

**SUN**  
PHARMACEUTICAL  
INDUSTRIES LTD.

**Annual Report 2007- 08**

**Focus**



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## Board Of Directors

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

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

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

**Mr. S. Mohanchand Dadha**  
Director

**Mr. Hasmukh S. Shah**  
Director

**Mr. Keki M. Mistry**  
Director

**Mr. Ashwin Dani**  
Director

## Company Secretary

**Mr. Kamlesh H. Shah**  
Email:secretarial@sunpharma.com

## Auditors

**Deloitte Haskins & Sells**  
Chartered Accountants, Mumbai

## Bankers

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

## Registrars & Share

### Transfer Agents

**Intime Spectrum Registry Pvt. Ltd.**  
C-13, Pannalal Silk Mills Compound,  
LBS Marg, Bhandup (West),  
Mumbai-400 078.  
Tel.: 25963838  
Fax.: 25946969  
Email:sunpharma@intimespectrum.com

### Additional Collection Centre

201, Daver House, 197/199,  
Dr. D. N. Road,  
Mumbai-400 001.  
Tel.: 22694127

## Plants

Plot No. 214 & 20 Govt. Industrial Area,  
Phase II, Piparia, Silvassa-396 230,  
Gujarat.

Halol-Baroda Highway,  
Near Anand Kendra, Halol,  
Dist. Panchmahal-388 380, Gujarat.

Plot No. 25 & 24 / 2, GIDC, Phase-IV,  
Panoli-395 116, Dist. Bharuch, Gujarat.

A-7 & A-8, MIDC Ind. Area,  
Ahmednagar-414 111, Maharashtra.

Plot No. 4708, GIDC,  
Ankleshwar-393 002, Gujarat.

Sathammai Village, Karunkuzi Post,  
Maduranthakam TK, Kanchipuram  
District, Tamil Nadu-603 303.

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

Plot No. 817/A, Karkhadi, Taluka Padra,  
Dist. Vadodara-391 450, Gujarat.

Sun Pharmaceutical Industries \*  
Survey No. 259/15, Dadra-396191  
(U.T. of D. & NH).

Sun Pharmaceutical Industries \*  
6-9 Export Promotion  
Industrial Park (EPIP), Kartholi,  
Bari Brahmana, Jammu- 181133.

Sun Pharmaceutical Industries Inc.,  
705, E. Mulberry Street, Bryan,  
Ohio-43506, USA.

Sun Pharmaceutical Industries Inc.,  
270 Prospect Plains Road, Cranbury,  
New Jersey 08512, USA.

Caraco Pharmaceutical Laboratories Ltd.,  
1150 Elijah McCoy Drive,  
Detroit 48202, Michigan, USA.

Sun Pharmaceutical (Bangladesh) Ltd.,  
Chandana, Joydevpur, Gazipur,  
Bangladesh.

Alkaloida Chemical Company  
Exclusive Group Ltd.,  
H-4440 Tiszavasvari, Kabay, Janos 4.29,  
Hungary.

## Offices

### Registered

Sun Pharma Advanced Research Centre,  
(SPARC), Tandalja,  
Vadodara – 390 020, Gujarat.

### Corporate

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

## Research Centres

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

F.P.27, Part Survey No. 27, C.S. No. 1050,  
TPS No. 24, Village Tandalja,  
District Vadodara – 390 020, Gujarat.

17-B, Mahal Industrial Estate.  
Mahakali Caves Road,  
Andheri (East), Mumbai – 400 093,  
Maharashtra.

\* With partnership firm Sun Pharmaceutical Industries.



HPLC's, Analytical Lab, R&D Center



API Manufacturing, Panoli



Formulation Lab, R&D Center



R&D Center, Baroda



Lobby, R&D Center



Pharmacokinetics Lab, R&D Center 03

# Highlights

- Net sales for the year ending 31 March 2008, up 57%.
- International markets are now at 55% sales, further strengthening our presence as an international pharma generic company.
- India formulations continues to be a large part of our turnover, accounting for 43% of our business.
- Ex- US branded generics grew 10% in value terms.
- Sales at our 76% subsidiary in the US, Caraco Pharma Labs, were up 200% for the year ending March 31, 2008.
- Between Sun Pharma and Caraco, ANDAs for 53 products are now approved including generic Trileptal and Protonix where we had first-to-file exclusivity. This compares with 29 products last year, including tentative approvals for 8 products.
- To further strengthen our capabilities as a vertically integrated company, 31 API's were developed, scaled up and brought to commercial production. This confers cost and speed to market advantages.
- R&D for generics and API development at 9% of net sales was amongst the sector's highest.
- A total of 215 patents have been have been filed so far, of which 59 were granted.
- Employee strength is over 8000, of which 1400 are based abroad, including at our subsidiaries.

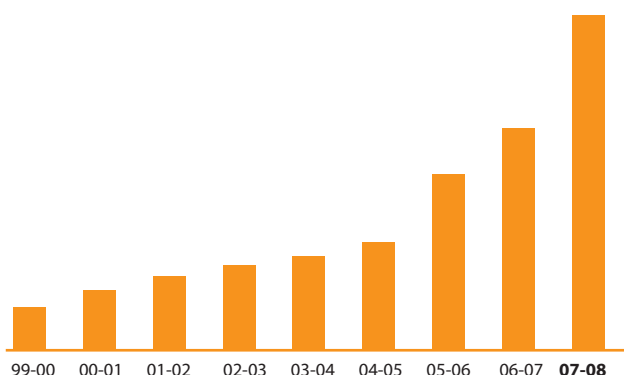
*all numbers pertain to the consolidated entity*

Consolidated Sales breakup by type	Mar. 08 (Rs. in Million)	Mar. 07 (Rs. in Million)
Total Sales	34605.6	22372.8
Domestic	15650.0	12686.2
Formulations	14762.2	11809.7
Bulk	879.3	861.8
Others	8.5	14.7
Export	18955.6	9686.6
Formulations	16339.2	7290.1
Bulk	2583.3	2361.6
Others	33.1	34.9

## Consolidated - Total Revenue

(Rs. In Million)

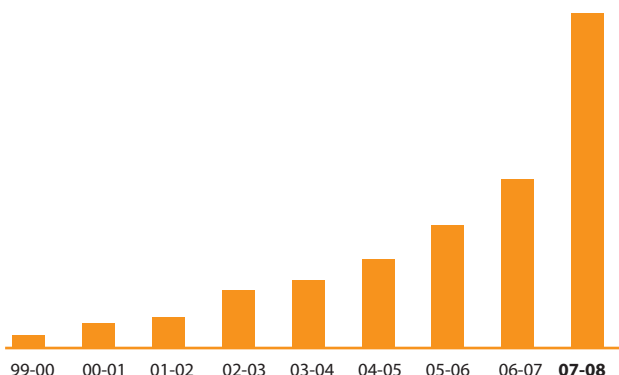
4,445 5,682 6,985 8,410 9,995 12,301 18,052 23,787 **35,017**



## Consolidated - Net Profit

(Rs. In Million)

837 1,352 1,681 2,487 3,157 3,962 5,733 7,843 **14,869**



## Disclaimer:

Statements in this "Management Discussion and Analysis" describing the Company's objectives, projections, estimates, expectations, plans or predictions or industry conditions or events may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results, performance or achievements could differ materially from those expressed or implied. Important factors that could make a difference to the company's operations include global and Indian demand supply conditions, finished goods prices, feedstock availability and prices, and competitors' pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries within which the Company conducts businesses and other factors such as litigation and labour unrest or other difficulties. The Company assumes no responsibility to publicly update, amend, modify or revise any forward looking statements, on the basis of any subsequent development, new information or future events or otherwise except as required by applicable law.

Unless the context otherwise requires, all references in this document to "we," "us" or "our" refers to Sun Pharmaceutical Industries Limited and consolidated subsidiaries.



## Proposed Taro merger and subsequent events.

Last year when we wrote to you, we had announced our decision to merge Taro Pharmaceutical Industries Ltd.

On May 28th, Taro sent Sun Pharma a notice for the purported termination of the merger agreement. Amongst the reasons it has stated, was the fact that US \$10.25 per share, the price Sun Pharma would have offered after due board clearance, was too low in view of the dramatic turnaround at Taro.

Sun Pharma has responded to the letter, stating that Taro is not entitled to terminate the merger as per the terms of the agreement. Sun Pharma remains skeptical of Taro's turnaround. In our opinion, if not for Sun Pharma's cash injections of approx. \$60 million last year, Taro would have virtually negative cash - hardly the "dramatic" improvement of which Taro has boasted. Sun Pharma has challenged this termination of merger in the Supreme Court of New York.

While Sun Pharma has made every effort to fulfill its obligations under the Merger Agreement, Taro has failed to honor its side of the bargain and take all necessary action to consummate the merger. Further, Taro has ignored all attempts to discuss, and put forward to Taro's shareholders, an increase in the merger consideration in order to complete the transaction.

On June 25, Sun Pharma exercised the Option under its Option Agreement to acquire all the shares held by the controlling shareholders of Taro Pharmaceuticals Industries Limited (Taro). In connection with the exercise of the Options, Sun Pharma has also commenced a Tender Offer for all Ordinary Shares as required by the Option Agreement. The Option Agreement also requires that Sun Pharma specifically commence its Tender Offer at US \$ 7.75 per share.





## Management Discussion & Analysis

# Indian Market

The Indian prescription market is Rs. 324 billion; with a 15% growth rate at stockist level, based on market data for companies with a national presence (IMS ORG Stockist Audit MAT April 08).

Prosperity, lifestyle changes, upward mobility continued to be themes for India, and held true for the pharma market as well. Growth of the chronic segments was significantly higher than acute therapy areas, a trend we've seen in previous years. Acute therapy products continued to grow at a pace that was higher than in the previous years.

A continuing area of concern that affected pharma companies this year as well, was the pricing policy and the numerous price changes brought about by the price monitoring body, the NPPA. Excise was reduced as a part of the budget proposals. To recap- the previous drug price policy is based on essentiality and covered 74 molecules used as antibiotics, painkillers or were used in national health care programs such as tuberculosis eradication or blindness prevention. The government has to walk a thin line between affordable costs and availability, given the lack of infrastructure for healthcare delivery in the country, where only a small fraction of the population has access to modern healthcare, particularly in rural areas and smaller towns; healthcare insurance is as yet, minimal, and current policies do not cover ailments that are treated with outpatient visits such as hypertension or diabetes (and are generally limited to post surgery or hospitalization care), and the patient pays for most healthcare.

Changes in the healthcare policy now require drugs used in the treatment of chronic or lifestyle areas to be added to the list as well. This change would increase the span of medicines under control to 350. This move, in a nation where medicine prices are amongst the lowest worldwide, may lead to lower growth in the pharma sector and at the end of the day may not possibly be in the best interests of the consumer. After concerns raised by the various industry associations, the draft policy is being examined by one of the highest bodies in the country, the Group of Ministers. The time horizon and the final form that this authoritative policy reaches the patient in, is open to conjecture.

### MAT IMS-ORG For Apr '08

	Value in Rs. Billion	MS%	Growth%
<b>Total Indian Pharma Market*</b>	<b>324</b>	<b>100.0</b>	<b>15</b>
Gastroenterology, Diabetes	80	24.6	14
Anti-infectives (oral, injectables)	65	20.1	15
Cardiology	33	10.2	22
Respiratory System	29	8.9	12
Pain, Muscles and joints	24	7.4	8
Psychiatry and Neurology	22	6.9	14
Skin	18	5.4	12
Blood and Blood forming organs	13	4.1	18
Urology, Sex-Hormones	12	3.8	20

(\* therapy areas have been renamed for understanding)

Chronic therapy areas continued to appear attractive to companies across the spectrum, as they entered the area, created additional marketing divisions & introduced new products. The first of biotech-based or technically-difficult products from multinationals reached market shortly after international launch. Small regional companies continued their effort to create a foothold in larger cities. Some large companies began to expand their field force for rural markets, more seriously than they did before.

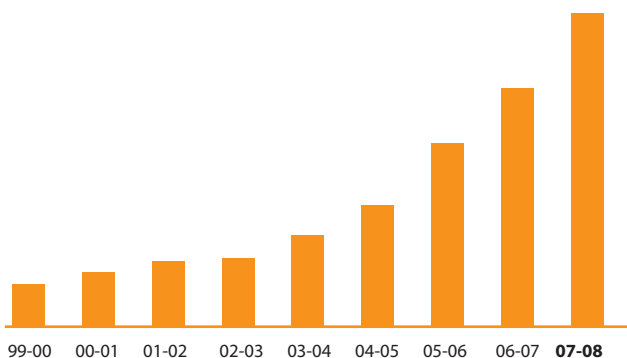
Patent challenges continued this year as well, testing the boundaries of what is patentable in the country despite the Indian Patent law leaving little room for incremental innovation to get protection. Since 2005, a new Patent Act has been in place in the country offering international levels of intellectual property protection, but with safeguards to protect patient interest. Yet cases continued to be tried & products filed in the judicial system that would test the patentability.

As yet, the products that have reached market are therapeutic analogues or products where current treatments are available, or high value biotech based products that address a limited market, such as specific kinds of cancer. We are open to licensing these kinds of products should we feel we require to.

### Standalone - Total Revenue

(Rs. In Million)

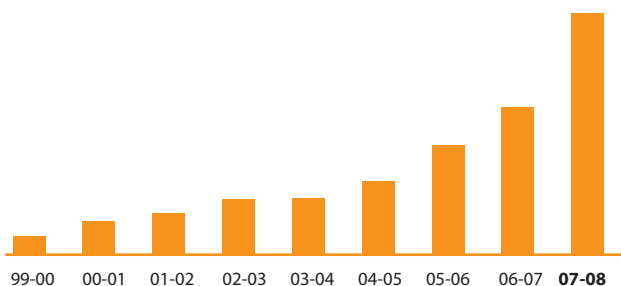
4,445 5,682 7,023 7,330 9,598 12,468 18,070 24,067 **32,767**



### Standalone - Net Profit

(Rs. In Million)

837 1,352 1,686 2,314 2,406 3,057 4,613 6,289 **10,140**



### Division-wise Representative Strength & Therapy Areas

Sun	272	Gastroenterology, Orthopedics, products for Physicians
Solares	237	Gastroenterology, Orthopedics, products for Physicians
Spectra	229	Gynecology
Arian	218	Cardiology, Diabetology
Azura Life Sciences	216	Cardiology, Diabetology
Avior	196	Cardiology, Diabetology
Synergy	156	Psychiatry, Neurology
Radiant	140	Asthma, COPD
Symbiosis	136	Psychiatry, Neurology
Inca Life Sciences	131	Fertility, Gynecology, Urology
Sirius	130	Psychiatry, Neurology
Ortus	110	Rheumatology, Dermatology
Avesta	103	Ophthalmology
Milmet	102	Ophthalmology
Sun Oncology A *	26	Oncology
Sun Oncology B *	25	Oncology
Azura Critical Care*	23	Interventional Cardiology
<b>TOTAL</b>	<b>2450</b>	

(As of March 31, 2008. For Azura Critical Care and Sun oncology teams, the number is that of first line managers)



## Management Discussion & Analysis

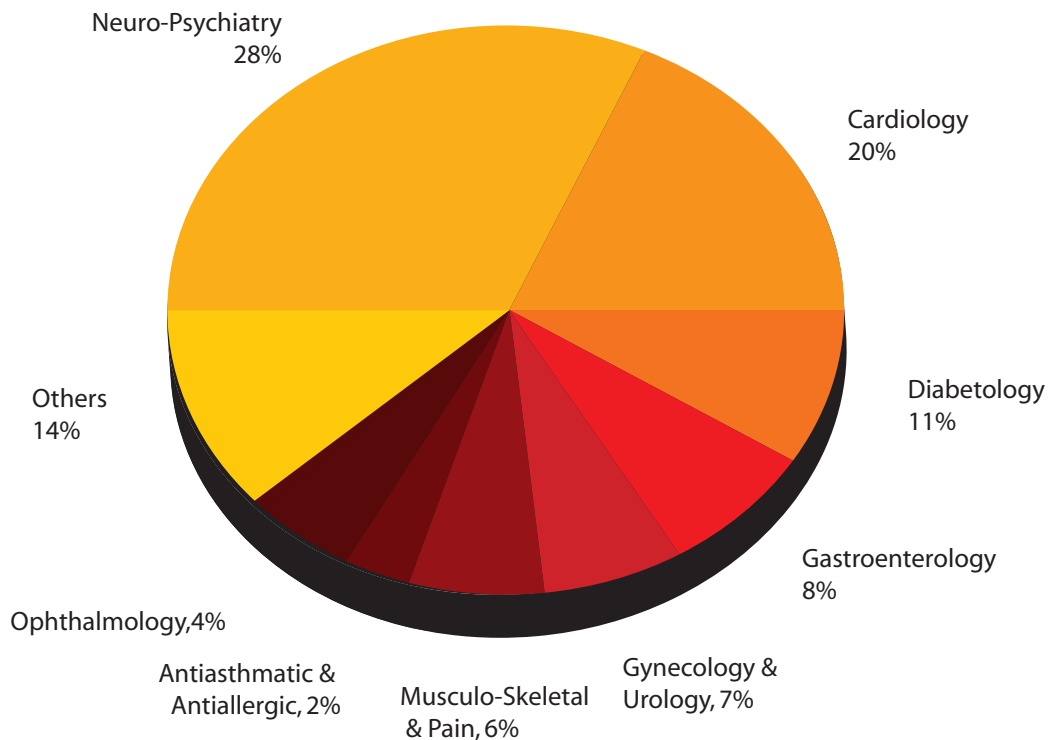
# Domestic Formulations

Domestic formulations continue to be a large part of our business at 43% of our turnover, with a three year 29% GR.

This year, 37 new products were brought to market & 16 used a technology - based differentiation or were complex, 15 were integrated to API.

The local market continues to be competitive.

### Therapywise Break-up



The market continued to be extremely competitive, with new entrants in these therapy areas, additional divisions from companies that already have a presence, and forays into urban markets by companies that have a regional presence. Companies have been making disproportionate investments in marketing to establish relationships with doctors. Several companies have begun to in-license molecules that are difficult-to-make, in order to establish a pro-technology image.

We hold no. 1 rank with 6 specialities, which is the same position as last year, and we gained market share in psychiatry, neurology, cardiology, diabetology, ophthalmology & orthopedics.

Gradual rank increases also continue to be seen in areas like

gynecology, urology, nephrology which are chronic therapy areas in which we are gradually building up market share.

We continued to invest in activities that project the company as a knowledge provider. Across divisions, we used opportunities to align with internationally reputed universities or acclaimed bodies to create interactive learning situations, workshops and update sessions for specialist consultants across the country.

Seminars to share the latest advances in therapy were also arranged. Interdisciplinary lectures, to help specialists in one therapy recognize and treat presenting symptoms related to a different speciality area, were also widely appreciated. For instance, movement disorder clinics for the clinical

practitioner, updates for gynecologists in detecting cancer of the cervix and breast etc.

In Oncology, which is an intensely competitive area which has over 60 companies competing, our emphasis has been on knowledge sharing, for instance with knowledge updates on the latest advances for post graduate students.

For psychiatry and neurology, in addition to these initiatives and international lectures, camps for diagnosis and treatment of epilepsy, bipolar mood disorders, parkinsons' disease, etc. have also helped build mindshare with doctors.

Educational and knowledge sharing programs with bodies like American Diabetic Association and American College of

Cardiology have helped reach out to top notch specialists. Workshops for practicing doctors as well as post graduate students, using discussions and tests with actual case histories have reinforced the image we have built over the years.

At the end of the day, strong execution by our field force continues to be the most important part of our strategy, and one that sets us apart from our competitors. An enthusiastic team that executes strategies and a strong product team that looks for ideas that have a clear practical bent, are two complementary sides that ensure that our initiatives convert into sales in a highly competitive market.

C-MARC Ranks	Nov 02- Feb 03	Mar 04- Jun 04	Mar 05- Jun 05	Nov 05- Feb 06	Nov 06- Feb 07	July 07- Oct 07	Nov 07- Feb 08
Psychiatrists	1	1	1	1	1	1	1
Neurologists	1	1	1	1	1	1	1
Diabetologists	3	4	2	1	1	1	1
Cardiologists	3	1	1	1	1	1	1
Consultant Physicians	5	5	5	5	5	5	5
Nephrologists	5	4	4	4	4	4	4
Chest Physicians	4	4	5	5	5	5	4
Gastroenterologists	3	2	2	2	2	2	2
Ophthalmologists	4	3	1	1	1	1	1

## Management Discussion & Analysis

# Research & Development

For the year, R & D spend was Rs. 2859 million, or 9% of net sales. For the standalone entity, the spend was 6% of turnover.

Our teams at the R&D centers continue their task of building pipelines-developing cost effective & efficient processes for dosage forms as well as APIs, scaling these up from the labs to the plants, working on product development for demanding international markets, developing ANDAs for a strong pipeline in the US. The team also develops & scales up complex generics to offer heft to our branded generic business in India & ex-US markets. As can be expected in competitive markets, speed to market is critical. Hence these teams are always under pressure to multitask on parallel product development and bring these to market. In the past years a number of interesting product opportunities such as Cernos (testosterone cypionate) & Ovurelix (Cetrorelix acetate) have made it to market in India, in addition to Lipodox (a targeted anticancer) and Lupride (a once a month or three month depot anticancer and fertility drug) which we have detailed extensively in the past.

We will work to scale up the pace of filings and rush them to high value international markets as generics. These complex product opportunities help us prepare for a competitive future.

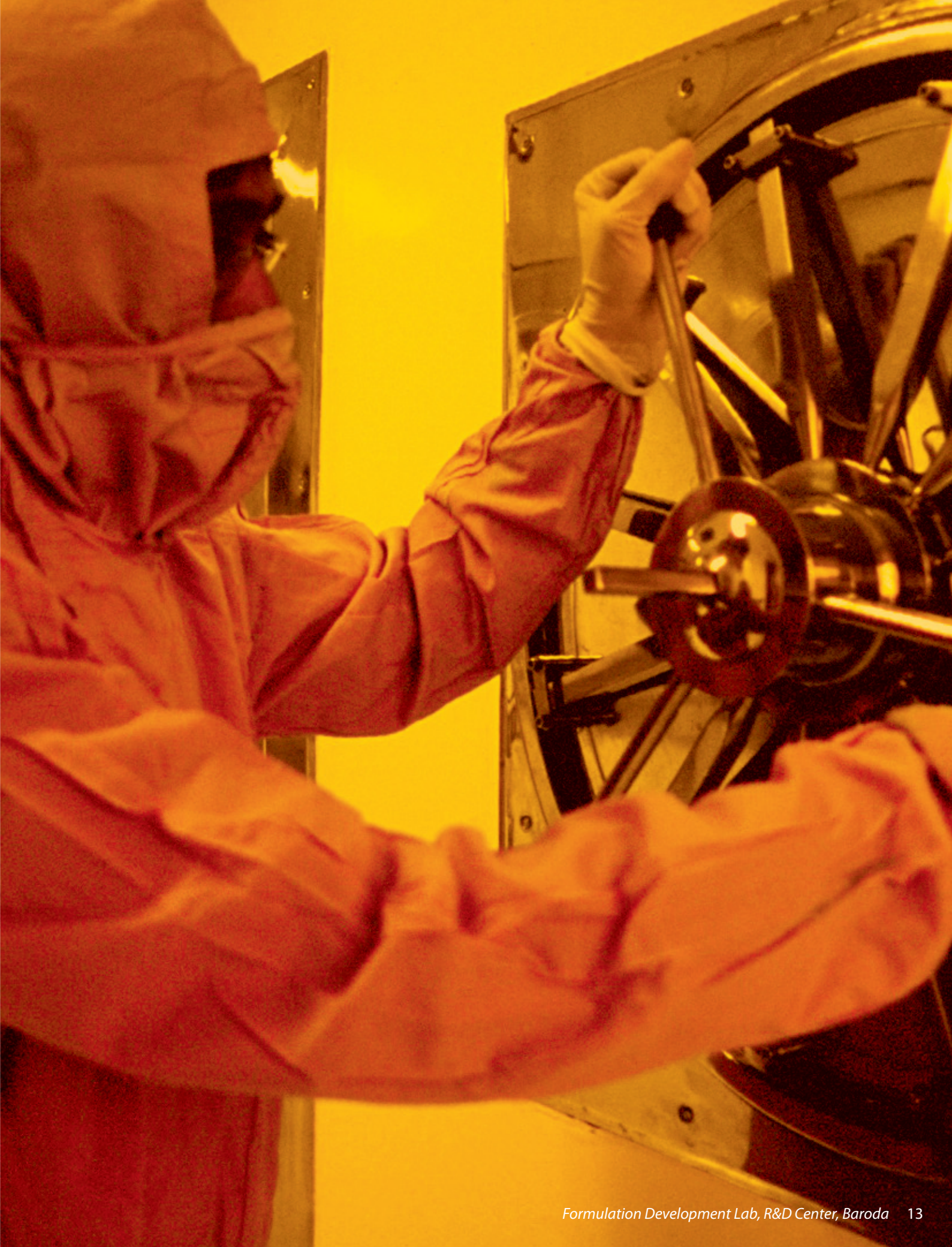
This year saw the first of technology based ANDA filings from

Sun Pharma, with technology sourced from SPARC Ltd. For Effexor XR, an antidepressant on which we had filed a para 4 with a FTF, the wrap matrix technology used to create this tablet has been sourced in from SPARC Ltd. and we expect to reach market on product approval.

Between Sun Pharma & Caraco, ANDAs for 89 products await approval at the end of March 08, up from 65 in the previous year. 70 of these pending filings are for Sun Pharma and its subsidiaries, 19 are from Caraco. These products are an interesting mix of simple generics, complex generics (including a few with a technology advantage), and a few para 4 challenges. This pipeline, one of the strongest from Indian companies, will drive growth at Caraco, our plants in the US at Bryan & Cranbury, as well as our USFDA - approved Indian sites.

API continues to be a source of great support for our dosage form business. Entry into closely held markets, cost leadership, quick entry into interesting formulation markets, are some of the advantages of integration. In all, we have 101 filings for DMF and CEP, based on the work done by the chemistry teams at our research center, of which 50 API are approved from two sites in India and one in Hungary.

Our technical skills & dedicated manufacturing capability in areas such as peptides, anticancers, steroids and hormones will enable us differentiate in a competitive marketplace and power our generic growth plans.



## Management Discussion & Analysis

# US Generics

In 2007, generics accounted for 67% of the US market, up from 63% in 2006 according to IMS data shared by the generics industry association, GPhA. In 2008, drugs with over \$20 billion in sales lose patent protection, augmenting the pipeline substantially. Generics accounted for 20% of dollars spent as prescription drugs last year, up from 17% in 2003. At Patient Benefit Managers such as Costco, overall drug costs increased 2% in 2007, compared with 5.4% in 2005. This was largely due to the huge pipeline of generic drugs that began to come off patent and this pipeline extends to 2015.

Healthcare (after the economic situation) is one of the topmost priorities for candidates for the Presidential elections. Although the stance taken differs marginally, it continues to be pro-generic. One of the democrat candidates has gone on record saying that if elected President, they would increase funding for FDA's Office of Generic Drugs to speed reviews of new medicines and eliminate loopholes in US law that allow Big Pharma to block generic copies.

Another Democrat candidate has said he would prevent brand name pharma from blocking copies and would encourage wider use of generics in US health programs including Medicare for the elderly & Medicaid for the poor.

The leading Republican candidate, has briefly mentioned that he would support laws that would allow Americans to buy drugs from Canada and other countries. He has also proposed improvements in the approval process for generics & biotech medicines.

As more generics come off patent, brand name companies began to increase the price on commonly used medicines in order to protect margins. For example, AARP, an advocacy group pointed out that Big Pharma raised the price of 220 branded medicines most commonly used by senior citizens as part of Medicare part D prescription drug plans.

Annual growth in the generic market was 3.8% according to IMS after years of 10-20% increases, due to pricing pressure on generics shortly after patent expiry, larger number of players, some impact of large chains like Wal-Mart & Target offering generics at substantially reduced prices such as \$4/mo. However, this decrease in prices was not matched by an increase in volumes.

The 3-4% growth rate for a market previously growing at double digit rates, despite several important patent expiries, is indicative of the pricing pressure that continues in the market. Technically complex products including several anticancers that went off patent saw approvals for as many as six filers on the day of launch, commoditising these generics.

With increasing competition, companies continued to seek first to file opportunities or at risk launches. We expect this trend to continue now that the likelihood of triple damages is much lower than it was earlier. According to some estimates, such at-risk launches could account for \$22 billion expiry revenue in 2008.

## Medicare & Generics growth:

Last year we'd written about how the new prescription drug benefit, part of the Medicare Reform Act of 2003, had expanded the market by extending coverage for basic medication to the previously uncovered. An IMS study of Medicare Part D at the end of the first year offered significant insights. Of the estimated 29.3 million enrollees, 23.9 million or 75% had joined the plan. The previously uninsured benefited the most from Part D, saving 60% of their cost & increasing pharmaceutical use 26%. Induced demand (new patient starts & improved compliance from Part D) was the highest among non-dual eligible beneficiaries, highest in classes that treat chronic & asymptomatic conditions.

Medicare part D enrollees filled 15% of the total retail Rx in 2006, mostly for hypertension, lipid regulating agents, antidepressants. Among Part D beneficiaries, seniors previously uninsured received the greatest benefit, paying 60% less per Rx than they did earlier. Many Part D beneficiaries appear to have changed their usage pattern of Rx drugs, measured by new therapy starts, and changes in compliance level.

Unbranded generics accounted for 58% of Part D scripts as versus 57% share of all retail Rx. 2007 may see some uptake from the 4-5 million eligibles still not insured and over 2 million new Medicare beneficiaries entering the system.

In our view their leveling off would continue as the majority of beneficiaries are now covered.





## Management Discussion & Analysis

# Sun Pharma in the US

Our US sales is the second largest part of our business and the fastest growing part. This year, our US operations accounted for 41% turnover, a number expected to increase, as we continue to bring important products from our pipeline to the market.

This was a year of stellar US sales on account of exclusivities received on Trileptal, Protonix and at the end of the fiscal, Ethiol. Caraco reported sales of \$350 mill up 200%, and other than these products, with much the same product basket as competition. When we receive approval for Effexor XR after patent expiry the sales numbers would reflect this growth. Our generic formulation is a tablet form of Wyeth's \$2.6 billion antidepressant originally marketed as a capsule. We have a "will-not-sue" covenant on this product.

This year witnessed 2 approvals from the Cranbury site, the first of filings from this site to be thus approved.

Caraco received 11 approvals during the course of the year, Sun Pharma received 13 approvals.

Competition & pricing continue to be intense in the US even for products that are considered to be complex, limiting the pricing flexibility available.

Manufacturing flexibility is one of the advantages that have been built into our US business-across our sites we have the ability to handle all kinds of dosage forms, from simpler tablets and capsules to more complex injectables & sprays. A large part of our US generic production utilizes API that has been scaled up inhouse for speed to market and tighter cost controls.

At our Cranbury & Bryan sites, product development & filing continue to be the primary activity. We expect to have news flow about approvals and subsequent sales over the next 2 years.

As we have shared earlier, our Hungary API site is expected to feed the Cranbury site for controlled substances, allowing greater value addition. Alkaloida, Hungary, continues to manufacture and market API for customers in Europe. In view of both the stringent manufacturing controls required and the restrictions governing free movement of controlled substances that are abuse prone, we believe this will remain an interesting market going ahead.



## Non-US International Markets:



According to IMS, emerging markets are expected to become an even larger part of global growth in the years ahead. Annual pharma sales in emerging markets is expected to cross \$400 billion by 2020, equivalent to current sales in the US & five other major European markets. Currently, emerging markets account for 13% of worldwide market growth, and are expected to reach 50% market growth by 2020. Countries like India, China, Brazil, Russia, Mexico are expected to grow 12-13% whereas mature markets are likely to grow at low single digit rates.

Emerging market needs are quite different in terms of product portfolio and competition is fairly intensive.

For Sun Pharma, our markets across China, Russia, Brazil, Mexico & neighboring countries continued to be the fastest growing part of our business. In most of these, the race is to emerge as the first branded generic and build up prescription share.

