Income) are stated net

Interest paid/(received)	162,283.88	(352,883.99)
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## SCHEDULES TO THE ACCOUNT

	For the year ended 31st March, 2000		For the year ended 31st March, 1999	
<b>5. INFORMATION RELATING TO CONSUMPTION OF MATERIALS</b>				
<b>(a) Raw Materials</b>				
	Quantity	Value Rupees	Quantity	Value Rupees
Raw Materials - Kgs	26993.81	55,410,923.20	46,238.00	25,105,963.81
Total		<u>55,410,923.20</u>		<u>25,105,963.81</u>
<b>(b) Imported and Indigenous</b>				
	%	Value Rupees	%	Value Rupees
<b>(i) Raw materials</b>				
Imported	35.93	19,906,832.00	22.93	5,755,603.00
Indigenous	64.07	35,504,091.20	77.07	19,350,360.81
Total	<u>100.00</u>	<u>55,410,923.20</u>	<u>100.00</u>	<u>25,105,963.81</u>
<b>(ii) Stores and Spares</b>				
Imported	-	-	-	-
Indigenous	100.00	4,700.80	100.00	1,370.00
Total	<u>100.00</u>	<u>4,700.80</u>	<u>100.00</u>	<u>1,370.00</u>

## 6. INFORMATION RELATING TO LICENSED CAPACITY AND PRODUCTION

(\* As certified by management)

	As at 31st March, 2000	As at 31st March, 1999
<b>(a) Bulk Drugs/Chemicals(in kgs)</b>		
* Licensed Capacity	Not Applicable	Not Applicable
* Installed Capacity	60,000.00	60,000.00
Actual Production	26,944.80	46,191.25

## 7. INFORMATION RELATING TO TURNOVER, PURCHASE & STOCKS

	Turnover		Purchases		Opening Stock		Closing Stock	
	Qty	Value	Qty	Value	Qty	Value	Qty	Value
<b>(i) Formulations (Qty/Millions)</b>								
1999-00	92.46	168,099,653.89	96.54	103,223,027.40	0.97	1,370,103.00	5.05	567,468.00
1998-99	106.11	178,268,152.80	103.34	105,371,660.00	3.74	3,543,859.00	0.97	1,370,103.00
<b>(ii) Bulk Drugs/Chemicals (Qty/Kgs)</b>								
1999-00	138,044.05	491,500,601.51	111,643.60	343,190,299.83	2.45	23,740.50	546.80	1,870,430.00
1998-99	80,793.20	141,623,708.29	32,606.00	83,595,641.00	1,998.40	1,244,215.51	2.45	23,740.50
<b>(iii) Others (Nos)</b>								
1999-00	-	-	-	-	-	-	-	-
1998-99	1,500.00	152,500.00	1,500.00	153,920.00	-	-	-	-

## 8. INCOME/EXPENDITURE IN FOREIGN CURRENCY

	Year ended 31st March, 2000 Rupees	Year ended 31st March, 1999 Rupees
<b>INCOME</b>		
Export of goods on (FOB) basis	530,319,400.40	20,753,196.80
<b>EXPENDITURE</b>		
Raw Materials (CIF basis)	19,906,832.00	5,601,455.00
Capital Goods (CIF basis)	2,374,368.13	3,446,034.38
Others	13,969,880.67	3,823,061.49

- 9 Foreign currency transactions are translated as per the accounting policy referred to in item 1(ix) above. The exchange difference of Rs.13,366,509.97 (Previous Year Rs.6,789,097.16) is included in the net profit for the year.
- 10 Subject to the approval of shareholders and other necessary approvals as may be required, the Company is proposed to be merged with its Holding Company Sun Pharmaceutical Industries Ltd with effect from 1st April,2000
- 11 Debtors are subject to confirmation
- 12 Sundry Creditors include due of Rs.11,473,953.80 to SSI units. An amount of Rs.4,815,287.00 is due to Unimed Technologies Ltd. for more than 30 days.
- 13 Previous Years Figures have been regrouped/rearranged wherever necessary

# SUN PHARMACEUTICAL EXPORTS LTD.

## 14. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

### I. Registration Details

Registration No.

1 0 4 0 1

Balance Sheet Date

3 1 s t M a r c h 2 0 0 0

0 4

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

Public Issue

N I L

Right Issue

N I L

Bonus Issue

N I L

Private Placement

N I L

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

Total Liabilities

3 6 3 6 2 0

Total Assets

3 6 3 6 2 0

Sources of Funds

Paid-up Capital

1 9 8 8 4

Reserves and Surplus

3 1 7 3 9 3

Secured Loans

N I L

Unsecured Loans

N I L

Application of Funds

Net Fixed Assets

1 0 1 0 5

Investments

4 1 8 0 2

Net Current Assets

2 8 5 3 7 0

Miscellaneous Expenditure

N I L

Accumulated Losses

N I L

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

Turnover

6 6 3 0 7 7

Total Expenditure

5 5 4 3 6 4

Profit/Loss Before Tax

1 0 8 7 1 3

Profit/Loss After Tax

1 0 8 3 2 3

Earning Per Share in Rs.

5 4 . 4 8

Dividend Rate %

.

### IV. Generic Names of Three Principal Products/services of The Company

(As per Monetary Terms)

Item Code No. (ITC Code)

2 9 3 3 9 0 - 0 1

Product Description

C A R B A M A Z E P I N E

Item Code No. (ITC Code)

2 9 2 5 1 9 - 0 0

Product Description

I M I N O D I B E N Z Y L

Item Code No. (ITC Code)

2 9 4 1 5 0 - 0 0

Product Description

E R Y T H R O M Y C I N

# ZAO SUN PHARMA INDUSTRIES LTD., RUSSIA

## DIRECTORS' REPORT

Information enclosed to the 1999 annual report concerning the business activity of Company ZAO Sun Pharma Industries Limited

As a matter of fact, in 1999 ZAO Sun Pharma Industries Limited did not carry out the business activity. Anyhow, the Company has the certain property and the liabilities including those, which are to be evaluated in the hard currency; subsequently, these liabilities must be re-evaluated in accordance with the exchange rate applied by Russian Federation Central Bank on the date of any fiscal report. At current time, the exchange rate of Russian Roubles and US Dollars is not beneficial for the Russian currency. Besides, at the present time, the Company has the credit liabilities in the hard currency which must be regularly re-evaluated in the hard currency. As far as negative exchange rates do exceed positive exchange rates, their combinations have resulted in the losses regarding the current Company business situation. The Company losses are showed in the Company accounting report.

In May 1999 the UNIKOMBANK was officially deprived of its bank licence and this event brought additional problems for Company ZAO Sun Pharma Industries Limited because Company had its Russian Rouble and US Dollars bank accounts in this bank. On August 17, 1999 the Moscow Arbituary Court issued the verdict about the bankruptcy of UNIKOMBANK and initiated the appropriate procedure.

