

Tracing new patterns

COMPUTER AIDED DRUG DESIGN • HIGH
THROUGHPUT SCREENING • COMBINATORIAL
CHEMISTRY • PHARMACOGENOMICS •
MICROARRAYS • SNP AND NEW TARGETS •
ALLELIC VARIATION • DNA VACCINES • SOLUBLE
RECEPTORS • MICROPHYSIOMETRY
• HEALTHCARE CUSTOMIZATION • GENETIC
IDENTITY • GENE MUTATIONS • GENE THERAPY
• POPULATION GENETICS • NANOTECHNOLOGY
• LIPOSOMAL TARGETED DRUG DELIVERY
• BIODEGRADABLE POLYMERS • POLYMER LABEL
FORMING SYSTEM • MATRIX TECHNOLOGY • SLOW RELEASE
RELEASE • PRODRUGS • SOFT DRUGS • NICHE
INDICATIONS • CHIRAL CHEMISTRY • OFF LABEL
USES • NEW INDICATIONS • ORGANIC DRUGS
• RECEPTORS • INFLAMMATORY MARKERS •
PLASMON RESONANCE • ANTI-SENSE THERAPY •
NUCLEAR RECEPTORS • CHANNELS • CYTOKINES

ANNUAL REPORT 2001 - 2002



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ALLELIC VARIATION
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■ BIODEGRADATION
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USES ■ NEW
■ RECEPTORS
PLASMONICS
NUCLEAR R

Tracing new patterns...

Explorer-like, following new leads, new ideas, new directions across an uncharted landscape.

Drug discovery research is the ultimate convergence science. Insight for research directions borrow liberally from innumerable fields, an approach or idea from one field is borrowed to find application in another.

There are numerous instances of such generous "flights of thought".

Consider for instance, synthetic chemistry. Process chemistry of the individual sequential reaction variety has little in common with modern day high throughput screening and parallel synthesis, automated technologies inspired by chip making processes. Over time this science itself is polished, refined and re-refined, so that it has very little in common with its precursor IT-based technology.

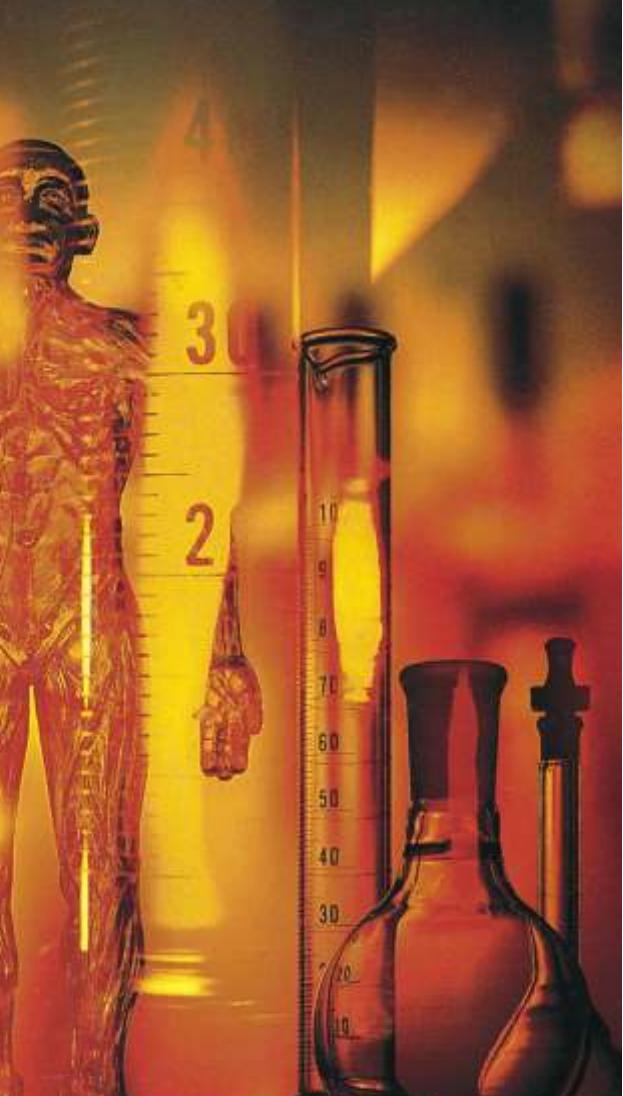
Or, consider for instance the cutting edge science of bioinformatics. Borrowing liberally from powerful information technology, the mammoth task of tracing the human genome sees light of day. From gene elucidation, a leap of understanding to gene comprehension. And then the path leads on to gene therapy, gene profiling, drug customization and beyond. Or bifurcates to proteomics and beyond. As always this charting of a new course, following clues, marks an opening on the road ahead.

On a simpler plane- consider new indications that originate from off label uses. From observation to a biological comprehension of the way it works. Through clinical trials to new in-clinic uses... Possibly a new treatment for a poorly addressed ailment. Another path, another solution giving way to persistent inquiry.

From following an idea, from the process of allowing it to meander and reshape itself along a wilful path, a whole new approach, a new tool emerges.

