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Sun Pharma reports Q3 2009-10 financials

Q3: Net sales Rs. 1021 crores, Net profit Rs. 339 crores

Mumbai, January 29, 2010: Sun Pharmaceutical Industries Ltd. (Reuters: SUN.BO, Bloomberg: SUNP IN, NSE:SUNPHARMA, BSE: 524715) reported numbers for the third quarter and first nine months ending Dec 31, 2009.

Highlights of Q3 FY10 consolidated financials

- Net sales at Rs. 1021 crores, up 11 % over Q3 FY09
- India branded generic sale at Rs 533 crores, registering a growth of 24% over same quarter last year
- Caraco sales at USD 52 million, down by 6.7% from Q3 FY09
- International finished dosage sales (excluding Caraco) have grown by 32% over Q3 FY09
- API sales have grown by 48% over corresponding quarter last year
- Operating margin is at 33% compared to 42% in Q3FY09.
- Net profit at Rs. 339 crores.

Highlights of 9 months FY10 consolidated financials

- Net sales at Rs. 2994 crores, down by 5% over 9m FY09
- India branded generic sale at Rs 1317 crores, remained flat over same period last year
- Caraco sales at USD 178 million, down by 38% compared to the corresponding period from FY09
- International finished dosage sales (excluding Caraco) have grown by 31 % over 9 months FY09
- API sales have grown by 30% over corresponding period last year.
- Operating margin is at 28% compared to 45% in the first nine months of last year. Margin in the current year has been considerably affected by loss of revenues on Caraco manufactured products compounded by additional costs related to inventory reserve as well as all costs of regaining FDA compliance. The high margin achieved last year was largely on account of significant non-recurring sale and profit from products enjoying limited competition in the US.
- Net profit at Rs. 957 crores.

These results were taken on record by the Board of Directors at a meeting held in Mumbai today.

According to Dilip Shanghvi, Chairman and Managing Director of the Company, "All segments of our business, except US generics, have shown a reasonable level of growth in this quarter. On the US generic front, Caraco is taking important steps in its journey to regain manufacturing compliance. With the focus around the globe on improving generic consumption share, we believe the opportunity for a business like ours remains quite significant."

India formulations – Return to normalcy

Sales of branded prescription formulations in India were at Rs 533 crores for the third quarter, a growth of 24% over the same quarter last year, contributing to over half of total sales. For the first nine months, domestic formulation sales were at Rs. 1317 crores.

Sun Pharma holds 3.6% market share in the highly competitive pharma market, as per latest IMS ORG report. Overall, the company is ranked no. 1 based on share of prescriptions with 5 classes of specialists: psychiatrists, neurologists, cardiologists, ophthalmologists and orthopedics.

17 key products were launched during the quarter, taking the total to 38 during this year.

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US Generics – Progress update

Caraco recently reported that it had submitted a work plan to the USFDA for remedial actions that would lead to resuming manufacturing at its Michigan facilities. Consequent to its efforts at regaining cGMP compliance, it has also begun to recall some of the employees it had indefinitely laid-off earlier in the year. Even while it continues to work with the FDA towards a complete resolution, Caraco has transferred some of its own products to alternate manufacturing sites, in an effort to generate some revenues from such products.

Reflecting the full impact of the continued cessation of manufacturing activity after the FDA action, Caraco had recently announced Q3FY10 sales of USD 52 million, down 7% from the corresponding quarter last year. Caraco recorded a net loss of USD 3 million for Q3FY10. For the first nine months, Caraco reported sales of USD 178 million and net loss of USD 6 million. Pantoprazole generic, launched at-risk with the patent litigation pending, continues to be sold in the US.

Between Sun Pharma and Caraco, ANDAs for 83 products are now approved. In the third quarter, ANDAs for 4 products have been filed by Sun Pharma. With this, in the first 9 months, ANDAs for a total of 15 products have been filed. During the third quarter, ANDAs for 4 products from Sun Pharma have been approved. Counting this, ANDAs for 108 products now await USFDA approval, including 12 tentative approvals. This pipeline is expected to build revenues for our US generic business in the years ahead.

Research – Investing for the future

Consolidated R&D expense for Q3 FY10 is Rs. 51 crores, or 5% of net sales. For the first 9 months, the consolidated R&D expense is Rs. 191 crores, or 6% of net sales.

A cumulative of 148 DMF / CEP applications have been made, with 84 approved so far. The total number of patent applications submitted now stands at 245 with 79 patents granted so far.

Update on Taro transaction

At the Annual Meeting of shareholders of Taro Pharmaceutical Industries Ltd. (Taro) held on December 31, 2009, over 75% of Taro shareholders who are not identified with either the Levitt family or Sun objected to the continued control of the Company by the Levitt family and its representatives on the board of directors of the Company. A similar number voted against the board's indemnification proposals. Shareholders voted decisively against the election of Taro's external director nominees.

A judgment in the STO litigation is awaited from the Supreme Court of Israel.

Earnings call

The Company will conduct an hour long call at 10.00 am IST on January 30, 2010 where senior management will discuss the Company's performance and answer questions from participants. To participate in this conference call, please dial the numbers provided below five to ten minutes ahead of the scheduled start time. The dial-in numbers for the call are +91 22 6629 0101, +91 22 30651010 and +91 22 4039 2525. The operator will provide instructions on asking questions before the call. You can also hear the call via an audio webcast, details of which are available on the Company website, www.sunpharma.com.

A replay of this call will also be available till February 6, 2010. (ID 786742 # +91 22 3065 1212.) The transcript of the conference call will be put up on the website.

About Sun Pharma

Established in 1983, listed since 1994 and headquartered in India, Sun Pharma (Reuters: SUN.BO, Bloomberg: SUNP IN, NSE:SUNPHARMA, BSE: 524715) is an international, integrated, speciality pharmaceutical company. It manufactures and markets a large basket of pharmaceutical formulations as branded generics as well as generics in India, US and several other markets across the world. In India, the company is a leader in niche therapy areas of psychiatry, neurology, cardiology,

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diabetology, gastroenterology, and orthopedics. The company has strong skills in product development, process chemistry, and manufacturing of complex API, as well as dosage forms. More information about the company can be found at www.sunpharma.com.

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