The top management of Company Zao Sun Pharma Industries Limited put forward its claims to UNIKOMBANK equal to the balance sums on the bank accounts, i.e. 147,090,00 Russian Roubles and 300 USD.

The UNIKOMBANK confirmed its obligations in respect of ZAO Sun Pharma Industries Limited on the total sum 154,548,00 the sum in Russian Rouble + the equivalent of sum in USD on the date when the Russian Federation Central Bank deprived the UNIKOMBANK of the bank licence, i.e. then 1 USD was equal to 24,86 RR and agreed to satisfy the claims of Company in accordance with the Russian Bank Law applicable for the 5th group of the bank creditors.

The possibility to receive the Company money bank is drastically minimal. Nevertheless, as far as the Company has not closed yet its bank accounts by means of law, the Company funding deposited at the bank accounts is appreciated by the authorities as the Company balance sums.

In fact now Company ZAO Sun Pharma Industries Limited has no the properly activated bank account and has no the possibility to remit the liable taxes and fees to the state budget and to the funds of social insurance.

Deputy General Director

**PAVEL A. SINAREVSKY**

Chief Accountant

**NATALIA P. LOBZENKOVA**

April 27, 2000

## AUDITORS' REPORT

### AUDITING CONCLUSION

In respect of the Executive Management of ZAO "Sun Pharma Industries Limited"

### INTRODUCTION

The specialist of Auditing Company AUDIT-911 performed the audit of the enclosed ZAO "Sun Pharma Industries Limited" accounting documentation for the period of 1999. The auditing was performed by the auditor, Mrs. PUKAS L.V., Certificate of Qualification No. 004309 issued on the 25th of July, 1995 by CACLC at RF Ministry of Finance, the Minutes No. 57 of June 25, 1998, valid since June 25, 1998 till June 29, 2001.

Auditing Company AUDIT-911 is registered by Moscow Registration Chamber, Certificate of MRC No. 001252669 of January 21, 1997, OKPO 45889716, serial No. BK 002548. The auditing procedures are executed on the basis of Charter and Licence for the General Audit No. 000943 of July 22, 1999 issued by Central Auditing Committee of Licences and Certificates (CACLC) at RF Ministry of Finance, the Order No. 193, which is valid within three years.

Legal Address: 107078, Moscow, ul. Novaya Basmannaya, dom 10, stroenie I, k. 87; tel.: 265-90-96. Bank details: Current Account No. 40702810638070100684 in Sokolnichesky Affiliate of SAVING BANK No. 7969/0228, Corresponding Account No. 301018160000000342 in MB AK SB RF of Moscow, BIK 044525342.

### AUDITING CONCLUSION made by the AUDITING COMPANY

1. We have performed the audit of the enclosed ZAO "Sun Pharma Industries Limited" accounting documentation for the period of 1999. The mentioned accounting documentation is prepared by ZAO "Sun Pharma Industries Limited" Executive Management on the basis of Federal Law No. 129-FZ of November 24, 1996 "Accounting Reports" and on the basis of Order No. 97 of November 12, 1996 issued by RF Ministry of Finance regarding the amendments and changes made by Orders of RF Ministry of Finance: No. 8 of February 3, 1997, No. 81 n of November 21, 1997 and No. 47 n of October 20, 1998 - "Annual Accounting Reports" prepared in the Organizations"
2. It is the responsibility of ZAO "Sun Pharma Industries Limited" Executive Management to prepare the above-mentioned accounting documentation. Our obligation is to make up our opinion on the basis of the performed audit and to express our point of view about all significant components of the submitted accounting documentation.

3. We perform the audit in accordance with the RF president Decree No. 2263 of December 22, 1993 "Audit in Russian Federation".

After the audit we were able to define that:

Joint-Stock Company ZAO "Sun Pharma Industries Limited" is registered in accordance with Certificate of MRC No. 031.055 of 15.04.94, Serial No. BZ No. 008892, the re-registration was held on 14.08.1996.

Legal Address and Mail Address: 109444, Moscow, ul. Sormovskaya, dom 8, kor. 2, komnata pravlennia.

The Founder and Share-Holder is a Company "Sun Pharmaceutical Industries Limited" (an official organization), a contribution into the Charter Capital is 100% The Charter Capital is 20,000,00 roubles and it is split into 1000 ordinary shares 20 roubles each.

Joint-Stock Company is created in accordance with the Russian Law and is an operating company in accordance with the valid Russian legislation.

The audit was planned and carried on to get the confirmation that there were no any grave infringements in the internal accounting documentation. To perform the audit we selected the certain data and statements contained in the accounting documentation.

We suppose the accounting documentation of ZAO "Sun Pharma Industries Limited", enclosed to the current Conclusion, is real, i.e. the mentioned documentation is prepared in the forms giving the possibility to reflect the general state of actives and passives of ZAO "Sun Pharma Industries Limited", on the 1st of January, 2000; the accounting documentation of ZAO "Sun Pharma Industries Limited" is maintained in accordance with the Regulations about the Internal Company Accounting (stated by the Order No. 34n of July 29, 1998 of RF Ministry of Finance).

**The Auditing company "Audit-911" considers it possible to confirm the reliability of the internal accounting documentation submitted by joint Stock Company ZAO "Sun Pharma Industries Limited"**

Director of Auditing Company

"AUDIT - 911"

**D. I. POPOV**

Auditor

**L. V. PUKAS**

February 16, 2000

## ZAO SUN PHARMA INDUSTRIES LTD., RUSSIA

### BALANCE SHEET AS AT 31ST DECEMBER, 1999

	Amount (RRu) As at 31/12/1999	Amount (RRu) As at 31/12/1998
<b>Assets</b>		
<b>I Fixed Assets</b>		
Office Equipments	7,298	8,281
<b>II Current Assets</b>		
Inventories	—	—
Finished Goods	—	—
<b>Receivables (less than 12 mpths)</b>		
Debtors for goods & services	12,024	2,390
Other Debtors	635	563
<b>Cash &amp; Bank Balances</b>		
Bank Balances	154,548	160,270
<b>Other Current Assets</b>	37,564	24,808
<b>III Profit &amp; Loss Account</b>		
Profit & Loss Account	164,768	85,744
	<u>376,837</u>	<u>282,056</u>
<b>LIABILITIES</b>		
<b>IV Capital and Reserves</b>		
Authorised Capital	20,000	20,000
Paid up Share Capital	20,000	20,000
<b>V Current Liabilities</b>		
Sundry Creditors		
For Goods & Services	—	—
Advances from Customers	339,564	259,703
Other Liabilities	17,273	2,353
	<u>376,837</u>	<u>282,056</u>

P. A. SINAREVSKY  
Deputy Gen. Director

Date - 28/04/2000  
ZAO "Sun Pharma Industries Limited"

N. P. LOBZENKOVA  
Chief Accountant

### PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 1999

	Amount (RRu) For the year ended 31/12/1999	Amount (RRu) For the year ended 31/12/1998
Net Sales	—	—
Interest	—	—
Other Income	4,797	251,912
	<u>4,797</u>	<u>251,912</u>
Cost of Sales of Goods & Services	—	—
Commercial Expenses	—	—
Interest	—	—
Other Operating Expenses	83,004	331,502
Road Tax & Property Tax	772	544
	<u>83,776</u>	<u>332,046</u>
Loss for the period	78,979	80,134
Add: Preliminary Expenses	45	15
Balance brought forward	85,744	5,595
Balance carried over to Balance Sheet	<u>164,768</u>	<u>85,744</u>

P. A. SINAREVSKY  
Deputy Gen. Director

Date - 28/04/2000  
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 4th Annual Report and Statement of Audited Accounts for the year ended 31st December, 1999.