In several markets such as Brazil and Mexico, there have been internal compulsions that have resulted in preference for local industry over imports and in some cases even a re-examination of licenses. On a positive note, in some countries like Mexico, branded generics from internationally approved sites in India have been gaining acceptance and prescriptions, at times at a preference over locally made generics. With inflation and an increasing need for cost containment, one can expect increasing preference for branded generics or locally manufactured generics. In some countries like Sri Lanka, years of civil strife have put pressures on the economy, and resulted in a preference for generics/branded generics over the long term. Companies with strong political affiliations have emerged as strong competitors in some countries. Structural changes in some markets, for instance in the way medication budgets are administered in a now-decentralized Russia, have necessitated a change in the way we market brands in that country.

Our origins as a developing country company with strong product promotion skills and a ready portfolio of brands in speciality areas to choose from, strengthens our international plans. We pick & choose products from the range that we market in India, depending on country-specific requirements. Encorate chrono, a seizure medication, and Pantocid, an antiulcerant, continue to be amongst the largest brands we market internationally.

In the thirty - odd countries of our focus, we continue to build a presence with speciality brands. Across markets, our emphasis is on prescription based trade sales. We continue to bring to market important products like Prolomet XL, Octrinide injection as well as Lupride injection, where the technological complexity means that competition is limited.

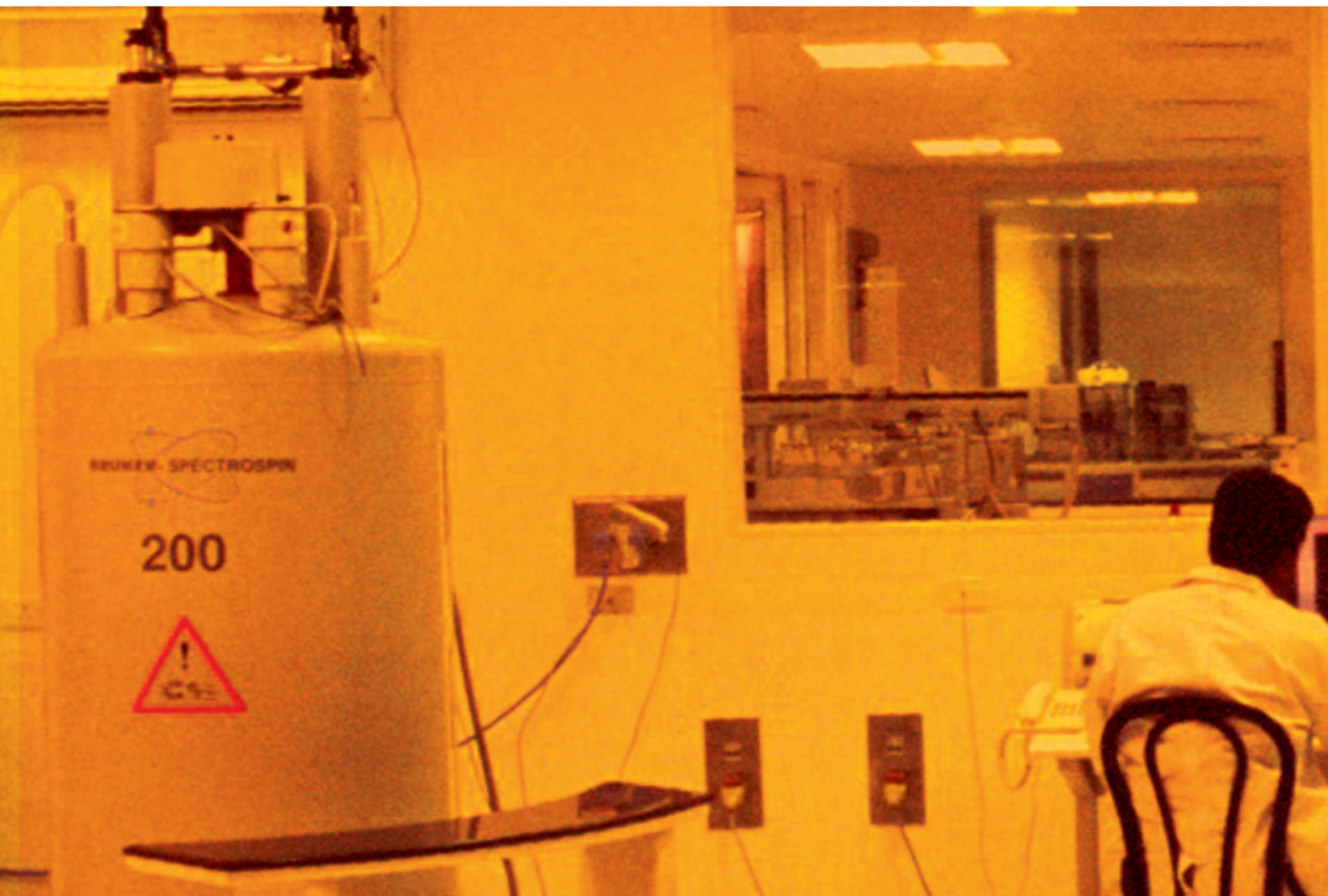
Lipodox, our formulation of targeted doxorubicin is under registration in 7 countries; Octrinide (injectable octreotide) is marketed in 9 countries. Lupride depot, the one & three-month formulation of the peptide luproreotide, is now in 6 markets. In addition, complex products like Prolomet XL are under registration in several markets, including those where these are expected to be the only generic. Several complex products that have been successfully marketed in India are under registration across interesting markets.

The marketing model that we follow in these countries is fairly similar to our relationship building approach in India. Our well-trained 450 person team, (including agent's representatives exclusive to Sun Pharma), makes doctor calls in these markets. Activities such as doctor group meetings, conference participation and symposia have helped us establish a presence.

We continue to be watchful of investments & profits across markets.

### Europe:

In the key markets of Europe such as UK, France & Germany, we continued with our efforts to register products selectively and look for an appropriate partner to bring these our generics to market. We expect to have more newsflow to share going ahead.



## Management Discussion & Analysis

# API Markets

The world market for APIs is estimated to be \$46 billion by 2010, with higher growths forecast for India & China, and annual growth of 14%.

India is uniquely positioned to compete for a chunk of this global market, with 2005 sales of \$2 billion and forecast sales of \$4.8 billion by 2010, an average yearly growth rate of 19.3%. An expertise in chemistry skills, reasonable labor & environment costs, energy controls and competitive domestic sector are likely to make the country one of the top API manufacturers globally, outstripping China & Italy.

API sales of Indian companies are geared to highly regulated markets such as the US, supported by strong DMF documentation, GMP compliance etc. India & China accounted for 57% of the western European generic market in 2005 and were expected to hold 67% market share by 2010.

According to a Frost & Sullivan report, API market in Europe is highly competitive with large number of small & medium sized suppliers. European API suppliers face issues such as lack of capability differentiation, overcapacity, limited new product launches & a number of opportunity limiting M & A's. 80% of Europe's API were exported to the US, a market in which India & China have made inroads and are affected by efforts to streamline supply chain economics by large companies in order to rationalize costs.

At Sun Pharma, 10% of current turnover is from API sales to external customers and this does not take into account the API we use inhouse. We are able to compete with speed to market & sensible costs not only in the US generic market, but in India as well, on account of sourcing advantages. We continue to use our facilities to file interesting ANDAs including those for peptides, steroids, and hormones.



## Management Discussion & Analysis

# Manufacturing

Worldclass sites, 17 plants in all, across three continents enables us to compete with a tight handle on cost and time to market across the geographies we are present in, and compete with interesting products that are difficult to replicate. During the course of the year we completed projects in streamlining, upgradation and expansion across several of our plants.

### **API Manufacturing:**

Our expertise in API manufacturing enables us to work with innovative companies as a sourcing partner & benefit from the advantages of integration with a tight handle on cost & delivery. Our API filings strengthen our presence worldwide & specially in the US where it enables us to source API for ANDA opportunities. In addition to sourcing for very large products (like pantoprazole) we expect to use the dossier development & filing capability for anticancers, steroids, hormones as well.

Alkaloida, our Hungarian manufacturing site that we'd acquired in 2005, is a facility that can make API of controlled substances like morphine, codeine and their derivatives from the initial stages. Over time, we intend to integrate the sourcing of API from this plant to our controlled substance formulations factory in Cranbury, US. In readiness for filing, extensive engineering changes were carried out over the previous year, GMP standards enforced & utilities upgraded significantly.

At our Panoli API plant which we commissioned in 1995 & expanded several times over the course of the last decade, we doubled our plant size with an expansion. The new site houses plants for anticancer and steroid API manufacture, a large warehouse, utility block, tank farm & solvent storage.

Plant 6 is large multiproduct API facility for regulated markets such as the US, plant 7 is dedicated for making sex hormones, and includes a sterile facility. Since these hormones are effective in minute quantities, the plant has stringent controls and the highest checks on utilities.

At Ahmednagar, an oncology plant over four floors with 18 reactors and 8.21 kilolitre capacity with separate air handling systems and restricted material movement was commissioned. We expect to scale up complex anticancers such as oxaliplatin, capcetabine, gemcitabine at this plant, which has been built to USFDA specifications.

At our Karkhadi plant, a plant to manufacture formulations has been made operational and the area for non-sterile formulations such as liquids & tablets has since received USFDA approval for cefuroxime axetil. We expect our API business to continue to feed our dosage form business, and strengthen our ability to compete internationally.

### **Formulation manufacturing:**

We have a solid manufacturing base now across continents, with international grade, approved or approvable plants that can handle a range of dosage forms in India or elsewhere, specifically

in the US. Our plants in Halol, India hold approvals from a large number of regulatory authorities including the USFDA, UK MHRA. On the US mainland, we have three plants, through our subsidiary Caraco, plants in Cranbury (for controlled substances) and Ohio (for topicals such as lotions & creams).

Halol has witnessed increase in area from 14,000 sq. mt. as recently as 2004, to 29,500 sq. mt. now. Our Halol plant holds USFDA approval for tablets, capsules, injectables & nasal sprays, and in the course of the past year we received several injectable ANDA approvals out of this site. A separate solid dosage form area for anticancer tablets & capsules, equipped with totally different air handling units, was commissioned, this area meets international regulatory standards. The area for injectable oncologicals was expanded and the lyophilization capacity was enhanced with two large lyophilizers installed.

A team from the UKMHRA inspected the plant including the injectable area, and we passed this audit with flying colors as no observations were received even for complex injectables. Manufacturing area to handle the production of non-sterile formulations was increased from 3300 sq. mt. to 10,000 sq. mt. in order to support increased production. QC area was expanded almost three times and a state of the art warehouse built. These areas will support our plans for the US market.

At our Silvassa formulations plant a pellet manufacturing area spread over 4800 sq. ft. and supporting QC was built. This will enable us to compete for important products such as Pantocid, Panlipase, Duloxetine.

At the close of the year our Dadra plant also received approval from the US FDA.

### **Caraco:**

To cater to US growth plans, Caraco has been expanding manufacturing considerably, shifting distribution and storage of finished goods to an independent facility. An expansion project to create new manufacturing capacity has begun, adjacent to the current plant. This plant will be built at a cost of \$17 million and add 140,000 sq. ft. area. Last year, Caraco had acquired a small packaging facility for \$ 1.7 million to improve bottling and packaging costs. The analytical area has been expanded, and space for inventories, offices, administrative and sales offices leased.

### **Bryan:**

Sun Pharma Inc.'s Bryan site makes oral liquids, semisolids & topicals. We continue to develop & file products for US FDA approval.

### **Cranbury:**

With its 80 person strong staff the site continues to develop & file products including those containing controlled substances. In addition to nimodipine, approvals for hydroxyzine and benzonatate were received from this plant.



## Quality

The worldover, quality is reaching a mean with increasingly stringent requirements.

An expert quality team, international level quality processes and documentation and top level commitment to quality are the pillars of our quality system.

Emphasis on quality alertness is a starting point. Corporate QA has trained our plant teams to handle areas such as equipment/utility breakdown, impact analysis, incidence investigation, walk through observations and effective audits.

Our central quality team works closely with partners such as vendors, material and machinery suppliers. To ensure GMP compliance regular CQ audits are conducted covering all manufacturing locations.

## Internal Control Systems and their Adequacy

Your Company has adequate internal controls for its business processes across departments to ensure efficient operations, compliance with internal policies, applicable laws and regulations, protection of resources and assets, and accurate reporting of financial transactions. The Company also has an internal audit system which is conducted by independent firms of Chartered Accountants so as to cover various operations on continuous basis. Summarized Internal Audit Observations/Reports are reviewed by the Audit Committee on a regular basis. The finance and accounts functions of the Company are well staffed with qualified and experienced members.

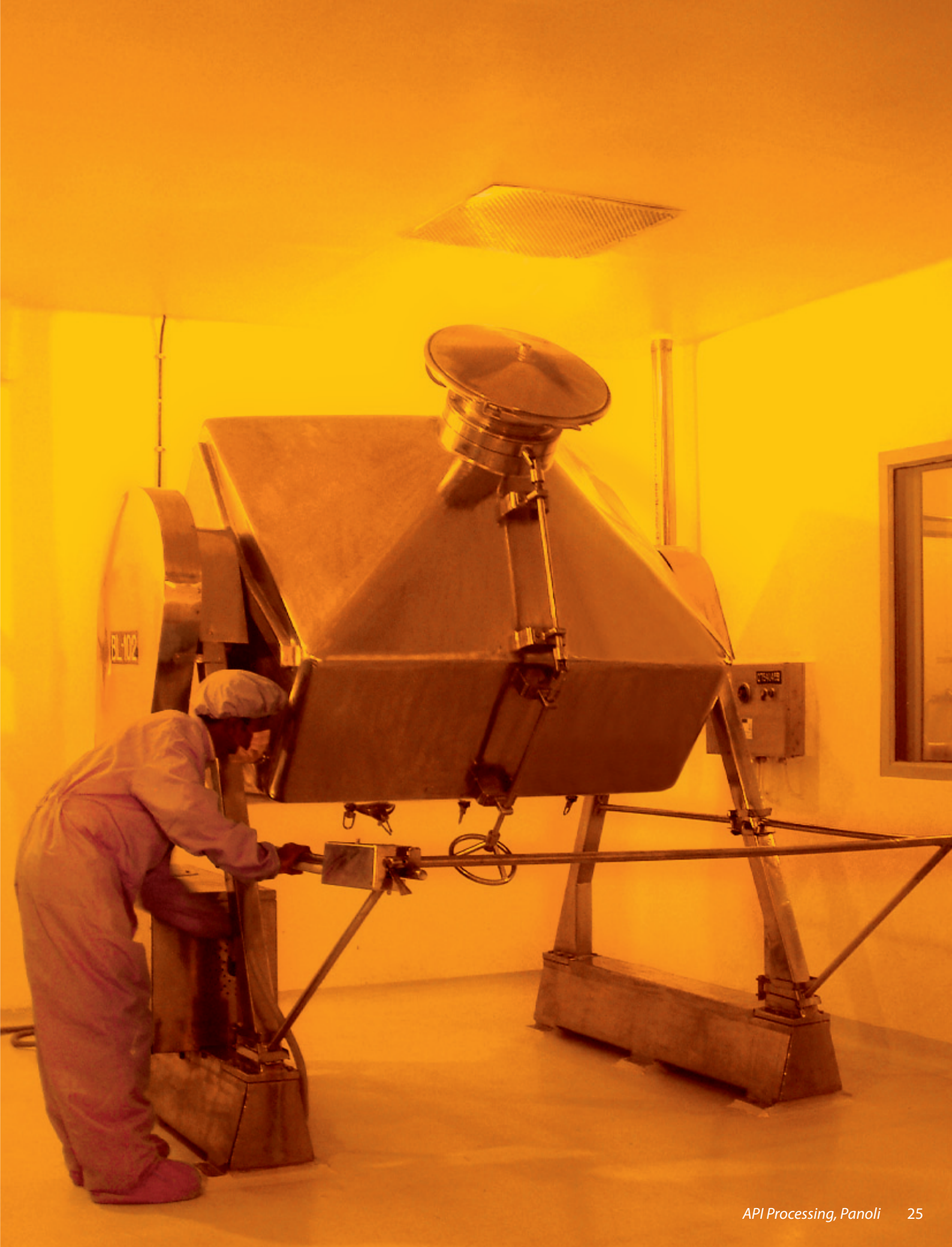




# New Products

	Product	Use
<b>Inca</b>		
1	Cernos Injection	Hypogonadism
2	Ovurelix	Infertility treatments
3	Afdura	BPH
<b>Solares</b>		
4	Lesuride	Gastric prokinetic
5	Sompraz Fast	Proton pump inhibitor
<b>Arian</b>		
6	Rozawel EZ	Cholesterol reducer
7	Riobant	Obesity
8	Prolomet AM	Antihypertensive
9	Fibomet	Antidiabetic with lipid lowering agent
<b>Avior</b>		
10	Ranozex	Antianginal
11	Aztor EZ	Cholesterol reducer
<b>Sun</b>		
12	Riosity	Obesity
13	Lofecam	Pain management
14	Lacti hep	Osmotic laxative
15	Pantocid Fast	Peptic ulcers
<b>Spectra</b>		
16	E2	Postmenopausal
<b>Ortus</b>		
17	Zemosal	Inflammatory bowel disease
18	Skelact	Antispasmodic
19	Dynolap S	Antiallergic
20	Sunpatrop	Corticosteroid
<b>Synergy</b>		
21	Sulpitac	Antipsychotic
22	Dicorate	Antiepileptic
<b>Avesta</b>		
23	Lotepred T	Ophthalmic corticosteroid -antiinfective combination

	Product	Use
<b>Symbiosis</b>		
24	Qutipine SR	Antipsychotic
25	Levipil Injection	Antiepileptic
26	Aravon	Cerebral infarction
27	Nexipride	Antipsychotic
<b>Azura LS</b>		
28	Olmezest	Antihypertensive
<b>Sun Onco</b>		
29	Palonew	Antiemetic
30	Voraze	Antifungal
<b>Sirius</b>		
31	Suminat Fast	Migraine treatment
32	Strocit oral drops	Cognitive function
33	Strocit tabs	Cognitive function
<b>Milmet</b>		
34	Azemo	Antiinfective
35	Lotepred LS	Ophthalmic corticosteroid
<b>Speciality Care</b>		
36	Fosentin	Antiepileptic
<b>Radiant</b>		
37	Pulmoza	Asthma



# API Product List

Acamprosate Calcium  
Alendronate Sodium [#]  
Amitriptyline [\$]  
Anastrozole  
Atomoxetine Hcl  
Balsalazide  
Bicalutamide  
Budesonide  
Bupropion Hcl  
Calcitonin  
Capecitabine  
Carbamazepine  
Carboplatin [,\$,\*]  
Carisoprodol [\$]  
Carvedilol [,\$,\*]  
Cefuroxime Axetil [\*]  
Cisplatin [\*]  
Citalopram Hbr [\$]  
Clomipramine Hcl [\*]  
Clonazepam [\$]  
Clopidogrel Bisulfate  
Danazol  
Desloratadine [\$]  
Desmopressin Monoacetate  
Divalproex Sodium  
Dobutamine Hcl  
Donepezil [\$]  
Dothiepin Hcl [\*]  
Entacapone  
Eptifibatide  
Escitalopram HBr  
Eszopiclone  
Finasteride  
Flurbiprofen [\*]  
Flurbiprofen R(-)  
Flurbiprofen S(-)  
Fluticasone Propionate [,\$,\*]  
Fluvoxamine Maleate [\$]  
Fosphenytoin Sodium [\$]  
Gabapentin [,\$,#]  
Gemcitabine Hcl [,\$,#]  
Glimepiride [\$]  
Granisetron Hcl [\$]  
Ibandronate Sodium  
Imatinib Mesylate [\$]  
Irbesartan  
Irinotecan Hcl

Isradipine [\$]  
Lamotrigine [\$]  
Lercanidipine Hcl  
Letrozole  
Losartan Potassium [#]  
Loteprednol Etabonate  
Magnesium Valproate  
Meloxicam [#]  
Memantine Hcl  
Mesalazine [,\$,\*]  
Metamizol Magnesium  
Metaxalone  
Metformin Hcl [,\$,\*]  
Methylphenidate Hcl  
Metoprolol Succinate [\*]  
Metoprolol Tartrate [,\$,\*]  
Mirtazapine [\$]  
Modafinil [\$]  
Mometasone Furoate  
Naltrexone Hcl  
Netaglinide  
Octreotide Acetate [,\$,#]  
Olanzapine  
Ondansetron Base [\$]  
Ondansetron Hcl [,\$,\*]  
Oxaliplatin [\$]  
Oxcarbazepine [\$]  
Oxethazaine  
Pamidronate Disodium [,\$,#]  
Pantoprazole [\$]  
Pentoxifylline [,\$,\*]  
Perindopril  
Pioglitazone  
Piroxicam Betacyclodextrine  
Raloxifene Hcl  
Repaglinide [\$]  
Rivastigmine Tartrate [\$]  
Ropinirole  
Sertraline Hcl [\$]  
Sodium Valproate [,\$,\*]  
Sumatriptan Succinate [,\$]  
Temozolomide  
Terlipressin  
Testosterone  
Tiagabine Hcl [\$]  
Tizanidine Hcl [\$]  
Topiramate [,\$,#]

Tramadol Hcl [,\$,\*]  
Valproic Acid  
Venlafaxine Hcl  
Ziprasidone Hcl  
Zoledronic Acid  
Zolpidem Tartrate [,\$,\*]  
Zonisamide [\$]

## API Product List-Alkaloids

Acenocoumarol  
Aluminium-magnesium-hydroxy-carbonate-hexahydrate  
Buprenorphine HCl  
Buspirone base [,\$,#]  
Buspirone HCl [,\$,#]  
Codeine base  
Codeine HCl  
Codeine phosphate hemihydrate [\*]  
Concentrate of poppy straw (CPS)  
Dihydrocodeine hydrogentartrate  
Ethylmorphine HCl  
Glibornuride [#]  
Hydroxychloroquine sulphate [\$]  
Morphine HCl  
Morphine sulphate  
Noroxymorphone  
Noscapine base  
Noscapine HCl  
Oxycodone  
Oxymorphone  
Phenobarbital acid [,\$,#]  
Phenobarbital sodium  
Pholcodine  
Sennoside A+B  
Thebaine  
Topiramate [\$]

\$ USDMF, # EDMF, \* COS\*\*\*

PN\*\* Producer's Norms

*Intermediates available on request for above Active Pharmaceutical Ingredients. All transactions are carried out in conformity with patent laws applicable in the user country. Responsibility with respect to third party's patent rights in a specific country lies exclusively with the buyer.*





# Directors' Report

Your Directors take pleasure in presenting the Sixteenth Annual Report and Audited Accounts for the year ended 31st March, 2008.

## Dividend

An interim preference share dividend on pro-rata basis @ 6% p.a. had been declared on 25th Oct, 2007 on outstanding preference shares and was paid on Nov 1, 2007. Your Directors recommend that the interim dividend on preference paid be treated as final. Your Directors are pleased to recommend a equity dividend of 210% (previous year 135%) for the year ended 31st March, 2008 on the equity share capital.

## Management Discussion and Analysis

The management discussion and analysis on the operations of the Company is provided in a separate section and forms part of this report.

## Human Resources

At Sun Pharma, we have grown to a committed workforce of over 8000 multi-cultural employees pursuing a shared vision of excellence across our corporate office, two R&D centres & seventeen plants (including associate companies) across three continents. Our consistent growth firmly establishes our remarkable team, their potential and capabilities to deliver. The company recognizes the importance of human capital and search for this intellectual capital and to enrich professional and technical skill is an ongoing process. Relentless efforts to develop and nurture through in-house, external professional development programs and on-job training are used to upgrade technical, marketing and management skills. Performance orientation and ethics are a high priority area. The work environment and development opportunities help to retain talent. Your Directors recognize the team's valuable contribution, nurtures with joy their more than 8000 people and place on record their appreciation for Team Sun Pharma.

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, is available at the registered office of your Company. However, 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 and others entitled thereto excluding the aforesaid information. Any shareholder interested in obtaining a copy of this statement may write to the Company

(Rs. in million except book value)

<b>Financial Result</b>	<b>Year ended 31st March, 2008</b>	<b>Year ended 31st March, 2007</b>
Total Income	32767	24067
Profit after tax	10140	6289
Dividend on Preference Shares	1	1
Dividend on Equity Shares - Final	2175	1300
Corporate Dividend tax	372	182
Transfer to various Reserves	3014	2000
Rate of dividend on equity shares	210	135
Book value per equity share (Rs. 5 paid up)	203	126

Secretary/Compliance Officer at the Corporate office or Registered office address of the Company.

### **Information on Conservation of Energy, Technology Absorption, Foreign Exchange Earning and Outgo.**

The additional information relating to energy conservation, technology absorption, foreign exchange earning and outgo, 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.

### **Corporate Governance**

Report on Corporate Governance and Certificate dated 30th May, 2008 of the auditors of your Company regarding compliance of the conditions of Corporate Governance as stipulated in Clause 49 of the listing agreement with stock exchanges, are enclosed.

### **Consolidated Accounts**

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

### **Subsidiaries**

Ministry of Corporate Affairs, Government of India, vide order No. 47/461/2008-CL-III dated July 11, 2008 has granted approval that the requirement to attach various documents in respect of subsidiary companies, as set out in sub-section (1) of Section 212 of the Companies Act, 1956, shall not apply to the Company. Accordingly, the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. Financial information of the subsidiary companies, as required by the said order, is disclosed in the Annual Report. The Company will make available the Annual Accounts of the subsidiary companies and the related detailed information to any member of the Company and its subsidiaries who may be interested in obtaining the same. The annual accounts of the subsidiary companies will also be kept open for inspection by any investor at the Registered Office & Corporate / Head Office of the Company and that of the respective subsidiary companies. The Consolidated Financial Statements presented by the Company include financial results of its subsidiary companies.

## Finance

The banks in consortium continue to offer their highest rating to your Company enabling it to source funds from banks at attractive rates of interest. CRISIL continued to reaffirm their highest rating of "P1+" for your Company's Short Term Borrowing Program throughout the year.

The Company does not offer any Fixed Deposit scheme.

## Issue of Shares on Full Conversion of FCCB

During the year ended 31st March, 2008, the Company received notices from Foreign Currency Convertible Bond (FCCB) holders for exercising the conversion option in respect of full balance 222,214 FCCBs of US\$ 1000 each (which were outstanding at the beginning of the year) Out of total of 350,000 FCCBs thus leaving no FCCBs outstanding as on 31st March, 08. Accordingly, the Company allotted during the year ended 31st March, 2008, 13,714,271 equity shares of Rs.5 each to these Bondholders at the conversion price of Rs. 729.30 per share.

## Corporate Social Responsibility (CSR)

Your organization has identified health, education, disaster relief and periodically, patient awareness as areas of priority. Our emphasis is assistance on a need basis and preferably at a local level, working with a local body, NGO or existing organization.

One person's education can make a difference to an entire family. Your organization continues to support tribal education, at village schools called ashram pathshalas across several states. We have often stepped in to support infrastructure in the village schools around our plants and offices. We helped Adarsh Kanyashala, near our R&D center in Baroda, with computer facilities. In Ahmednagar, support is extended to Gramin Vikas Mandal, which runs a primary school in the MIDC area, for children whose parents are employed in the industrial area. We have helped the school management in the high school in Karkhadi with financial assistance for science fair, school day, etc. A mobile van project has been sponsored for education in the rural and tribal areas near Panoli and this is organized by Ankleshwar Industrial Development Society.

Another important activity was assistance at the primary and university levels, including support to students of the MS University of Baroda. Last year, we donated a 150-seater hostel for the post graduate students of SSG Medical College, MS University. For years now, we have been helping students work towards their doctorates using the facilities at SPARC. Your company regularly sponsors symposia, laboratory equipments and some production machines for local colleges.

Amongst important medical support activities was the donation of machines and medicines to general hospital near our plants. For instance, the Panoli plant gave financial assistance to Smt. Jayaben Modi Hospital for its rural and tribal medical checkup programs.

In Bangladesh last year, we helped a group of psychiatrists with the development of an IQ rating scale. We also assisted health checkup camps in remote rural areas. We donated a calorimeter to a hospital. Donations were made to a fund for acid survivors. Spot painting competitions were organized for school children in different cities/towns to an enthusiastic response.

At our Silvassa plant, employees volunteered for a blood donation camp. Lifeline Foundation, working for highway rescue and accident treatment, continues to be supported with funds for communication.

We have helped the local government with infrastructure development from time to time, for instance, the Karkhadi panchayat with the construction of panchayat office, the Dadra gram panchayat for the construction of a road.

## Directors

Shri S. Mohanchand Dadha and Shri Sailesh T. Desai retire by rotation and being eligible offer themselves for re-appointment.



The terms of appointment of Shri Sudhir V. Valia and Shri Sailesh T. Desai as Whole-Time Director will expire on 31st March, 2009. Both of these Directors have contributed well for all round growth of the Company's business. Your Directors recommend the re-appointment of both directors for a further period of 5 years.

### **Directors' Responsibility Statement**

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

- (i) that in the preparation of the annual accounts for the financial year ended 31st March, 2008, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) that the Directors have selected appropriate accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and on the profit of the Company for the year under review;
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and,
- (iv) that the Directors have prepared the annual accounts for the financial year ended 31st March, 2008 on a 'going concern' basis.

### **Auditors**

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

### **Acknowledgements**

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

For and on behalf of the Board of Directors

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

14th July, 2008  
Mumbai



Central Courtyard, R&D Center, Baroda



## FINANCIAL HIGHLIGHTS

(Rs in Million)

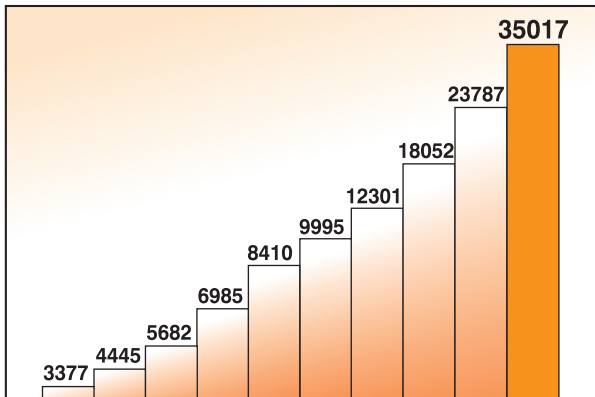
← STANDALONE → ← CONSOLIDATED →

Particulars	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
<b>Total Income</b>	3377	4445	5682	6985	8410	9995	12301	18052	23787	35017
<b>Net Profit</b>	590	837	1352	1681	2487	3157	3962	5733	7843	14869
<b>Gross Block</b>	2020	2442	2766	3491	4837	6642	8299	12756	14859	16646
<b>Net Worth</b>	3093	3647	4654	5424	5764	8159	11307	15902	27728	49915
<b>R&amp;D Expenses</b>	98	201	250	336	966	1268	1427	2015	2787	2859
<b>Capital</b>	45	102	71	197	363	598	418	481	347	134
<b>Revenue</b>	53	99	179	139	603	670	1009	1534	2440	2725
<b>% of Turnover</b>	2.75	4.20	4.09	4.52	11.62	12.90	12.04	12.31	13.05	8.52
<b>Exports</b>	894	1137	1181	1364	2604	3864	5027	6958	9687	18956
<b>Debt Equity Ratio</b>	0.21	0.13	0.08	0.00	0.23	0.51	1.61	1.18	0.40	0.03
<b>Current Ratio</b>	4.04	4.00	3.78	3.37	3.44	3.27	7.33	7.55	9.81	6.33

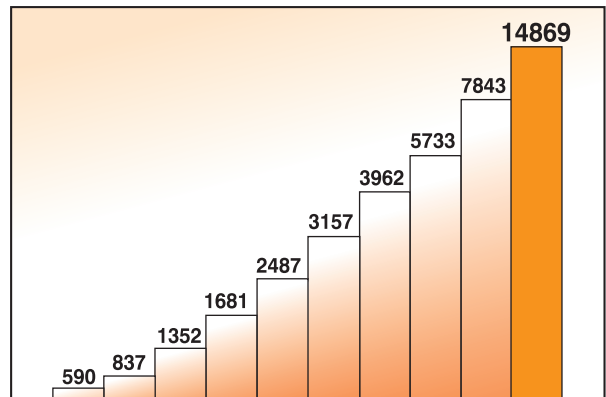
The Company has started preparing Consolidated Financial Statements from Financial Year 2001-02 onwards.