DESIGN ■ HIGH
■ COMBINATORIAL
■ GENOMICS ■
■ NEW TARGETS ■
■ ACCINES ■ SOLUBLE
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Beyond chemistry :
A new healthcare frame of reference?

Over the course of the year, the domestic pharma market, barring some ups and downs, registered a 10-12% growth rate. Price cuts for new/revolutionary products, a trend that had begun last year, was witnessed with several interesting products this year too. But compensating for this was the more than double-digit rate of growth seen with speciality products. A substantial increase in the volumes of new products, particularly products that were now available at lower prices, was also seen. This is probably because the availability of newer therapies at a lesser per day cost of therapy prompts doctors to switch patients from older molecules, and offer them advantages such as efficacy, lower dose, and convenience, at a sensible price.

Growth in domestic formulations and speciality bulk actives were the main reasons for turnover growth for the year. SPARC helped to bring more than 35 new products to market, and helped us compete with new products based on our own bulk for an early to market and margin advantage.

The greatest single upside opportunity is from the fact that our plans for the international market have now finally begun to take shape- markets have been identified, existing product baskets pruned, new products are at various stages of registration. We are working to deliver repeatable two-digit growth in the international markets.

On the domestic front, March 2002 saw Sun Pharma firm at 5th rank- the same rank as last year. Prescription rankings with core customers improved in some new areas, remained the same in the key therapy areas, and dropped in some areas. One fact this underlines, is that the basics of building strong customer relationships remains unchanged, regardless of the therapy areas that this is applied to. Of course, there would need to be variation in strategy that is specific for the therapy areas addressed.



summary

For the year, total income was up 22.3% backed by domestic formulation growth. Among divisions, which did well (some in excess of targets allocated), were Arian, Aztec, Synergy and Sun.

	(Rs. mill)	
	01-02	00-01
Domestic formulations	4660.8	3699.1
Domestic bulk	1397.7	1213.6
Others	22.7	20.9
Export formulations	283.6	337.5
Export bulk	1069.9	841.6
Export others	42.5	1.7

PSR team size by division

Synergy	97
Symbiosis	73
Aztec	152
Arian	149
Inca	58
Sun	265
Spectra	258
Solares	266
Milmet	93

In order to meet increasing domestic market requirements, a new formulation plant at Dadra commenced operations. This is a large 5 acre site with built up area of 120,000 sq. ft. This plant was completed over a 10 month period- a record of sorts for a plant of this size and complexity. It has been built to comply with international regulatory standards like that of the USFDA and UKMCA.

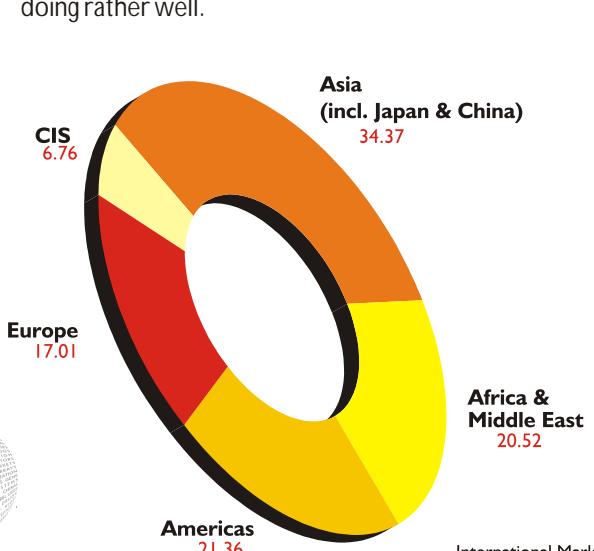
Dosage form exports is the section of the business with the most exciting turnaround potential. The people, infrastructure and direction required for this business area to grow exponentially, have now been put into place. Currently we have a presence in 36 markets with 1025 active applications made and 255 approvals received in the last two years. Over the last few months, team strength has been increased to 90 professional representatives (both directly recruited and through agents), and managers/supervisory staff, many of them from the domestic marketing team, have also been put into place. Since the base itself is so small and the opportunity immense, this part of the business is expected to grow much faster over the next few years than it has in the past.

Cumulatively, across domestic and export markets, speciality bulk actives turnover was Rs.2467 mill, or 33% sales. Over the last year we have gradually discontinued the production and export of cephalexin bulk active- now a very little residual commodity bulk component remains in our speciality bulk business. Among the new speciality bulk actives recently launched, clopidogrel, mirtazapine and letrozole have been doing rather well.