#### Financial Results

The Company made profit of U.S. \$ 8,94,409 from its operations.

#### Dividend

Your Directors are pleased to recommend a dividend at the rate of 40% for the year ended 31st December, 1999 (Previous year - 10%)

#### 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 the remuneration.

ON BEHALF OF THE BOARD OF DIRECTORS

DILIP SHANGHVI  
Director

SUDHIR VALIA  
Director

MUMBAI, 5th June, 2000

### AUDITORS' REPORT TO THE MEMBERS

We have audited the attached Balance Sheet of Sun Pharma Global Inc. British Virgin Island as at 31st December, 1999 and 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 have been kept by the Company so far as appears from our examination of those books.
- The Balance Sheet and Profit and Loss Account dealt with by the report are in agreement with the books of account.
- 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 :
  - In the case of the Balance Sheet of the state of affairs of the Company as at 31st December, 1999.
  - 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, 5th June, 2000

## BALANCE SHEET AS AT 31ST DECEMBER, 1999

	SCHEDULE	As at 31st December, 1999	Amount in US \$ As at 31st December, 1998	
<b>SOURCES OF FUNDS</b>				
<b>Shareholders' Funds</b>				
Share Capital	1	500,000.00	500,000.00	
Reserves and Surplus				
Profit and Loss Account		<u>921,463.51</u>	<u>227,054.76</u>	
		1,421,463.51	727,054.76	
<b>Loan Funds</b>				
Unsecured Loan		—	—	
		<u>1,421,463.51</u>	<u>727,054.76</u>	
<b>APPLICATION OF FUNDS</b>				
<b>Investments</b>				
Trade Investments (Quoted)				
Caraco Pharmaceutical Laboratories Ltd. U.S.A.				
17,14,857 (Previous Year 90,657) Fully paid				
Non Assessable Common Shares of No par value.				
(Market Value US \$ 10,71,661 (Previous Year 56,660))				
		947,985.50	135,985.50	
<b>Current Assets, Loans and Advances</b>				
Current Assets	2	73,613.52	177,664.33	
Loans and Advances		<u>879,512.69</u>	<u>550,000.00</u>	
		953,126.21	727,664.33	
<b>Less : Current Liabilities and Provisions</b>	3	<u>480,517.00</u>	<u>137,898.27</u>	
		472,609.21	589,766.06	
<b>Miscellaneous Expenditure</b>				
(To the extent not written off or adjusted)				
Preliminary Expenses		868.80	1,303.20	
		<u>1,421,463.51</u>	<u>727,054.76</u>	
<b>NOTES TO ACCOUNTS</b>	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, 5th June, 2000

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 1999

	SCHEDULE	For the year ended 31st December, 1999	For the year ended 31st December, 1998	
<b>INCOME</b>				
Income from Operations	4	1,546,203.00	460,546.60	
Other Income - Interest from Bank		<u>772.41</u>	<u>365.32</u>	
		1,546,975.41	460,911.92	
<b>EXPENDITURE</b>				
Material Cost	5	355,172.00	129,330.60	
Operating Expenses	6	<u>297,394.66</u>	<u>163,902.45</u>	
		652,566.66	293,233.05	
<b>PROFIT</b>		894,408.75	167,678.87	
<b>BALANCE BROUGHT FORWARD</b>		<u>227,054.76</u>	<u>109,375.89</u>	
<b>AVAILABLE FOR APPROPRIATION</b>		1,121,463.51	277,054.76	
<b>APPROPRIATIONS</b>				
Proposed dividend		<u>200,000.00</u>	<u>50,000.00</u>	
		<u>921,463.51</u>	<u>227,054.76</u>	
<b>NOTES TO ACCOUNTS</b>	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, 5th June, 2000

**SUN PHARMA GLOBAL INC. BRITISH VIRGIN ISLAND**  
**SCHEDULES TO THE ACCOUNTS**

As at 31st December, 1999

Amount in US \$  
As at 31st December, 1998

**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 500,000.00 500,000.00

(Entire Share Capital is held by Holding Company 500,000.00 500,000.00

Sun Pharmaceutical Industries Ltd., India.) 500,000.00 500,000.00

**SCHEDULE : 2 CURRENT ASSETS**

Inventories (As valued at cost and certified by the Management ) 16,800.00 16,800.00

Debtors - Considered good 45,793.19 121,297.92

Balance with Bank 1,020.33 39,566.41

Security Deposit 10,000.00 -

73,613.52 177,664.33

**SCHEDULE : 3 CURRENT LIABILITIES AND PROVISIONS**

**Current Liabilities**

Creditors 280,517.00 55,794.96

Interest Received in Advance - 32,103.31

280,517.00 87,898.27

**Provisions**

Proposed Dividend 200,000.00 50,000.00

480,517.00 137,898.27

For the year ended  
31st December, 1999

Amount in US \$  
For the year ended  
31st December, 1998

**SCHEDULE : 4 INCOME FROM OPERATIONS**

Sales 1,323,284.00 244,086.60

Commission - 32,437.50

Service Charges for Product Promotion 161,303.00 129,022.50

Interest on loan 61,616.00 55,000.00

1,546,203.00 460,546.60

**SCHEDULE : 5 MATERIAL COST**

Opening Stock 16,800.00 831.60

Purchases 355,172.00 145,299.00

Less : Closing Stock 16,800.00 16,800.00

355,172.00 129,330.60

**SCHEDULE : 6 OTHER EXPENSES**

Conveyance 23,861.34 14,375.06

Office Expenses 23,812.21 12,000.00

Printing and Stationery 7,506.00 6,401.00

Professional Charges 36,000.00 26,300.00

Rent 18,000.00 12,000.00

Repairs and Maintenance 10,000.00 8,000.00

Selling and Distribution Expenses 120,590.00 47,336.48

Entertainment Expenses 39,389.00 25,281.00

Car Hire 3,000.00 2,500.00

Communication Expenses 9,960.00 7,100.00

Miscellaneous Expenses 4,716.71 2,049.49

Preliminary Expenses written off 434.40 434.40

Audit Fees 125.00 125.00

297,394.66 163,902.45

**SCHEDULE 7**

**NOTES TO ACCOUNTS**

1. Significant accounting policies
  - i) Revenue Recognition : Revenue is recognised on accrual basis
  - ii) Preliminary expenditure is written off over a period of 5 years
  - iii) 1,624,000 shares of Caraco Pharmaceutical Laboratories Limited acquired in exchange for technology transfer have been accounted at issue price.
  - iv) Inventory of stock of goods is valued at lower of cost or market value
2. Loan of US \$ 850,000 to Caraco Pharmaceutical Laboratories Ltd., USA (CARACO) is in the nature of unsecured demand notes which accrue interest @ 10% p.a. The Company has an option to convert the Loan and Interest accrued thereon into common shares of Caraco at a per share price of US \$ 1.5.
3. Debtors are subject to confirmation.