(Rs in Million)

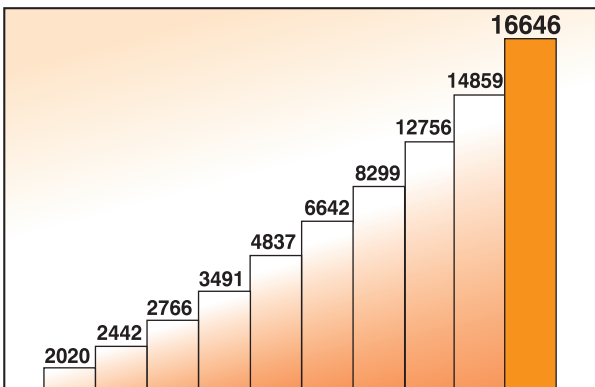
**Total Income**



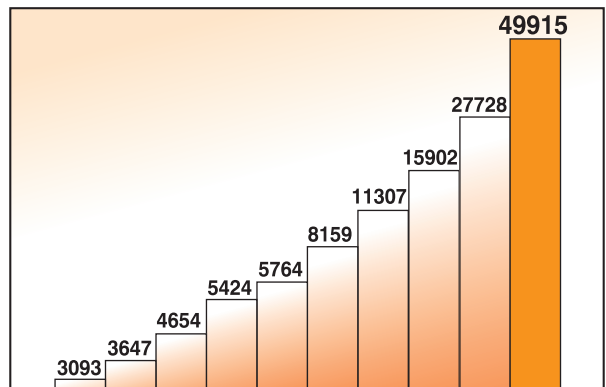
**Net Profit**



**Gross Block**



**Net Worth**





Acme Plaza, Andheri Kurla Road, Andheri (E), Mumbai - 400 059. ■ **Tel:** 91-22-66969696 ■ **Fax:** 91-22- 28212010  
[www.sunpharma.com](http://www.sunpharma.com)

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

	<u>2007-08</u>	<u>2006-07</u>
<b>A. Power and Fuel Consumption</b>		
<b>1. Electricity</b>		
<b>(a) Purchased</b>		
Unit (in '000 KWH)	41,412	34,988
Total Amount (Rs. in Millions)	197.0	165.3
Rate (Rs./Unit)	4.7	4.7
<b>(b) Own Generation through Diesel Generator</b>		
Units (in '000 KWH)	1,060	626
Units per Litre of Diesel Oil	3.0	2.8
Cost (Rs./Unit)	11.4	12.7
<b>(c) Own Generation through Gas</b>		
Units (in '000 KWH)	15,132	13,061
Units per M3 of Gas	3.8	3.6
Cost (Rs./Unit)	5.1	2.5
<b>2. Furnace Oil</b>		
Quantity (in '000 Litres)	4,623	4,191
Total Amount (Rs. in Millions)	103.8	80.1
Average Rate (Rs./Unit)	22.5	19.1
<b>3. Gas (for Steam)</b>		
Gas Units (in '000 M3)	3,756	3,564
Total Amount (Rs. in Millions)	41.1	35.0
Average Rate (Rs./Unit)	11.0	9.8

**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 Improvisation and continuous monitoring of Power Factor and replacement of weak capacitors by conducting periodical checking of capacitors. We have been able to maintain the Power Factor near to unity (above 0.99) and thereby availing the rebate in electricity charges.
- 2 Alternative energy sources like Gas & steam have been used in place of electricity for heating of De-mineralized water, fluid bed dryers for producing hot air systems for coating department and for making starch paste and for drying of Bulk Drugs in tray dryers. Steam from solvent recovery plant condensate and diverted to Boiler Feed water / hot water tank.
- 3 Provision of storage tanks with electricity Heaters to utilize the same instead of steam and use of DG set with smaller capacity for limited use at night or on weekly off / Holiday.
- 4 Providing air handling unit with variable frequency drives, so that the system runs at variable speed, replacing copper ballast with electronic ballast and normal tube rods with high efficiency tube lights, thereby saving in consumption of electricity.
- 5 Installation of isolating valve in main airline for preventing air loss.
- 6 Installation of Gas based electricity generation set at bulk drug plants, resulting in significant savings in electricity cost.
- 7 The Company has endeavored to optimise the use of energy resources and taken adequate steps to avoid wastage & use latest production technology & equipments.

## TECHNOLOGY ABSORPTION

### A. Research and Development

#### 1. Specific areas in which R&D is carried out by the Company

We continue to be one of the most aggressive investors and developers of pharmaceutical research and technology in the country, with research programs to support our generic business pursued at our state of the art R&D centre. Our expert scientist team is engaged in complex developmental research projects in process chemistry and dosage forms, including complex generic based on drug delivery systems at this research centre. The research activity supports the short, medium and long term business needs of the company.

Projects in formulation development and process chemistry help us introduce a large number of new products to the Indian market including products with complexity or a technology edge. This helps us maintain our leadership position in the Indian market with specialty formulations and derive market and cost advantage from API's developed and scaled up In-house. Further, it helps us to compete in the international regulated markets across US / Europe. Your company has a large pipeline of ANDA filings awaiting approval with the USFDA and an aggressive ANDA filing program every year.

The team also works on projects involving complex drug delivery systems for India and some of these are eventually filed with the USFDA and brought to market after patent expiry. Complex API like steroids, sex hormones and peptides, taxanes which require special skills and technology, are developed and scaled up both for API and dosage forms, and this complete integration for some products works to the company's advantage. These projects may offer higher value addition and sustained revenue streams.

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

In 2007-08, 37 formulations were introduced across marketing divisions, (not including line extensions). All of these were based on technology developed in house. Technology for more than 30 API was commercialised. For some of the important API that we already manufacture, technology was refined so as to have more energy efficient or cost effective or environment friendly processes. A large part of our API sales is to the regulated market of US / Europe, and this earns valuable foreign exchange and also a reputation for quality and dependability. The company's formulation brands are exported to 30 international markets where a local field force promotes the same.

The Department of Scientific and Industrial Research, Ministry of Science and Technology of Government of India has granted approval to the in house research and development facility of your Company under the provision of the Income Tax Act, 1961.

#### 3. Future plan of action

A state of the art bioequivalence facility with a functional capacity of 149 beds, fourteen high capacity LCMS, fully computerised blood chemistry labs capable of comprehensive analysis have been in place for a year, and the same is being expanded to more than 200 beds. Coming up with a well equipped, Phase 1 Clinical unit and ECG Core Laboratory for clinical studies and safety studies by mid 2008

<b>4. Expenditure on R&amp;D</b>	<b>Year ended 31st March, 2008</b>	<b>Year ended 31st March, 2007</b>
	<b>Rs in Million</b>	<b>Rs in Million</b>
a) Capital	<b>133.5</b>	346.5
b) Revenue	<b>1,310.4</b>	1,536.3
c) Total	<b>1,443.9</b>	1,882.8
d) Total R&D expenditure as % of Total Turnover	<b>6.1%</b>	11.3%

## **B. Technology Absorption, Adaptation and Innovation**

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

Year after year, Company continuous to invest on R&D revenue as well as capex and a large part of the spend is for complex products, ANDA filings for the US, and API technologies that are complex and require dedicated manufacturing sites. Investments have been made in creating research sites, employing scientifically skilled manpower, adding equipment and upgrading continuously the exposure and research understanding of the scientific team in the therapy areas of our interest.

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

(a) Market leader for several complex products, offers complete baskets of products under the broad spectrum of therapeutic classes. Strong pipeline of products for future introduction in India as well as in the US generic market.

(b) Not dependent on imported technology, can make high cost products available at competitive prices by using indigenously developed manufacturing processes and formulation technologies.

(c) Offer products which are convenient and safe for administration to patients, products with a technology advantage.

(d) We are among the few selected companies that have set up completely integrated manufacturing capability for the production of anticancer, hormones, peptide, cephalosporins and steroidal drugs.

(e) The Company has benefited from reduction in cost due to import substitution and increased revenue through higher exports.

### **3. Your company has not imported technology during the last 8 years reckoned from the beginning of the financial year.**

<b>C. Foreign Exchange Earnings and Outgo</b>	<b>Year ended 31st March, 2008</b>	<b>Year ended 31st March, 2007</b>
	<b>Rs in Million</b>	<b>Rs in Million</b>
1. Earnings	<b>8,950.6</b>	5,231.8
2. Outgo	<b>3,735.2</b>	3,916.9

## Auditors' Report to the Members of Sun Pharmaceutical Industries Limited

1. We have audited the attached Balance Sheet of Sun Pharmaceutical Industries Limited (the Company) as at March 31, 2008, and also the Profit and Loss Account and the Cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 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.
4. Further to our comments in the Annexure referred to in Para 3 above, we report that:
  - (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (iii) the balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
  - (iv) in our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - (v) on the basis of written representations received from directors as on March 31, 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
  - (vi) in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2008
    - (b) in the case of the profit and loss account, of the profit for the year ended on that date; and
    - (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For **Deloitte Haskins & Sells**  
Chartered Accountants

**N. P. Sarda**  
Partner

Place: San Jose, U.S.A.  
Date : May 30, 2008

(Membership No. 9544)



## ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

### Sun Pharmaceutical Industries Limited

1. In our opinion and according to the information and explanations given to us, the nature of the Company's business / activities during year is such that clauses xiii, xiv, xviii, xix and xx of paragraph 4 of the Companies (Auditors' Report) Order, 2003, are not applicable to the Company.
2. In respect of its fixed assets:
  - (i) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (ii) As explained to us, some of the fixed assets of the Company have been physically verified during the year by the management in accordance with a phased programme of verification designed to cover all assets over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. The discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.
  - (iii) Although some of the fixed assets have been disposed off during the year, in our opinion and according to the information and explanations given to us, the ability of the company to continue as a going concern is not affected.
3. In respect of its inventories:
  - (i) As explained to us, inventories (excluding inventories lying with third parties) were physically verified by the management at reasonable intervals during the year. In respect of inventories lying with third parties, these have substantially been confirmed by them. In our opinion the frequency of verification is reasonable.
  - (ii) in our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (iii) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
4. The Company had not granted or taken any loan, secured or unsecured, to or from Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
5. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the company and nature of its business with regard to purchase of inventory and fixed assets and for sale of goods and services and we have not observed any continuing failure to correct major weaknesses in such internal control systems.
6. In respect of contracts or arrangements entered in the register maintained in pursuance of section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
  - (i) The particulars of contract or arrangements referred to in Section 301 that needed to be entered into the register, maintained under the said section have been so entered.
  - (ii) Where each such transaction (excluding loans reported under paragraph 4 above) is in excess of Rs. 5 lakhs in respect of any party, the transactions have been made at prices which are *prima facie* reasonable having regard to prevailing market prices at the relevant time, except that reasonableness could not be ascertained where comparable quotations are not available having regards to the specialized nature of some of the transactions of the company.
7. In our opinion and according to the information and explanations given to us the Company has not accepted any deposits within the meaning of Section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to deposits accepted from the public. No Order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.

8. In our opinion, the internal audit functions carried out during the year by firms of Chartered Accountants appointed by the management have been commensurate with the size of the Company and the nature of its business.
9. We have broadly reviewed the books of accounts and records maintained by the Company relating to manufacture of formulation and bulk drug products pursuant to the Order made by the Central Government for maintenance of cost records under section 209 (1)(d) of the Companies Act, 1956 and are of the opinion that *prima facie* the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete. To the best of our knowledge and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records for any other product of the Company.
10. According to the information and explanations given to us in respect of statutory dues:
- (i) the Company has been regular in depositing undisputed statutory dues, including, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Sales tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess and other material statutory dues with the appropriate authorities during the year. There were no undisputed dues that were outstanding as at March 31, 2008 for a period of more than six months from the date they became payable.
- (ii) According to the information and explanations given to us, the details of disputed sales tax, income tax, custom duty and excise duty, which have not been deposited as at March 31, 2008 on account of any dispute, are as under:

Statute & Nature of Dues	Financial Year to which the matter pertains	Forum where dispute is pending	Amount Rs. in Million
<b>The Central Excise Act</b>			
Excise Duty, Interest & Penalty	2004-05, 2005-06, 2006-07, 2007-08	Commissioner	192.3
	1997-98, 1998-99, 1999-00, 2000-01, 2004-05.	Tribunal	6.0
<b>Customs Act, 1962</b>			
Custom Duty, Penalty & Interest	2000-01	High Court	10.3
<b>Sales Tax Act</b>			
Sales Tax, Interest & Penalty	1994-95, 1998-99, 1999-00, 2001-02, 2002-03, 2003-04.	Assistant / Deputy / Joint Commissioner	18.5
	1988-89 to 1991-92, 1997-98, 1999-00, 2000-01, 2001-02	Tribunal	5.2
	1981-82 to 1985-86	High Court	0.7
	2000-01, 2005-06	Assessing officer	4.0
<b>Income Tax Act</b>			
Income tax & Interest	1997-98, 1998-99, 1988-89 to 7.12.1998, 1999-2000, 2000-01, 2001-02, 2002-03 & 2003-04	Tribunal	98.5
<b>ESI Act</b>			
Contribution & Interest	1987 to 1992	Appellate authority	0.3
<b>DPCO</b>			
DPEA and interest	1981-1987	DPLRC	14.0

There were no disputed dues in respect of wealth tax, service tax and cess during the year.

11. In our opinion and according to information and explanations given to us, the company does not have any accumulated losses as at the end of the year. The Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
12. In our opinion and according to the information and explanation given to us, the Company has not defaulted in repayment of dues to financial institutions and banks. The Company has not obtained any borrowings by way of debentures.
13. In our opinion, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
14. In our opinion and according to the information and explanation given to us, the terms and conditions of the guarantees given by the Company for loan taken by others from banks and financial institutions, are not prima facie prejudicial to the interests of the Company.
15. To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, term loans availed by the Company were, *prima facie*, applied by the Company during the year for the purposes for which the loans were obtained other than temporary deployment pending application.
16. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that the funds raised on short term basis have, *prima facie*, not been used during the year for long term investment.
17. To the best of our knowledge and belief and according to the information and explanation given to us, no fraud on or by the Company was noticed or reported during the year.

For **Deloitte Haskins & Sells**  
Chartered Accountants

**N. P. Sarda**  
Partner

(Membership No. 9544)

Place: San Jose, U.S.A.  
Date : May 30, 2008

**BALANCE SHEET AS AT 31ST MARCH, 2008**

	Schedules	As at 31st March, 2008		As at 31st March, 2007	
		Rs in Million	Rs in Million	Rs in Million	Rs in Million
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	1	1,035.6		980.7	
Reserves and Surplus	2	41,040.6	42,076.2	23,514.2	24,494.9
<b>Loan Funds</b>					
Secured Loans	3	228.8		203.9	
Unsecured Loans	4	796.4	1,025.2	10,477.6	10,681.5
<b>Deferred Tax Liability (Net)</b>	5		1,129.4		1,093.2
<b>TOTAL</b>			<b>44,230.8</b>		<b>36,269.6</b>

**APPLICATION OF FUNDS****Fixed Assets**

Gross Block	6	9,350.3		8,387.0	
Less: Depreciation / Amortisation / Impairment		3,049.9		2,494.1	
Net Block		6,300.4		5,892.9	
Capital Work-in-Progress (including advances on capital account)		334.3	6,634.7	319.1	6,212.0
<b>Investments</b>	7		18,435.7		10,574.9

**Current Assets, Loans and Advances**

Inventories	8	3,896.3		3,333.8	
Sundry Debtors	9	10,554.4		5,648.7	
Cash and Bank Balances	10	10,724.2		12,026.8	
Other Current Assets	11	257.8		327.0	
Loans and Advances	12	3,618.7		3,086.8	
		29,051.4		24,423.1	
<b>Less: Current Liabilities and Provisions</b>	13				
Current Liabilities		7,263.1		4,863.4	
Provisions		2,627.9		77.0	
		9,891.0		4,940.4	

**Net Current Assets**

			19,160.4		19,482.7
<b>TOTAL</b>			<b>44,230.8</b>		<b>36,269.6</b>

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS 21**

Schedules referred to herein form an integral part of the Financial Statements.

As per our report of even date attached

For **Deloitte Haskins & Sells**  
Chartered Accountants**N. P. SARDA**  
Partner

San Jose, U.S.A, 30th May, 2008

**KAMLESH H. SHAH**  
Company Secretary

For and on behalf of the Board

**DILIP S. SHANGHVI**  
Chairman & Managing Director**SUDHIR V. VALIA**  
Wholtime Director**SAILESH T. DESAI**  
Wholtime Director

Mumbai, 30th May, 2008

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008**

	Schedules	Year ended 31st March, 2008		Year ended 31st March, 2007	
		Rs in Million	Rs in Million	Rs in Million	Rs in Million
<b>INCOME</b>					
Income from Operations					
Gross Sales		24,273.5		17,221.3	
Less: Excise Duty		<u>617.1</u>		<u>568.6</u>	
Net Sales		23,656.4		16,652.7	
Other Operating Income	14	<u>7,834.1</u>		<u>5,806.2</u>	
		31,490.5		22,458.9	
Other Income	15	<u>1,276.2</u>	32,766.7	<u>1,608.4</u>	24,067.3
<b>EXPENDITURE</b>					
Cost of Materials / Goods	16	15,267.4		11,579.8	
Indirect Taxes	17	648.7		516.3	
Personnel Cost	18	1,202.0		989.2	
Operating and Other Expenses	19	3,255.1		2,577.7	
Research and Development Expenditure	20	1,310.4		1,536.2	
Depreciation / Amortisation / Impairment		<u>561.1</u>	22,244.7	<u>462.7</u>	17,661.9
<b>PROFIT BEFORE TAXATION</b>			<b>10,522.0</b>		6,405.4
Provision for Taxation - Current Tax			330.9		56.3
- Deferred Tax			36.2		48.8
- Fringe Benefit Tax			<u>14.5</u>		<u>11.0</u>
<b>PROFIT AFTER TAX</b>			<b>10,140.4</b>		6,289.3
<b>BALANCE OF PROFIT BROUGHT FORWARD</b>			<b>6,708.4</b>		3,903.2
Less : Adjustment on cancellation of Investment in shares of Sun Pharma Advanced Research Company Ltd. pursuant to scheme of demerger			<u>—</u>		<u>0.5</u>
<b>AMOUNT AVAILABLE FOR APPROPRIATION</b>			<b>16,848.8</b>		10,192.0
<b>APPROPRIATIONS</b>					
Proposed Dividend					
Preference Shares		0.5		0.8	
Equity Shares		2,174.7		—	
Equity Shares-Final (F.Y. 2005-06)		—		0.5	
Equity Shares-Interim - paid		—		1,299.6	
Corporate Dividend Tax		<u>372.0</u>	2,547.2	<u>182.5</u>	1,483.4
Transfer to General Reserve		3,000.0		2,000.0	
Transfer to Capital Redemption Reserve on Redemption of Preference Capital		<u>13.7</u>	3,013.7	<u>0.2</u>	2,000.2
<b>BALANCE OF PROFIT CARRIED TO BALANCE SHEET</b>			<b>11,287.9</b>		6,708.4
<b>EARNING PER SHARE</b> (refer note B.12 (ii) of Schedule 21)					
Basic (Rs.)			50.9		33.5
Diluted (Rs.)			49.0		31.2
Face Value per Equity share - Rs.5					

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS 21**

Schedules referred to herein form an integral part of the Financial Statements.

As per our report of even date attached

For **Deloitte Haskins & Sells**  
Chartered Accountants**N. P. SARDA**  
Partner

San Jose, U.S.A, 30th May, 2008

**KAMLESH H. SHAH**  
Company Secretary

For and on behalf of the Board

**DILIP S. SHANGHVI**  
Chairman & Managing Director**SUDHIR V. VALIA**  
Wholetime Director**SAILESH T. DESAI**  
Wholetime Director

Mumbai, 30th May, 2008

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2008**

	Year ended 31st March, 2008 Rs in Million	Year ended 31st March, 2007 Rs in Million
<b>A. Cash Flow From Operating Activities:</b>		
Net Profit Before Tax	10,522.0	6,405.4
Adjustments for:		
Depreciation / Amortisation / Impairment	561.1	462.7
Interest Expense	50.6	88.0
Interest Income	(1,119.6)	(1,123.3)
Dividend Income	—	(13.8)
(Profit) / Loss On Fixed Assets Sold (net)	1.0	(110.2)
(Profit) / Loss on sale of Investments	(129.5)	(52.0)
Bad Debt Written off / back (net)	26.4	31.3
Sundry Balance Written off / back (net)	(12.2)	(2.0)
Provision for employee benefits	6.4	17.3
Unrealised Foreign Exchange (Gain) / Loss	418.7	(267.2)
<b>Operating Profit Before Working Capital Changes</b>	<b>10,324.9</b>	<b>5,436.2</b>
<b>Adjustments for Changes In Working Capital :</b>		
Increase in Sundry Debtors	(4,897.5)	(3,163.8)
(Increase)/Decrease in Other Receivables	(817.5)	98.9
Increase in Inventories	(562.5)	(699.7)
Increase/(Decrease) in Trade and Other Payables	2,665.5	2,988.6
<b>Cash Generated From Operations</b>	<b>6,712.9</b>	<b>4,660.2</b>
Taxes Paid (Net of TDS and Refund)	(451.6)	(154.6)
<b>Net Cash Generated From Operating Activities</b>	<b>6,261.3</b>	<b>4,505.6</b>
<b>B. Cash Flow From Investing Activities:</b>		
Purchase of Fixed Assets / Capital Work in Progress / Capital Advances	(991.6)	(1,407.8)
Proceeds From Sale of Fixed Assets	2.1	188.5
Proceeds From Sale of Investments	29,934.3	18,431.4
Purchase of Investments	(37,665.5)	(21,158.7)
Amount paid pursuant to demerger	(244.9)	(5.1)
Loans/Inter Corporate Deposits Received back / (given) (net)	486.7	1,735.8
Interest Received	1,044.0	1,076.3
Dividend Received	—	13.8
<b>Net Cash Used in Investing Activities</b>	<b>(7,434.9)</b>	<b>(1,125.8)</b>
<b>C. Cash Flow From Financing Activities:</b>		
Repayment of ECB Loan	—	(907.9)
Redemption of Preference Share Capital	(13.7)	(0.2)
(Repayment to) / Borrowing from Bank (Net)	24.9	20.0
Interest Paid	(53.8)	(88.0)
Dividend Paid	(15.6)	(2,302.6)
Corporate Dividend Tax Paid	(2.4)	(326.1)
<b>Net Cash used in Financing Activities</b>	<b>(60.6)</b>	<b>(3,604.8)</b>
<b>Net Decrease In Cash and Cash Equivalents</b>	<b>(1,234.2)</b>	<b>(225.0)</b>
<b>Cash and Cash Equivalents as at the beginning of the year</b>	<b>12,084.8</b>	<b>12,309.8</b>
<b>Cash and Cash Equivalents as at the year end</b>	<b>10,850.6</b>	<b>12,084.8</b>

	Year ended 31st March, 2008 Rs in Million	Year ended 31st March, 2007 Rs in Million
<b>Cash and Cash Equivalents Comprise:</b>		
Cash and Cheques on hand and balances with Scheduled / Other banks (Refer Schedule 10 to the Financial Statements)	10,724.2	12,026.8
Unrealised exchange Loss	126.4	58.0
<b>Cash and Cash equivalents at the end of the year</b>	<b>10,850.6</b>	<b>12,084.8</b>

**Notes:**

- 1 Cash and cash equivalents includes Rs.13.8 Million (Previous Year Rs.29.0 Million) on account of Unclaimed dividend, which are not available for use by the Company.
- 2 Previous years' figures are regrouped / reclassified wherever necessary in order to confirm to current years' groupings and classifications.

As per our report of even date attached

For **Deloitte Haskins & Sells**  
Chartered Accountants

**N. P. SARDA**  
Partner

San Jose, U.S.A, 30th May, 2008

**KAMLESH H. SHAH**  
Company Secretary

For and on behalf of the Board

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

**SUDHIR V. VALIA**  
Wholetime Director

**SAILESH T. DESAI**  
Wholetime Director

Mumbai, 30th May, 2008

**SCHEDULES TO THE FINANCIAL STATEMENTS**

	<b>As at 31st March, 2008</b> Rs in Million	As at 31st March, 2007 Rs in Million
<b>SCHEDULE 1 : SHARE CAPITAL</b>		
<b>Authorised</b>		
295,000,000 (Previous Year 254,700,000) Equity Shares of Rs. 5 each	<b>1,475.0</b>	1,273.5
25,000,000 (Previous Year 25,000,000) Preference Shares of Re.1 each	<b>25.0</b>	25.0
Nil (Previous Year 2,015,000) Preference Shares of Rs.100 each (refer note B.18 of Schedule 21)	—	201.5
	<u><b>1,500.0</b></u>	<u>1,500.0</u>
<b>Issued, Subscribed and Paid Up</b>		
207,116,391 (Previous Year 193,402,120) Equity Shares of Rs. 5 each	<b>1,035.6</b>	967.0
Nil (Previous Year 13,740,030) 6% Cumulative Redeemable Preference Shares of Re.1 each	—	13.7
	<u><b>1,035.6</b></u>	<u>980.7</u>

**Notes:****Of the above :**

- 1) 161,630,010 Equity shares were allotted as fully paid Bonus Shares by capitalisation of Securities Premium Account, Profit and Loss Account, Amalgamation Reserve and Capital Redemption Reserve Account.
- 2) 413,633; 208,000; 477,581; 11,438; 18,519 and 19,771 Equity Shares of Rs.10 and 4274 Equity Shares of Rs. 5 each fully paid, were allotted to the shareholders of erstwhile Tamilnadu Dadha Pharmaceuticals Ltd, Milmet Laboratories Pvt. Ltd, Gujarat Lyka Organics Ltd, Sun Pharmaceutical Exports Ltd, Pradeep Drug Company Ltd, M.J.Pharmaceuticals Ltd and Phlox Pharmaceuticals Limited. respectively, pursuant to Schemes of Amalgamations, without payment being received in cash.
- 3) 6% Cumulative Redeemable Preference Shares of Re.1 each are redeemable at par at any time at the option of the Shareholders. 187,177,232 6% Cumulative Redeemable Preference Shares of Re.1 each were allotted as fully paid bonus shares, to the equity shareholders, by capitalisation of Capital Redemption Reserve. During the year 13,740,030 (Previous Year 243,804) Preference shares were redeemed at par.
- 4) 21,600,761 (Previous Year 7,886,490) Equity Shares of Rs. 5 each were allotted to the holders of Zero Coupon Foreign Currency Convertible Bond on exercise of conversion option. (refer note B.17 of Schedule 21)



**SCHEDULES TO THE FINANCIAL STATEMENTS**

	As at 31st March, 2008		As at 31st March, 2007	
	Rs in Million	Rs in Million	Rs in Million	Rs in Million
<b>SCHEDULE 2 : RESERVES AND SURPLUS</b>				
<b>Capital Reserve</b>				
As per last Balance Sheet		259.1		259.1
<b>Securities Premium Account</b>				
As per last Balance Sheet	5,165.9		156.5	
Add : Received during the year	9,933.2		5,555.8	
	<u>15,099.1</u>		<u>5,712.3</u>	
Less : Adjustment pursuant to scheme of Demerger	—	15,099.1	546.4	5,165.9
<b>Capital Redemption Reserve</b>				
As per last Balance Sheet	140.8		140.6	
Add : Transferred from Profit and Loss Account	13.7	154.5	0.2	140.8
<b>General Reserve</b>				
As per last Balance Sheet	11,240.0		9,247.3	
Add : Transferred from Profit and Loss Account	3,000.0		2,000.0	
Less : Adjustment on account of transitional provision on Employee Benefits	—	14,240.0	7.3	11,240.0
<b>Surplus As Per Profit And Loss Account</b>				
		11,287.9		6,708.4
		<u>41,040.6</u>		<u>23,514.2</u>
<b>SCHEDULE 3 : SECURED LOANS</b>				
Short Term Loan from Banks (Secured by hypothecation of stock and book debts.)		228.8		203.9
		<u>228.8</u>		<u>203.9</u>
<b>SCHEDULE 4 : UNSECURED LOANS</b>				
<b>Long Term</b>				
External Commercial Borrowings in foreign currency from Banks (.)	796.4		900.2	
Zero Coupon Foreign Currency Convertible Bonds (refer note B.17 of Schedule 21)	—	796.4	9,577.4	10,477.6
		<u>796.4</u>		<u>10,477.6</u>
* includes repayable within one year Rs. 796.4 (Previous Year Rs. Nil)				
<b>SCHEDULE 5 : DEFERRED TAX LIABILITY (NET)</b>				
<b>Deferred Tax Assets</b>				
Unpaid Liabilities Allowable on payment basis U/s 43B of Income Tax Act,1961		30.6		29.3
Others		34.2		15.1
		<u>64.8</u>		<u>44.4</u>
<b>Deferred Tax Liability</b>				
Depreciation on Fixed Assets		1,194.2		1,137.6
		<u>1,129.4</u>		<u>1,093.2</u>

**SCHEDULES TO THE FINANCIAL STATEMENTS****SCHEDULE 6 : FIXED ASSETS**

Rs in Million

Particulars	Gross Block (At Cost)					Depreciation / Amortisation / Impairment					Net Block		
	As At 01.04.07	Adjustment Demerger	Additions 07-08	Deletions 07-08	As at 31.03.08	As at 01.04.07	Adjustment Demerger	For year 07-08	Written back/ Deleted 07-08	As at 31.03.08	As at 31.03.08	As at 31.03.07	
<b>I. TANGIBLE ASSETS</b>													
Freehold Land	23.9	—	—	—	23.9	—	—	—	—	—	23.9	23.9	
Leasehold Land	27.4	—	11.8	—	39.2	2.8	—	0.4	—	3.2	36.0	24.6	
Buildings	1,888.4	—	104.6	—	1,993.0 @	276.5	—	50.1	—	326.6	1,666.4	1,611.9	
Plant and Machinery	5,712.7	—	820.2	1.2	6,531.7	1,869.9	—	455.9 ©	0.6	2,325.2	4,206.5	3,842.8	
Vehicles	92.8	—	14.9	7.2	100.5	33.0	—	10.2	4.7	38.5	62.0	59.8	
Furniture and Fixtures	197.9	—	19.5	—	217.4	67.4	—	14.5	—	81.9	135.5	130.5	
<b>Sub-Total</b>	7,943.1	—	971.0	8.4	8,905.7	2,249.6	—	531.1	5.3	2,775.4	6,130.3	5,693.5	
<b>II. INTANGIBLE ASSETS</b>													
Trademarks, Designs and Other Intangible Assets	443.9	—	0.7	—	444.6	244.5	—	30.0	—	274.5	170.1	199.4	
<b>Sub-Total</b>	443.9	—	0.7	—	444.6	244.5	—	30.0	—	274.5	170.1	199.4	
<b>TOTAL- I + II</b>	8,387.0	—	971.7	8.4	9,350.3	2,494.1	—	561.1	5.3	3,049.9	6,300.4	5,892.9	
<b>Previous Year</b>	7,442.6	(340.9)	1,372.7	87.4	8,387.0	2,080.7	(40.2)	462.7	9.1	2,494.1	5,892.9		
											Capital Work-in-Progress (including advances on capital account)	334.3	319.1
												6,634.7	6,212.0

**NOTES :**

@. Buildings include Rs. 1020 (Previous Year Rs 1020) towards cost of shares in a Co-operative Housing Society.

©. Includes Rs. 13.5 Million (Previous Year Rs. Nil) on account of Impairment.

**As at 31st March, 2008**                      **As at 31st March, 2007**  
Rs in Million                      Rs in Million                      Rs in Million                      Rs in Million

**SCHEDULE 7 : INVESTMENTS****(I) LONG TERM INVESTMENTS (At Cost)****A) Government Securities**

National Savings Certificates Rs. 65,000 (Previous Year Rs. 70,000)                      **0.1**                      0.1  
(Deposited with Government Authorities)

**B) Trade Investments****Unquoted****In Equity Shares**

Enviro Infrastructure Co. Ltd.                      **1.0**                      1.0  
100,000 (Previous Year 100,000) Shares of Rs.10 each fully paid up.