COMPUTER AIDED DESIGN = HIGH THROUGHPUT SCREENING = COMBINATORIAL CHEMISTRY = PHARMACOGENOMICS MICROARRAY = DP AND NEW TARGET ALLELIC VARIANT = DNA VACCINES = SOFTWARE = MICROPHYSIOLOGY = RECEPTOR = CUSTOMIZATION = GENETIC IDENTITY = GENE MUTATIONS = THERAPY = POPULAR = GENETICS = TECHNOLOGY = LIPOSOL = TARGET = DRUG DELIVERY = BIODEGRADABLE = IN SITU GEL FORMING SYSTEM = MATRIX BASED MODIFIED RELEASE = PEG = SOFTDRUGS = NICHE INDICATOR = CHEMISTRY = OFF LABEL USES = INDICATIONS = ORPHAN DRUGS = RECEPTORS = INFLAMMATORY MARKERS = PLASMA RESONANCE = ENSE THERAPY = NUCLEAR RECEPTORS = CHA = CYTOKINES = COMPUTER-AIDED DRUG DESIGN = HIGH INPUT SCREENING = BINATORIAL CHEMISTRY = PHARMACOGENOMICS = RAYS = SNP AND NEST = TARGETS = ALLEGATION = VARIATION = DNA VACCINE = SOLUBLE = OROS = MICROPHYSIOLOGY = METRY = HEAL = CUSTOMIZATION = GENETIC IDENTIFICATION = GENE MUTATION = NE THERAPY = POPULAR = GENETICS = TECHNOLOGY = LIPOSOL = TARGET = DRUG DELIVERY = BIODEGRADABLE = IN SITU GEL FORMING SYSTEM = MATRIX BASED MODIFIED RELEASE = PEG = SOFTDRUGS = NICHE INDICATOR = CHIRAL = STRY = OFF LABEL USES = INDICATIONS = ORPHAN DRUGS = RECEPTORS = INFLAMMATORY MARKERS = PLASMA RESONANCE = ANTI-NE THERAPY = NUCLEAR RECEPTORS = CHA = CYTOKINES = MICROARRAYS = SNP AND NEST = TARGETS = ALLEGATION = VARIATION = DNA VACCINE = SOLUBLE = OROS = MICROPHYSIOLOGY = METRY = HEAL = CUSTOMIZATION = GENETIC IDENTIFICATION = GENE MUTATION = G



Gravity assisted material flow
at the Silvas 2 plant



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

presence in
36
markets



The Ahmednagar plant holds several approvals : US FDA, ISO 9002, ISO 14001

The USFDA approved Ahmednagar plant received ISO9002 and ISO14001 certification this year. Panoli filed several US drug master files this year. Across both the plants, approximately 14 US drug master file and 12 European drug master file applications will be submitted this in 2002-03.

The facilities at Panoli and Ahmednagar will be increasingly used for the regulated markets that offer substantially higher margins. The facilities at Ankleshwar and at Chennai are being used for the domestic as well as traditional markets.

These market-specific bulk drug facilities will help us cater to the huge growth opportunity with bulk drugs in the less regulated as well as highly regulated markets.

ORG March 2002 states a growth rate in excess of 20% + overall for the company, which continues to be twice that of the industry. Market share for the company was up to 2.80% from 2.61% last March, despite increasing competitive interest and consolidation in the industry. The company expects to reach a market share well in excess of 3% in the next two years.

CMARC : We notched a fairly consistent position in the core therapy areas. An encouraging uptrend was also seen in the newer therapy areas entered in the last few years post their acquisition. We are working to attain a top 3 position in all the primary therapy areas of our interest.

therapy review

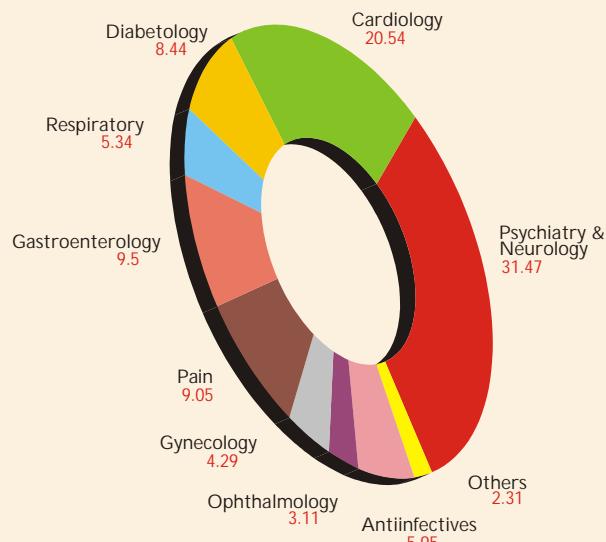
The 5 core areas: psychiatry, neurology, cardiology, diabetology, gastroenterology accounted for 69.95% of domestic prescription formulation sales. 6 brands continue to feature in the ORG list- although with a replacement- Coldact was replaced by Pantocid, an antiulcerant/proton pump inhibitor with a much longer residual life cycle.

In line with our record of aggressive new product introduction, of the 35 new products launched, 4 products featured among the best 30 new pharma launches in the country (2 products had featured on this list last year). A total of 48 products were placed among the top 3 by molecule.

A discussion of operations for each marketing division follows.

CMARC RANKS

	MARCH-JUNE 01	JULY-OCT 01	NOV-FEB 02
Psychiatrists	1	1	1
Neurologists	1	1	1
Cardiologists	3	4	3
Gastroenterologists	3	2	3
Chest physicians	5	6	4
Consultant physicians	6	6	8
Orthopedics	3	4	6
Ophthalmologists	3	4	4
ENT Specialists	6	5	5
Diabetologists	8	6	6
Oncologists	8	11	7
Nephrologists	7	8	8
General Practitioners	22	22	23
Paediatricians	31	33	34
Surgeons	20	23	21
Gynaecologists	19	17	17



SYNERGY



Synergy's market share moved from 18.72% to 18.47% of the participated market.