# SUN PHARMACEUTICAL ADVANCED RESEARCH CENTRE LTD.

## DIRECTORS' REPORT

### To

The Members of Sun Pharmaceutical Advanced Research Centre Ltd.  
Your Directors have pleasure in presenting the 4th Annual Report of your Company together with the Audited Accounts for the year ended on 31st March, 2000.

### FINANCIAL RESULTS

	1999-2000	1998-1999
Gross Profit/(Loss) before Depreciation and Tax	11,289,039.88	(5,506,167.16)
Less : Depreciation	220,422.64	63,900.22
Profit/(Loss) before Tax	11,068,617.24	(5,570,067.38)
Less : Provision for Taxation	1,335,000.00	1,032,475.00
Profit/(Loss) after Tax	9,733,617.24	(6,602,542.38)

### OPERATIONS

Your Company has developed and transferred product technology both in India and abroad. The income from transfer of technology during the year under review was Rs.22,833,540/- as compared to Rs.5,000,000/- in the previous year. Consequently, the Company has earned a net profit of Rs.9,733,617/-.

### FUTURE OUTLOOK

Your Company continues to focus on the development of new products, improvement of technology and processes. Barring unforeseen circumstances, your Directors are hopeful to continue the good work done by our scientific team in the current year.

### CHANGE IN NAME

During the year, the Registrar of Companies, Ahmedabad has granted approval and accordingly the name of your Company was changed as "Sun Pharmaceutical Advanced Research Centre Limited".

## ANNEXURE (I) TO THE DIRECTOR'S REPORT

### TECHNOLOGY ABSORPTION

#### (A) Research and Development (R & D)

- Specific areas in which R & D is being carried out by the Company. Sun Pharmaceutical Advance Research Centre Limited (SPARC) has continued to establish a strong base in research with multiple products in areas of formulations across conventional dosages like tablets, capsules, injectables as well as controlled release/site specific new drug delivery systems. Technologies for customers were developed for high tech products involving multistage product development.
- Benefits derived as a result of the above R & D  
The Company could successfully develop and transfer three new pharmaceutical products including development and transfer of certain products for overseas customers.
- Future Plan of action  
Your Company continues to commit funding to specific projects in specific research areas in order to ensure a full new products pipeline development.
- Expenditure on R & D

		Year ended 31st March, 2000 Rupees	Year ended 31st March, 1999 Rupees
(i)	Capital	585,246	644,751
(ii)	Revenue	11,544,500	10,506,167
(iii)	Total	12,129,746	11,150,918

#### (B) Technology Absorption, Adaptation and Innovation

- Efforts in brief, made towards technology absorption, adaptation and innovation  
The Company continues its efforts in R & D Centre on developing new product processes for the products that the Company intends to transfer for the customers in innovative ways/means.
- Benefits derived as a result of the above efforts e.g. products improvement, cost reduction, product development, import substitution.  
Your Company was successful in developing within a given time frame new product processes acceptable to the end users.
- Your Company has not imported any technology so far.

### DIRECTORS

In accordance with the provisions of the Companies Act, 1956 Smt. Pratibha S Pilgaonkar retires by rotation at the ensuing Annual General Meeting and being eligible offer herself for reappointment.

### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGOES

The particulars required to be furnished in this report under section 217(1)(e) of the Companies Act, 1956 relating to conservation of energy, being insignificant, energy cost incurred are not furnished. The details of technology absorption are furnished as per Annexure-I. The Company has no foreign exchange earnings and outgoes.

### PARTICULARS OF EMPLOYEES

No particulars pursuant to Sections 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975 as amended, are given since the Company has no person in its employment drawing salary in excess of Rs. 600,000 per annum or Rs. 50,000 per month.

### AUDITORS

Your Company's auditors Messrs. Valia & Timbadia retire at the conclusion of the forthcoming Annual General Meeting and have offered themselves for reappointment.

### ACKNOWLEDGEMENTS

Your Directors wish to thank the Company's team of scientists for their continued efforts and contribution.

ON BEHALF OF THE BOARD OF DIRECTORS

PRATIBHA PILGAONKAR  
Director

KAMLESH DUDHARA  
Director

Mumbai, 2nd June, 2000.

## AUDITORS' REPORT

### To,

The Members of Sun Pharmaceutical Advanced Research Centre Limited  
We have audited the attached Balance Sheet of Sun Pharmaceutical Advanced Research Centre Limited as at 31st March, 2000 and also the Profit and Loss Account of the Company for the year ended on that date, annexed thereto, and report that :

- As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, and on the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of the audit, we enclose in the annexure a statement on the matters specified in paragraph 4 and 5 of the said order.
- Further to our comments in the annexure referred to in paragraph 1 above:
  - We have obtained all the information and explanations which to the best of our knowledge and beliefs were necessary for the purposes 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 books.
  - The said Balance Sheet and Profit and Loss Account are in agreement with the books of accounts.
  - In our opinion, the Profit and Loss Account and Balance Sheet comply with the Accounting Standards referred to in sub-section (3C) of section 211 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 give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:
    - In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2000; and
    - 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, 2nd June, 2000