**C) Other Investments****a) In Bonds****Quoted**

US64 Bonds                      **42.2**                      42.2  
399,734 (Previous Year 399,734) units of Rs. 100 each  
Market Value Rs.40.2 Million (Previous Year Rs 39.9 Million)

**Unquoted****National Housing Bank Bonds**

2,180 (Previous Year 5,315) Units of Rs. 10,000 each fully paid                      **21.8**                      53.2

**Rural Electrification Corporation Ltd Bonds**

985 (Previous Year 1,515) Units of Rs.10,000 each fully paid                      **9.9**                      15.2

**SCHEDULES TO THE FINANCIAL STATEMENTS**

	As at 31st March, 2008		As at 31st March, 2007	
	Rs in Million	Rs in Million	Rs in Million	Rs in Million
<b>b) In Subsidiary Companies</b>				
<b>Quoted</b>				
Caraco Pharmaceutical Laboratories Ltd.USA		<b>303.9</b>		303.9
8,382,666 (Previous Year 8,382,666) fully paid Common Shares of No Par Value Market Value - Rs.5,991.7 Million (Previous Year Rs. 4,400.7 Million)				
<b>Unquoted</b>				
Zao Sun Pharma Industries Ltd. Russia	<b>0.2</b>		0.2	
1,000 (Previous Year 1,000) Shares of Rubles 20 each fully paid				
Sun Pharma Global Inc. BVI	<b>5,065.4</b>		17.6	
1,224,560 (Previous Year 500,000) Shares of US \$ 1 each fully paid				
Sun Pharma Global Inc. BVI	<b>4,481.4</b>		4,481.4	
1,000,000 (Previous Year 1,000,000) 0% Optionally Fully Convertible Debentures of US\$100 each fully paid				
Sun Farmaceutica Ltda, Brazil	<b>5.2</b>		5.2	
336,538 (Previous Year 336,538) quota of Capital Stock of Real (R\$) 1 each fully paid.				
Sun Pharma De Mexico, S.A. DE C.V.	<b>3.3</b>		3.3	
750 (Previous Year 750) Common Shares of no Face Value				
Sun Pharmaceutical Industries Inc.	<b>0.2</b>		0.2	
5,000 (Previous Year 5,000) fully paid Common Stock of \$ 1 Par Value				
Sun Pharmaceutical (Bangladesh) Ltd.				
434,469 (Previous Year 434,469) Ordinary Shares of 100 Takas each fully paid.	<b>36.5</b>		36.5	
Share Application Money	<b>31.6</b>		31.6	
Sun Pharmaceuticals UK Ltd.	—		0.1	
Nil (Previous Year 100) Ordinary Shares of £ 10 each fully paid.				
Sun Pharmaceutical Peru S.A.C.	<b>0.0</b>		0.0	
(Rs. 21,734 (Previous Year Rs.21,734)) 149 (Previous Year 149) Ordinary Shares of Soles 10 each fully paid				
SPIIL DE Mexico SA DE CV	<b>0.2</b>		0.2	
100 (Previous Year 100) Nominative and free Shares of \$500 Mexican Pesos each fully paid				
OOO "Sun Pharmaceutical Industries" Ltd.	<b>0.1</b>		—	
Par value stock of 49,500 Rubles (Previous Year Nil)				
		<b>9,624.1</b>		4,576.3
<b>c) In Capital of Partnership Firm</b>				
Sun Pharma Exports*	<b>3.7</b>		8.9	
Sun Pharmaceutical Industries**	<b>7,411.9</b>	<b>7,415.6</b>	4,392.0	4,400.9
<b>d) In Equity Shares</b>				
Ramin Developers Pvt Ltd		<b>2.1</b>		2.1
200 (Previous Year 200) Equity Shares of Rs.100 each fully paid (pending registration)				

**SCHEDULES TO THE FINANCIAL STATEMENTS**

	As at 31st March, 2008		As at 31st March, 2007	
	Rs in Million	Rs in Million	Rs in Million	Rs in Million
<b>e) In Mutual Fund (Units of Face Value of Rs. 10 Each)</b>				
<b>Unquoted</b>				
ABN Amro Asset Management-ABN				
Amro Fixed Term Plan-Series1-Regular- Growth Plan		—		50.0
Nil (Previous Year 5,000,000) Units				
Principal Mutual Fund "Principal Pnb Fixed				
Maturity Plan-460 Dys-Series I Growth Plan-Feb-06		—		400.0
Nil (Previous Year 40,000,000) Units				
Standard Chartered Mutual Fund "G134 GFMP-20 <sup>th</sup> Plan "-Growth		—		500.0
Nil (Previous Year 50,000,000) Units				
Lotus Mutual Fund- Z411G FMP-16 Month-Series I-Ins-Growth		50.0		50.0
5,000,000 (Previous Year 5,000,000) Units				
<b>Total (I)</b>		<b>17,470.7</b>		<b>10,394.9</b>
<b>(II) CURRENT INVESTMENTS (At lower of cost and Net realisable value)</b>				
<b>Unquoted</b>				
<b>In Mutual Fund (Units of Face Value of Rs. 10 Each)</b>				
Birla Sun Life Mutual Fund - Birla Cash Plus-Instl.Prem-Growth		465.0		—
36,008,549 (Previous Year Nil) Units				
Deutsche Mutual Fund-DWS Insta Cash Plus Fund Super Instl-Growth		500.0		—
47,733,152 (Previous Year Nil) Units				
Principal Mutual Fund "Principal Cash Management Fund -Liquid				
Option Inst.Prem Plan-Growth"		—		100.0
Nil (Previous Year 8,561,204) Units				
Lotus Mutual Fund- Z212G Liquid Fund-Ins Plus Growth		—		80.0
Nil (Previous Year 7,780,057) Units				
<b>Total (II)</b>		<b>965.0</b>		<b>180.0</b>
<b>Total (I+II)</b>		<b>18,435.7</b>		<b>10,574.9</b>
<b>AGGREGATE VALUE OF INVESTMENT</b>				
	<b>Book Value</b>	<b>Market Value</b>	<b>Book Value</b>	<b>Market Value</b>
Quoted	346.1	6,031.9	346.1	4,440.6
Unquoted	18,089.6		10,228.8	
<b>*Partners</b>	<b>Share</b>	<b>Capital</b>		<b>Capital</b>
Sun Pharmaceutical Industries Limited.	80%	3.7		8.9
Sholapur Organics Private Limited. Rs 19				
(Previous Year Rs 19)	10%	0.0		0.0
Dilip S. Shanghvi Rs 719				
(Previous Year Rs. 719)	10%	0.0		0.0
<b>**Partners</b>	<b>Share</b>	<b>Capital</b>		<b>Capital</b>
Sun Pharmaceutical Industries Limited.	97.5%	7,411.9		4,392.0
Sun Pharmaceutical Industries				
Key Employees' Benefit Trust	2.5%	410.7		408.5
<b>SCHEDULE 8 : INVENTORIES</b>				
Consumables Stores		131.6		127.4
Stock in Trade				
Raw Materials	1,489.2		1,155.8	
Packing Materials	191.3		140.2	
Finished Goods	805.4		865.3	
Work-in-Progress	1,278.8	3,764.7	1,045.1	3,206.4
		<b>3,896.3</b>		<b>3,333.8</b>

**SCHEDULES TO THE FINANCIAL STATEMENTS**

	As at 31st March, 2008		As at 31st March, 2007	
	Rs in Million	Rs in Million	Rs in Million	Rs in Million
<b>SCHEDULE 9 : SUNDRY DEBTORS</b>				
(Unsecured-Considered Good, unless stated otherwise)				
(refer note B.12 ( i ) of Schedule 21)				
Over Six Months				
Considered Good		498.6		357.2
Considered Doubtful	91.1		64.6	
Less: Provision for Doubtful Debts	91.1	—	64.6	—
Other Debts		10,055.8		5,291.5
		<u>10,554.4</u>		<u>5,648.7</u>
<b>SCHEDULE 10 : CASH AND BANK BALANCES</b>				
Cash / Cheques on hand		2.2		3.6
Balances with Banks				
Schedule Banks				
Current Accounts	227.7		349.4	
Deposit Accounts {Pledged Rs. 1.8 Million (Previous Year Rs.1.8 Million)}	9,150.5	9,378.2	9,725.3	10,074.7
Other Banks (refer note B.14 of Schedule 21)				
Current Accounts	3.0		3.9	
Deposit Accounts	1,340.8	1,343.8	1,944.6	1,948.5
		<u>10,724.2</u>		<u>12,026.8</u>
<b>SCHEDULE 11 : OTHER CURRENT ASSETS</b>				
Interest accrued on - Investment		5.8		6.8
- Bank Deposits		252.0		268.6
- Loan to Subsidiaries (refer note B.15 ( b ) of Schedule 21)		—		51.6
		<u>257.8</u>		<u>327.0</u>
<b>SCHEDULE 12 : LOANS AND ADVANCES</b>				
(Unsecured-Considered Good, unless stated otherwise)				
Advances and loans to subsidiaries (refer note B.15 (a) of Schedule 21)		1,061.1		1,529.8
Loan to Employees / Others		69.7		80.6
Advances Recoverable in Cash or in Kind or for Value to be received				
Considered Good		722.5		207.4
Considered Doubtful	9.5		9.5	
Less: Provision for Doubtful Advances	9.5	—	9.5	—
Advances to Suppliers		415.6		266.4
Balances with Central Excise and Customs		585.0		498.8
DEPB and Advance Licence		131.2		141.8
Other Deposits		70.5		63.3
Advance Payment of Income Tax		563.1		298.7
{Net of Provisions Rs. 453.5 Million (Previous Year Rs.193.4 Million)}		<u>3,618.7</u>		<u>3,086.8</u>

**SCHEDULES TO THE FINANCIAL STATEMENTS**

	As at 31st March, 2008		As at 31st March, 2007	
	Rs in Million	Rs in Million	Rs in Million	Rs in Million
<b>SCHEDULE 13 : CURRENT LIABILITIES AND PROVISIONS</b>				
<b>Current Liabilities</b>				
Sundry Creditors				
Due to Micro and Small Enterprises (refer note B.11 of Schedule 21)		—		—
Others	6,464.8		3,759.7	
Advance from Customers	62.0		69.4	
Security Deposits	19.3		18.4	
Investor Education and Protection Fund shall be credited by Unclaimed Dividend (not due)	14.4		29.5	
Other Liabilities	685.0		965.6	
Interest accrued but not due on Loans	17.6	7,263.1	20.8	4,863.4
<b>Provisions</b>				
Provision for Fringe Benefit Tax Net of Advance Tax Rs. 12.6 Million (Previous Year Rs. 9.8 Million)	1.0		0.8	
Proposed Dividend- Equity Shares	2,174.7		—	
	2,175.7		0.8	
Corporate Dividend Tax	369.6		—	
Provision for employee benefits	82.6	2,627.9	76.2	77.0
		9,891.0		4,940.4
		<b>Year ended 31st March, 2008</b>	<b>Year ended 31st March, 2007</b>	
		<b>Rs in Million</b>	<b>Rs in Million</b>	
<b>SCHEDULE 14 : OTHER OPERATING INCOME</b>				
Income from Partnership Firm		7,834.1		5,806.2
		7,834.1		5,806.2
<b>SCHEDULE 15 : OTHER INCOME</b>				
Lease Rental and Hire Charges-TDS Rs. Nil (Previous Year Rs.Nil)		5.7		6.0
Interest from Banks & Other Advances / Deposits TDS Rs.145.6 Million (Previous Year Rs. 22.0 Million) (refer note B.5 of Schedule 21)		1,068.5		1,035.0
Profit on Sale of Fixed Assets (Net)		—		110.4
Profit on Sale of Current Investments		129.5		52.0
Insurance Claims		6.5		21.5
Sundry Balance Written Back (Net)		11.9		—
Dividend Income (Rs.13,300)		0.0		13.8
Miscellaneous Income-TDS Rs. 0.5 Million (Previous Year Rs. 0.6 Million)		54.1		369.7
		1,276.2		1,608.4
<b>SCHEDULE 16 : COST OF MATERIALS / GOODS</b>				
Inventory of Raw & Packing material at the beginning of the year	1,296.0		1,066.4	
Purchases during the year - Raw & Packing Material	6,247.5		5,139.1	
- Finished Goods	9,578.2		7,084.4	
Inventory of Raw & Packing material at the end of the year	(1,680.5)	15,441.2	(1,296.0)	11,993.9
Inventory of Finished Goods and Work-in-Progress at the beginning of the year	1,910.4		1,496.3	
Inventory of Finished Goods and Work-in-Progress at the end of the year	(2,084.2)		(1,910.4)	
(Increase) / Decrease of Finished Goods and Work-in-Progress		(173.8)		(414.1)
		15,267.4		11,579.8

**SCHEDULES TO THE FINANCIAL STATEMENTS**

	Year ended 31st March, 2008		Year ended 31st March, 2007	
	Rs in Million	Rs in Million	Rs in Million	Rs in Million
<b>SCHEDULE 17 : INDIRECT TAXES</b>				
Sales Tax		648.7		516.3
		<u>648.7</u>		<u>516.3</u>
<b>SCHEDULE 18 : PERSONNEL COST</b>				
Salaries, Wages, Bonus and Benefits		1,019.4		831.4
Contribution to Provident and Other Funds		81.3		63.3
Staff Welfare Expenses		101.3		94.5
		<u>1,202.0</u>		<u>989.2</u>
<b>SCHEDULE 19 : OPERATING AND OTHER EXPENSES</b>				
Stores and Spares Consumed		204.9		151.4
Manufacturing Charges		195.4		129.5
Power and Fuel		373.6		310.9
Rent		4.3		3.9
Rates and Taxes		9.7		9.2
Insurance		15.7		21.5
Selling and Distribution		1,033.6		711.0
Commission and Discount		215.7		203.2
Repairs				
Building	22.2		21.0	
Plant and Machinery	156.7		121.3	
Others	48.9	227.8	31.8	174.1
Printing and Stationery		22.7		19.6
Travelling and Conveyance		91.3		73.9
Overseas Travel and Export Promotion		602.5		463.5
Communication		36.8		38.2
Provision for Doubtful Debts		26.4		29.8
Sundry Balances/Bad Debts written off (Net)		—		0.4
Professional and Consultancy		97.7		64.8
Donations		10.3		0.5
Loss on Sale of Fixed Assets		0.7		—
Excise duty on stock (.)		(28.7)		27.1
Auditors' Remuneration (net of service tax)				
As Auditor	5.1		4.7	
Other Services	0.1		0.1	
Out of Pocket Expenses	0.1	5.3	0.1	4.9
Miscellaneous expenses		109.4		140.3
		<u>3,255.1</u>		<u>2,577.7</u>

(.) represents the difference between excise duty on opening and closing stock of finished goods.

**SCHEDULES TO THE FINANCIAL STATEMENTS**

	Year ended 31st March, 2008		Year ended 31st March, 2007	
	Rs in Million	Rs in Million	Rs in Million	Rs in Million
<b>SCHEDULE 20 : RESEARCH AND DEVELOPMENT EXPENDITURE</b>				
Salaries, Wages, Bonus and Benefits		<b>200.0</b>		213.4
Contribution to Provident and Other Funds		<b>10.4</b>		11.9
Staff Welfare Expenses		<b>23.2</b>		30.9
Raw Material, Stores and Spares Consumed		<b>323.8</b>		420.2
Power and Fuel		<b>12.2</b>		12.5
Rates and Taxes		<b>4.9</b>		3.3
Insurance		<b>2.7</b>		5.5
Repairs				
Building	<b>12.8</b>		7.7	
Plant and Machinery	<b>35.4</b>		35.0	
Others	<b>10.8</b>	<b>59.0</b>	7.9	50.6
Printing and Stationery		<b>8.7</b>		7.5
Travelling and Conveyance		<b>13.9</b>		15.3
Communication		<b>15.2</b>		11.3
Professional and Consultancy		<b>542.0</b>		570.2
Loss on Sale of Fixed Assets		<b>0.3</b>		0.2
Miscellaneous Expenses		<b>158.7</b>		184.9
		<b>1,375.0</b>		1,537.7
Less				
Interest Income	<b>0.5</b>		0.3	
Realisations from disposal of Product	<b>62.9</b>		—	
Misc. Income	<b>0.9</b>		0.2	
Bad debt Recovered / Sundry balances written Back	<b>0.3</b>		0.9	
Rent Income	—	<b>64.6</b>	0.1	1.5
		<b>1,310.4</b>		1,536.2



**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2008****SCHEDULE 21 :SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS****A SIGNIFICANT ACCOUNTING POLICIES****I Basis of Accounting**

These financial statements are prepared under historical cost convention on an accrual basis in accordance with the Generally Accepted Accounting Principles in India and the Accounting Standards (AS) as notified under Companies (Accounting Standards) Rules, 2006.

**II Use of estimates**

The presentation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognised in the period in which the results are known / materialised.

**III Fixed Assets and Depreciation / Amortisation**

Fixed Assets including intangible assets are stated at historical cost (net of cenvat credit) less accumulated depreciation/ amortisation thereon and impairment losses, if any. Depreciation on tangible assets is provided on Straight Line Method at the rates specified in Schedule XIV to The Companies Act, 1956. Assets costing Rs.5,000/- or less are depreciated at hundred percent rate on prorata basis in the year of purchase. Intangible assets consisting of trademarks, designs, technical knowhow, non-compete fees and other intangible assets are amortised on Straight Line Method from the date they are available for use, over the useful lives of the assets (10/20 years), as estimated by the Management. Leasehold land is amortised over the period of lease.

**IV Leases**

Assets acquired on finance lease prior to April 1, 2001 are stated at original cost. In consonance with the matching concept, lease terminal adjustment and lease equalisation accounts is created for the assets given on lease, wherever required.

**V Revenue Recognition**

Sales of products are recognised when risk and rewards of ownership of the products are passed on to the customers, which is generally on despatch of goods. Export sales are recognised on the basis of Bill of lading / Airway bill. Sales includes Sales tax, interest on delayed payments and sales as consignee made on behalf of consignor and are stated net of returns.

**VI Investments**

Investments are classified into Current and Long Term Investments. Current Investments are valued at lower of cost and fair value. Long Term Investments are stated at cost less provision, if any, for other than temporary diminution in their value.

**VII Inventories**

Inventories consisting of raw and packing materials, stores and spares, work in progress and finished goods are stated at lower of cost (absorption costing) on FIFO basis and net realisable value.

**VIII Research and Development**

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

**IX Foreign Currency Transactions**

Transactions denominated in foreign currencies are recorded at the exchange rates prevailing at the date of transaction. Monetary items denominated in foreign currency at the year end are translated at year end rates. In respect of monetary items, which are covered by forward exchange contracts, the difference between the year end rate and the rate on the date of the contract is recognised as exchange difference and the premium on such forward contracts is recognised over the life for the forward contract. The exchange differences arising on settlement / translation are recognised in the Profit and Loss Account.

**X Taxes on Income**

Provision for taxation comprises of Current Tax, Deferred Tax and Fringe Benefit Tax. Current Tax provision has been made on the basis of reliefs and deductions available under the Income Tax Act, 1961. Deferred tax resulting from "timing differences" between taxable and accounting income is accounted for using the tax rates and laws that are enacted or substantively enacted as on the balance sheet date. The deferred tax asset is recognised and carried forward only to the extent that there is a virtual certainty that the asset will be realised, in future. The Fringe Benefits tax has been calculated and accounted for in accordance with the provisions of the Income Tax Act, 1961.

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2008****XI Employee Benefits**

- (a) The Company's contribution in respect of provident fund is charged to Profit and Loss Account each year.
- (b) The Company's contribution to Life Insurance Corporation of India (LIC) for group gratuity policy is charged to Profit and Loss Account each year. The contribution for Group Gratuity Policy is based on values as actuarially determined and demanded by LIC at the year end. Excess, if any, of the liability as determined on actuarial basis by the independent valuer over contribution to LIC is charged to Profit and Loss Account.
- (c) Liability for accumulated compensated absences of employees is ascertained for on actuarial valuation basis and provided for as per company rules.

**XII Borrowing Costs**

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised. Other borrowing costs are recognised as an expense in the period in which they are incurred.

**XIII Provisions, Contingent Liabilities and Contingent Assets**

Provisions are recognised only when there is a present obligation as a result of past events and when a reliable estimate of the amount of the obligation can be made. Contingent liability is disclosed for (i) Possible obligations which will be confirmed only by future events not wholly within the control of the company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation can not be made. Contingent Assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

**XIV Impairment of Assets**

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Profit and Loss Account. If at the Balance Sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

**B NOTES TO FINANCIAL STATEMENTS**

	<b>As at 31st March, 2008</b>	<b>As at 31st March, 2007</b>
	<b>Rs in Million</b>	<b>Rs in Million</b>
<b>1 CONTINGENT LIABILITIES NOT PROVIDED FOR</b>		
Guarantees Given by the bankers on behalf of the Company	<b>68.3</b>	80.2
Corporate Guarantees	<b>101.7</b>	152.2
Letters of Credit for Imports	<b>158.6</b>	232.8
Liabilities Disputed - Appeals filed with respect to :		
Sales Tax	<b>29.4</b>	41.0
Excise Duty	<b>198.7</b>	18.0
Income Tax	<b>147.0</b>	559.9
ESIC Contribution	<b>0.3</b>	0.2
Drug Price Equalisation Account [DPEA] on account of demand towards unintended benefit, including interest there on, enjoyed by the Company	<b>14.0</b>	14.0
Demand by JDGFT import duty with respect to import alleged to be in excess of entitlement as per the Advanced Licence Scheme	<b>10.3</b>	10.3
Claims against the Company not acknowledged as debts	<b>3.2</b>	4.5
<b>2 Estimated amount of contracts remaining to be executed on capital account [ net of advances ].</b>	<b>216.5</b>	276.1

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2008**

	As at 31st March, 2008		As at 31st March, 2007	
	Rs in Million	Rs in Million	Rs in Million	Rs in Million
<b>3 REMUNERATION TO DIRECTORS</b>				
Managerial Remuneration U/s 198 of The Companies Act, 1956				
Salaries and Allowances		24.4		21.2
Contribution to Provident and other Funds		2.5		2.1
Perquisites and Benefits		0.3		0.6
Commission		3.4		3.1
<b>Total</b>		<b>30.6</b>		<b>27.0</b>

Computation of net profit U/s 198 read with Section 309(5) of The Companies Act, 1956 and calculation of commission payable to directors

Profit Before Taxation		10,522.0		6,405.4
Add : Depreciation as per Accounts	561.1		462.7	
Loss on Sale of Fixed Assets	1.4		4.7	
Managerial Remuneration	30.6		27.0	
Directors Sitting Fees	0.2		0.2	
Sundry Balances Written Off / Bad Debts Written off	9.3		7.9	
Provision for doubtful debt / Advances	26.4	629.0	29.8	532.3
Less: Depreciation as per Section 350 of Companies Act 1956	561.1		462.7	
Profit on Sale of Fixed Assets	0.4		114.9	
Profit on Sale of Investments	129.5		52.0	
Sundry Balances Written Back	21.5		8.4	
		712.5		638.0
Net Profit		10,438.5		6,299.7
Salaries, Perquisites and Commission @ 1% of the above		104.4		63.0

**4 RESEARCH AND DEVELOPMENT EXPENDITURE**

Revenue		1,310.4		1,536.3
Capital		133.5		346.5

**5 Interest income Rs.1069.0 Million (Previous Year Rs. 1035.3 Million) {includes interest income of Rs. 1093.9 Million (Previous Year Rs.968.1 Million) on bank deposits, Rs. 4.8 Million (Previous Year Rs. 136.7 Million) on loan and Rs. 20.9 Million (Previous Year Rs. 18.5 Million) others} is net of interest expense as under :**

Fixed Loans		46.9		85.4
Others		3.7		2.6
		50.6		88.0

**6 INFORMATION RELATING TO CONSUMPTION OF MATERIALS**

	Quantity	Value	Quantity	Value
Raw Materials and Packing Materials				
Raw Materials- (in '000 KGs)	13,391.1	5,552.4	12,763.8	4,639.5
Raw Materials-(In Kilo Litres)	26,340.0		26,331.5	
Packing/Other Materials	*	310.6	*	270.0
<b>Total</b>		<b>5,863.0</b>		<b>4,909.5</b>

\*Information can not be furnished as the items involved are numerous.

None of the items individually account for more than 10% of total consumption.

	%	Value	%	Value
Imported and Indigenous				
Raw Materials and Packing Materials				
Imported	40.06	2,348.9	39.27	1,927.7
Indigenous	59.94	3,514.1	60.73	2,981.8
<b>Total</b>	<b>100.00</b>	<b>5,863.0</b>	<b>100.00</b>	<b>4,909.5</b>
Stores and Spares				
Imported	1.12	2.3	0.57	0.9
Indigenous	98.88	202.6	99.43	150.5
<b>Total</b>	<b>100.00</b>	<b>204.9</b>	<b>100.00</b>	<b>151.4</b>

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2008****7 INFORMATION RELATING TO LICENSED CAPACITY AND PRODUCTION**

	As at 31st March, 2008	As at 31st March, 2007
Tablets/Capsules/Parenterals/Ointments (Nos in Million)		
Licensed Capacity	<b>Not Applicable</b>	Not Applicable
Installed Capacity*	<b>6,506.7</b>	6,217.8
Actual Production (including loan license)	<b>1,540.8</b>	1,082.3
Bulk Drugs/Chemicals		
Licensed Capacity	<b>Not Applicable</b>	Not Applicable
Installed Capacity* (In Kilo Litres)	<b>1,027.8</b>	994.8
Actual Production (including loan license) (In '000 Kgs)	<b>2,161.5</b>	1,994.1
(*as certified by the Management)		

**8 INFORMATION RELATING TO TURNOVER, PURCHASE OF GOODS AND STOCKS****Rs in Million**

	Turnover		Purchase of Goods		Opening Stock		Closing Stock	
	Quantity	Value Rs.	Quantity	Value Rs.	Quantity	Value Rs.	Quantity	Value Rs.
Formulations (Qty Million)								
<b>2007-08</b>	<b>4,538.5</b>	<b>19,565.2</b>	<b>3,014.2</b>	<b>9,527.6</b>	<b>138.2</b>	<b>260.9</b>	<b>154.7</b>	<b>303.0</b>
2006-07	3,804.8	12,658.3	2,729.0	7,055.6	131.7	232.4	138.2	260.9
Bulk Drugs/Chemicals (Qty in '000 Kgs)								
<b>2007-08</b>	<b>2,143.5</b>	<b>4,647.0</b>	<b>0.0</b>	<b>3.1</b>	<b>141.6</b>	<b>604.4</b>	<b>159.6</b>	<b>502.4</b>
2006-07	2,006.9	4,540.7	0.5	16.7	153.9	355.1	141.6	604.4
Others								
<b>2007-08</b>		<b>61.3</b>		<b>47.5</b>		—		—
2006-07		22.3		12.1		—		—
Total								
<b>2007-08</b>		<b>24,273.5</b>		<b>9,578.2</b>		<b>865.3</b>		<b>805.4</b>
2006-07		17,221.3		7,084.4		587.5		865.3

**9 INCOME/EXPENDITURE IN FOREIGN CURRENCY**

	Year ended 31st March, 2008	Year ended 31st March, 2007
	Rs in Million	Rs in Million
Income		
Exports (FOB basis)	<b>8,064.5</b>	4,805.6
Interest	<b>886.2</b>	412.4
Dividend Income	—	13.8
Expenditure		
Raw Materials (CIF basis)	<b>2,329.3</b>	2,025.7
Packing Materials (CIF basis)	<b>135.1</b>	93.3
Capital Goods (CIF basis)	<b>194.4</b>	590.0
Spares and Components (CIF basis)	<b>22.0</b>	83.0
Professional Charges	<b>538.2</b>	566.7
Interest	<b>45.8</b>	84.4
Overseas Travel	<b>53.2</b>	55.1
Others	<b>417.1</b>	418.7

**10** The net exchange gain of Rs 169.0 Million (Previous Year gain of Rs.386.1 Million) is included in the net profit for the year.

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2008**

11 There are no Micro, Small and Medium Enterprises, as defined in the Micro, Small and Medium Enterprises Development Act, 2006 to whom the Company owes dues on account of principal amount together with interest and accordingly no additional disclosures have been made.

The above information regarding Micro, Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

**12 Disclosure with respect to Accounting Standards notified by Companies (Accounting Standards) Rules, 2006 :**

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

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

	Year ended 31st March, 2008 Rs in Million	Year ended 31st March, 2007 Rs in Million
Profit After Tax	10,140.4	6,289.3
Less: Dividend on Preference Shares	0.5	0.8
Less: Corporate Dividend Tax on Preference Shares	0.1	0.1
Profit used as Numerator for calculating Earnings per share	<u>10,139.8</u>	<u>6,288.4</u>
Weighted Average number of Shares used in computing basic earnings per share	199,159,782	187,898,580
Add: Potential number of equity shares that could arise on exercise of Options on Zero Coupon convertible Bonds- due 2009 -Nil (Previous year 13,714,360)	—	13,714,360
Weighted average number of shares used in computing diluted earnings per share	207,116,391	201,612,940
Nominal Value Per Share (in Rs.)	5	5
Basic Earnings Per Share (in Rs.)	50.9	33.5
Diluted Earnings Per Share (in Rs.)	49.0	31.2

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

(a) Primary Segment

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

(b) Secondary Segment (by Geographical Segment )

Sales India	15,660.1	12,238.4
Sales Outside India	8,613.4	4,982.9
Total Sales	<u>24,273.5</u>	<u>17,221.3</u>

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

(iv) **Accounting Standard (AS-15) on Employee benefits**

Contributions are made to Recognised Provident Fund/ Government Provident Fund, Family Pension Fund, ESIC and other Statutory Funds which covers all regular employees. While both the employees and the Company make predetermined contributions to the Provident Fund and ESIC, contribution to the Family Pension Fund are made only by the Company. The contributions are normally based on a certain proportion of the employee's salary. Amount recognised as expense in respect of these defined contribution plans, aggregate to Rs. 66.8 Million (Previous year Rs. 59.8 Million)

	Year ended 31st March 2008 Rs in Million	Year ended 31st March 2007 Rs in Million
Contribution to Provident Fund	63.8	57.4
Contribution to Employees State Insurance Scheme (E.S.I.C.)	2.9	2.3
Contribution to Labour Welfare Fund	0.1	0.1

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2008**

In respect of Gratuity, Contributions are made to LIC's Recognised Group Gratuity Fund Scheme based on amount demanded by LIC of India. Provision for Gratuity is based on actuarial valuation done by independent actuary as at the year end. Actuarial Valuation for Compensated Absences is done as at the year end and the provision is made as per Company rules and it covers all regular employees. Major drivers in actuarial assumptions, typically, are years of service and employee compensation. After the issuance of the Accounting Standard 15 on 'Employee Benefits', commitments are actuarially determined using the 'Projected Unit Credit' method. Gains and losses on changes in actuarial assumptions are accounted for in the Profit and Loss account.

**Category of Plan Assets :** The Company's Plan Assets in respect of Gratuity are funded through the Group Scheme of the LIC of India.

In respect of gratuity (funded):

	<b>Rupees in Million (Dr/ (Cr))</b>	
	<b>Year ended</b>	
	<b>31st March, 2008</b>	<b>31st March, 2007</b>
<b>Reconciliation of liability recognised in the Balance sheet</b>		
Present value of commitments (as per Actuarial Valuation)	<b>(106.4)</b>	(75.0)
Fair value of plan assets	<b>104.0</b>	83.5
Net liability in the Balance sheet	<b>(2.4)</b>	—
<b>Movement in net liability recognised in the Balance sheet</b>		
Net liability as at the beginning of the year	—	—
Net expense recognised in the Profit and Loss account	<b>23.7</b>	21.6
Contribution during the year	<b>(21.3)</b>	(21.6)
Net liability as at the year end	<b>2.4</b>	—
<b>Expense recognised in the Profit and Loss account</b>		
Current service cost	<b>10.8</b>	11.2
Interest cost	<b>6.0</b>	5.8
Expected return on plan assets	<b>(6.7)</b>	(4.9)
Actuarial (gains)/ losses	<b>22.1</b>	(9.9)
Expense charged to the Profit and Loss account	<b>32.2</b>	2.2
<b>Return on plan assets</b>		
Expected return on plan assets	<b>6.7</b>	4.9
Actuarial (gains)/ losses	<b>(2.4)</b>	(1.2)
Actual return on plan assets	<b>9.1</b>	6.1
<b>Reconciliation of defined-benefit commitments</b>		
Commitments as at the beginning of the year	<b>75.0</b>	72.6
Current service cost	<b>10.8</b>	11.2
Interest cost	<b>6.0</b>	5.8
Paid benefits	<b>(9.9)</b>	(6.0)
Actuarial (gains)/ losses	<b>24.5</b>	(8.7)
Commitments as at the year end	<b>106.4</b>	75.0
<b>Reconciliation of plan assets</b>		
Plan assets as at the beginning of the year	<b>83.5</b>	61.7
Expected return on plan assets	<b>6.7</b>	4.9
Contributions during the year	<b>21.3</b>	21.6
Paid benefits	<b>(9.9)</b>	(6.0)
Actuarial (gains)/ losses	<b>(2.4)</b>	(1.2)
Plan assets as at the year end	<b>104.0</b>	83.5

The actuarial calculations used to estimate commitments and expenses in respect of gratuity and compensated absences are based on the following assumptions which if changed, would affect the commitment's size, funding requirements and expense:

Discount rate	<b>8.00%</b>	8.00%
Expected return on plan assets	<b>8.00%</b>	8.00%
Expected rate of salary increase	<b>6.00%</b>	5.25%
Mortality	<b>LIC (1994-96) Ultimate</b>	

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2008**

Pursuant to the scheme of demerger, an amount of Rs 0.9 Million was transferred from gratuity fund of Sun Pharmaceutical Industries Limited Employee's Gratuity Fund to Sun Pharma Advanced Research Company Limited Employee's Gratuity Fund.