New

Oleanz Rapitabs

Bupron SR

Citopam

Liofen Intrathecal

Ropark

The high growth therapy areas of psychiatry and neurology continued to be areas that people commonly associate with the company- despite leadership in several other therapy areas like cardiology.

Synergy, backed by its strong record of new product introduction and lineage of customer relationships based on scientific and academic support, continued to be the top rated company with these customer groups. The markets in these two therapy areas continue to exhibit double-digit growth rates, primarily because of increasing awareness and competitive interest. Increasing competition helps switch patients from older therapies to newer molecules. Secondly, because these products are detailed more often, this increased "noise" level can help expand the market, particularly for lesser-recognized therapy areas like Parkinson's disease and schizophrenia.

Among Synergy's products, Oleanz and Lonazep, products that have been introduced in the last 2/3 years, have performed rather well.

Oleanz Rapitabs were introduced in order to offer better compliance as well as address a patient need. The illness and loss of understanding makes it difficult for some patients to appreciate the importance of taking medications regularly. Patients with schizophrenia tend to be fairly uncooperative when it comes to regularly taking medication, and instances where a patient spits out the tablet after appearing to swallow it, are very common. It is estimated that in 55% of relapse cases, simple non compliance-not taking the medicine at all- is the reason for relapse. Oleanz rapitabs help address this problem at a basic level-helping ensure that medication is atleast taken as prescribed. Oleanz rapitabs uses a porous matrix structure to ensure quick dissolution in the mouth.

Placebo appears to alter brain function in individuals with major depression



EEG studies show that changes caused by a placebo are different from changes that are caused by depression...patients who responded to placebo as versus patients who responded to medication showed different activity patterns in a part of the brain called the prefrontal cortex... This research could help develop treatments that are individualized, as well as new medication types.... This also helps to show that there are different pathways to improvement for depressed patients.

Leuchter A. et al, American Journal of Psychiatry, Jan 2002

	(Rs. mill.)	
	2002	2001
Participated market size	4402	3675
Division market share (%)	18.47	18.72

(Data from ORG March MAT for both the years)

BRAIN CHANGES

Magnetic resonance imaging shows structural brain abnormalities after the first psychotic episode. These abnormalities are not linked to the chronic illness or to its treatment. Brain volume was found to be larger and lateral ventricles increased in patients with chronic schizophrenia, more so if the patient had a development disturbance in childhood.

British Journal of Psychiatry, September 2000, Report on a study at the Institute of Psychiatry, London



The earlier new medicines are begun, the better...

Since patients at the beginning of treatment (freshers?) are extremely sensitive to treatment (unlike patients already on medication), they tend to be more responsive to newer antipsychotic medication than to older medicines. In a trial on new patients, clozapine was found to be better for new patients compared to older drugs like haloperidol.

Lieberman J. A., University of North Carolina, Findings presented at the Annual meeting of the American College of neuropsycho-pharmacology, Dec 2001

Antiepileptics, the area that contributes the largest chunk of Synergy sales continued to grow at double-digit rates. This is because of increasing usage of newer antiepileptics and antiepileptic use for non-epilepsy related problems such as mood disorders and pain. Even with available drugs, only about 70% epilepsy patients are adequately controlled. Newer antiepileptics such as Gabantin and Lonazep should help expand the number of responders to medication.

Citopam (citalopram), will perhaps make new product introduction history for Synergy- it had the fastest prescriber support among all antidepressants recently launched by the division. Daytime sleepiness and fatigue, commonly expressed as a "hangover" effect after antidepressant use, is less frequently seen with citalopram. Citalopram is used across a broad depression range right from resistant depression to relapse prevention. Recently, studies have been presented showing Citalopram to be safe and effective for use in children and adolescents, which is important since very few studies have been done testing efficacy and safety in children. This is an unaddressed segment- The American Academy of Child and Adolescent Psychiatry estimates that about 5% of the adolescent/pediatric population suffers from depression. Non psychiatry uses have ranged from fibromyalgia to nerve pain that is associated with diabetes.

Citalopram is also believed to begin acting quicker than older antidepressants (which may take from 4 to 6 weeks to begin showing an effect). This quicker action may mean a better quality of life for the depressed patient and more so, for his family. In the elderly depressed who are generally on medication from ailments ranging from GI problems to heart disease, its speed of onset and lack of interaction with other drugs are a definite plus point.

Riding the stress wave...



Fine movement is one of the first casualties in Parkinson's



Neurologists have now begun to favor dopamine agonists as the initial PD treatment. Over 76% of the neurologists surveyed by the American Parkinson's Disease Association opined that initial therapy with dopamine agonists helps delay levodopa therapy, and therefore dyskinesias...