# SUN PHARMACEUTICAL ADVANCED RESEARCH CENTRE LTD.

## ANNEXURE TO THE AUDITORS' REPORT

- The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets which have been physically verified by the management during the year and no material discrepancies were noticed on such verification.
- The fixed assets of the Company have not been revalued during the year.
- The Company has not taken any loans from companies, firms or other parties listed in the register maintained under Section 301 and/or 370(1B) of the Companies Act, 1956.
- The Company has not granted any loans to companies, firms or other parties listed in the register maintained under Section 301 and/or 370 (1B) of the Companies Act, 1956.
- In respect of loans and advances in the nature of loans given by the Company, the parties are repaying the principal amounts as stipulated. There was no delay in repayment of principal as stipulated.
- In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of material, equipment and receipt of fees for transfer of technology for product development and other assets.
- In our opinion and according to the information and explanations given to us, there are no transactions of purchase of materials and sale of goods, materials and services, 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.50,000/- or more in respect of each party.
- The Company has not accepted any deposits from the public to which the provision of Section 58A of the Companies Act, 1956 and the rules made thereunder apply.
- In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- According to the records of the Company, Provident Fund, Employees State Insurance dues have been regularly deposited during the year with the appropriate authorities.
- There are no undisputed amounts payable in respect of Income tax, Wealth tax, Sales tax, Customs duty and Excise duty as at 31st March, 2000, which are outstanding for a period of more than six months from the date they became payable.
- On the basis of our examination of the books of accounts and according to the information and explanations given to us, no personal expenses of employees or Directors have been charged to revenue account, other than those covered by contractual obligations or incurred in the normal course of the business.
- The Company is not a sick industrial company within the meaning of clause (O) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
- As per the information and explanations given to us and taking into consideration the nature of business of the Company, clause (iii), (iv), (v), (vi) (xii), (xiv), (xvi) of paragraph 4 (a) of Manufacturing and Other Companies (Auditors' Report) Order, 1988 are not applicable.

For VALIA & TIMBADIA  
Chartered Accountants

HITEN C. TIMBADIA  
Partner

Mumbai, 2nd June, 2000

## BALANCE SHEET AS AT 31ST MARCH, 2000

	SCHEDULE	As at 31 st March, 2000		As at 31 st March, 1999	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	1		507,500.00		507,500.00
Reserves and Surplus	2		12,247,718.38		2,514,101.14
<b>Loan Funds</b>					
Unsecured Loan	3		2,750,000.00		-
			<u>15,505,218.38</u>		<u>3,021,601.14</u>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	4	1,460,874.21		875,627.89	
Less : Depreciation		294,194.01		73,771.37	
Net Block		1,166,680.20		801,856.52	
Add:Capital Work-in-Progress		-		6,000,000.00	
			1,166,680.20		6,801,856.52
<b>Investments</b>					
Trade Investments (Quoted)					
Caraco Pharmaceutical Laboratories Ltd., U.S.A.725,333 (Previous Year Nil) Fully paid Non Assessable Common Shares of no par value (Market Value Rs.29,491,586/- (Previous Year Nil)			15,333,539.62		-
<b>Current Assets, Loans and Advances</b>					
Cash and Bank Balances	5	47,025.40		34,911.25	
Loans and Advances	6	842,356.60		5,046,917.80	
		889,382.00		5,081,829.05	
<b>Less : Current Liabilities and Provisions</b>	7	1,890,879.54		8,869,594.93	
			(1,001,497.54)		(3,787,765.88)
<b>Miscellaneous Expenditure</b>	8		6,496.10		7,510.50
(to the extent not written off or adjusted)					
			<u>15,505,218.38</u>		<u>3,021,601.14</u>
<b>NOTES TO ACCOUNTS</b>	11				

As per our report of even date attached

FOR VALIA & TIMBADIA  
Chartered Accountants

HITEN C. TIMBADIA  
Partner

Mumbai, 2nd June, 2000

For and on behalf of the Board

PRATIBHA PILGAONKAR  
Director

KAMLESH DUDHARA  
Director



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

SCHEDULE	For the year ended 31st March, 2000		For the year ended 31st March, 1999	
	Rupees		Rupees	
<b>INCOME</b>				
Income from Development and Transfer of Technology		22,833,539.62		5,000,000.00
		<u>22,833,539.62</u>		<u>5,000,000.00</u>
<b>EXPENDITURE</b>				
Material Cost		2,159,065.09		2,573,915.48
Personnel Cost	9	5,204,406.40		4,425,202.60
Operational Expenses	10	4,181,028.25		3,507,049.08
Depreciation		220,422.64		63,900.22
		<u>11,764,922.38</u>		<u>10,570,067.38</u>
<b>PROFIT / ( LOSS ) BEFORE TAX</b>		11,068,617.24		(5,570,067.38)
<b>PROVISION FOR TAXATION</b>		1,335,000.00		—
<b>PRIOR YEARS TAXATION</b>		—		1,032,475.00
<b>PROFIT / ( LOSS ) AFTER TAX</b>		9,733,617.24		(6,602,542.38)
<b>BALANCE OF PROFIT BROUGHT FORWARD</b>		2,514,101.14		9,116,643.52
<b>BALANCE CARRIED TO BALANCE SHEET</b>		<u>12,247,718.38</u>		<u>2,514,101.14</u>
<b>NOTES TO ACCOUNTS</b>	11			

As per our report of even date attached

**FOR VALIA & TIMBADIA**  
Chartered Accountants

**HITEN C TIMBADIA**  
Partner

Mumbai, 2nd June, 2000

For and on behalf of the Board

**PRATIBHA PILGAONKAR**  
Director

**KAMLESH DUDHARA**  
Director

## SCHEDULES TO THE ACCOUNTS

SCHEDULE	As at 31 st March, 2000		As at 31 st March, 1999	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE 1 : SHARE CAPITAL</b>				
<b>Authorised</b>				
99,000 Equity Shares of Rs.10 each		990,000.00		990,000.00
100 12% Redeemable Non-Cumulative Pref. Shares of Rs.100 each		10,000.00		10,000.00
		<u>1,000,000.00</u>		<u>1,000,000.00</u>
<b>Issued and Subscribed</b>				
50,750 Equity Shares of Rs.10 each fully Paid up (Entire Share Capital is held by holding Company - Sun Pharmaceutical Industries Limited and its nominee)		507,500.00		507,500.00
		<u>507,500.00</u>		<u>507,500.00</u>
<b>SCHEDULE 2 : RESERVES AND SURPLUS</b>				
<b>Profit and Loss Account</b>				
As per Annexed Account		12,247,718.38		2,514,101.14
		<u>12,247,718.38</u>		<u>2,514,101.14</u>
<b>SCHEDULE 3 : UNSECURED LOAN</b>				
From a Body Corporate		2,750,000.00		—
		<u>2,750,000.00</u>		<u>—</u>
<b>SCHEDULE 4 : FIXED ASSETS</b>				