The estimates of future salary increases, considered in the actuarial valuation, take into account inflation, security, promotion and other relevant factors such as supply and demand in the employment market.

As, this is the second year in which the AS-15 has been applied, the amounts of the present value of the obligation, fair value of plan assets, surplus or deficit in the plan and experience adjustment arising on plan liabilities and plan assets for the previous four years have not been furnished.

**(v) Accounting Standard (AS-19) on Operating Leases**

(a) The company has obtained certain premises for its business operations (including furniture and fittings, therein as applicable) under operating lease or leave and license agreements. These are generally not non-cancellable and range between 11 months to 5 years under leave and license, or longer for other lease and are renewable by mutual consent on mutually agreeable terms. The Company has given refundable interest free security deposits in accordance with the agreed terms.

(b) Lease payments are recognised in the Profit and Loss Account under "Rent" in Schedule 19.

<b>13 Investment Purchased and Sold during the Year</b>		<b>As at 31st March, 2008</b>		<b>As at 31st March, 2007</b>		
<b>Mutual Fund Units (Units of Face Value of Rs. 10 Each, unless stated otherwise)</b>	<b>Units In Nos</b>	<b>Purchase Value Rs in Million</b>	<b>Sales Value Rs in Million</b>	<b>Units In Nos</b>	<b>Purchase Value Rs in Million</b>	<b>Sales Value Rs in Million</b>
<b>In Liquid Scheme</b>						
ABN Amro Mutual Fund	29,877,263	300.0	302.5	—	—	—
Birla Sun Life Mutual Fund	530,382,646	6,880.0	6,888.5	—	—	—
BOB Mutual Fund	2,550,834	35.0	35.0	—	—	—
Reliance Mutual Fund	23,437,866	250.0	251.7	—	—	—
Deutsche Mutual fund	22,438,611	265.0	265.3	60,781,830	650.1	652.4
Fidelity Mutual Fund	21,534,774	230.0	230.3	25,000,000	250.0	250.5
Franklin Templeton Investments (.)	—	—	—	10,870	20.0	20.0
HDFC Mutual Fund	80,692,746	1,070.0	1,080.2	3,901,783	58.0	58.0
ING Vysya Mutual Fund	—	—	—	9,751,994	107.2	107.3
JP Morgan Asset Management	—	—	—	12,000,000	554.8	554.8
Lotus India Mutual Fund	28,425,865	300.0	302.8	40,930,056	412.5	414.4
Principal Mutual Fund	138,527,790	1,645.5	1,646.9	376,975,628	4,312.0	4,318.2
Prudential Mutual Fund	1,489,309,956	17,057.3	17,070.7	937,946,016	9,851.2	9,873.6
Sahara Mutual Fund (.)	—	—	—	7,924	10.0	10.0
Standard Chartered Mutual Fund (.)	278,649	300.0	300.6	701,536	707.5	709.4
Tata Mutual fund (.)	206,995	300.0	301.0	95,093	100.0	100.4
UTI Mutual Fund	—	—	—	36,470,630	930.0	931.2

(.) Units of Face Value of Rs.1,000 Each

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2008**

14 Balances with Other Banks held in:	(Rs.in Million)		(Rs.in Million)	
	Name of the Bank/Institution	Balance As at 31st March, 2008	Maximum Balance 2007-08	Balance As at 31st March, 2007
JPMorgan Chase Bank N.A-Florida (Previous Year Rs. 15,296)	—	—	—	0.0
UBS AG Wealth Management-London Rs.7,328 (Previous Year Rs. 1,788)	0.0	37.0	0.0	38.6
Credit Agricole (Suisse) S.A.Private Bank	345.4	867.1	867.1	1,414.9
Deutsche Bank AG London	995.5	1,077.5	1,077.5	1,116.0
Vietnam Export Import Bank,Hochiminch Branch, Vietnam	0.1	17.1	1.3	12.4
Standard Chartered, Shanghai Branch, China	1.1	14.5	0.5	4.8
Moscow Bank,Moscow Branch,Moscow	0.9	24.5	1.7	11.8
Belvnesheconom Bank, Minsk Branch, Belarus Rs. 25,035 (Previous Year Rs. 34,308)	0.0	9.8	0.0	3.2
Tsesna Bank,Almaty Branch, Kazakhstan (Previous Year Rs. 3,026)	0.8	6.8	0.0	6.5
Ukreixm Bank, Kyiv Branch,Ukraine Rs. 9,875	0.0	5.4	0.4	2.2
<b>Total</b>	<b>1,343.8</b>		<b>1,948.5</b>	

**15 a) Loans / Advances due from Subsidiaries****Loans**

Sun Pharma Global Inc. BVI	—	—	—	2,918.7
Sun Pharmaceutical Peru SA	—	—	—	1.1
Sun Farmaceutica LTDA Brazil	—	—	—	18.3
Sun Pharmaceutical UK Limited	0.1	0.7	0.1	0.7

**Advances**

Share Application Money to Sun Pharma Global Inc. BVI	1,007.4	3,789.9	1,469.7	1,469.8
Sun Pharma De Mexico Sociedao Anonina Limited	53.6	60.0	60.0	60.0
<b>Total</b>	<b>1,061.1</b>		<b>1,529.8</b>	

**b) Accrued Interest due from Subsidiaries**

Sun Pharma Global Inc. BVI	—	51.6	51.6	129.1
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**16** Intangible assets consisting of trademarks, designs, technical knowhow, non compete fees and other intangible assets are stated at cost of acquisition based on their agreements and are available to the company in perpetuity. The depreciable amount of intangible assets is arrived at based on the management's best estimates of useful lives of such assets after due consideration as regards their expected usage, the product life cycles, technical and technological obsolescence, market demand for products, competition and their expected future benefits to the company.

**17** As per the terms of the issue, the holders of Zero Coupon Foreign Currency Convertible Bonds (FCCBs) of a face value of US \$ 1000 aggregating to US \$ 350 Million have an option to convert FCCBs into Equity Share at an initial conversion rate of Rs. 729.30 per Equity share at a fixed exchange rate conversion of Rs. 45.01 = US \$ 1, from December 26, 2004 to November 16, 2009. The conversion price will be subject to certain adjustment. Further, under certain conditions the company has an option for early redemption in whole but not in part, at any time on or after November 26, 2007.

As at the year end whole of Rs. 15,753.5 Million (Previous Year Rs. 5,751.6 Million) US\$ 350.0 Million (Previous Year US\$ 127.8 Million) worth of FCCB's were converted into 21,600,761 (Previous Year 7,886,490) equity shares, upon conversion option exercised by the FCCB holders.

**18** During the year, in terms of approval by the shareholders of the Company in the Annual General Meeting, the authorised share capital of Rs.1,500.0 Million was reclassified and divided into 295,000,000 Equity Shares of Rs.5 each and 25,000,000 Preference Shares of Re. 1 each.



**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2008**

- 19** During the year Alkaloida Chemical Company Exclusive Group Limited (Alkaloida), a subsidiary of the company has made a strategic investment of Rs.3,878.8 Million in Taro Pharmaceutical Industries Limited (Taro) a pharmaceutical company based in Israel. On May 28, 2008 the Company has received a notice from Taro informing purported termination of its merger agreement between the two. However, Alkaloida does not foresee any adverse impact on its investment.
- 20** As per the best estimate of the management, no provision is required to be made as per Accounting Standard (AS) 29 as notified by Companies (Accounting Standards) Rules, 2006, in respect of any present obligation as a result of a past event that could lead to a probable outflow of resources, which would be required to settle the obligation.
- 21** The company enters into Forward Exchange Contracts being derivative instruments, which are not intended for trading or speculative purposes, but for hedge purposes, to establish the amount of reporting currency required or available at the settlement date.

- A) The following are the outstanding Forward Exchange Contracts entered into by the company as on 31st March, 2008

Currency	Buy/Sell	Cross Currency	Amount in Million	
			As at 31st March, 2008	As at 31st March, 2007
US Dollar	Sell	Rupees	—	\$220.0

- B) Principal only Swaps to hedge against fluctuations in exchange rate changes :

Currency	Year ended 31st March 2008		Year ended 31st March 2007	
	No. of Contracts	Notional Principal	—	1
US Dollar	—	\$20.0 Million	—	—

- C) Currency Swaps (other than forward exchange contracts stated above) to hedge against fluctuations in changes in exchange rate and interest rate changes- Nil (Previous Year Nil)

- D) The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

- a) Amounts receivable in foreign currency on account of the following :

	Currency	As at 31st March, 2008		As at 31st March, 2007	
		Amount in Million	Amount in Million	Amount in Million	Amount in Million
Exports of Goods & Services	US Dollar	\$96.9	INR 3,860.2	—	—
CHF 11,395 (Previous Year CHF 2,220)	Swiss Franc	CHF 0.0	INR 0.5	CHF 0.0	INR 0.1
	Euro	€ 0.4	INR 27.4	€ 0.6	INR 34.7
	XOF	XOF 27.4	INR 2.7	—	—
Loans Receivable					
£ 1,404 (Previous Year £ 9,025)	British Pound	£ 0.0	INR 0.1	£ 0.0	INR 0.8
Interest Receivable	US Dollar	—	—	\$1.2	INR 51.6

- b) Amounts payable in foreign currency on account of the following :

Interest Payable	US Dollar	\$0.4	INR 17.6	\$0.5	INR 20.8
Loans Payable	US Dollar	\$20.0	INR 796.4	\$222.2	INR 9,577.4
Import of Goods & Services	US Dollar	\$17.5	INR 696.7	\$13.5	INR 581.9
	Canadian Dollar	—	—	CAD 0.1	INR 4.8
CHF 7,906 (Previous Year CHF 31,050)	Swiss Franc	CHF 0.0	INR 0.3	CHF 0.0	INR 1.1
	Euro	€ 0.3	INR 17.8	€ 0.8	INR 43.5
£ 24,210 (Previous Year £ 43,547)	British Pound	£ 0.0	INR 1.9	£ 0.0	INR 3.7
	Japanese Yen	JPY 0.5	INR 0.2	JPY 6.0	INR 2.2
	New Israeli Sheqel	NIS 0.2	INR 2.0	—	—

- 22** Previous years' figures are restated / regrouped / rearranged wherever necessary in order to confirm to current years' groupings and classifications.

**ANNEXURE 'A' TO NOTES ON ACCOUNT**

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

Rs in Million

Particulars	Subsidiaries		Controlled Entity		Key Management Personnel		Relatives of Key Management Personnel		Enterprise under significant Influence of Key Management Personnel or their relatives		Total	
	31/03/08	31/03/07	31/03/08	31/03/07	31/03/08	31/03/07	31/03/08	31/03/07	31/03/08	31/03/07	31/03/08	31/03/07
<b>Purchases of goods / DEPB</b>	<b>109.4</b>	<b>99.6</b>	<b>9,669.6</b>	<b>7,114.0</b>	—	—	—	—	—	0.0	<b>9,779.0</b>	7,213.6
Caraco Pharmaceutical Laboratories Ltd	52.1	45.3	—	—	—	—	—	—	—	—	52.1	45.3
Sun Pharmaceutical Industries	—	—	9,669.6	7,114.0	—	—	—	—	—	—	9,669.6	7,114.0
ALKALOIDA Chemical Company exclusive group Limited (Formerly ICN Hungary Ltd)	56.1	52.4	—	—	—	—	—	—	—	—	56.1	52.4
Sun Pharmaceutical Industries - Inc	1.2	1.9	—	—	—	—	—	—	—	—	1.2	1.9
Sun Speciality Chemicals Pvt Ltd (P.Y. Rs.16,224)	—	—	—	—	—	—	—	—	0.0	—	—	0.0
<b>Purchase of Fixed Assets</b>	<b>3.0</b>	—	<b>16.1</b>	—	—	—	—	—	—	—	<b>19.1</b>	—
Sun Pharmaceutical Industries - Inc	3.0	—	—	—	—	—	—	—	—	—	3.0	—
Sun Pharmaceutical Industries	—	—	16.1	—	—	—	—	—	—	—	16.1	—
<b>Sale of goods / DEPB</b>	<b>4,945.7</b>	<b>1,770.2</b>	<b>829.1</b>	<b>727.7</b>	—	—	—	—	<b>7.9</b>	<b>0.2</b>	<b>5,782.7</b>	2,498.1
Caraco Pharmaceutical Laboratories Ltd	4,710.6	1,737.6	—	—	—	—	—	—	—	—	4,710.6	1,737.6
Sun Pharmaceutical Industries	—	—	829.1	727.7	—	—	—	—	—	—	829.1	727.7
Sun Pharmaceutical Industries - Inc	29.1	6.9	—	—	—	—	—	—	—	—	29.1	6.9
Sun Pharma Advanced Research Co. Ltd	—	—	—	—	—	—	—	—	7.5	—	7.5	—
ALKALOIDA Chemical Company exclusive group Limited (Formerly ICN Hungary Ltd)	9.8	—	—	—	—	—	—	—	—	—	9.8	—
Sun Pharma Global Inc - BVI	166.7	—	—	—	—	—	—	—	—	—	166.7	—
Sun Pharmaceutical (Bangladesh) Ltd	1.9	1.5	—	—	—	—	—	—	—	—	1.9	1.5
Sun Farmaceutica Ltda - Brazil	27.6	24.2	—	—	—	—	—	—	—	—	27.6	24.2
Sun Petrochemicals Pvt Ltd	—	—	—	—	—	—	—	—	0.4	0.2	0.4	0.2
<b>Sale of Fixed Assets</b>	—	<b>6.4</b>	<b>0.3</b>	<b>5.4</b>	—	—	—	—	<b>0.1</b>	<b>0.1</b>	<b>0.4</b>	<b>11.9</b>
Caraco Pharmaceutical Laboratories Ltd	—	1.4	—	—	—	—	—	—	—	—	—	1.4
ALKALOIDA Chemical Company exclusive group Limited (Formerly ICN Hungary Ltd)	—	4.0	—	—	—	—	—	—	—	—	—	4.0
Sun Pharmaceutical (Bangladesh) Ltd	—	1.0	—	—	—	—	—	—	—	—	—	1.0
Sun Petrochemicals Pvt Ltd	—	—	—	—	—	—	—	—	0.1	0.1	0.1	0.1
Sun Pharmaceutical Industries	—	—	0.3	5.4	—	—	—	—	—	—	0.3	5.4
<b>Receiving of Service</b>	—	—	<b>6.0</b>	—	—	—	—	—	—	—	<b>6.0</b>	—
Services	—	—	6.0	—	—	—	—	—	—	—	6.0	—
Sun Pharmaceutical Industries	—	—	—	—	—	—	—	—	—	—	—	—
<b>Reimbursement of Expenses</b>	<b>158.9</b>	<b>126.2</b>	—	—	—	—	—	—	—	—	<b>158.9</b>	<b>126.2</b>
Caraco Pharmaceutical Laboratories Ltd	2.8	37.9	—	—	—	—	—	—	—	—	2.8	37.9
Sun Pharmaceutical Industries - Inc	3.5	1.6	—	—	—	—	—	—	—	—	3.5	1.6
Sun Pharma Global Inc - BVI	152.6	86.0	—	—	—	—	—	—	—	—	152.6	86.0
Sun Pharmaceuticals UK Ltd	—	0.7	—	—	—	—	—	—	—	—	—	0.7
Sun Pharmaceutical (Bangladesh) Ltd (C.Y. Rs.6,346)	0.0	—	—	—	—	—	—	—	—	—	0.0	—
Others (P.Y. Rs.2,272)	—	0.0	—	—	—	—	—	—	—	—	—	0.0
<b>Rendering of Service</b>	—	—	—	—	—	—	—	—	<b>0.5</b>	<b>0.5</b>	<b>4.7</b>	<b>5.3</b>
Services	—	—	—	—	—	—	—	—	0.5	0.5	0.5	0.5
Sun Petrochemicals Pvt Ltd	4.2	4.8	—	—	—	—	—	—	—	—	2.1	2.4
Sun Pharma Global Inc - BVI	2.1	2.4	—	—	—	—	—	—	—	—	2.1	2.4
Sun Pharmaceutical Industries - Inc	2.1	2.4	—	—	—	—	—	—	—	—	2.1	2.4
<b>Reimbursement of Expenses</b>	<b>24.2</b>	<b>6.7</b>	<b>0.2</b>	—	—	—	—	—	<b>67.9</b>	<b>0.0</b>	<b>92.3</b>	<b>6.7</b>
Sun Pharmaceutical (Bangladesh) Ltd	—	2.0	—	—	—	—	—	—	—	—	—	2.0
Caraco Pharmaceutical Laboratories Ltd	1.6	—	—	—	—	—	—	—	—	—	1.6	—
Sun Pharmaceutical Industries	—	—	0.2	—	—	—	—	—	—	—	0.2	—
Sun Pharmaceutical Industries - Inc	0.4	3.8	—	—	—	—	—	—	—	—	0.4	3.8
Sun Pharma Advanced Research Co. Ltd	—	—	—	—	—	—	—	—	67.9	—	67.9	—
Sun Petrochemicals Pvt Ltd (P.Y. Rs.9,410)	—	—	—	—	—	—	—	—	—	0.0	—	0.0
Sun Pharma Global Inc - BVI	22.2	0.9	—	—	—	—	—	—	—	—	22.2	0.9
<b>Finance (including loans and equity contributions in cash or in kind)</b>	—	—	—	—	—	—	—	—	—	—	—	—
<b>Capital Contribution / (Withdrawal)</b>	<b>5,047.9</b>	—	<b>7,411.9</b>	<b>4,392.1</b>	—	—	—	—	—	—	<b>12,459.8</b>	<b>4,392.1</b>
Sun Pharmaceutical Industries	—	—	7,411.9	4,392.1	—	—	—	—	—	—	7,411.9	4,392.1
Sun Pharma Global Inc - BVI	5,047.8	—	—	—	—	—	—	—	—	—	5,047.8	—
OOO "Sun Pharmaceutical Industries" Ltd.	0.1	—	—	—	—	—	—	—	—	—	0.1	—
<b>Investments Sales in Subsidiary</b>	<b>0.1</b>	—	—	—	—	—	—	—	—	—	<b>0.1</b>	—
ALKALOIDA Chemical Company exclusive group Limited (Formerly ICN Hungary Ltd)	0.1	—	—	—	—	—	—	—	—	—	0.1	—
<b>Loans given / Share Application Money</b>	<b>1,053.4</b>	<b>8.3</b>	—	—	—	—	—	—	—	—	<b>1,053.4</b>	<b>8.3</b>
Sun Pharma Global Inc - BVI	1,053.3	—	—	—	—	—	—	—	—	—	1,053.3	—
Sun Farmaceutica Ltda - Brazil	—	7.4	—	—	—	—	—	—	—	—	—	7.4
Sun Pharmaceuticals UK Ltd	0.1	—	—	—	—	—	—	—	—	—	0.1	—
Others	—	0.9	—	—	—	—	—	—	—	—	—	0.9
<b>Loans Received back</b>	<b>1.0</b>	<b>3,714.8</b>	—	—	—	—	—	—	—	—	<b>1.0</b>	<b>3,714.8</b>
Sun Pharma Global Inc - BVI	1.0	3,696.3	—	—	—	—	—	—	—	—	1.0	3,696.3
Sun Farmaceutica Ltda - Brazil	—	17.4	—	—	—	—	—	—	—	—	—	17.4
Others	—	1.1	—	—	—	—	—	—	—	—	—	1.1
<b>Corporate Guarantee Given on behalf of</b>	<b>995.5</b>	<b>197.4</b>	—	—	—	—	—	—	<b>125.0</b>	—	<b>1,120.5</b>	<b>197.4</b>
Sun Pharmaceutical Industries - Inc	—	64.7	—	—	—	—	—	—	—	—	—	64.7
Sun Pharma Advanced Research Co. Ltd	—	—	—	—	—	—	—	—	125.0	—	125.0	—
Sun Pharma Global Inc - BVI	995.5	—	—	—	—	—	—	—	—	—	995.5	—
Sun Pharmaceutical (Bangladesh) Ltd	—	132.7	—	—	—	—	—	—	—	—	—	132.7

## ANNEXURE 'A' TO NOTES ON ACCOUNT

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

Rs in Million

Particulars	Subsidiaries		Controlled Entity		Key Management Personnel		Relatives of Key Management Personnel		Enterprise under significant Influence of Key Management Personnel or their relatives		Total	
	31/03/08	31/03/07	31/03/08	31/03/07	31/03/08	31/03/07	31/03/08	31/03/07	31/03/08	31/03/07	31/03/08	31/03/07
<b>Interest Income</b>	—	130.7	1.1	1.1	—	—	—	—	—	—	1.1	131.8
Sun Pharmaceutical Industries	—	—	1.1	1.1	—	—	—	—	—	—	1.1	1.1
Sun Pharma Global Inc - BVI	—	130.7	—	—	—	—	—	—	—	—	—	130.7
<b>Rent Income</b>	—	—	1.6	1.2	—	—	—	—	—	—	1.6	1.2
Sun Pharmaceutical Industries	—	—	1.6	1.2	—	—	—	—	—	—	1.6	1.2
<b>Others</b>												
Demerger (SPARC LTD)	—	244.9	—	—	—	—	—	—	—	—	—	244.9
<b>Director's Remuneration</b>	—	—	—	—	30.6	27.0	—	—	—	—	30.6	27.0
<b>Apprenticeship Stipend / Remuneration</b>	—	—	—	—	—	—	0.2	—	—	—	0.2	—
<b>Remuneration (Partner's) Received</b>	—	—	401.3	297.9	—	—	—	—	—	—	401.3	297.9
Sun Pharmaceutical Industries	—	—	401.3	297.9	—	—	—	—	—	—	401.3	297.9
<b>Rent Paid</b>	—	—	—	—	—	—	0.3	0.3	—	—	0.3	0.3
<b>Share of profit from Partnership Firm</b>	—	—	7,432.8	5,508.3	—	—	—	—	—	—	7,432.8	5,508.3
Sun Pharmaceutical Industries	—	—	7,432.8	5,508.3	—	—	—	—	—	—	7,432.8	5,508.3
<b>Outstanding Corporate Guarantee to Bank</b>	1,174.7	197.4	—	—	—	—	—	—	125.0	—	1,299.7	197.4
Sun Pharmaceutical Industries - Inc	59.7	64.7	—	—	—	—	—	—	—	—	59.7	64.7
Sun Pharma Global Inc - BVI	995.5	—	—	—	—	—	—	—	—	—	995.5	—
Sun Pharma Advanced Research Co. Ltd	—	—	—	—	—	—	—	—	125.0	—	125.0	—
Sun Pharmaceutical (Bangladesh) Ltd	119.5	132.7	—	—	—	—	—	—	—	—	119.5	132.7
<b>Outstanding receivables / Payables (Net) as on 31/03/2008</b>	2,230.9	512.7	—	—	—	—	—	—	65.8	(0.2)	2,296.7	512.5
Caraco Pharmaceutical Laboratories Ltd	2,167.3	523.4	—	—	—	—	—	—	—	—	2,167.3	523.4
Sun Pharmaceutical Industries - Inc	8.7	7.0	—	—	—	—	—	—	—	—	8.7	7.0
Sun Pharmaceutical (Bangladesh) Ltd	0.1	6.4	—	—	—	—	—	—	—	—	0.1	6.4
Sun Pharma Global Inc - BVI	60.8	—	—	—	—	—	—	—	—	—	60.8	—
Sun Farmaceutica Ltda - Brazil	18.3	9.7	—	—	—	—	—	—	—	—	18.3	9.7
Sun Pharma Advanced Research Co. Ltd	—	—	—	—	—	—	—	—	65.8	—	65.8	—
Sun Speciality Chemicals Pvt Ltd (P.Y. Rs.16,224)	—	—	—	—	—	—	—	—	—	0.0	—	0.0
ALKALOIDA Chemical Company exclusive group Limited (Formerly ICN Hungary Ltd)	(24.3)	(33.8)	—	—	—	—	—	—	—	—	(24.3)	(33.8)
Sun Petrochemicals Pvt Ltd (Rs.24,987/-)	—	—	—	—	—	—	—	—	0.0	(0.2)	0.0	(0.2)

**Note :**

Names of related parties and description of relationship

## 1. Subsidiaries

Sun Pharma Global Inc. BVI.  
Sun Pharmaceutical (Bangladesh) Ltd.  
Sun Pharma De Mexico S.A. DE C.V.  
SPIL De Mexico S.A. DE C.V.  
Sun Pharmaceutical Peru S.A.C.  
Sun Farmaceutica Ltda - Brazil  
Sun Pharmaceutical Industries Inc , USA  
Sun Pharmaceuticals UK Ltd  
ALKALOIDA Chemical Company exclusive group Limited (Formerly ICN Hungary Ltd)  
Zao Sun Pharma Industries Ltd. Russia  
Sun Pharmaceutical Ind (Australia) PTY Ltds  
Aditya Acquisition Company Ltd - Israel  
Sun Development Corporation , USA  
Sun Pharmaceutical Ind. Europe BV  
OOO "Sun Pharmaceutical Industries" Ltd.  
Caraco Pharmaceutical Laboratories Ltd - U.S.A

## 2. Controlled Entity

Sun Pharma Exports  
Sun Pharmaceutical Industries  
Universal Enterprise Pvt Ltd.

## 3. Key Management Personnel

Mr Dilip S. Shanghvi  
Mr Sudhir V Valia  
Mr Sailesh T. Desai

## 4. Relatives of Key Management Personnel

Mrs Vibha Shanghvi  
Mrs Kumud Shanghvi  
Mrs Meera Desai  
Mr Alok Shanghvi

Wife of Chairman and Managing Director  
Mother of Chairman and Managing Director  
Wife of Wholetime Director  
Son of Chairman and Managing Director

## 5. Enterprise under significant Influence of Key Management Personnel or their relatives

Sun Petrochemicals Pvt Ltd  
Sun Speciality Chemicals Pvt Ltd  
Navjivan Rasayan (Gujarat) Pvt Ltd  
Sun Pharma Advanced Research Company Ltd

## Information required as per Part IV of Schedule VI to The Companies Act, 1956

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE****I Registration Details**

Registration No.	Balance Sheet Date	State Code
04/19050	31st March, 2008	04

**II Capital Raised during the year (Rs in Million)**

Public Issue	Right Issue
NIL	68.6*
Bonus Issue	Private Placement
NIL	NIL

\* On Exercise of conversion option by FCCB Holders during the year.

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

Total Liabilities	Total Assets
44230.8	44230.8
<b>Sources of Funds</b>	Reserves and Surplus
Paid-up Capital	41040.6
1035.6	Unsecured Loans
Secured Loans	796.4
228.8	Investments
<b>Application of Funds</b>	18435.7
Net Fixed Assets	Miscellaneous Expenditure
6634.7	NIL
Net Current Assets	Accumulated Losses
19160.4	NIL

**IV Performance of the Company (Rs in Million)**

Total Income	Total Expenditure
32766.7	22244.7
Profit Before Tax	Profit After Tax
10522.0	10140.4
Earning per share Rs.*	Dividend Rate
50.9	210.00%

\* Basic - after considering pro-rata dividend (including corporate dividend tax) on preference shares.

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

Item Code No. (ITC Code)	Product Description
30049038	Pantaprazole Sodium
30049065	Metformin Hydrochloride
30033900	Losartan Potassium

For and on behalf of the Board

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

**SUDHIR V. VALIA**  
Wholetime Director

**SAILESH T. DESAI**  
Wholetime Director

Mumbai, May 30, 2008

**KAMLESH H. SHAH**  
Company Secretary

Mumbai, May 30, 2008

## FINANCIAL INFORMATION OF SUBSIDIARY COMPANIES

(Amount in Million)

Sr. No.	Name of Subsidiary Company	Reporting Currency	Capital	Reserves	Total Assets	Total Liabilities	Investments	Turnover / Total Income	Profit Before Taxation	Provision for Taxation	Profit After Taxation	Proposed Dividend	Country
1	Zao"Sun Pharma Industries Ltd."	INR Rru	0.0 0.0	— —	0.0 0.0	0.0 0.0	— —	— —	— —	— —	— —	— —	Russia
2	Caraco Pharmaceutical Laboratories Ltd.	INR USD	5,644.7 141.5	52.2 1.3	5,004.6 125.4	5,004.6 125.4	— —	14,188.6 352.2	1,601.9 39.8	287.7 7.2	1,314.2 32.6	— —	USA
3	Sun Pharma Global Inc.	INR USD	48.9 1.2	24,178.3 606.0	28,245.1 707.9	28,245.1 707.9	7,435.3 186.3	15,601.0 387.3	14,842.0 368.4	— —	14,842.0 368.4	— —	British Virgin Island
4	Sun Pharma De Mexico S.A. DE C.V.	INR MexicanPeso	3.8 1.0	21.8 5.8	196.2 52.5	196.2 52.5	— —	233.4 62.9	38.3 10.3	2.8 0.8	35.5 9.6	— —	Mexico
5	Sun Pharmaceutical (Bangladesh) Ltd.	INR Taka	35.4 60.0	(24.4) (41.3)	142.0 240.5	142.0 240.5	— —	104.9 175.0	22.4 37.4	— —	22.4 37.4	— —	Bangladesh
6	Sun Farmaceutica Ltda.	INR Brazilian Reais	7.8 0.3	(32.2) (1.4)	18.6 0.8	18.6 0.8	— —	75.2 3.4	(19.2) (0.9)	— —	(19.2) (0.9)	— —	Brazil
7	Sun Pharmaceutical Industries INC.	INR USD	0.2 0.0	(768.4) (19.3)	916.4 23.0	916.4 23.0	— —	472.2 11.7	(558.6) (13.9)	(188.2) (4.7)	(370.4) (9.1)	— —	USA
8	Sun Pharmaceutical Industries (Europe) BV	INR Euro	1.1 0.0	(7.0) (0.1)	4.8 0.1	4.8 0.1	— —	— —	(6.1) (0.1)	— —	(6.1) (0.1)	— —	The Netherlands
9	ALKALOIDA Chemical Company Exclusive Group Ltd.	INR HUF	1,479.4 6,028.6	(630.4) (2,568.9)	8,686.4 35,396.9	8,686.4 35,396.9	4,058.9 16,539.7	608.8 2,695.1	(140.4) (621.4)	— —	(140.4) (621.4)	— —	Hungary
10	Sun Pharmaceutical Peru S.A.C.	INR Soles	0.0 0.0	— —	4.6 0.3	4.6 0.3	— —	— —	— —	— —	— —	— —	Peru
11	Sun Pharmaceuticals UK Ltd.	INR Pound	0.1 0.0	(0.3) (0.0)	0.2 0.0	0.2 0.0	— —	0.0 0.0	(0.1) (0.0)	— —	(0.1) (0.0)	— —	United Kingdom
12	SPI De Mexico S.A. DE C.V.	INR MexicanPeso	0.2 0.1	— —	0.2 0.1	0.2 0.1	— —	— —	— —	— —	— —	— —	Mexico
13	Aditya Acquisition Company Ltd.	INR Israeli New Shekel, ILS	0.0 0.0	— —	0.0 0.0	0.0 0.0	— —	— —	— —	— —	— —	— —	Israel
14	Sun Development Corporation, I	INR USD	0.0 0.0	— —	0.0 0.0	0.0 0.0	— —	— —	— —	— —	— —	— —	USA
15	OOO "Sun Pharmaceutical Industries" Ltd.	INR Rru	0.1 0.1	(0.5) (0.3)	0.4 0.2	0.4 0.2	— —	— —	(0.5) (0.3)	— —	(0.5) (0.3)	— —	Russia

## Note :

- Exchange Rate as on 31.03.2008 : 1 USD= Rs.39.90, 1 Mexican peso= Rs.3.7379, 1 Bangladesh Taka= Rs.0.5904, 1 Euro= Rs.63.042, 1 Brazilian Reais= Rs.22.979, 1 Peruvian Nuevo Sole= Rs.14.754, 1 HUF= Rs.0.245, 1 British Pound= Rs.79.605, 1 Rru= Rs.1.698, 1 Israeli New Shekel, ILS= Rs.11.98.
- The first financial year of Sun Pharmeceutical Industries (Australia) PTY Ltd ends on 31.03.2009 and accordingly not included herein above. However, for the purpose of consolidation the Accounts for the period from 11. 03. 2008 (the date of incorporation) to 31.03.2008 has been considered.
- '0.0' represents amount less than 0.5 million and rounded off.