52nd American Academy of Neurology proceedings

One of the new products added to Synergy's therapeutic basket was the antiparkinson Ropark (ropinirole). This product is truly termed revolutionary for Parkinson's disease, and belongs to a new class of compounds called dopamine receptor agonists. These are believed to act by directly activating dopamine receptors. The medication in the treatment termed the gold standard for Parkinson's disease, levodopa, has an inherent drawback on long term use. At larger doses taken over a long time, it is believed to cause uncontrolled limb movement (dyskinesias). This is a limiting factor in therapy, and becomes a ceiling after which the dose cannot be increased. But by starting therapy with Ropinirole, it is possible to delay the use of levodopa till such time it becomes absolutely necessary. With more patients being detected at an early stage than ever before (early onset Parkinson's Disease), this medication effectively increases the timespan that a person with Parkinson's can take medication. Ropinirole is being studied in a number of indications such as restless leg syndrome, and certain kinds of treatment resistant depression.



THE LUCKY MAN AND DYSKINESIAS

2 years ago, celebrity TV director Michel Fox created a medical research foundation acclaimed for its work supporting PD research, specifically in the area of dyskinesia reduction....About dyskinesias Mr. Fox says "his body is moving but his mind is perfectly calm" and .. that " I can't be still, until I can literally no longer keep still..." "These dyskinesias you are seeing , it comes from too much levodopa, its difficult to get an exact dose.. it's a trade off between being able to sit and talk in a fluid way or being halted and rigid...."

from a New York Times article on Michael Fox, May 14,2002,
"The Lucky Man puts his celebrity to work", Mary Duenwald

Panel recommendation-
widening
the net...



Perhaps everyone qualifies...

The US preventive services task force (an independent medical panel nominated by the US govt.) has recently recommended that ALL adults should be screened for depression during regular visits to their doctor, since more than half cases are either missed or mistreated. Often, depression is the hidden problem in a patient's symptoms....

US Preventive Services Task Force recommendations, Annals of Internal Medicine.

Stress, depression and Wall street

Psychology doctoral candidate Alden Cass is studying wall street by immersing himself in its culture," an arcane world, dominated by money, fear and greed". This is a population that is underserved, undernoticed, he says. Of the sample of male brokers that he gathered from the top US brokerage houses, 23% of the men met the criteria for a clinical diagnosis of major depression vs 7% in the general population. Troubled by the high rate of depression in this population and the 11/9 impact on this community, Cass has now set up a firm that helps brokerages identify and treat brokers suffering from depression and anxiety...

From a Reuters news report, April 14, Business Standard

SYMBIOSIS

Symbiosis' market share moved from 10.83% to 12.52% of the participated market.

New

Topirol

Oxetol

With continuing success for older products used in the areas of psychiatry and neurology as well as increasing acceptance of newer molecules (some of which are competing brands/molecules for products from the Synergy product list), Symbiosis had a good year. With this parallel division competing in the same therapy area, both can promote products from the same therapy class to the same set of doctors.

There is, as yet, no significant change in the list of the top products- Fluvoxin, Mirtaz, Lithosun and Sizodon continue to feature in the list and Verglob (immunoglobulin treated human serum albumin) entered this list.

Important among the products introduced this year were the antiepileptics Oxetol (oxcarbamazepine) and Topirol (Topiramate). These molecules address specific patient needs.

By some estimates, more than 20% of patients taking antiepileptic medication are inadequately treated. Another interesting estimate: 50% of patients currently taking antiepileptic medication suffer from side effects that limit treatment.

The medication in Oxetol (oxcarbamazepine) is a modification of the molecule carbamazepine (marketed by the Synergy division as Zeptol) which has been in use for over 2 decades. Since oxcarbamazepine uses a different set of pathways for metabolism, there is a lesser likelihood of drug interactions and side effects.

Oxetol is approved for use as monotherapy as well as an adjunct in adults and monotherapy in children. It is being studied for use in additional indications such as bipolar mood disorder, refractory seizures, trigeminal neuralgia.



Researchers identify gene responsible for intellectual disability and Epilepsy

Intellectual disability and epilepsy often occur together and both have a genetic cause. Researchers from the women's and children's hospital in Adelaide have identified a major gene responsible for both the conditions... "This gene is found on the X chromosome and is one of hundreds on that chromosome, which when mutated, can cause intellectual disability.. This particular gene is more of a master gene, controlling cognitive ability. The team is puzzled by the fact that the same mutation in the gene results in vastly different clinical outcomes. Genetic material from 9 different families from different parts of the world were studied, and all these pointed to mutations in the same gene..."

Dr. Josef Gecz, et al

Dept of Cytogenetics and Molecular Genetics, Womens' and Childrens' Hospital, Adelaide



	(Rs. mill.)	
	2002	2001
Participated market size	2433	2153
Division market share (%)	12.52	10.83

(Data from ORG March MAT for both the years)

EXPERT GUIDELINES TO TREAT EPILEPSY



- Increased use of single antiepileptic medication before turning to combination therapy. Single drug use helps balance side effects and medication.
- Recognition that special groups such as women and older adults require different treatment strategies. Antiepileptic drugs can affect reproductive health in women of childbearing age. In older patients these medicines can impair cognitive ability, and cause dizziness and sedation. There is recognition of the fact that epilepsy cannot be treated with a "one size fits all" approach

Expert consensus guidelines to treat epilepsy,
Morell M. et al., NY Presbyterian Hospital, NY, NY.
Published in 'Epilepsy and Behavior', Nov 2001

Topirol is yet another new antiepileptic from Symbiosis. This medication is approved for use in patients with partial epilepsy who are inadequately controlled, or who do not respond to treatment (refractory)- or show difficulty in thought and learning because of their current medication. A significant indication of its safety profile is that it is approved for use in children aged 2 and older- one of the few drugs to be relatively free of learning and cognitive side effects. Topirol is believed to act by several mechanisms and hence show efficacy across a range of partial and generalized epilepsy.