Sr.No.	Description of assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		I	II	III	IV	V	VI	VII	VIII	IX	X
		As at 1st April, 1999 Rupees	Additions during the year Rupees	Deductions during the year Rupees	As at 31st March, 2000 Rupees	As at 1st April, 1999 Rupees	Provided during the year Rupees	Deductions during the year Rupees	As at 31st March, 2000 Rupees	As at 31st March, 2000 Rupees	As at 31st March, 1999 Rupees
1	Material Handling Equipment	18,587.00	—	—	18,587.00	3,225.75	2,136.75	—	5,362.50	13,224.50	15,361.25
2	Data Processing Equipment	85,137.00	286,607.80	—	371,744.80	7,644.35	89,114.52	—	96,758.87	274,985.93	77,492.65
3	R & D Equipment	564,274.89	142,624.52	—	706,899.41	38,785.81	78,972.04	—	117,757.85	589,141.56	525,489.08
4	Office Equipment	207,829.00	156,014.00	—	363,843.00	24,115.45	50,199.34	—	74,314.80	289,328.20	183,513.54
	<b>Total</b>	<b>875,827.89</b>	<b>585,246.32</b>	<b>—</b>	<b>1,460,874.21</b>	<b>73,771.37</b>	<b>220,422.64</b>	<b>—</b>	<b>294,194.01</b>	<b>1,166,680.20</b>	<b>801,856.52</b>
	Previous Year	230,876.89	644,751.00	—	875,627.89	9,871.15	63,900.22	—	73,771.37		
							Capital Work in Progress			—	6,000,000.00
							Total			<u>1,166,680.20</u>	<u>6,801,856.52</u>

# SUN PHARMACEUTICAL ADVANCED RESEARCH CENTRE LTD.

## SCHEDULES TO THE ACCOUNTS

	As at 31 st March, 2000 Rupees	As at 31 st March, 1999 Rupees
<b>SCHEDULE 5 : CASH AND BANK BALANCES</b>		
Cash in Hand	38,317.40	26,203.25
<b>Balance with Scheduled Banks</b>	<b>8,708.00</b>	<b>8,708.00</b>
On Current Accounts	<u>47,025.40</u>	<u>34,911.25</u>
<b>SCHEDULE 6 : LOANS AND ADVANCES</b> (Unsecured and Considered Good)		
Advances recoverable in Cash or in kind or for Value to be received	534,351.60	4,398,142.80
Advance Payment of Income Tax (Net of Provision)	290,005.00	833,775.00
Other Deposits	18,000.00	15,000.00
	<u>842,356.60</u>	<u>5,046,917.80</u>
<b>SCHEDULE 7 : CURRENT LIABILITIES AND PROVISIONS</b>		
Sundry Creditors	883,915.24	745,825.30
Other Liabilities	682,676.40	517,318.82
Advance from Customers	-	7,500,000.00
Bank Overdraft	324,287.90	106,450.81
	<u>1,890,879.54</u>	<u>8,869,594.93</u>
<b>SCHEDULE 8 : MISCELLANEOUS EXPENDITURE</b> (to the extent not written off or adjusted)		
Preliminary Expenses	6,496.10	7,510.50
	<u>6,496.10</u>	<u>7,510.50</u>
	<b>For the year ended 31st March, 2000 Rupees</b>	<b>For the year ended 31st March, 1999 Rupees</b>
<b>SCHEDULE 9 : PERSONNEL COST</b>		
Salaries, Wages, Bonus and Benefits	4,518,013.29	3,686,556.54
Contribution to Provident and Other Funds	293,329.95	279,358.42
Other Welfare Expenses	393,063.16	459,287.64
	<u>5,204,406.40</u>	<u>4,425,202.60</u>
<b>SCHEDULE 10 : OPERATIONAL EXPENSES</b>		
Repairs : Building	24,838.00	60,828.80
Equipment	130,966.52	125,002.60
Others	719,433.40	271,201.05
Electricity Charges	962,340.00	823,434.00
Establishment Expenses	300,000.00	300,000.00
Printing and Stationery	295,214.24	382,988.30
Postage, Telephone, Telex and Telegram	540,848.00	561,005.90
Legal and Professional charges	302,960.00	239,932.00
Testing Charges	92,101.00	45,216.50
Insurance	17,590.00	21,690.00
Travelling and Conveyance	154,248.50	163,858.83
Sundry Balance Written Off (Net)	-	4,757.30
Miscellaneous Expenses	640,488.59	507,133.80
	<u>4,181,028.25</u>	<u>3,507,049.08</u>

### SCHEDULE 11 : NOTES TO ACCOUNTS

#### 1 : SIGNIFICANT ACCOUNTING POLICIES

##### a. Revenue Recognition

All revenues are accounted on accrual basis. Revenue from Product Development and Transfer of technology is recognised based on different products developed / to be developed for clients as per the terms of specific contracts

##### b. Investments

725,333 shares of Caraco Pharmaceutical Laboratories Limited acquired in exchange for technology transfer have been accounted at issue price.

##### c. Fixed Assets and Depreciation

Fixed Assets are stated at historical cost. Depreciation is provided on Written Down Value Method at the rates specified in Schedule XIV to the Companies Act, 1956

##### d. Research and Development

- (i) Equipments purchased by the company for Research and Development Purposes are capitalised in the year of installation and included in fixed assets.
- (ii) All revenue expenditures including material purchased for Research and Development activities are charged to the Profit and Loss Account.

e. **Retirement Benefits**  
Provision for Gratuity will be made as and when Statutorily required

f. **Amortisation Expenses**  
Preliminary Expenses are amortised over a period of ten years

**2. AUDITORS REMUNERATION**

	Year ended 31st March, 2000 Rupees	Year ended 31st March, 1999 Rupees
Audit Fees	10,500	5,250

3. Previous figures have been recasted / regrouped where necessary.

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

**I. Registration Details**

Registration No. 

		3	1	-	9	4	7
--	--	---	---	---	---	---	---

Balance Sheet Date 

3	1	s	t	M	a	r	c	h	-	2	0	0	0
---	---	---	---	---	---	---	---	---	---	---	---	---	---

 State Code 

0	4
---	---

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

Public Issue  

		N	I	L
--	--	---	---	---

Right Issue  

		N	I	L
--	--	---	---	---

Bonus Issue  

		N	I	L
--	--	---	---	---

Private Placement  

		N	I	L
--	--	---	---	---

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

Total Liabilities  

1	7	3	9	6
---	---	---	---	---

Total Assets  

1	7	3	9	6
---	---	---	---	---

**Sources of Funds**

Paid-up Capital  

		5	0	8
--	--	---	---	---

Reserves and Surplus  

1	2	2	4	8
---	---	---	---	---

Secured Loans  

		N	I	L
--	--	---	---	---

Unsecured Loans  

		2	7	5	0
--	--	---	---	---	---

**Application of Funds**

Net Fixed Assets  

		1	1	6	7
--	--	---	---	---	---

Investments  

		1	5	3	3	4
--	--	---	---	---	---	---

Net Current Assets  

-		1	0	0	1
---	--	---	---	---	---

Miscellaneous Expenditure  

						6
--	--	--	--	--	--	---

Accumulated Losses  

		N	I	L
--	--	---	---	---

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

Turnover  

2	2	8	3	4
---	---	---	---	---

Total Expenditure  

1	1	7	6	5
---	---	---	---	---

Profit(+)/(-)Loss Before tax  

1	1	0	6	9
---	---	---	---	---

Profit(+)/(-)Loss After Tax  

		9	7	3	4
--	--	---	---	---	---

Earning Per Share in Rs  

		1	9	2
--	--	---	---	---

Dividend Rate %  

		N	I	L
--	--	---	---	---

# MILMET PHARMA LIMITED

## DIRECTORS' REPORT

To,

The Members

Your Directors have pleasure in presenting you the Fourth Annual Report of your Company together with the Audited Accounts for the year ended on 31st March, 2000.