## CORPORATE GOVERNANCE

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

### 1. Company's Philosophy on Code of Corporate Governance

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

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

### 2. Board of Directors

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

**Composition and category of Directors is as follows:**

Category	Name of the Directors	Inter-se Relationship between Directors
Promoter Executive Director	Mr. Dilip S. Shanghvi (Chairman and Managing Director)	Brother-in-law of Mr. Sudhir V. Valia
Non-Promoter Executive Directors	Mr. Sudhir V. Valia (Whole - Time Director)	Brother-in-law of Mr. Dilip S. Shanghvi
	Mr. Sailesh T. Desai (Whole - Time Director)	—
Non Executive Independent Directors	Mr. S. Mohanchand Dadha	—
	Mr. Has Mukh S. Shah	—
	Mr. Keki M. Mistry	—
	Mr. Ashwin S. Dani	—

Number of Board Meetings held and the dates on which held: 6 Board meetings were held during the year, as against the minimum requirement of 4 meetings.

The dates on which the meetings were held are as follows: 18<sup>th</sup> May 2007, 3<sup>rd</sup> July 2007, 23<sup>rd</sup> July 2007, 5<sup>th</sup> September 2007, 25<sup>th</sup> October 2007 and 30<sup>th</sup> January 2008.

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

Name of the Director	Attendance Particulars for the year ended 31st March, 2008		*No. of other directorships and committee memberships / chairmanships as of 31 <sup>st</sup> March, 2008		
	Board Meetings	Last AGM held on 5 <sup>th</sup> September, 2007	Other Directorships	Committee Memberships	Committee Chairmanships
Mr. Dilip S. Shanghvi	6	Yes	1	—	—
Mr. Sudhir V. Valia	5	Yes	1	—	1
Mr. Sailesh T. Desai	6	Yes	3	—	—
Mr. S. Mohanchand Dadha	6	Yes	3	—	2
Mr. Has Mukh S. Shah	6	Yes	8	1	2
Mr. Keki M. Mistry	5	Yes	11	5	2
Mr. Ashwin S. Dani	4	Yes	6	1	1

\* The above list does not include Directorships, Committee Memberships and Committee Chairmanships in Private, Foreign and Section 25 Companies.

\*\* The Committee Memberships and Chairmanships in other Companies include Memberships and Chairmanships of Audit and Shareholders' / Investors' Grievance Committee only.

**Brief information on Directors proposed for reappointment:**

The brief resume, experience and other details of the Directors, viz. Mr. Sailesh T. Desai and Mr. S. Mohanchand Dadha who retire by rotation at the ensuing Annual General Meeting, and are proposed to be reappointed is given as under:

- (a) Mr. Sailesh T. Desai (53 years), Whole time Director is a Science graduate from Kolkata University and is a successful entrepreneur with more than 30 years of wide industrial experience including 20 years in the pharmaceutical industry itself. He is a Director on the Board of following Companies: Caraco Pharmaceutical Laboratories Ltd., Milmet Pharma Ltd., Sun Fastfin Services Pvt. Ltd., Sun Pharmaceutical (Bangladesh) Ltd., Sun Resins & Polymers Pvt. Ltd., Sun Speciality Chemicals Pvt. Ltd., SPIL De Mexico SA DE CV, M.J. Pharmaceuticals Ltd., Man Infraconstruction Ltd., Universal Enterprises Pvt. Ltd., Shantilal Shanghvi Foundation and a trustee of Shree Uvasaggahar Trust.
- (b) Mr. S. Mohanchand Dadha (71 years), is a successful entrepreneur with more than five decades of wide experience in Pharma Industry and has competent knowledge and experience in financial and accounting areas. Mr. Dadha was Managing Director and Promoter of erstwhile Tamilnadu Dadha Pharmaceuticals Ltd. He is also trustee of many Charitable Trusts. He was the Member of Tamilnadu Government constituted Drug Committees, namely The Drug Advisory Committee and the Committee for the development of Drug Industries in Tamilnadu.

Presently, he is also a Director in the following Companies:

Sun Pharma Advanced Research Company Ltd., Wardex Pharmaceuticals Ltd., Dadha Pharma Pvt. Ltd., and Kerala Chemists and Distributors Alliance Ltd.

He is the Chairman of the Audit Committee and Remuneration Committee of Sun Pharma Advanced Research Company Ltd.

**3. Code of Conduct**

The Board of Directors have laid down a code of conduct for all Board members and senior management of the Company. All the Directors and senior management personnel have affirmed compliance with the code of conduct as approved and adopted by the Board of Directors and a declaration to this effect has been annexed to the Corporate Governance Report. The code of conduct has been posted on the website of the Company [www.sunpharma.com](http://www.sunpharma.com).

**4. Audit Committee**

The Audit committee of the Company comprises of three independent non-executive Directors viz. Mr. Keki M. Mistry, Mr. S. Mohanchand Dadha and Mr. Hasmukh S. Shah. Mr. Keki M. Mistry is the Chairman of the committee. The constitution of Audit Committee also meets with the requirements under Section 292A of the Companies Act, 1956. Mr. Kamlesh H. Shah the Company Secretary of the Company is the Secretary of the Audit Committee.

The Audit Committee is responsible for overseeing the Company's financial reporting process, reviewing the quarterly/ half-yearly/ annual financial statements, reviewing with the management the financial statements and adequacy of internal audit function, recommending the appointment/ re-appointment of statutory auditors and fixation of audit fees, reviewing the significant internal audit findings/ related party transactions, reviewing the Management Discussion and Analysis of financial condition and result of operations and also statutory compliance issues. The Committee acts as a link between the management, external and internal auditors and the Board of Directors of the Company.

Executives from the Finance Department, Representatives of the Statutory Auditors and Internal Auditors are also invited to attend the Audit Committee Meetings.

The Committee has discussed with the external auditors their audit methodology, audit planning and significant observations/ suggestions made by them.

In addition, the Committee has discharged such other role/ function as envisaged under Clause 49 of the Listing Agreement of the Stock Exchange and the provisions of Section 292A of the Companies Act, 1956.

Four Audit Committee Meetings were held during the year ended 31<sup>st</sup> March, 2008. The dates on which Meetings were held are as follows: 18<sup>th</sup> May 2007, 23<sup>rd</sup> July 2007, 25<sup>th</sup> October 2007 and 30<sup>th</sup> January 2008. The attendance of each Member of the Committee is given below:

Name of the Director	Chairman / Member of the Committee	No. of Audit Committee Meetings attended
Mr. Keki M. Mistry	Chairman	4
Mr. S. Mohanchand Dadha	Member	4
Mr. Hasmukh S. Shah	Member	4

## 5. Remuneration Committee

The Company has not formed any Remuneration Committee of Directors. The Whole - Time Directors' remuneration is approved by the Board within the overall limit fixed by the shareholders at their meetings. The payment of remuneration by way of commission to the Non- Executive Directors of the Company is within the total overall maximum limit of half percent of net profits as worked under the provisions of sections 349 & 350 of the Companies Act, 1956. This will be in addition to the sitting fees of Rs.5,000/- per meeting payable to the Non Executive Directors. The actual commission payable to the Non- Executive Directors of our Company severally and collectively is decided by the Board of Directors of the Company within the overall limit fixed as above by the Members of the Company.

The details of the remuneration paid/payable to the Directors during the year 2007-2008 are given below:

(Amount in Rs.)

Directors	Salary #	Perquisites*	Commission	Sitting Fees	Total
Mr.Dilip S. Shanghvi	1,02,25,800	10,43,755	—	—	1,12,69,555
Mr. Sudhir V. Valia	1,02,25,800	10,43,755	—	—	1,12,69,555
Mr. Sailesh T. Desai	39,24,720	6,34,127	—	—	45,58,847
Mr. S. Mohanchand Dadha	—	—	8,50,000	75,000	9,25,000
Mr.Hasmukh S. Shah	—	—	8,50,000	75,000	9,25,000
Mr. Keki M. Mistry	—	—	8,50,000	45,000	8,95,000
Mr. Ashwin S. Dani	—	—	8,50,000	20,000	8,70,000

# Salary includes bonus and Special Allowance.

\* Perquisites include House Rent Allowance, Leave Travel Assistance, Medical Reimbursement, contribution to Provident Fund and such other perquisites, the monetary value of which are determined in accordance with the Income Tax Rules, 1962.

Besides this, all the Whole - Time Directors are also entitled to encashment of leave and Gratuity at the end of tenure, as per the rules of the Company.

### Notes: -

- The Agreement with each of the Executive Directors is for a period of 5 years. Either party to the agreement is entitled to terminate the Agreement by giving to the other party 30 days notice in writing.
- Your Company presently does not have a scheme for grant of stock options either to the Executive Directors or employees.

### Details of Equity Shares held by Non-Executive Directors as on 31.03.2008

Director	No. of Shares held (including shares held jointly)
Mr. S. Mohanchand Dadha	28428
Mr. Hasmukh S. Shah	1200
Mr. Keki M. Mistry	4000
Mr. Ashwin S. Dani	Nil

## 6. Shareholders'/Investors' Grievance Committee

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

The Board has designated severally, Mr. Kamlesh H. Shah, Company Secretary and Mr.Ashok I. Bhuta, D.G.M (Legal & Secretarial) as Compliance Officers.



Five meetings of the Shareholders'/Investors' Grievance Committee were held during the year ended 31<sup>st</sup> March, 2008. The dates on which Meetings were held are as follows: 18<sup>th</sup> May 2007, 23<sup>rd</sup> July 2007, 5<sup>th</sup> September 2007, 25<sup>th</sup> October 2007 and 30<sup>th</sup> January 2008. The attendance of each Member of the Committee is given below:

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

Investor Complaints :

The total number of complaints received and resolved to the satisfaction of shareholders during the year under review, were 124.

## 7. Share Allotment Committee

The Zero coupon Foreign Currency Convertible Bonds (FCCB) due 2009 for US\$ 350 Millions issued and allotted during Nov./ Dec, 2004 were convertible into equity shares of the Company at the option of the Bondholders at any time on or after 26<sup>th</sup> December, 2004 and prior to the close of business (at the place the Bond is deposited for conversion) on 16<sup>th</sup> November, 2009. Therefore in order to enable the Company to issue and allot equity shares on surrender of bonds for conversion as and when required, a Committee of Directors (Allotment) was constituted with effect from April 1, 2005 with powers to issue and allot equity shares arising out of such conversion of FCCBs. The Committee *inter alia* had the power to decide all matters relating to issue and allotment of equity shares of Rs.5/- each of the Company to the extent to which bondholder exercise their option for conversion of FCCBs into equity shares, to fix the record date, if any, required, to credit the equity shares so allotted through NSDL/CDSL/Other Depository to the concerned beneficiary account, to obtain approval of RBI for such issue and allotment under FEMA, as may be applicable, to file Listing application with the listed stock exchanges in India and if required abroad and to perform any of all the acts, deeds, things and matters as may be required in connection with such issue and allotment of equity shares.

The Company had an option to redeem the bonds at any time on or after November 26, 2007 and prior to November 16, 2009 and the Company had given notice in February 2008, for exercising the option for redemption of all the FCCBs remaining outstanding. However, before the redemption, the entire outstanding FCCBs issued by the Company had been converted into equity shares.

The Share Allotment Committee comprised of Mr. Dilip S. Shanghvi, Mr. Sailesh T. Desai and Mr. Sudhir V. Valia as the Chairman. Mr. Kamlesh H. Shah, Company Secretary & Compliance Officer shall act as the Secretary & Compliance Officer of the Committee and Mr. Ashok I. Bhuta, DGM (Legal & Secretarial) & Compliance Officer shall act as the Compliance Officer of the Committee.

14 meetings of the Share Allotment Committee were held during the year ended on 31<sup>st</sup> March, 2008, on the following dates:

21<sup>st</sup> April 2007, 19<sup>th</sup> May 2007, 9<sup>th</sup> June 2007, 28<sup>th</sup> June 2007, 21<sup>st</sup> July 2007, 11<sup>th</sup> August 2007, 14<sup>th</sup> October 2007, 20<sup>th</sup> October 2007, 3<sup>rd</sup> November 2007, 1<sup>st</sup> December 2007, 29<sup>th</sup> December 2007, 25<sup>th</sup> January 2008, 1<sup>st</sup> March 2008 and 20<sup>th</sup> March 2008.

The attendance of each Member of the Committee is given below:

Name of the Director	Chairman / Member of the Committee	No. of Share Allotment Committee Meetings Attended
Mr. Sudhir V. Valia	Chairman	14
Mr. Dilip S. Shanghvi	Member	2
Mr. Sailesh T. Desai	Member	12

The Share Allotment Committee of the Company has been discontinued by the Board of Directors with effect from 30<sup>th</sup> May, 2008, since all the Foreign Currency Convertible Bonds issued by the Company, have been converted into Equity Shares.

## 8. Subsidiary Companies

The Company does not have a material non-listed Indian subsidiary Company whose turnover or net worth (i.e. paid up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively, of the listed holding Company and its subsidiaries in the immediately preceding accounting year.

The financial statements including investments made by the unlisted subsidiaries were placed before and reviewed by the Audit Committee of the Company.

Copies of the Minutes of the Board Meetings of the unlisted subsidiary Companies were placed at the Board Meetings of the Company held during the year.

The Board of Directors of the Company, reviewed periodically, the statement of all significant transactions and arrangements entered into by the unlisted subsidiary companies.

## 9. General Body Meetings

(i) Location and time of the General Meetings held during the last 3 years are as follows:

Year	Meeting	Location	Date	Time
2003-04	Twelfth Adjourned AGM	Hotel Taj Residency, Akota Gardens, Vadodara - 390 020.	30/09/2005	11.00 A.M
2004-05	Thirteenth AGM	Hotel Taj Residency, Akota Gardens, Vadodara - 390 020.	30/09/2005	11.15 A.M
2005-06	Fourteenth AGM	Chandarva Hall, Welcom Hotel, R. C. Dutt Road, Vadodara – 390 007.	20/09/2006	10.30 A.M.
2006-07	EGM	Conference Hall, 6th Floor, Hotel The Mirador, Next to Samarpan Complex, Opp. Solitaire Corporate Park, Chakala, Andheri (E), Mumbai-400 099.	28/07/2007	10.30 A.M.
2006-07	Fifteenth AGM	Chandarva Hall, Welcom Hotel, R. C. Dutt Road, Vadodara – 390 007.	05/09/2007	10.30 A.M

(ii) Special Resolutions passed during the last three years

a) At the Thirteenth Annual General Meeting:

1. Approval for revision of remuneration of Mr. Sailesh T. Desai, Whole time Director.

b) At the Fourteenth Annual General Meeting:

1. Approval for revision of remuneration of Mr. Dilip S. Shanghvi, Chairman & Managing Director
2. Approval for revision of remuneration of Mr. Sudhir V. Valia, Whole time Director
3. Approval for revision of remuneration of Mr. Sailesh T. Desai, Whole time Director

c) At Extraordinary General Meeting:

1. Approval for issue of FCCBs/GDRs/ADRs or any other securities upto an amount as specified in the resolution.
2. Approval for investment in shares and securities of other body corporates under Section 372A of the Companies Act, 1956 upto the limits specified in the resolution.

d) At the Fifteenth Annual General Meeting:

1. Alteration of Clause V of the Memorandum of Association and Clause 4 of the Articles of Association of the Company, for re-classification of Authorised Share Capital of the Company.
2. Re-appointment of Mr. Dilip S. Shanghvi, Chairman & Managing Director, and approval of terms and conditions of appointment including remuneration.
3. Approval for payment of commission to Non-Executive Directors of the Company.

(iii) Postal Ballot

During the year, the Company did not pass any resolution by Postal Ballot and does not have any business that requires Postal Ballot.

## 10. Disclosures

- ✦ No transaction of a material nature has been entered into by the Company with Directors or Management and their relatives, etc. that may have a potential conflict with the interests of the Company. The Register of contracts containing transactions, in which directors are interested, is placed before the Board of Directors regularly. The transaction with the related parties are disclosed in the Annexure A attached to the Annual Accounts.
- ✦ There were no instances of non-compliance by the Company on any matters related to the capital markets or penalties/strictures imposed on the Company by the Stock Exchange or SEBI or any statutory authority during the last 3 financial years.

- ◆ In the preparation of the financial statements, the Company has followed the Accounting Standards as notified by Companies (Accounting Standard) Rules, 2006.
- ◆ The Company has laid down procedures to inform Board members about the risk assessment and its minimization, which are periodically reviewed to ensure that risk control is exercised by the management effectively.
- ◆ During the year under review, the Company has not raised funds through any public, rights or preferential issue.
- ◆ Adoption/ Non Adoption of the Non- mandatory requirements :
  - (i) The Company has not fixed a period of nine years as the tenure of Independent Directors on the Board of the Company.
  - (ii) The Company has not formed a remuneration committee of its Board of Directors.
  - (iii) The Company does not send half-yearly financial results to the household of each shareholder as the same are published in the newspapers and also posted on the website of the Company and the websites of the BSE and NSE.
  - (iv) The Company's Board comprise of perfect mix of Executive and Non Executive Independent Directors who are Company Executives and Professionals having in depth knowledge of pharmaceutical industry and/ or expertise in their area of specialisation.
  - (v) The Company's Board of Directors endeavor to keep themselves updated with changes in global economy and legislation. They attend various workshops and seminars to keep themselves abreast with the changes in business environment.
  - (vi) At present the Company does not have a mechanism for evaluating its Non-Executive Directors by peer group.
  - (vii) The Company has not adopted whistle blower policy. However the Company has not denied access to any employee to approach the management on any issue. The Company has adopted a Code of Conduct for its Board of Directors and senior management which contains the requirements of the Whistle Blower Policy.

## 11. Means of Communication

- ◆ Website: The Company's website [www.sunpharma.com](http://www.sunpharma.com) contains a separate dedicated section 'Financials' where shareholders information is available. Full Annual Report is also available on the website in a user friendly and downloadable form. Apart from this, official news releases, detailed presentations made to media, analysts etc., and the transcript of the conference calls are also displayed on the Company's website.
- ◆ Financial Results: The annual, half-yearly and quarterly results are regularly posted by the Company on its website [www.sunpharma.com](http://www.sunpharma.com). These are also submitted to the Stock Exchanges in accordance with the Listing Agreement and published in leading newspapers like 'The Economic Times', 'Business Standard' and Gujarati Edition of 'Financial Express'.
- ◆ Annual Report: Annual Report containing inter alia Audited Annual Accounts, Consolidated Financial Statements, Directors' Report, Auditors' Report, International Accountants' Report and other important information is circulated to Members and others entitled thereto. The Management's Discussion and Analysis (MD&A) Report forms part of the Annual Report.
- \* SEBI EDIFAR: Annual Report, Quarterly Results, Shareholding Pattern etc. of the Company were also posted on the SEBI EDIFAR website [www.sebiedifar.nic.in](http://www.sebiedifar.nic.in) to the extent applicable, after which the same was replaced with Corporate Filing and Dissemination System.
- ◆ Corporate Filing and Dissemination System (CFDS): Filing of information through Corporate Filing and Dissemination System is now applicable as per the requirement of the Listing Agreement with the Stock Exchanges, and all disclosures and communications to BSE & NSE are filed electronically through the CFDS portal. Hard copies of the said disclosures and correspondence are also filed with the Exchanges. Announcements, Quarterly Results, Shareholding Pattern etc. of the Company regularly filed by the Company, are also available on the website of The Bombay Stock Exchange Ltd. - [www.bseindia.co.in](http://www.bseindia.co.in), National Stock Exchange of India Ltd. - [www.nseindia.co.in](http://www.nseindia.co.in), and Corporate Filing & Dissemination System website - [www.corpfiling.co.in](http://www.corpfiling.co.in).

## 12. General Shareholder Information

### 12.1 Annual General Meeting:

- Date and Time : Saturday, 6<sup>th</sup> September, 2008  
at 10.15 am.
- Venue : Hotel Taj Residency, Akota Gardens, Akota, Vadodara – 390 020, Gujarat.

- 12.2 Financial Calendar (tentative)** : Results for quarter ending 30<sup>th</sup> June 2008 – Last week of July 2008.  
: Results for quarter ending 30<sup>th</sup> September 2008 – Last week of October 2008.  
: Results for quarter ending 31<sup>st</sup> December 2008 – Last week of January 2009.  
: Audited Results for year ended 31<sup>st</sup> March 2009 – 3<sup>rd</sup> or 4<sup>th</sup> week of May 2009.
- 12.3 Details of Book Closure For Equity Shareholders** : From Wednesday, 27<sup>th</sup> August, 2008 to Saturday, 6<sup>th</sup> September, 2008 (both days inclusive).
- 12.4 Dividend Payment Date** : On or after 8<sup>th</sup> September, 2008
- 12.5 (i) Listing of Equity Shares on Stock Exchanges** : At The Bombay Stock Exchange Ltd., (BSE) and The National Stock Exchange of India Ltd. (NSE).
- (ii) Listing of Preference Shares on Stock Exchanges** : The Preference shares of the Company were listed at The Bombay Stock Exchange Ltd., (BSE) and The National Stock Exchange of India Ltd. (NSE) (upto 1<sup>st</sup> November, 2007)
- (iii) Listing of Foreign Currency Convertible Bonds** : At Singapore Exchange Securities Trading Limited, Singapore (upto 20.03.2008).
- (iv) Payment of Listing Fee** : Listing Fees for the year ended 2008-09 have been paid to The Bombay Stock Exchange Ltd., and The National Stock Exchange of India Ltd, where the Company's Equity Shares continue to be listed.

**12.6 Stock Code:****Equity Shares**

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

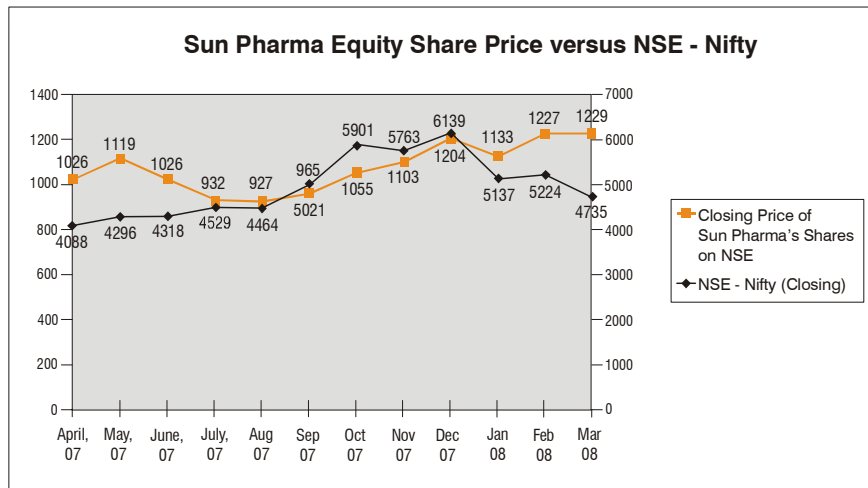
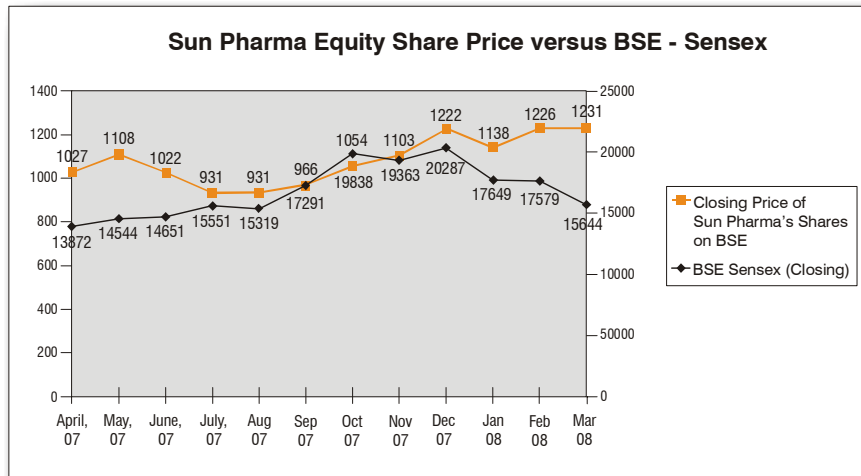
**Preference Shares**

- (a) Trading Symbol The Bombay Stock Exchange Ltd., (Demat Segment) - upto 1<sup>st</sup> November, 2007 : SUNPHARMA 700079  
Trading Symbol National Stock Exchange (Demat Segment) - upto 1<sup>st</sup> November, 2007 : SUNPHARMA
- (b) Demat ISIN Numbers in NSDL and CDSL for Preference Shares – upto 1<sup>st</sup> November, 2007 : ISIN No. INE044A04014

**12.7 Stock Market Data****Equity Shares:**

	Bombay Stock Exchange Ltd. (BSE) (in Rs.)		National Stock Exchange (NSE) (in Rs.)	
	Month's High Price	Month's Low Price	Month's High Price	Month's Low Price
April 2007	1196.00	988.00	1200.00	985.00
May 2007	1116.00	968.15	1135.00	910.05
June 2007	1132.00	1008.00	1129.00	1002.00
July 2007	1053.75	907.10	1053.00	908.00
August 2007	967.00	886.00	982.50	855.00
September 2007	1020.00	917.00	1038.00	916.20
October 2007	1074.90	900.00	1079.00	860.00
November 2007	1159.95	1021.00	1169.65	990.00
December 2007	1265.00	1050.00	1273.90	1065.05
January 2008	1220.00	890.00	1226.90	870.00
February 2008	1280.00	1046.20	1280.00	1050.55
March 2008	1352.00	1181.05	1385.00	1177.10

(Source: BSE and NSE website)



**Preference Shares:**

The preference shares of the Company have been fully redeemed on 1<sup>st</sup> November, 2007.

	Bombay Stock Exchange Ltd. (BSE) (in Rs.)		National Stock Exchange (NSE) (in Rs.)	
	Month's High Price	Month's Low Price	Month's High Price	Month's Low Price
April 2007	4.10	2.68	—	—
May 2007	4.30	2.53	—	—
June 2007	4.39	2.52	—	—
July 2007	6.30	2.75	—	—
August 2007	4.68	2.85	—	—
September 2007	4.49	2.60	—	—
October 2007	3.68	2.90	—	—

(Source: BSE and NSE website)

**12.8 Share price performance in comparison to broad-based indices – BSE Sensex and NSE Nifty.****Share price performance relative to BSE Sensex based on share price on 31<sup>st</sup> March, 2008.**

PERIOD	% Change in		
	SUN PHARMA SHARE PRICE	BSE SENSEX	SUNPHARMA RELATIVE TO SENSEX
Year-on-Year	16.83%	19.68%	-2.85%
2 Years	42.13%	38.69%	3.44%
3 Years	161.22%	140.95%	20.27%
5 Years	810.46%	413.15%	397.31%

**Share price performance relative to Nifty based on share price on 31<sup>st</sup> March, 2008.**

PERIOD	% Change in		
	SUN PHARMA SHARE PRICE	NIFTY	SUN PHARMA RELATIVE TO NIFTY
Year-on-Year	16.37%	23.89%	-7.52%
2 Years	43.02%	39.15%	3.88%
3 Years	163.53%	132.58%	30.95%
5 Years	805.93%	384.00%	421.93%

(Source: Compiled from data available on BSE and NSE website)

**12.9 Registrars & Transfer Agent**

(Share transfer and communication regarding share certificates, dividends and change of address)

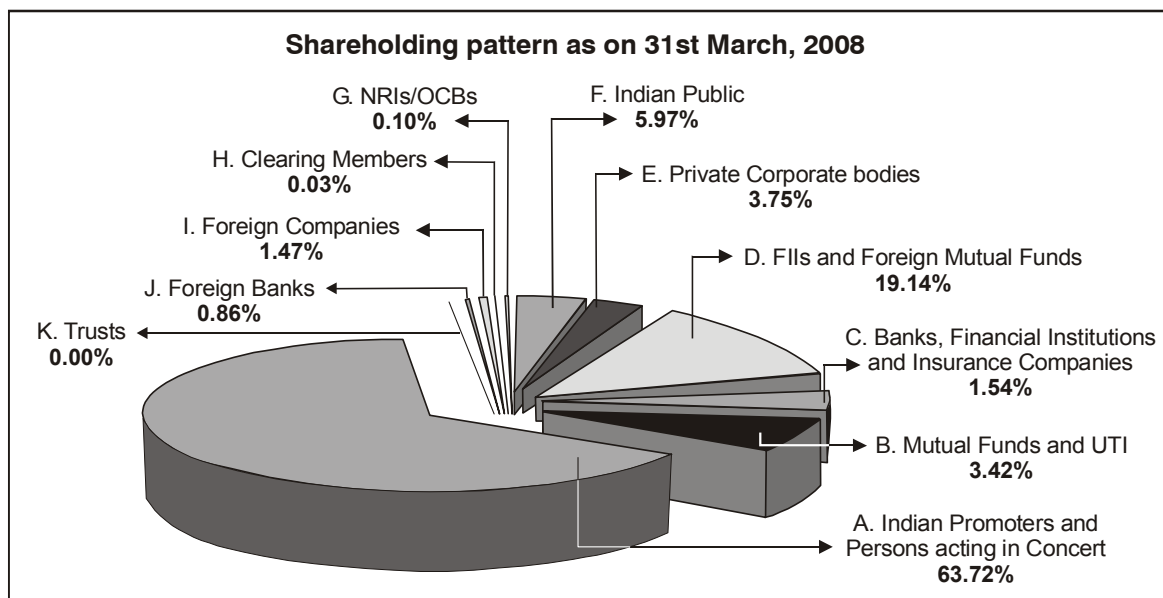
Mr. N. Mahadevan Iyer, Intime Spectrum Registry Ltd.,  
C-13, Pannalal Silk Mills Compound, L.B.S. Marg,  
Bhandup (West), Mumbai – 400 078.  
E-Mail: sunpharma@intimespectrum.com

**12.10 Share Transfer System**

Presently, the share transfers which are received in physical form are processed and transferred by Registrar and Share Transfer Agents and the share certificates are returned within a period of 15 to 16 days from the date of receipt, subject to the documents being valid and complete in all respects and confirmation in respect of the request for dematerialisation of shares is sent to the respective depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) expeditiously.

**12.11 Distribution of Shareholding as on March 31, 2008**

No. of Equity Shares held	Folios		Shares	
	Numbers	% to total holders	Numbers	% to total shares
Upto 500	29348	84.25	2378925	1.15
501 - 1000	2049	5.88	1519721	0.73
1001 - 2000	2471	7.09	3081316	1.49
2001 - 3000	238	0.68	591701	0.28
3001 - 4000	103	0.30	368825	0.18
4001 - 5000	75	0.22	351232	0.17
5001 - 10000	153	0.44	1139616	0.55
10001 and above	396	1.14	197685055	95.45
<b>Total</b>	<b>34833</b>	<b>100.00</b>	<b>207116391</b>	<b>100.00</b>

**12.12 (a) Shareholding Pattern as on 31<sup>st</sup> March, 2008 of Equity Shares as per Clause 35 of the Listing Agreement.**

Particulars	Percentage	No. of Shares
A. Indian Promoters and Persons acting in Concert	63.72 %	131,961,952
B. Mutual Funds and UTI	3.42 %	7,077,645
C. Banks Financial Institutions and Insurance Companies	1.54 %	3,195,272
D. FIIs and Foreign Mutual Funds	19.14 %	39,635,805
E. Private Corporate Bodies	3.75 %	7,760,577
F. Indian Public	5.97 %	12,363,664
G. NRIs / OCBs	0.10 %	217,584
H. Clearing Members	0.03 %	76,902
I. Foreign Companies	1.47 %	3,046,536
J. Foreign Banks	0.86 %	1,778,804
K. Trusts	0.00 %	1,650
<b>Total</b>	<b>100.00 %</b>	<b>207,116,391</b>

**12.12 (b) Shareholding Pattern as on 31<sup>st</sup> March, 2008 of Preference Shares.**

The Preference Shares of the Company have been fully redeemed on 1<sup>st</sup> November, 2007.