In addition to its use as an epileptic, Topirol is being studied in bipolar mood disorders, where it reduces the severity of the manic symptoms. Unlike other standard medication used in bipolar mood disorders, such as lithium and carbamazepine, in some studies, Topirol was found to reduce weight.



Children's epilepsy:
getting on with
the P's and Q's

ARIAN

Arian's market share moved from 11.38% to 11.56% of the participated market.

New

Rebose



After the demonstration of success with the divisionalization of the Synergy division, this exercise in splitting divisions was extended to the Aztec division, and some of the products addressing cardiology/diabetology were split off to a new division called Arian.

With the formation of Arian, we are trying to ensure that tomorrow's likely star brands Pioglit, Repace H (both promoted by the Arian division) as well as Irovel and Cardivas (promoted by the Aztec division) are promoted adequately without losing focus, and without cannibalizing market share.

Arian has begun its existence with an impressive list of top brands - Glucored, Korandil, Pioglit and Repace H.

Repace and Repace H are now replacing older molecules like atenolol in the treatment of hypertension. In addition to lowering blood pressure, losartan, the medication in Repace, was shown to improve the heart's pumping action, and thus reduce the risk of congestive heart failure. As a complication of long standing uncontrolled hypertension, at times the left side of the heart becomes stiff (technically called left ventricular hypertrophy) and pumps too little blood, while the right side pumps normally, filling the lungs with blood, which can eventually lead to pulmonary edema and death.

An eye opening trial called LIFE*, compared atenolol, one of the most commonly used 1st line antihypertensives with losartan, the medication in Repace. Both medications lowered blood pressure, but losartan did more: as versus atenolol it reduced the likelihood of cardiovascular death and stroke by a significant number.

Even in a group of diabetics with hypertension which is otherwise a group at high risk for cardiac problems, losartan was more effective in reversing the stiffness and malfunction of the left ventricle.

One more odd stacked against her



DIABETES AND THE FEMALE GENDER...

Women with type 2 diabetes have dramatically increased risk of all kinds of coronary heart disease... in women who have had diabetes for more than 15 years, the risk is as high as that of previous heart disease. While the reason for increased atherogenesis in women is not completely known, in part this is related to lipid abnormalities, high TG, low levels of HDL (the good cholesterol). Diabetes has a more damaging effect on women than on men, since it eliminates the female hormone based advantage for death from heart disease.

Archives of Internal Medicine, 2001
"the Impact of Diabetes Mellitus on mortality from all causes and CHD in women after 20 years of followup "



TLC for the heart

	2002	2001
Participated market size	4862	3646
Division market share (%)	11.56	11.38

(Data from ORG March MAT for both the years)

The DEADLY quartet



- 1 Most adults with diabetes have modifiable risk factors, but are inadequately counseled by their doctors about these...
- 2 Hypertension occurs in 56% diabetics vs. in 22% non-diabetics
- 3 Elevated cholesterol occurs in 41% diabetics versus 20% non-diabetics
- 4 78% of diabetic adults were found obese as versus 21% of the non-diabetic population

Archives of Internal Medicine, 2002

"Modifiable Cardiovascular risk factors in Adults with diabetes prevalence and missed opportunity for physician counseling"



Pioglit, the antidiabetic we launched last year continues to do exceedingly well, because of its safety profile and control over blood sugar levels. Pioglitazone (the medication in Pioglit) received a boost after the EVIDENT[#] trial results were announced. This trial comparing pioglitazone and rosiglitazone, showed blood sugar control with both but pioglitazone offered additional cholesterol lowering effect. It increased the good cholesterol (HDL) while sharply cutting the extent of bad cholesterol (TC, LDL and TG). These results were critical -the most common cause of death in diabetics is cardiovascular.

Korandil (Nicorandil) is yet another of our recent products that is quietly settling into "gold standard level" for stable angina. Kornadil had sales in excess of Rs.35mill . In a UK trial called IONA[®], nicorandil was found to possess cardioprotective properties in addition to anti-ischemic effects. Nicorandil so far, is the only drug to have improved outcomes in this class. It may change the way stable angina is treated altogether.

US trials are not too many- apparently in the US, in patients who have stable angina, rather than medication, revascularisation procedures (angioplasty/bypass with stenting) are preferred.

IONA[®]: Impact of nicorandil in Angina trial

LIFE^{*}: Losartan intervention for end point reduction trial

EVIDENT[#]: Effects of Pioglitazone and Rosiglitazone on blood lipids and glycemic control of patients with type 2 diabetes trial

AZTEC

Aztec's market share moved from 11.83% to 12.41% of the participated market.