### ACTIVITIES

During the year under review, your Company has started marketing service activity of pharmaceutical products. The Company has recruited the required personnel with expertise and experience in the field. In the result, the total income of the Company for the year under review was Rs. 133.76 Lac (as against nil during the previous year) The Company has earned a Profit of Rs. 1,99,684 (as against the loss of Rs. 3,605/- during the previous year) in the very first year of starting the operations and barring unforeseen circumstances your Directors are hopeful to achieve more better results in coming years.

### DIVIDEND

In view of the smallness of profits, your Directors do not recommend dividend on the equity capital of the Company.

### SHARE CAPITAL

During the year under review, the Company has allotted 9,000 equity shares of Rs.10/- each at par to Sun Pharmaceutical Industries Ltd. in April 1999 and with the same, Milmet Pharma Pvt. Ltd became subsidiary of Sun Pharmaceutical Industries Ltd. and became deemed Limited Company under Section 43 A of the Companies Act, 1956 and the "Pvt." Word was deleted from the Company's name by the Registrar of Companies, Gujarat w.e.f. 5th April, 1999.

### DIRECTORS

Mr. Ajay A. Bhatt was been appointed as an additional Director of the Company, by the Board of Directors with effect from 21st March, 2000 and holds the office upto the ensuing Annual general Meeting. The Company had received notice from a Member to propose his name for being appointed

## AUDITORS' REPORT TO THE MEMBERS

We have audited the attached Balance Sheet of Milmet Pharma Limited as at 31st March, 2000 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 explanation 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 subsection (3C) of section 211 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, 2000.

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, 1998, and on the basis of such examination of the books and records of the Company as we considered appropriate and 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 loans, secured or unsecured, to companies, firms or other parties listed in Register maintained under Section 301 of Companies Act, 1956 or to Company under the same management as defined under Section 370 (1B) of the Companies Act, 1956.

as Director of the Company. Mr. Vijay S. Mehta resigned as the Director of the Company. On the Company becoming deemed Public Limited Company under Section 43 A of the Companies Act, 1956 the Director of the Company, Shri Sailesh T. Desai retires by rotation at the forthcoming Annual General Meeting of the Company and being eligible, offers himself for reappointment.

### PUBLIC DEPOSIT

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

### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS 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, are given, since the Company has no person in its employment drawing salary in excess of Rs. 6,00,000 per annum or Rs. 50,000 per month.

### AUDITORS

Your Company's auditors M/s. Pravin Doshi & Co., Chartered Accountants, retire at the conclusion of forthcoming Annual General Meeting and have offered themselves for reappointment.

### ACKNOWLEDGEMENTS

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

ON BEHALF OF THE BOARD OF DIRECTORS

SAILESH T. DESAI      AJAY BHATT  
Director                      Director

Baroda, 31st May, 2000

- 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 generally in time.
- According to the information and explanations give 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 Sections 301 of the Companies Act, 1956, and aggregating during the year to Rs. 50,000/- 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 58 A 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 2000, 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.

As per the information and explanations given to us and taking into consideration the nature of the Company, clauses (i), (ii), (iii), (iv), (v), (vi), (x), (xii), (xiv), (xv) and (xvi) of paragraph 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

PRAVIN M. DOSHI  
Partner

Baroda, 31st May, 2000

## BALANCE SHEET AS AT 31ST MARCH, 2000

	SCHEDULE	As at 31 st March, 2000		As at 31 st March, 1999	
		Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	A	92,000.00		2,000.00	
Share Application Money		—		30,000.00	
Reserves and Surplus	B	191,529.85		—	
			283,529.85		32,000.00
<b>Loan Funds</b>					
Unsecured Loans	C		—		11,500.00
			283,529.85		43,500.00
<b>APPLICATION OF FUNDS</b>					
<b>Investments</b>					
	D		—		25,000.00
<b>Current Assets, Loans and Advances</b>					
Sundry Debtors	E	2,681,647.87		—	
Cash and Bank Balances	F	51,750.98		4,780.00	
Loans and Advances	G	743,688.00		—	
		3,477,086.85		4,780.00	
<b>Less : Current Liabilities and Provisions</b>	H	3,199,227.00		1,050.00	
			277,859.85		3,730.00
<b>Miscellaneous Expenditure</b> (to the extent not written off or adjusted)					
Preliminary Expenses			5670.00		6,615.00
<b>Profit and Loss Account</b>	B		—		8,155.00
			283,529.85		43,500.00
<b>NOTES TO ACCOUNTS</b>					
	M				

AS PER OUR REPORT OF EVEN DATE ATTACHED

For **PRAVIN DOSHI & CO.**  
Chartered Accountants

**PRAVIN M DOSHI**  
Partner

Baroda, 31st May, 2000

ON BEHALF OF THE BOARD

**SAILESH T DESAI** Director

**AJAY BHATT** Director

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

	SCHEDULE	For the year ended 31st March, 2000		For the year ended 31st March, 2000	
		Rupees	Rupees	Rupees	Rupees
<b>INCOME</b>					
Income from Operations	I	13,369,958.00		—	
Other Income	J	6,261.45		—	
			13,376,219.45		—
<b>EXPENDITURE</b>					
Personnel Expenses	K	10,733,959.60		—	
Operational Expenses	L	2,317,568.00		3,605.00	
			13,051,527.60		3,605.00
<b>PROFIT BEFORE TAX</b>			324,691.85		(3,605.00)
<b>PROVISION FOR TAXATION</b>			125,007.00		—
<b>PROFIT AFTER TAX</b>			199,684.85		(3,605.00)
<b>BALANCE BROUGHT FORWARD</b>			(8,155.00)		(4,550.00)
<b>BALANCE CARRIED TO BALANCE SHEET</b>			191,529.85		(8,155.00)
<b>NOTES TO ACCOUNTS</b>					
	M				