**12.13 Dematerialisation of Shares**

About 99.00% of the outstanding Equity shares have been de-materialised up to 31<sup>st</sup> March, 2008. Trading in Shares of the Company is permitted only in de-materialised form w.e.f. 29<sup>th</sup> November, 1999 as per notification issued by the Securities and Exchange Board of India (SEBI).

The Equity Shares allotted pursuant to conversion of Foreign Currency Convertible Bonds (FCCBs) during the year were issued in de-materialised form.

**Liquidity:**

Your Company's equity shares are fairly liquid and are actively traded on The Bombay Stock Exchange Ltd.(BSE), and National Stock Exchange of India Ltd., (NSE). Relevant data for the **average daily turnover** for the financial year 2007-2008 is given below:

	BSE	NSE	BSE + NSE
In no. of share (in Thousands)	53.015	215.673	268.688
In value terms (Rs. Millions)	56.368	231.653	288.021

(Source: Compiled from data available on BSE and NSE website)

**12.14 Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity :**

The Company had during Nov./Dec.2004 issued 350,000 (Three Hundred and Fifty Thousands) Foreign Currency Convertible Bonds (FCCBs) of US\$1,000 each aggregating to US \$ 350,000,000 (Three Hundred and Fifty Millions), which are convertible at the option of the bondholder at a conversion price of Rs.729.30 per share of Rs. 5/- each at the fixed rate of exchange on conversion of Rs.45.01=US\$1. The bonds carried a zero coupon rate and if not converted, are to be redeemed after 5 years on November 26, 2009 or in case of certain defined earlier redemptions at an accelerated premium of 4.61% p.a. with half yearly rests.

The Company subject to satisfaction of certain conditions, had an option to redeem the bonds at any time on or after November 26, 2007 and prior to November 16, 2009. Accordingly, the Company had given notice on 13<sup>th</sup> February, 2008, for exercising the option for early redemption of the outstanding bonds, fixing the early redemption date as 27<sup>th</sup> March, 2008. However, all the balance outstanding FCCBs were converted into equity shares upto 20<sup>th</sup> March, 2008. The entire FCCBs issued by the Company have been converted into equity shares and as on 31.03.2008 there are no FCCBs remaining outstanding.

During the year 2007-08, 2,22,214 (Two Lakhs Twenty Two Thousand Two Hundred and Fourteen) FCCBs, have been converted into Equity Shares of Rs. 5/- each of the Company.

The Company has not issued any GDRs/ ADRs / warrants or any other convertible instruments, other than the Foreign Currency Convertible Bonds stated above.

**12.15 Plant locations :**

1. Plot No.214 and 20, Govt. Industrial Area, Phase-II, Piparia, Silvassa – 396 230.
2. Plot No.223, Span Industrial Complex, Near R.T.O. Check Post, Dadra – 396 191 (U.T)
3. Plot No.25 and No.24/2, GIDC, Phase- IV, Panoli – 395 116.
4. A-7 & A-8, MIDC Industrial Area, Ahmednagar – 414 111.
5. Plot No. 4708, GIDC, Ankleshwar – 393 002.
6. Sathammai Village, Karunkuzhi Post, Madurnthakam T.K. Kanchipuram Dist. Tamilnadu – 603 303.
7. Halol-Baroda Highway, Halol, Gujarat – 389350.
8. Plot No. 817/A, Karkhadi – 391 450, Taluka: Padra, Distt. Vadodara.

**12.16 Investor Correspondence**

- (a) For transfer/dematerialisation of Shares, payment of dividend on Shares, and any other query relating to the shares of the Company

**For Shares held in Physical Form**

Mr. N. Mahadevan Iyer, Intime Spectrum Registry Ltd.,  
C-13, Pannalal Silk Mills Compound, L.B.S. Marg,  
Bhandup (West), Mumbai – 400 078.  
E-Mail: sunpharma@intimespectrum.com  
Tel: 022-25963838, Fax : 022- 25946969

**For Shares held in Demat Form**

To the Depository Participant.

- (b) E-mail id designated by the Company for Investor Complaints.

secretarial@sunpharma.com

- (c) Any query on Annual Report

Mr.Kamlesh H. Shah/ Mr.Ashok I. Bhuta/ Ms. Mira Desai,  
Acme Plaza, Andheri Kurla Road,  
Andheri (East), Mumbai – 400 059.  
kamlesh.shah@sunpharma.com  
ashok.bhuta@sunpharma.com  
mira.desai@sunpharma.com  
corpcomm@sunpharma.com

For and on behalf of the Board

**DILIP S. SHANGHVI**

Chairman & *Managing Director*

**SUDHIR V. VALIA**

*Whole - Time Director*

**SAILESH T. DESAI**

*Whole - Time Director*

Mumbai, 14<sup>th</sup> July, 2008



## **ANNEXURE TO CORPORATE GOVERNANCE FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2008**

### **DECLARATION OF COMPLIANCE WITH CODE OF CONDUCT**

I, Dilip S. Shanghvi, Chairman & Managing Director of Sun Pharmaceutical Industries Limited ("the Company") hereby declare that, to the best of my information, all the Board Members and senior management personnel of the Company have affirmed their compliance and undertaken to continue to comply with the Code of Conduct laid down by the Board of Directors of the Company for Board members and senior management.

For Sun Pharmaceutical Industries Ltd.,

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

Mumbai, 14<sup>th</sup> July, 2008

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

To The Members of Sun Pharmaceutical Industries Limited,

We have examined the compliance of conditions of Corporate Governance by Sun Pharmaceutical Industries Limited, for the year ended on March 31, 2008, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges in India.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

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

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants

**N. P. Sarda**  
Partner

Mumbai, 14<sup>th</sup> July, 2008

Membership No. 9544

**Auditors' Report to the Board of Directors of Sun Pharmaceutical Industries Limited Group**

1. We have audited the attached Consolidated Balance Sheet of Sun Pharmaceutical Industries Limited Group as at March 31, 2008, the Consolidated Profit and Loss Account and also the Consolidated Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of Sun Pharmaceutical Industries Limited management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3.
  - a. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets (net) of Rs. 30,125.0 Million as at March 31, 2008, total revenues of Rs. 31,284.3 Million and net cash outflows amounting to Rs. 817.7 Million for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us by the management of the Group, and our opinion is based solely on the reports of other auditors.
  - b. As stated in Note B1 of Schedule 20, the consolidated financial statements includes the financial statements of subsidiaries, which we did not audit, whose financial statements reflects the Groups share of assets (net) of Rs. 97.5 Million as at March 31, 2008, total revenues of Rs. 233.3 Million and net cash inflows amounting to Rs. 22.4 Million. The unaudited financial statements are prepared on the basis of audited financial statements for the year ended December 31, 2007 and the unaudited financial statements for the quarter ended March 31, 2007 and March 31, 2008, provided by the management of those subsidiaries. We have relied upon the unaudited financial statements as provided by the management of those subsidiaries for the purpose of our examination of consolidated financial statements.
4. We report that the consolidated financial statements have been prepared by the Sun Pharmaceutical Industries Limited management in accordance with the requirement of Accounting Standard (AS) 21, Consolidated Financial Statements as notified by Companies (Accounting Standards) Rules, 2006.
5. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, read together with our remarks in Paragraph 3 above, and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- a. in the case of the Consolidated Balance Sheet, of the state of affairs of the Sun Pharmaceutical Industries Limited Group as at March 31, 2008;
- b. in the case of the Consolidated Profit and Loss Account, of the Profit for the year ended on that date; and
- c. in the case of the Consolidated Cash Flow statement, of the Cash Flows for the year ended on that date.

For **Deloitte Haskins & Sells**  
Chartered Accountants

**N. P. Sarda**  
Partner

San Jose, U.S.A., May 30, 2008

(Membership No.9544)

**CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2008**

	Schedules	As at 31st March, 2008		As at 31st March, 2007	
		Rs in Million	Rs in Million	Rs in Million	Rs in Million
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	1	1,035.6		980.7	
Reserves and Surplus	2	48,879.0	49,914.6	26,747.2	27,727.9
			<b>1,885.7</b>		437.6
<b>Minority Interest</b>					
<b>Loan Funds</b>					
Secured Loans	3	368.1		395.4	
Unsecured Loans	4	1,068.2	1,436.3	10,748.9	11,144.3
			<b>91.6</b>		895.1
<b>Deferred Tax Liability (Net)</b>					
<b>Total</b>			<b>53,328.2</b>		<b>40,204.9</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	6	15,960.4		14,251.8	
Less: Depreciation/Amortisation/Impairment		5,606.8		4,737.5	
		<b>10,353.6</b>		9,514.3	
Capital Work-in-Progress (including advances on capital account)		686.0	11,039.6	607.6	10,121.9
			<b>1,729.3</b>		697.1
<b>Goodwill on Consolidation (Refer Note B.5 of Schedule 20)</b>					
<b>Investments</b>	7		<b>6,564.8</b>		2,542.9
<b>Current Assets, Loans and Advances</b>					
Inventories	8	7,727.7		6,644.7	
Sundry Debtors	9	14,176.7		6,788.8	
Cash and Bank Balances	10	13,382.0		13,802.1	
Other Current Assets	11	319.6		388.8	
Loans and Advances	12	4,761.5		2,264.1	
		<b>40,367.5</b>		29,888.5	
<b>Less: Current Liabilities and Provisions</b>					
Current Liabilities	13	3,722.1		2,965.5	
Provisions		2,650.9		80.0	
		<b>6,373.0</b>		3,045.5	
			<b>33,994.5</b>		26,843.0
<b>Net Current Assets</b>					
<b>Total</b>			<b>53,328.2</b>		<b>40,204.9</b>
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS</b>					
	20				

Schedules referred to herein form an integral part of the Financial Statements.

As per our report of even date attached

For and on behalf of the Board

For **Deloitte Haskins & Sells**  
Chartered Accountants**DILIP S. SHANGHVI**  
Chairman & Managing Director**N. P. SARDA**  
Partner**KAMLESH H. SHAH**  
Company Secretary**SUDHIR V. VALIA**  
Wholetime Director**SAILESH T. DESAI**  
Wholetime Director

San Jose, U.S.A. 30th May, 2008

Mumbai, 30th May, 2008

**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008**

	Schedules	Year ended 31st March, 2008		Year ended 31st March, 2007	
		Rs in Million	Rs in Million	Rs in Million	Rs in Million
<b>INCOME</b>					
Income from Operations					
Gross Sales		34,605.6		22,372.8	
Less : Excise Duty		1,040.3		1,013.9	
Net Sales		33,565.3		21,358.9	
Other Income	14	1,451.3	35,016.6	2,427.9	23,786.8
<b>EXPENDITURE</b>					
Cost of Materials / Goods	15	7,221.7		5,770.6	
Indirect Taxes	16	656.0		528.4	
Personnel Cost	17	2,331.3		1,989.6	
Operating and Other Expenses	18	5,119.9		3,910.5	
Research and Development Expenditure	19	2,725.2		2,439.7	
Depreciation / Amortisation / Impairment		968.6	19,022.7	813.3	15,452.1
<b>PROFIT BEFORE TAXATION</b>					
Provision for Taxation - Current Tax			15,993.9		8,334.7
- Deferred Tax (Credit)			1,272.6		79.6
- Fringe Benefit Tax			(803.5)		(157.6)
			15.7		11.2
<b>PROFIT AFTER TAX</b>					
			15,509.1		8,401.5
Minority Interest			640.1		558.8
<b>PROFIT FOR THE YEAR AFTER TAX AND MINORITY INTEREST</b>					
			14,869.0		7,842.7
<b>BALANCE OF PROFIT BROUGHT FORWARD</b>					
			11,251.3		6,892.7
Less : Adjustment on Cancellation of Investment in shares of Sun Pharma Advanced Research Company Ltd Pursuant to Scheme of demerger			—		0.5
<b>AMOUNT AVAILABLE FOR APPROPRIATIONS</b>					
			26,120.3		14,734.9
<b>APPROPRIATIONS</b>					
Proposed Dividend					
Preference Shares - Paid		0.5		0.8	
Equity Shares-Final (F.Y 2005-06)		—		0.5	
Equity Shares-Final		2,174.7		—	
Equity Shares-Interim - Paid		—		1,299.6	
Corporate Dividend Tax		372.0	2,547.2	182.5	1,483.4
Transfer to General Reserve		3,000.0		2,000.0	
Transfer to Capital Redemption Reserve		13.7	3,013.7	0.2	2,000.2
<b>BALANCE OF PROFIT CARRIED TO BALANCE SHEET</b>					
			20,559.4		11,251.3
<b>EARNING PER SHARE ( Refer Note B.8 ( ii) of Schedule 20)</b>					
Basic (Rs.)			74.7		41.7
Diluted (Rs.)			71.8		38.9
Face value per Equity share-Rs.5/-					

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS**

20

Schedules referred to herein form an integral part of the Financial Statements.

As per our report of even date attached

For and on behalf of the Board

For **Deloitte Haskins & Sells**  
Chartered Accountants**DILIP S. SHANGHVI**  
Chairman & Managing Director**SUDHIR V. VALIA**  
Wholtime Director**N. P. SARDA**  
Partner**KAMLESH H. SHAH**  
Company Secretary**SAILESH T. DESAI**  
Wholtime Director

San Jose, U.S.A. 30th May, 2008

Mumbai, 30th May, 2008

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008**

	Year ended 31st March, 2008 Rs in Million	Year ended 31st March, 2007 Rs in Million
<b>A. Cash Flow From Operating Activities:</b>		
Net Profit Before Tax	15,993.9	8,334.7
Adjustments for:		
Depreciation / Amortisation / Impairment	968.6	813.3
Interest Expense	87.6	126.8
Interest Income	(1,234.5)	(1,199.2)
Dividend Income	—	(13.8)
(Profit)/Loss On Fixed Assets Sold (net)	6.4	(176.8)
(Profit)/Loss on sale of Investments	(131.3)	(563.6)
Provision for Doubtful Debts	27.6	31.3
Sundry balance /bad debts Written off / back (net)	(12.2)	(1.4)
Provision for employee benefits	26.4	9.7
Unrealised Foreign Exchange (Gain) / Loss	476.6	(369.3)
<b>Operating Profit Before Working Capital Changes</b>	<b>16,209.1</b>	<b>6,991.7</b>
Increase in Sundry Debtors	(7,380.9)	(3,260.0)
(Increase)/Decrease in Other Receivables	(1,886.8)	160.8
Increase in Inventories	(1,083.0)	(1,527.3)
Increase in Trade and Other Payables	1,010.8	472.9
<b>Cash Generated From Operations</b>	<b>6,869.2</b>	<b>2,838.1</b>
Taxes Paid (Net of TDS and Refund)	(1,821.7)	(443.6)
<b>Net Cash Generated From Operating Activities</b>	<b>5,047.5</b>	<b>2,394.5</b>
<b>B. Cash Flow From Investing Activities:</b>		
Purchase of Fixed Assets / Capital Work in Progress / Capital Advances	(2,023.5)	(2,365.0)
Proceeds From Sale of Fixed Assets	28.2	365.2
Proceeds From Sale of Investments	29,930.8	20,780.9
Purchase of Investments	(34,927.8)	(19,409.2)
Amount paid pursuant to demerger	(244.9)	(5.1)
Loans/Inter Corporate Deposits received back / (given) (net)	18.0	298.2
Interest Received	1,158.8	960.2
Dividend Received	—	13.8
<b>Net Cash (Used In) / Generated from Investing Activities</b>	<b>(6,060.4)</b>	<b>639.0</b>
<b>C. Cash Flow From Financing Activities:</b>		
Repayment of ECB Loan	—	(907.9)
Redemption of Preference Share Capital	(13.7)	(0.2)
Long Term Loan Taken / (Repaid)	2.9	(5.1)
Short Term Loan Taken / (Repaid)	18.3	(3.7)
Net Assets Financed by Minority Shareholders	808.0	(29.9)
Interest Paid	(88.3)	(126.8)
Borrowing from bank	(48.0)	(795.5)
Dividend Paid	(15.6)	(2,302.6)
Corporate Dividend Tax Paid	(2.4)	(326.1)
<b>Net Cash Used in Financing Activities</b>	<b>661.2</b>	<b>(4,497.8)</b>
<b>Net Increase/(Decrease) In Cash and Cash Equivalents</b>	<b>(351.7)</b>	<b>(1,464.3)</b>
<b>Cash and Cash Equivalents as at the beginning of the year</b>	<b>13,860.1</b>	<b>15,324.4</b>
<b>Cash and Cash Equivalents as at the year end</b>	<b>13,508.4</b>	<b>13,860.1</b>

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008**

	Year ended 31st March, 2008 Rs. in Million	Year ended 31st March, 2007 Rs. in Million
<b>Cash and Cash Equivalents Comprise:</b>		
Cash and Cheques in hand and balances with Scheduled / Other banks (Refer Schedule 10 to the Financial Statements)	13,382.0	13,802.1
Unrealised exchange Loss	126.4	58.0
<b>Cash and Cash Equivalents as at the year end</b>	<b>13,508.4</b>	<b>13,860.1</b>

**Notes:**

- 1 Cash and cash equivalents includes Rs.13.8 Million (Previous Year Rs.29.0 Million) on account of Unclaimed dividend, which are not available for use by the Company.
- 2 Previous year's figures are regrouped / reclassified wherever necessary in order to confirm to current year's groupings and classifications.

As per our report of even date attached

For **Deloitte Haskins & Sells**  
Chartered Accountants

**N. P. Sarda**  
Partner

San Jose, U.S.A., 30th May, 2008

**KAMLESH H. SHAH**  
Company Secretary

For and on behalf of the Board

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

**SUDHIR V. VALIA**  
Wholetime Director

**SAILESH T. DESAI**  
Wholetime Director

Mumbai, 30th May, 2008

**SCHEDULES TO THE FINANCIAL STATEMENTS (CONSOLIDATED)**

	As at 31st March, 2008		As at 31st March, 2007	
	Rs in Million	Rs in Million	Rs in Million	Rs in Million
<b>SCHEDULE 1 : SHARE CAPITAL</b>				
<b>Authorised</b>				
295,000,000(Previous Year 254,700,000) Equity Shares of Rs. 5 each		1,475.0		1,273.5
25,000,000 (Previous Year 25,000,000) Preference Shares of Re. 1 each.		25.0		25.0
Nil (Previous Year 2,015,000) Preference Shares of Rs. 100 each. (Refer note B.12 of Schedule 20).		—		201.5
		<u>1,500.0</u>		<u>1,500.0</u>
<b>Issued, Subscribed and Paid Up</b>				
207,116,391(Previous Year 193,402,120)Equity Shares of Rs. 5 each		1,035.6		967.0
Nil (Previous Year 13,740,030) 6% Cumulative Redeemable Preference Shares of Re.1 each.		—		13.7
		<u>1,035.6</u>		<u>980.7</u>
<b>Notes:</b>				
<b>Of the above :</b>				
1) 161,630,010 Equity shares were allotted as fully paid Bonus Shares by capitalisation of Securities Premium Account, Profit and Loss Account, Amalgamation Reserve and Capital Redemption Reserve Account.				
2) 413,633; 208,000; 477,581; 11,438; 18,519 and 19,771 Equity Shares of Rs.10 and 4,274 Equity Shares of Rs. 5 each fully paid, were allotted to the shareholders of erstwhile Tamilnadu Dadha Pharmaceuticals Ltd, Milmet Laboratories Pvt. Ltd, Gujarat Lyka Organics Ltd, Sun Pharmaceutical Exports Ltd, Pradeep Drug Company Ltd, M.J.Pharmaceuticals Ltd and Phlox Pharmaceuticals Limited. respectively, pursuant to Schemes of Amalgamations, without payment being received in cash.				
3) 6% Cumulative Redeemable Preference Shares of Re.1 each are redeemable at par at any time at the option of the Shareholders.187,177,232 6% Cumulative Redeemable Preference Shares of Re.1 each were allotted as fully paid bonus shares, to the equity shareholders, by capitalisation of Capital Redemption Reserve. During the year 13,740,030 (Previous Year 243,804) Preference shares were redeemed at par.				
4) 21,600,761(Previous Year 7,886,490) Equity Shares of Rs. 5 each were allotted to the holders of Zero Coupon Foreign Currency Convertible Bond on exercise of conversion option. (Refer note B.11 of Schedule 20).				
<b>SCHEDULE 2 : RESERVES AND SURPLUS</b>				
<b>Capital Reserve</b>				
As per last Balance Sheet		259.1		259.1
<b>Securities Premium Account</b>				
As per last Balance Sheet	5,165.9		156.5	
Add : Received during the year	9,933.2		5,555.8	
	<u>15,099.1</u>		<u>5,712.3</u>	
Less : Adjustment pursuant to scheme of Demerger	—	15,099.1	546.4	5,165.9
<b>Capital Redemption Reserve</b>				
As per last Balance Sheet	140.8		140.6	
Add : Transferred from Profit and Loss Account	13.7	154.5	0.2	140.8
<b>General Reserve</b>				
As per last Balance Sheet	9,944.3		7,528.7	
Add : Transferred from Profit and Loss Account	3,000.0		2,000.0	
	<u>12,944.3</u>		<u>9,528.7</u>	
Less: Adjustment on account of Transitional Provision on employee benefit	—		(7.3)	
Add: Caraco Minority Fresh Capital - Earlier written off in our reserve now reversed	—		2.2	
Add : Share of Current Profit of Minority in Foreign Subsidiary	—	12,944.3	420.7	9,944.3
<b>Currency Fluctuation Reserve on Consolidation</b>				
As per last Balance Sheet	(14.2)		(18.7)	
Additions during the Year	(123.2)	(137.4)	4.5	(14.2)
<b>Surplus as per Profit and Loss Account</b>				
		<u>20,559.4</u>		<u>11,251.3</u>
		<u>48,879.0</u>		<u>26,747.2</u>



**SCHEDULES TO THE FINANCIAL STATEMENTS (CONSOLIDATED)**

	As at 31st March, 2008		As at 31st March, 2007	
	Rs in Million	Rs in Million	Rs in Million	Rs in Million
<b>SCHEDULE 3 : SECURED LOANS</b>				
Short Term Loan from Banks (Refer Note B.6 of Schedule 20)		<b>368.1</b>		395.4
		<b>368.1</b>		<b>395.4</b>
<b>SCHEDULE 4 : UNSECURED LOANS</b>				
<b>Long Term</b>				
External Commercial Borrowing in foreign currency from Banks *	<b>796.4</b>		900.2	
Zero Coupon Foreign Currency Convertible Bonds (Refer note B.11 of Schedule 20)	—		9,577.4	
Other Loans	<b>5.5</b>	<b>801.9</b>	2.6	10,480.2
<b>Short Term</b>				
From Banks	<b>243.7</b>		264.4	
Others	<b>22.6</b>	<b>266.3</b>	4.3	268.7
		<b>1,068.2</b>		<b>10,748.9</b>

\* includes repayable within one year Rs. 796.4 Million (Previous Year Nil)

**SCHEDULE 5: DEFERRED TAX LIABILITY (NET)**

Deferred Tax Assets				
Unpaid Liabilities		<b>30.6</b>		29.3
Unabsorbed Loss		<b>499.7</b>		554.9
Others		<b>1,202.5</b>		75.5
		<b>1,732.8</b>		<b>659.7</b>
Deferred Tax Liability				
Depreciation on Fixed Assets		<b>1,824.4</b>		1,554.8
		<b>91.6</b>		<b>895.1</b>

**SCHEDULE 6 : FIXED ASSETS**

Rs in Million

Particulars	Gross Block (At Cost)						Depreciation / Amortisation / Impairment						Net Block	
	As At	Consolidation	Adjustment	Additions	Deletions /	As at	As at	Consolidation	Adjustment	Deletions /	As at	As at	As at	As at
	01.04.07	Adjustment	Of Demerger	07-08	Adjustment	31.03.08	01.04.07	Adjustment	Of Demerger	For the year	Adjustment	31.03.08	31.03.08	31.03.07
<b>I. TANGIBLE ASSETS</b>														
Freehold Land	93.2	(3.1)	—	19.6	—	<b>109.7</b>	—	—	—	—	—	—	<b>109.7</b>	93.2
Leasehold Land	34.9	—	—	11.8	—	<b>46.7</b>	3.1	—	—	0.5	—	<b>3.6</b>	<b>43.1</b>	31.8
Buildings	4,112.6	(28.3)	—	242.5	3.4	<b>4,323.4</b>	798.2	(0.8)	—	110.2	—	<b>907.6</b>	<b>3,415.8</b>	3,314.4
Plant and Machinery	8,812.5	(88.3)	—	1,185.5	101.9	<b>9,807.8</b>	3,418.7	(19.5)	—	749.5 @	73.4	<b>4,075.3</b>	<b>5,732.5</b>	5,393.8
Vehicles	129.7	0.2	—	28.4	7.5	<b>150.8</b>	55.8	—	—	16.2	4.8	<b>67.2</b>	<b>83.6</b>	73.9
Furniture and Fixtures	336.7	(0.6)	—	32.0	—	<b>368.1</b>	131.0	(0.6)	—	23.9	—	<b>154.3</b>	<b>213.8</b>	205.7
<b>Sub-Total I</b>	<b>13,519.6</b>	<b>(120.1)</b>	<b>—</b>	<b>1,519.8</b>	<b>112.8</b>	<b>14,806.5</b>	<b>4,406.8</b>	<b>(20.9)</b>	<b>—</b>	<b>900.3</b>	<b>78.2</b>	<b>5,208.0</b>	<b>9,598.5</b>	<b>9,112.8</b>
<b>II. INTANGIBLE ASSETS</b>														
Trademarks, Designs and other Intangible Assets	732.2	(7.9)	—	429.6	—	<b>1,153.9</b>	330.7	(0.2)	—	68.3	—	<b>398.8</b>	<b>755.1</b>	401.5
<b>Sub-Total II</b>	<b>732.2</b>	<b>(7.9)</b>	<b>—</b>	<b>429.6</b>	<b>—</b>	<b>1,153.9</b>	<b>330.7</b>	<b>(0.2)</b>	<b>—</b>	<b>68.3</b>	<b>—</b>	<b>398.8</b>	<b>755.1</b>	<b>401.5</b>
<b>TOTAL I + II</b>	<b>14,251.8</b>	<b>(128.0)</b>	<b>—</b>	<b>1,949.4</b>	<b>112.8</b>	<b>15,960.4</b>	<b>4,737.5</b>	<b>(21.1)</b>	<b>—</b>	<b>968.6</b>	<b>78.2</b>	<b>5,606.8</b>	<b>10,353.6</b>	<b>9,514.3</b>
Previous Year	12,341.8	322.6	340.9	2,147.8	219.5	<b>14,251.8</b>	3,779.0	216.5	40.2	813.3	31.1	<b>4,737.5</b>	9,514.3	
							Capital Work-in-Progress (including advances on capital account)						<b>686.0</b>	607.6
													<b>11,039.6</b>	<b>10,121.9</b>

**NOTES :**

- Buildings include Rs.1020 (Previous Year Rs 1020) towards cost of shares in a Co-operative Housing Society
- Capital work-in-progress ( including advances on Capital Account ) includes Rs. 19.41 Million (Previous Year Rs 15.3 Million ) on account of preoperative expenses
- @ Includes Rs.13.5 million (Previous Year Nil) on account of Impairment.