New

Clopilet

Irovel H

Monosprin

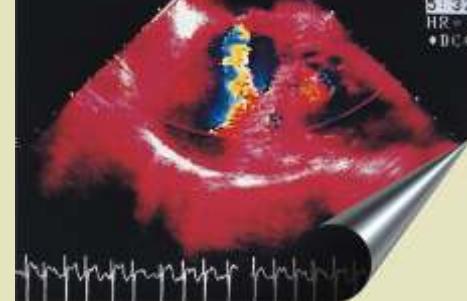
Rezult M

Over the last year, there has been a significant change in the line up of products from the Aztec division as several star brands have emerged- now, other than Monotrate, all the brands in the top 5 are new products that have been introduced within the last few years. For instance, Clopilet (clopidogrel) was introduced only after April 2001 and within this short span has emerged as one of the best launches in the pharma industry and front runner for the division. A sharp price cut driven by competitive reasons in mid 2001 has only helped increase volumes, as patients are prescribed aspirin + clopidogrel combination, instead of aspirin.

New products and innovative campaigns such as a graphology analysis campaign, patient benefit campaign and diabetes detection camps have helped propel the division to a top slot with core customers.

Among major products that were launched last year, Cardivas and Aztor continue to move up the sales ratings backed by several trials that promote their use more quickly or in new indications.

After an across the market price cut for atorvastatin brands, there has been a more than proportionate increase in the number of units sold, and Aztor has become the 2nd ranked brand among all atorvastatin molecules. Atorvastatin, the medication in Aztor received approval for new dosage strengths. This offers greater choice to the physician for titrating the drug as required. This supplements data from trials discussed last year- atorvastatin should be prescribed as quickly as possible after a heart attack, preferably within a 24-hour window.



	(Rs. mill.)	
	2002	2001
Participated market size	5590	4115
Division market share (%)	12.41	11.83

(Data from ORG March MAT for both the years)

STROKE FOLLOWS THE CLOCK

High risk early morning

The timing of stroke is similar to that of acute MI, MI and sudden cardiac death.. Early morning is associated with a higher risk of onset of stroke symptoms irrespective of the type of stroke. A second peak period happens in the evenings

Archives of Neurology, 2002,59,48-53



Practice guideline update for unstable angina is a shot in arm for clopidogrel, statins

The American College of Cardiology and the American Heart Association recently published practice updates for unstable angina and NSTEMI, these updates recommendations from a year ago.

In addition to aspirin and heparin, all patients with unstable angina and NSTEMI must receive clopidogrel, since this limits the capacity of platelets to bind blood cells into clots

Statins are almost mandatory to treat elevated LDL cholesterol... starting statins early is crucial.

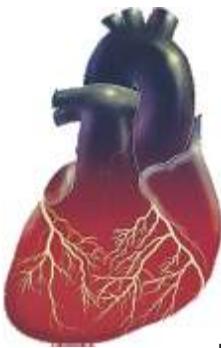
ACC and AHA guidelines March 15/2002, as announced online

Depression and Stroke



Depressive disorder is a risk factor for stroke that appears to be independent of additional cardiovascular risk factors. This was the finding from a 13 year follow up of a sample of 1700 households from Baltimore. People with depression were 2.6 times more likely to report stroke, this was after the researchers took into account heart disease, hypertension, diabetes and tobacco use... more research is required on this link....





Cardivas is quickly emerging as another major product for the division, and is ranked no. 1 among all carvedilol brands. In this note last year, we had indicated the manner in which the ethical committee monitoring COPERNICUS', the crucial trial involving carvedilol, had recommended stopping the trial and extending the obvious benefits to all patients in the trial instead of the test group alone. We had also briefly mentioned the CAPRICORN** trial. Even in patients who have suffered a heart attack, treating with carvedilol together with standard therapy, helps. In such patients carvedilol reduces the risk of a second heart attack by 42% and of death by 23%. In recent times, carvedilol has received approval in some countries to treat across a range of CHF-mild, moderate and severe. Carvedilol is the only drug of its class (B blockers) recommended for severe heart failure.

Now for the new products. One interesting feature of these products is the fact that for the first time perhaps, late stage complications of disease, such as End Stage Renal Disease are addressed. Some of the products address an entire cluster of diseases that occur together- for instance, hypertension, diabetes and cardiac failure. Key among products launched this year were Irovel H (irbesartan + HCTZ) and Clopilet (clopidogrel).

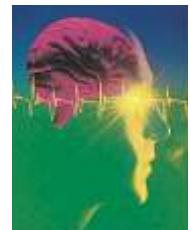
The medication in Irovel and Irovel H, irbesartan, was the subject of additional studies that showed overwhelming benefits in diabetic patients with renal disease. Two major studies, PRIME® and IRMA 2® prompted the EU's decision to clear a new indication for irbesartan, in the treatment of diabetic renal disease in patients with hypertension and type 2 diabetes. In these studies, irbesartan was found to delay the development of renal disease in the first place; and should it have already set in, to delay the progression to End Stage Renal Disease. This kidney protective effect was found to be independent of its efficacy as an antihypertensive. After the publication of the RENAAL[#] study, which we had mentioned in these pages last year, this marks the second set of important studies indicating a clear benefit in diabetics with renal disease. Irbesartan seems well positioned to emerge as the drug of choice for this quickly growing patient segment.