AS PER OUR REPORT OF EVEN DATE ATTACHED

For **PRAVIN DOSHI & CO.**  
Chartered Accountants

**PRAVIN M DOSHI**  
Partner

Baroda, 31st May, 2000

ON BEHALF OF THE BOARD

**SAILESH T DESAI** Director

**AJAY BHATT** Director

**MILMET PHARMA LIMITED**  
**SCHEDULES TO THE ACCOUNTS**

	As at 31st March, 2000 Rupees	As at 31st March, 1999 Rupees
<b>SCHEDULE A : SHARE CAPITAL</b>		
<b>Authorised</b>		
10,000 (Previous year 10,000) Equity Shares of Rs.10 each	100,000.00	100,000.00
<b>Issued and Subscribed</b>		
9,200 (Previous Year 200) Equity Shares of Rs. 10 each fully paid	92,000.00	2,000.00
	<u>92,000.00</u>	<u>2,000.00</u>
<b>SCHEDULE B : RESERVES AND SURPLUS</b>		
Profit and Loss Account As per Annexed Account	191,529.85	(8,155.00)
	<u>191,529.85</u>	<u>(8,155.00)</u>
<b>SCHEDULE C : UNSECURED LOANS</b>		
From Directors	—	11,500.00
	<u>—</u>	<u>11,500.00</u>
<b>SCHEDULE D : INVESTMENTS (NON-TRADE)</b>		
<b>UNQUOTED</b>		
Previous Year 2500 Equity shares of Rs. 10/- each fully paid up of United Medisales Pvt.Ltd..	—	25,000.00
	<u>—</u>	<u>25,000.00</u>
<b>SCHEDULE E : SUNDRY DEBTORS</b>		
(Unsecured and considered good)		
Over six months	—	—
Others	2,681,647.87	—
	<u>2,681,647.87</u>	<u>—</u>
<b>SCHEDULE F : CASH AND BANK BALANCES</b>		
Cash in hand	30,915.00	4,780.00
Balances with Scheduled banks on Current account	20,835.98	—
	<u>51,750.98</u>	<u>4,780.00</u>
<b>SCHEDULE G : LOANS AND ADVANCES</b>		
(Unsecured and considered good)		
Advances recoverable in cash or in kind or for value to be received	574,556.00	—
Advance payment of Income Tax (Net of provision)	169,132.00	—
	<u>743,688.00</u>	<u>—</u>
<b>SCHEDULE H : CURRENT LIABILITIES &amp; PROVISION</b>		
Sundry Creditors	85,219.00	—
Other Liabilities	3,114,008.00	1,050.00
	<u>3,199,227.00</u>	<u>1,050.00</u>
	For the year ended 31st March, 2000 Rupees	For the year ended 31st March, 1999 Rupees
<b>SCHEDULE I : INCOME FROM OPERATIONS</b>		
Commission	13,369,958.00	—
	<u>13,369,958.00</u>	<u>—</u>
<b>SCHEDULE J : OTHER INCOME</b>		
Interest on Loan to Employees	4771.00	—
Miscellaneous Income	1,490.45	—
	<u>6,261.45</u>	<u>—</u>
<b>SCHEDULE K : PERSONNEL EXPENSES</b>		
Salaries, Wages, Bonus and Benefits	9,735,969.00	—
Contribution to Provident and	—	—

Other Funds	587,789.00	—
Other Welfare Expenses	410,201.60	—
	<u>10,733,959.60</u>	<u>—</u>

<b>SCHEDULE L : OPERATIONAL EXPENSES</b>		
Rent	120,000.00	—
Rates and Taxes	1,100.00	—
Travelling and Conveyance	1,900,396.00	—
Miscellaneous expenses	285,572.00	2,555.00
Auditors Remuneration	—	—
- Audit Fees	10,500.00	1,050.00
	<u>2,317,568.00</u>	<u>3,605.00</u>

**SCHEDULE TO ACCOUNTS**

**SCHEDULE 'M' : NOTES TO ACCOUNTS**

**1 SIGNIFICANT ACCOUNTING POLICIES**

**i. BASIS OF ACCOUNTING**

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

**ii. REVENUE RECOGNITION**

All revenues are accounted on accrual basis.

**iii. TERMINAL BENEFITS**

Provision for gratuity will be made as and when statutorily required. Liabilities for accumulated earned leave of employees is ascertained and provided for as on the date of the Balance Sheet. The Company's contribution in respect of Provident Fund is charged to Profit & Loss Account.

**iv. PRELIMINARY EXPENSES**

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

2 Additional information pursuant to Part II of Schedule VI to the Companies Act, 1956 are not applicable.

3 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 2000
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	284	Total Assets	284
-------------------	-----	--------------	-----

**Sources of Funds**

Paid-up Capital	92	Reserves and Surplus	192
Secured Loans	0	Unsecured Loans	0

**Application of Funds**

Net Fixed Assets	0	Investments	0
Net Current Assets	278	Miscellaneous Expenditure	6
Accumulated Losses	0		

**iv. Performance of Company (Amount in Rs.Thousands)**

Turnover	13376	Total Expenditure	13051
Profit Before Tax	325	Profit After Tax	200
Earning Per Share in Rs.	21.74	Dividend Rate %	NIL

**v. Generic Names of Three Principal Products/Services of the Company**

(As per Monetary Terms)		NOT APPLICABLE
Item Code No. (Itc Code)		NOT APPLICABLE
Product Description		NOT APPLICABLE

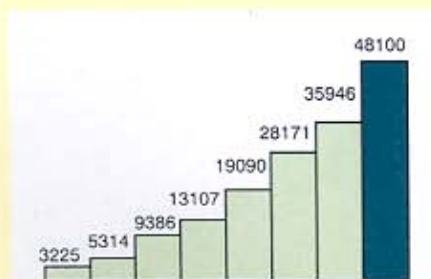
## FINANCIAL HIGHLIGHTS

Rupees in Lacs

Particulars	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
Total Income	3225	5314	9386	13107	19090	28171	35946	48100
Net Profit	253	744	2144	3698	4907	5612	5904	9067
Gross Block	676	1861	3692	5976	9726	13710	20197	24424
Net Worth	639	1675	9292	12706	16950	21772	30934	36472
R&D Expenses								
Capital	215	340	242	255	448	354	450	1015
Revenue	37	109	98	176	252	770	528	985
% of Turnover	8.03	8.75	3.92	3.85	4.13	4.21	2.75	4.20
Exports	162	343	829	2747	3094	5073	8944	11369
Debt Equity ratio	1.33	1.02	0.16	0.14	0.11	0.18	0.21	0.13
Current ratio	3.17	2.29	5.19	4.62	4.32	4.21	4.04	4.00

Rupees in Lacs

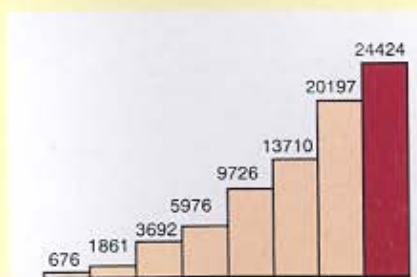
**Total Income**



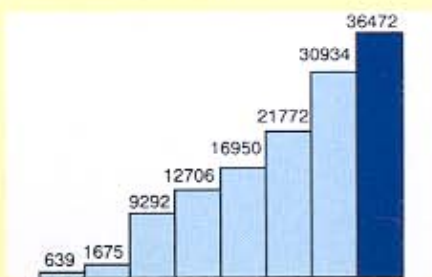
**Net Profit**



**Gross Block**



**Net Worth**





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