**SCHEDULES TO THE FINANCIAL STATEMENTS (CONSOLIDATED)**

	As at 31st March, 2008		As at 31st March, 2007	
	Rs in Million	Rs in Million	Rs in Million	Rs in Million
<b>SCHEDULE 7 : INVESTMENTS</b>				
<b>(I) LONG TERM INVESTMENTS (At Cost)</b>				
<b>A) Government Securities</b>				
National Savings Certificates Rs. 65,000 (Previous Year Rs. 70,000) (Deposited with Government Authorities)		0.1		0.1
<b>B) Trade Investments</b>				
<b>Unquoted In Equity Shares</b>				
Enviro Infrastructure Co. Ltd. 100,000 ( Previous Year 100,000) Shares of Rs. 10 each fully paid up		1.0		1.0
<b>C) Other Investments</b>				
<b>a) In Bonds</b>				
<b>Quoted</b>				
US64 Bonds 399,734 (Previous Year 399,734) units of Rs 100 each Market Value Rs. 40.2 Million( Previous Year Rs 39.9 Million )		42.2		42.2
<b>Unquoted</b>				
National Housing Bank Bonds 2,180 ( Previous Year 5,315 ) Units of Rs. 10,000 each fully paid		21.8		53.2
Rural Electrification Corporation Ltd. Bonds 985 (Previous Year 1,515) Units of Rs. 10,000 each fully paid		9.9		15.2
<b>b) In Equity Shares</b>				
<b>Quoted</b>				
Taro Pharmaceutical Industries Ltd. 13,558,557 (Previous year Nil) Ordinary Shares of NIS 0.0001 each Market value Rs.4219.6 (Previous Year Nil) (refer note B.13 of Schedule 20)			3,878.8	—
Impax Laboratories Inc.2,868,623 Shares (Previous year 2,868,623) (Market Value 1,064.5) (Previous year 1.263.6)		980.4		1,058.8
<b>Unquoted</b>				
Tivabusz Kft ( Business Shares of 9,450,000 Huf )		0.7		0.7
Reanal Rt. ( 3,441 ( Previous Year 3,441) Shares of Face Value 10,000 Huf fully paid)		193.8		189.6
Ramin Developers Pvt. Ltd. 200 ( Previous Year 200) Shares of Rs. 100 each fully paid (pending registration)		2.1		2.1
<b>c) In Mutual Fund ( Units of Face Value of Rs. 10/- Each)</b>				
<b>Unquoted</b>				
ABN Amro Asset Management – ABN Amro Fixed Term Plan – Series 1 - Regular- Growth Plan NIL (Previous Year 5,000,000) Units		—		50.0
Principal Mutual Fund “Principal Pnb Fixed Maturity Plan-460 Dys-Series I Growth Plan-Feb-06 NIL (Previous Year 40,000,000) Units		—		400.0
Standard Chartered Mutual Fund “G134 GFMP-20 <sup>th</sup> Plan “-Growth NIL(Previous Year 50,000,000) Units		—		500.0
Lotus Mutual Fund- Z411G FMP-16 Month-Series I-Ins-Growth 5,000,000 (Previous Year 5,000,000) Units		50.0		50.0
Somerset India Fund 850,000 (Previous Year -Nil) Units.		419.0		—
	<b>Total (I)</b>	<b>5,599.8</b>		<b>2,362.9</b>
<b>(II) CURRENT INVESTMENTS (At lower of cost and Net realisable value)</b>				
<b>Unquoted</b>				
<b>In Mutual Fund ( Units of Face Value of Rs. 10/- Each)</b>				
Birla Sun Life Mutual Fund-Birla Cash Plus- inst-Prem Growth 36,008,549 (Previous Year Nil) Units		465.0		—
Deutsche Mutual Fund-Dws Insta Cash Plus Fund Super inst-Growth 47,733,152 (Previous Year Nil) Units		500.0		—
Principal Mutual Fund “Principal Cash Management Fund -Liquid Option Inst.Prem Plan-Growth” Nil (Previous Year 8,561,204) Units		—		100.0
Lotus Mutual Fund- Z212G Liquid Fund-Ins Plus Growth Nil (Previous Year 7,780,057) Units		—		80.0
	<b>Total (II)</b>	<b>965.0</b>		<b>180.0</b>
	<b>Total (I) + (II)</b>	<b>6,564.8</b>		<b>2,542.9</b>
<b>AGGREGATE VALUE OF INVESTMENT</b>				
	<b>BOOK VALUE</b>	<b>MARKET VALUE</b>	<b>BOOK VALUE</b>	<b>MARKET VALUE</b>
Quoted	4,901.5	5,324.3	1,101.0	1,303.5
Unquoted	1,663.3		1,441.9	

**SCHEDULES TO THE FINANCIAL STATEMENTS (CONSOLIDATED)**

	As at 31st March, 2008		As at 31st March, 2007	
	Rs in Million	Rs in Million	Rs in Million	Rs in Million
<b>SCHEDULE 8 : INVENTORIES</b>				
Consumables Stores		148.3		150.8
Stock in Trade				
Raw Materials	4,229.7		2,401.3	
Packing Materials	307.3		258.2	
Finished Goods	881.4		1,463.2	
Work-in-Progress	2,161.0		2,371.2	
		<u>7,579.4</u>		<u>6,493.9</u>
		<u>7,727.7</u>		<u>6,644.7</u>
<b>SCHEDULE 9 : SUNDRY DEBTORS</b> (Unsecured-Considered Good, unless stated otherwise)				
Over Six Months				
Considered Good		498.7		423.1
Considered Doubtful	92.4		65.3	
Less: Provision for Doubtful Debts	92.4	—	65.3	—
Other Debts				
		<u>13,678.0</u>		<u>6,365.7</u>
		<u>14,176.7</u>		<u>6,788.8</u>
<b>SCHEDULE 10 : CASH AND BANK BALANCES</b>				
Cash / Cheques on hand		3.5		4.4
Balances with Banks				
Schedule Banks				
Current Accounts	230.9		350.5	
Deposit Accounts {Pledged Rs. 1.8 (Previous Year Rs. 1.8) Million}	9,171.3	9,402.2	9,745.7	10,096.2
Other Banks				
Current Accounts	2,436.0		1,540.7	
Deposit Accounts	1,540.3	3,976.3	2,160.8	3,701.5
		<u>13,382.0</u>		<u>13,802.1</u>
<b>SCHEDULE 11 : OTHER CURRENT ASSETS</b>				
Interest accrued on - Investment		9.1		8.9
- Bank Deposit		310.5		379.9
		<u>319.6</u>		<u>388.8</u>
<b>SCHEDULE 12 : LOANS AND ADVANCES</b> (Unsecured – Considered Good, unless stated otherwise)				
Loan to Employees / Others		746.2		94.1
Advances Recoverable in Cash or in Kind or for Value to be received				
Considered Good		1,411.6		255.8
Considered Doubtful	9.5		9.5	
Less : Provision for Doubtful Advances	9.5	—	9.5	—
Advances to Suppliers		527.3		569.1
Balances with Central Excise and Customs		608.4		530.0
DEPB and Advance Licence		131.2		141.8
Other Deposits		77.5		93.2
Advance Payment of Income Tax (Net of Provision)		1,259.3		580.1
		<u>4,761.5</u>		<u>2,264.1</u>
<b>SCHEDULE 13 : CURRENT LIABILITIES AND PROVISIONS</b>				
<b>Current Liabilities</b>				
Sundry Creditors				
Due to Micro and Small Enterprise	—		—	
Others	2,393.4		1,504.1	
Advances from Customers	62.0		91.4	
Security Deposits	19.3		44.3	
Investor Education and Protection Fund shall be credited by				
Unclaimed Dividend (Not Due)	14.4		29.5	
Temporary Overdrawn Bank balance as per Books	—		1.2	
Other Liabilities	1,215.4		1,274.2	
Interest accrued but not due on Loans	17.6	3,722.1	20.8	2,965.5
		<u>3,722.1</u>		<u>2,965.5</u>
<b>Provisions</b>				
Provision for Fringe Benefit Tax	1.0		0.8	
Net of Advance Tax Rs. 12.6 Million (Previous Year Rs. 9.8 Million)				
Proposed Dividend - Equity Shares	2,174.7		—	
Corporate Dividend Tax	369.6		—	
Provision for Employee Benefits	105.6	2,650.9	79.2	80.0
		<u>6,373.0</u>		<u>3,045.5</u>

**SCHEDULES TO THE FINANCIAL STATEMENTS (CONSOLIDATED)**

	Year ended 31st March, 2008		Year ended 31st March, 2007	
	Rs in Million	Rs in Million	Rs in Million	Rs in Million
<b>SCHEDULE 14 : OTHER INCOME</b>				
Lease Rental and Hire Charges		5.7		6.0
Interest from Banks & Other Advances / Deposits (Refer Note B.4 of Schedule 20)		1,146.4		1,072.1
Profit on Sale of Fixed Assets		0.2		177.9
Profit on Sale of Current Investments		131.3		563.6
Sundry Balances Written Back (Net)		11.9		—
Insurance Claims		6.5		21.5
Dividend Income (Rs. 13,300/-)		0.0		13.8
Miscellaneous Income-TDS Rs.0.5 Million (Previous year Rs. 0.6 Million)		149.3		573.0
		<u>1,451.3</u>		<u>2,427.9</u>
<b>SCHEDULE 15 : COST OF MATERIALS / GOODS</b>				
Inventories of Raw & Packing material at the beginning of the year	2,649.9		2,447.8	
Purchases during the year - Raw & Packing Material	7,921.3		6,535.0	
- Finished goods	490.8		579.3	
Inventories of Raw & Packing Material at the end of the year	<u>(4,537.0)</u>	6,525.0	<u>(2,649.9)</u>	6,912.2
Inventories of Finished Goods and WIP at the beginning of the year	3,739.1		2,597.5	
Inventories of Finished Goods and WIP at the end of the year	<u>(3,042.4)</u>		<u>(3,739.1)</u>	
(Increase) / Decrease of Finished Goods and Work -in- progress		696.7		(1,141.6)
		<u>7,221.7</u>		<u>5,770.6</u>
<b>SCHEDULE 16 : INDIRECT TAXES</b>				
Sales Tax		656.0		528.4
		<u>656.0</u>		<u>528.4</u>
<b>SCHEDULE 17 : PERSONNEL COST</b>				
Salaries, Wages, Bonus and Benefits		1,902.3		1,612.0
Contribution to Provident and Other Funds		282.6		242.4
Staff Welfare Expenses		146.4		135.2
		<u>2,331.3</u>		<u>1,989.6</u>
<b>SCHEDULE 18 : OPERATING AND OTHER EXPENSES</b>				
Stores and Spares Consumed		330.9		268.1
Manufacturing Charges		391.9		294.8
Power and Fuel		600.2		504.7
Rent		37.8		81.4
Rates and Taxes		39.7		35.9
Insurance		168.5		156.8
Selling and Distribution		1,611.4		866.8
Commission and Discount		240.5		231.7
Repairs				
Building	48.2		41.2	
Plant and Machinery	219.8		188.8	
Others	88.0	356.0	84.1	314.1
Printing and Stationery		57.7		41.7
Travelling and Conveyance		157.2		99.9
Overseas Travel and Export Promotion		617.8		479.0
Communication		53.1		51.7
Provision for doubtful Debts / Advances		27.6		29.8
Sundry Balances/Bad Debts Written Off (Net)		—		1.0
Professional and Consultancy		152.2		102.7
Donations		11.5		2.8
Loss on Sale of Fixed Assets		6.3		0.9
Excise Duty on Stock (*)		(37.9)		38.4
Auditors' Remuneration				
Audit Fees	20.1		15.5	
Other Services	0.2		0.1	
Out of Pocket Expenses	0.1	20.4	0.1	15.7
Miscellaneous Expenses		277.1		292.6
		<u>5,119.9</u>		<u>3,910.5</u>

(\*) represents the difference between excise duty on opening and closing stock of finished goods.

**SCHEDULES TO THE FINANCIAL STATEMENTS (CONSOLIDATED)**

	Year ended 31st March, 2008		Year ended 31st March, 2007	
	Rs in Million	Rs in Million	Rs in Million	Rs in Million
<b>SCHEDULE 19 : RESEARCH AND DEVELOPMENT EXPENDITURE</b>				
Salaries, Wages, Bonus and Benefits		<b>630.8</b>		496.6
Contribution to Provident and Other Funds		<b>52.3</b>		38.0
Staff Welfare Expenses		<b>27.5</b>		33.9
Raw Material, Stores and Spares Consumed		<b>703.5</b>		671.1
Power and Fuel		<b>53.4</b>		51.7
Rates and Taxes		<b>13.4</b>		17.0
Rent		<b>56.6</b>		—
Insurance		<b>47.0</b>		36.5
Repairs				
Building	<b>16.2</b>		14.2	
Plant and Machinery	<b>50.7</b>		46.0	
Others	<b>55.9</b>	<b>122.8</b>	41.3	101.5
Printing and Stationery		<b>14.5</b>		11.9
Travelling and Conveyance		<b>19.3</b>		21.7
Communication		<b>18.8</b>		15.5
Professional and Consultancy		<b>776.5</b>		681.2
Loss on Sale of Fixed Assets		<b>0.3</b>		0.2
Miscellaneous Expenses		<b>253.1</b>		264.4
		<b>2,789.8</b>		2,441.2
Less				
Interest Income	<b>0.5</b>		0.3	
Misc. Income	<b>63.8</b>		0.2	
Bad Debts Recovered / Sundry balances written Back	<b>0.3</b>		0.9	
Rent Income	—	<b>64.6</b>	0.1	1.5
		<b>2,725.2</b>		2,439.7

**SCHEDULES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2008 ( CONSOLIDATED)****SCHEDULE 20: SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS****A SIGNIFICANT ACCOUNTING POLICIES:****1. Basis of Consolidation:****(i) Basis of preparation:**

The consolidated financial statements are prepared in accordance with Accounting Standard 21 on Consolidated financial statements as notified by Companies (Accounting Standards) Rules, 2006. Reference in these notes to Company, Holding Company, Companies or Group shall mean to include Sun Pharmaceutical Industries Limited or any of its subsidiaries, unless otherwise stated.

**(ii) Principles of consolidation:**

The consolidated financial statements comprise of the financial statements of Sun Pharmaceutical Industries Limited and its subsidiaries. The financial statements of the group Companies are prepared according to uniform accounting policies, in accordance with accounting principles generally accepted in India. The effects of inter Company transactions are eliminated on consolidation.

**(iii) Goodwill / Capital Reserve**

Goodwill represents the difference between the Company's share in the net worth of subsidiaries, and the cost of acquisition at each point of time of making the investment in the subsidiaries. For this purpose, the Company's share of net worth is determined on the basis of the latest financial statements prior to the acquisition after making necessary adjustments for material events between the date of such financial statements and the date of respective acquisition. Capital Reserve on consolidation is adjusted against Goodwill. The Goodwill recorded in these consolidated financial statements has not been amortised, but instead evaluated for impairment whenever events or changes in circumstances indicate that its carrying amount may be impaired.

**2. Basis of Accounting**

The financial statements have been prepared under historical cost convention on an accrual basis and comply with the Accounting Standards as notified by Companies (Accounting Standards) Rules, 2006.

**3. Use of Estimates**

The presentation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the year. Difference between the actual result and estimates are recognised in the year in which the results are known / materialised.

**4. Fixed Assets and Depreciation / Amortization**

Fixed Assets including Intangible assets are stated at historical cost (Net of cenvat credit) less accumulated depreciation / amortization thereon and impairment losses, if any. Depreciation on tangible assets is provided on Straight Line Method at the rates specified in Schedule XIV to the Companies Act, 1956 except for: a) at Caraco depreciation is computed using the Straight Line Method over the estimated useful lives of the related assets, which ranges from 3 to 40 years. b) at Alkaloida Chemical Company Exclusive Group Limited depreciation is computed using Straight Line Method over the estimated useful lives of the related assets, which ranges from 50 to 100 years in respect of real assets and 3 to 10 years in respect of other assets. c) at Sun Farmaceutica Ltda Brazil depreciation is computed using Straight Line Method over useful estimated lives of the related assets, which ranges from 5 to 10 years. Intangible assets consisting of trademarks, designs, technical know-how, non compete fees and other intangible assets are amortized on Straight Line Method from the date they are available for the use, over the useful life of the assets (5/10/20 years), as estimated by the Management. Leasehold land is amortized over the period of lease.

**5. Leases**

Assets acquired on finance lease prior to April 1, 2001, are stated at original cost. In consonance with the matching concept, lease terminal adjustment and lease equalisation accounts have been created for the assets given on lease, wherever required.

In case of assets taken on operating lease, the lease rentals are charged to the Profit And Loss Account in accordance with Accounting Standards 19 on leases as notified by Companies (Accounting Standards) Rules, 2006.

**6. Revenue Recognition**

Sales of products are recognised when risk and rewards of ownership of the products are passed on to the customers, which is generally on dispatch of goods. Export sales are recognised on the basis of Bill of Lading / Airway Bill. Sales includes sales tax, interest on delayed payments and are stated net of returns and chargebacks at Caraco (Chargebacks are price adjustments given to wholesale customers selling products further to those parties with whom the Company has established contractual pricing).

**7. Investments**

Investments are classified into Current and Long Term Investments. Current Investments are valued at lower of cost and fair value. Long Term Investments are stated at cost less provision, if any, for other than temporary diminution in their value.

**8. Inventories**

Inventories consisting of raw and packing materials, stores and spares, work in progress and finished goods are stated at lower of cost (absorption costing) on FIFO Basis/specific identification basis and net realisable value.

**9. Research and Development**

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

**10. Foreign Currency Transactions**

Transactions denominated in foreign currencies are recorded at the exchange rates prevailing at the date of transaction. Monetary items denominated in foreign currency at the year end are translated at year end rates. In respect of monetary items which are covered by forward exchange contracts, the difference between the year end rate and the rate on the date of the contract is recognised as exchange difference and the premium on such forward contracts is recognised over the life of the forward contract. The exchange differences arising on settlement / translation are recognised in the Profit and Loss account. Exchange differences relating to monetary items that are in substance forming part of the Company's net investment in non integral foreign operation are accumulated in Currency Fluctuation Reserve on Consolidation Account.

For the purpose of Consolidation, the amounts appearing in foreign currencies in the Financial Statements of the foreign subsidiaries are translated at the following rates of exchange:

- a. Average rates for income and expenditure.
- b. Year end rates for assets and liabilities.

#### 11. Taxes on Income

Provision for taxation comprises of Current Tax, Deferred Tax and Fringe Benefit Tax. Current Tax provision has been made on the basis of reliefs and deductions available under the respective Local Income Tax Law. Deferred tax resulting from "timing differences" between taxable and accounting income is accounted for using the tax rates and laws that are enacted or substantively enacted as on the Balance Sheet date. The deferred tax asset is recognised and carried forward only to the extent that there is a virtual certainty that the asset will be realised, in future. The Fringe Benefits tax has been calculated and accounted for in accordance with the provisions of the Income Tax Act, 1961.

#### 12. Employee Benefits

- (a) The Company's contribution in respect of provident fund is charged to Profit and Loss Account each year.
- (b) The Company's contribution to Life Insurance Corporation of India (LIC) for group gratuity policy is charged to Profit and Loss Account each year. The contribution for Group Gratuity Policy is based on values as actuarially determined and demanded by LIC for the year. Excess, if any, of the liability as determined on actuarial basis by the independent valuer over contribution to LIC is charged to Profit and Loss Account.
- (c) Liability for accumulated compensated absences of employees is ascertained on actuarial valuation basis and provided for as per Company Rules.

#### 13. Borrowing Costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised. Other borrowing costs are recognised as an expense in the period in which they are incurred.

#### 14. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised only when there is a present obligation as a result of past events and when a reliable estimate of the amount of the obligation can be made. Contingent liability is disclosed for (i) Possible obligations which will be confirmed only by future events not wholly within the control of the Company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation can not be made. Contingent Assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

#### 15. Impairment of Assets

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Profit and Loss Account. If at the Balance Sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

#### 16. Common/Convertible Preferred Stock Issued

Common/Convertible Preferred Stock is issued by Caraco from time to time in lieu of cash for directors fees and in exchange for fees towards formula for products developed by Parents & its affiliates and is recorded as compensatory expenses/research and development costs respectively.

### B NOTES TO FINANCIAL STATEMENTS:

1. The Consolidated Financial Statements present the consolidated accounts of Sun Pharmaceutical Industries Ltd with its following subsidiaries/affiliates.

Name of Subsidiaries / Affiliates	Country of Incorporation	Proportion of ownership interest	Year ending of subsidiaries/affiliates	Audited By
<b>Indian Affiliate</b>				
Universal Enterprises (P) Ltd.	India	97.50%	31/03/2008	N.Mardia & Associates
<b>Foreign Subsidiaries</b>				
Sun Pharma Global Inc.	British Virgin Islands	100.00%	31/03/2008	H C Shah & Co.
ZAO Sun Pharma Industries Limited	Russia	100.00%	31/12/2007	Best Audit
Sun Pharmaceutical (Bangladesh) Limited	Bangladesh	72.50%	31/03/2008	Ahmed Mashuque & Co.
Caraco Pharmaceutical Laboratories Ltd (CARACO)	United States of America	70.21%	31/03/2008	Rehmann Robson
Sun Farmaceutica Ltda Brazil	Brazil	99.57%	31/03/2008	Peppe Associados Consultores & auditores independentes
Sun Pharma De Mexico S.A. DE C.V.	Mexico	75.00%	31/12/2007	Ing. Hector Macias Meana
Sun Pharmaceutical Industries INC.	United States of America	100.00%	31/03/2008	Martin, Arrington, Desai & Meyers, P.C.
SPIL De Mexico S.A. DE C.V.	Mexico	100.00%	31/12/2007	L.C. Nancy Balderas Jimenez
Alkaloida Chemical Company Exclusive Group Ltd (Formerly ICN Hungary INC.)	Hungary	100.00%	31/03/2008	PV Auditor Ltd.
Sun Pharmaceutical Peru S.A.C.	Peru	99.33%	31/12/2007	C.P.C. Margarita Vera Pelaez
Sun Pharmaceutical UK Limited	United Kingdom	100.00%	31/03/2008	Anderson Shaw CCA
Sun Pharmaceutical Industries (Australia) Pty. Ltd.	Australia	100.00%	31/03/2008	Valia & Timbadia
Aditya Acquisition Company Ltd., Israel	Israel	100.00%	31/03/2008	H.C. Timbadia & Co.
Sun Development Corporation, U.S.A.	United States of America	100.00%	31/03/2008	H.C. Timbadia & Co.
Sun Pharmaceutical Industries (Europe) B.V.	The Netherlands	100.00%	31/03/2008	Van Schaik Accountants B.V
OOO "Sun Pharmaceutical Industries" Ltd.	Russia	99.00%	31/03/2008	Valia & Timbadia
<b>Name of Partnership Firm</b>				
Sun Pharmaceutical Industries	India	97.50%	31/03/2008	Deloitte Haskins & Sells
Sun Pharma Exports	India	80.00%	31/03/2008	H.C. Timbadia & Co.

Sun Pharma De Mexico S.A. DE C.V., SPIL De Mexico S.A. DE C.V., ZAO Sun Pharma Industries Limited and Sun Pharmaceutical Peru S.A.C. follow calendar year as their accounting year. Accordingly, the audited financial statements of these Companies for the year ended December 31, 2007 are available. For the purpose of this consolidation, the accounts for the financial year April 1, 2007 to March 31, 2008 are considered and are compiled based on the audited financial statements for the year ended December 31, 2007 and the adjustment thereto in respect of the unaudited financial statements for the quarter ended March 31, 2007 and March 31, 2008 which are certified by its Management.

**The following subsidiaries (included above) are the newly incorporated entities, for the period ended March 31, 2008.**

Name of the Company/firm	Country of Incorporation	Date of Incorporation
Sun Pharmaceutical Industries (Australia) Pty. Ltd.	Australia	11/03/2008
Aditya Acquisition Company Ltd., Israel	Israel	22/04/2007
Sun Development Corporation, U.S.A.	United States of America	17/05/2007
Sun Pharmaceutical Industries (Europe) B.V.	The Netherlands	29/06/2007
OOO "Sun Pharmaceutical Industries" Ltd.	Russia	12/11/2007

The holding in Caraco as on March 31, 2008 has increased to 70.21% and accordingly the minority interest was considered at 29.79% for the purpose of these financial statements.

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

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

2 a) CONTINGENT LIABILITIES NOT PROVIDED FOR:	As at 31st March, 2008 (Rs. In Million)	As at 31st March, 2007 (Rs. In Million)
Guarantees given by the Bankers on behalf of the Company.	120.1	329.3
Corporate Guarantees	4.3	—
Letters of Credit for Imports	162.2	232.8
Liabilities Disputed - Appeals filed with respect to :		
Sales Tax	29.4	41.0
Excise Duty	198.7	18.0
Income Tax	1,557.2	1,038.0
ESIC Contribution	0.3	0.2
Drug Price equilisation Account [DPEA] on account of demand towards unintended benefit, including interest there on, enjoyed by the Company	14.0	14.0
Demand by JDGFT import duty with respect to import alleged to be in excess of entitlement as per the Advanced Licence Scheme	10.3	10.3
Claims against the Company not acknowledged as debts	3.2	4.5
<b>b) Estimated amount of contracts remaining to be executed on Capital Account (Net of Advances)</b>	<b>235.7</b>	<b>287.2</b>
<b>3. RESEARCH AND DEVELOPMENT EXPENDITURE INCLUDE:</b>		
On Revenue account	2,725.2	2,439.7
On Capital account	133.5	346.5
<b>4. Interest income Rs.1,146.9 Million (Previous Year Rs. 1,072.4 Million) {includes interest income of Rs. 1,183.4 Million (Previous Year Rs.1,044.0 Million) on bank deposits, Rs. 30.2 Million (Previous Year Rs.136.7 Million) on loans and Rs. 20.9 Million (Previous Year Rs.18.5 Million) others}- is net of Interest expense as under :</b>		
Fixed Loans	48.8	85.4
Others	38.8	41.4
	<b>87.6</b>	<b>126.8</b>
<b>5. Goodwill on consolidation ( Net ) comprises of:</b>		
<b>Goodwill in respect of</b>		
Caraco Pharmaceutical Laboratories Ltd (Caraco)	2760.0	1,727.8
Universal Enterprises (P) Ltd.	7.5	7.5
<b>Total (A)</b>	<b>2,767.5</b>	<b>1,735.3</b>
<b>Less:</b>		
<b>Capital Reserve in respect of :</b>		
Alkaloida Chemicals Company Exclusive Group Ltd. (Formerly ICN Hungary INC)	1,038.2	1,038.2
<b>Total (B)</b>	<b>1,038.2</b>	<b>1,038.2</b>
<b>Total (A-B)</b>	<b>1,729.3</b>	<b>697.1</b>
<b>6. Short term loan from Banks taken by the Company are secured by hypothecation of stocks and book debts, with respect to Sun Pharmaceuticals Industries INC U.S.A, secured by comfort letter from Sun Pharmaceutical Industries Ltd, and with respect to Sun Pharmaceutical (Bangladesh) Ltd., Sun Pharma Advanced Research Company Limited and Sun pharma Global Inc is secured against Corporate Guarantee by Sun Pharmaceutical Industries Ltd.</b>		
<b>7. As regards consolidation of Accounts of Caraco:</b>		

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



**8. Disclosure with respect to Accounting Standards as notified by Companies (Accounting Standards) Rules, 2006.****(i) Accounting Standard (AS-18) on Related Party Disclosure - as per Annexure 'A' annexed.****(ii) Accounting Standard (AS-20) on Earnings Per Share**

	Year Ended 31st March, 2008 (Rs. in Million)	Year Ended 31st March, 2007 (Rs. in Million)
Profit After Tax	15,509.1	8401.5
Less : Dividend on Preference Shares	0.5	0.8
Less : Corporate Dividend Tax on Preference Shares	0.1	0.1
Less : Minority Interest	640.1	558.8
Profit used as Numerator for calculating Earnings per share	14,868.4	7841.8
Weighted Average number of Shares used in computing basic earnings per share	199,159,782	187,898,580
Add: Potential number of equity shares that could arise on exercise of Options on Zero Coupon Foreign Currency Convertible Bonds- due 2009	—	13,714,360
Weighted Average number of Shares used in computing diluted earnings per share	207,116,391	201,612,940
Nominal value per share (in Rs.)	5	5
Basic Earnings Per Share (in Rs.)	74.7	41.7
Diluted Earnings Per Share (in Rs.)	71.8	38.9

**9. Accounting Standard (AS-17) on Segment Reporting**

## a) Primary Segment

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

## b) Secondary Segment (By Geographical Segment)

India	15,650.0	12,686.3
Outside India	18,955.6	9,686.5
<b>Total Sales</b>	<b>34,605.6</b>	<b>22,372.8</b>

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

10. Intangible assets consisting of trademarks, designs, technical knowhow, non compete fees and other intangible assets are stated at cost of acquisition based on their agreements and are available to the Company in perpetuity. The depreciable amount of intangible assets is arrived at based on the managements best estimates of useful lives of such assets after due consideration as regards their expected usage, the product life cycles, technical and technological obsolescence, market demand for products, competition and their expected future benefits to the Company.

11. As per the terms of the issue, the holders of Zero Coupon Foreign Currency Convertible Bonds (FCCBs) of a face value of US \$ 1000 aggregating to US \$ 350 Million have an option to convert FCCBs into Equity Share at an initial conversion rate of Rs. 729.30 per Equity share at a fixed exchange rate conversion of Rs. 45.01 = US \$ 1, from December 26, 2004 to November 16, 2009. The conversion price will be subject to certain adjustment. Further, under certain conditions the Company has an option for early redemption in whole but not in part, at any time on or after November 26, 2007.

As at the year end whole of Rs. 15753.5 Million (Previous Year Rs. 5751.6 Million) US\$ 350.0 Million (Previous Year US\$ 127.8 Million) worth of FCCB's were converted into 21,600,761 (Previous Year 7,886,490) equity shares, upon conversion option exercised by the FCCB holders.

12. During the year, in terms of approval by the shareholders of the Company in the Annual General Meeting, the authorised share capital of Rs. 1,500.0 Million was reclassified and divided into 295,000,000 Equity Shares of Rs.5 each and 25,000,000 Preference Shares of Re 1 each.

13. During the year Alkaloida Chemical Company Exclusive Group Limited (Alkaloida), a subsidiary of the company has made a strategic investment of Rs.3,878.8 Million in Taro Pharmaceutical Industries Limited (Taro) a pharmaceutical company based in Israel.

As on March 31, 2008, the Group holds 34% Ordinary Shares in Taro. However, as Alkaloida does not have any 'Significant Influence' since its acquisition in Taro, as is required under AS 23 - "Accounting for Investments in Associates in Consolidated Financial Statements", the said investment in Taro is not considered as an investment in as "Associate Entity". According, the investment in Taro is accounted in accordance with Accounting Standard 13 - "Accounting for Investments".

Subsequent to the year end, on May 28, 2008 Alkaloida has received a notice from Taro informing purported termination of its merger agreement between the two. However, Alkaloida does not foresee any adverse impact on its investment.

14. (a) The company has obtained certain premises for its business operations (including furniture and fittings, therein as applicable) under operating lease or leave and license agreements. These are generally not non-cancellable and range between 11 months to 5 years under leave and license, or longer for other lease and are renewable by mutual consent on mutually agreeable terms. The Company has given refundable interest free security deposits in accordance with the agreed terms.

(b) Lease payments are recognised in the Profit and Loss Account under "Rent" in Schedule 19 and Schedule 20.

(c) The future minimum lease payments under non-cancellable operating lease

- not later than one year Rs.44.0 Million (Previous year - Rs.17.2 Million)

- later than one year and not later than five years - Rs.124.1 Million (Previous year - Rs.14.7 Million)

- later than five years - Rs.161.8 Million (Previous year - Nil)

15. One of the subsidiary Comapny is having outstanding Forward Exchange Contracts on 31st March, 2008

Currency	Buy/Sell	Cross Currency	As at 31st March, 2008 Amount in Million	As at 31st March, 2007 Amount in Million
US Dollar	Buy	USD	\$ 35.0	—

16. As per the best estimate of the management, no provision is required to be made as per Accounting Standard (AS) 29, as notified by Companies (Accounting Standards) Rules, 2006, in respect of any present obligation as a result of a past event that could lead to a probable outflow of resources, which would be required to settle the obligation.

17. Previous year's figures are restated / regrouped / rearranged wherever necessary in order to confirm to current year's groupings and classifications.

**ANNEXURE 'A' TO NOTES TO FINANCIAL STATEMENTS (CONSOLIDATED)****ACCOUNTING STANDARD (AS-18) "RELATED PARTY DISCLOSURE"**

(Rs in Million)

Particulars	Key Management Personnel		Relatives of Key Management Personnel		Enterprise under significant Influence of Key Management Personnel or their relatives		Total	
	31/03/2008	31/03/2007	31/03/2008	31/03/2007	31/03/2008	31/03/2007	31/03/2008	31/03/2007
<b>Purchases of goods / DEPB</b>	—	—	—	—	—	0.0	—	0.0
Sun Speciality Chemicals Pvt Ltd (P.Y. Rs. 16,224/-)	—	—	—	—	—	0.0	—	0.0
<b>Sale of goods / DEPB</b>	—	—	—	—	<b>7.9</b>	0.2	<b>7.9</b>	0.2
Sun Petrochemicals Pvt Ltd.	—	—	—	—	0.4	0.2	0.4	0.2
Sun Pharma Advanced Research Company Ltd.	—	—	—	—	7.5	—	7.5	—
<b>Sale of Fixed Asset</b>	—	—	—	—	<b>0.1</b>	0.1	<b>0.1</b>	0.1
Sun Petrochemicals Pvt Ltd.	—	—	—	—	0.1	0.1	0.1	0.1
<b>Rendering of Service</b>								
<b>Services</b>	—	—	—	—	<b>0.5</b>	0.5	<b>0.5</b>	0.5
Sun Petrochemicals Pvt Ltd.	—	—	—	—	0.5	0.5	0.5	0.5
<b>Reimbursement of Expenses</b>	—	—	—	—	<b>67.9</b>	0.0	<b>67.9</b>	0.0
Sun Pharma Advanced Research Company Ltd.	—	—	—	—	67.9	—	67.9	—
Sun Petrochemicals Pvt Ltd (P.Y. Rs.9,410/-)	—	—	—	—	—	0.0	—	0.0
<b>Corporate Guarantee given on behalf</b>	—	—	—	—	<b>125.0</b>	—	<b>125.0</b>	—
Sun Pharma Advanced Research Company Ltd.	—	—	—	—	125.0	—	125.0	—
<b>Director's Remuneration</b>	<b>30.6</b>	27.0	—	—	—	—	<b>30.6</b>	27.0
<b>Apprenticeship Stipend / Remuneration</b>	—	—	<b>0.2</b>	—	—	—	<b>0.2</b>	—
<b>Rent Paid</b>	—	—	<b>0.3</b>	0.3	—	—	<b>0.3</b>	0.3
<b>Outstanding Corporate Guarantee to Bank</b>	—	—	—	—	<b>125.0</b>	—	<b>125.0</b>	—
Sun Pharma Advanced Research Company Ltd.	—	—	—	—	125.0	—	125.0	—
<b>Outstanding Receivables / Payables (Net)</b>	—	—	—	—	—	—	—	—
<b>as on 31/03/2008</b>	—	—	—	—	<b>65.8</b>	244.7	<b>65.8</b>	244.7
Sun Petrochemical Pvt Ltd (Rs. 24,987/-)	—	—	—	—	0.0	(0.2)	0.0	(0.2)
Sun Pharma Advanced Research Co. Ltd.	—	—	—	—	65.8	244.9	65.8	244.9
Sun Speciality Chemicals Pvt Ltd (P.Y. Rs. 16,224/-)	—	—	—	—	—	0.0	—	0.0

**Note :**

Names of related parties and description of relationship

- Key Management Personnel
  - Mr Dilip S. Shanghvi
  - Mr Sudhir V. Valia
  - Mr Sailesh T. Desai
- Relatives of Key Management Personnel
  - Mrs Vibha Shanghvi
  - Mrs Kumud Shanghvi
  - Mrs Meera Desai
  - Mr Alok Shanghvi
  - Wife of Chairman and Managing Director
  - Mother of Chairman and Managing Director
  - Wife of Wholetime Director
  - Son of Chairman and Managing Director
- Enterprise under significant Influence of Key Management Personnel or their relatives
  - Sun Petrochemicals Pvt Ltd.
  - Sun Pharma Advanced Research Company Ltd.
  - Sun Speciality Chemicals Pvt Ltd.
  - Navjivan Rasayan (Gujarat) Pvt Ltd.

**Notes**

**Notes**