DEFINITIONS

Acute coronary syndrome :
severe chest pain, even at rest,
a mild form of heart attack- episodes
are caused by blood clot formation
in the arteries leading to the heart.

Unstable angina :
When too little blood and oxygen
reaches the heart tissue, as a result of
blood clots that intermittently or partially
block an artery. Symptom is sudden chest pain at rest or while doing minimal work.

NSTEMI : full fledged heart attacks with damage to the heart muscles. As versus this unstable angina patients have ischemia but no permanent damage



Preventive
maintenance?
Stopping a clot
before it forms

Stroke was a disease area that had remained relatively unaddressed by our divisions. With the introduction of Clopilet (clopidogrel), an anticoagulant, Aztec entered this high growth critical area. At the end of the year, Clopilet emerged as the largest selling brand in the category. Not surprisingly, even after substantial price erosion in the product, the increase in number of unit because of switching from older products has earned the product a healthy growth rate. Several studies support the use of the antiplatelet agent, clopidogrel in patients at risk for heart attack, and approvals for additional indications by regulatory authorities is expected to add to the potential for this drug.

In a pivotal study called CURE^{##}, clopidogrel was found to reduce the risk of heart attack, stroke or death from cardiovascular disease by over 20% when used along with aspirin compared to aspirin alone. The list of approved indications has later been expanded to include Acute Coronary Syndrome (ACS), a serious and commonly encountered indication. According to expert estimates, the use of a clopidogrel+ aspirin combination in ACS can prevent 50,000 - 100,000 heart attacks, strokes and deaths in North America alone every year.

Clopidogrel received a strong vote of confidence when it featured in the updated practice guidelines for unstable angina and myocardial infarction.

CURE^{##}: Clopidogrel in unstable angina to prevent recurrent events trial
RENAAL[#]: Reduction of endpoints in NIDDM with A2 antagonist Losartan
COPERNICUS^{*}: Carvedilol prospective randomized cumulative survival trial

CAPRICORN^{**}: Carvedilol post infarct survival control in LV dysfunction trial
PRIME[®]: program for irbesartan mortality and morbidity evaluation trial
IRMA2[®]: Irbesartan microalbuminuria type 2 diabetes mellitus in hypertensive patients trial

SUN

Sun's market share moved from 9% to 9.33% of the participated market.

The gastroenterology range continues to feature prominently in the Sun divisions' top selling brand list (Pantocid, Mesacol, Octride) as well as the list of new products (Colvac, Mozax MPS).

Pantocid, the antipeptic ulcerant has overtaken Alzolam as the largest selling product for the division, a few years after launch. Pantocid IV (injection) which was launched for the first time in India gained quick acceptance and continues to hold a large share of the Pantoprazole IV market in India.

Alzolam, the antianxiety/panic/post trauma stress medication continues to feature among the top products for the company and the industry. The growth rate has slowed due to the presence of several local companies at a fraction of the price. One significant milestone in the Alzolam group was the introduction of Alzolam 0.125 for the first time in India.

Celact, the Cox 2 inhibitor for use in chronic and acute chronic painful conditions such as osteoarthritis and rheumatoid arthritis is gaining volumes despite pricing pressure. Celact MD (mouth dissolving) tablet provides faster onset of action. This was launched recently, again a product brought for the first time to India. The sales of celecoxib formulation should get a boost from trial results showing that celecoxib is a safe product as regards its cardiovascular profile. This is important since many arthritis patients may be elderly and may have a history of existing cardiovascular problems.

Anxiety, Depression and Sept 11

Mrs. R thought she would be better by now. Instead she is more anxious, more afraid, more paranoid. 6 months after Sept 11, she cannot sleep. She is overeating, taking antidepressants and her home is a mess... she says she is moving out of New York city because she is haunted by the roar of airplanes flying, afraid that her 22nd storey apartment building is the next terrorist target... the hate, fear and insecurity are overwhelming, she says... she did not know anyone at the WTC and was miles away at her job when the center came down.

"there is a deep sense of uncertainty", says a New York psychiatrist.. "it has to do with a sense that safety that was taken for granted that was ripped away with a suddenness". Many therapists and psychiatrists say they are seeing a more serious problem now and more evidence of widespread anxiety than they did after Sept 11... in most cases these professionals are treating patients who did not lose a relative or a friend or witness the attack.

Many therapists say their patients continue to have nightmares about bombs, terrorists, plane crashes, and to struggle with decisions they made, such as changing jobs or leaving marriages. Therapists have also seen a notable increase in psychosomatic symptoms such as hives, wobbly legs, stomach pain and vertigo. Says a doctor who specializes in post traumatic stress disorder " a lot of people say they should be over this by now... that it didn't happen to me... why is it affecting me so much? But its something in our consciousness that was never there before... its an imprint, its like something that gets etched into us..."

NYT, March 11, 2002 : Sarah Kershaw



	(Rs. mill.)	
	2002	2001
Participated market size	9509	8279
Division market share (%)	9.33	9.00

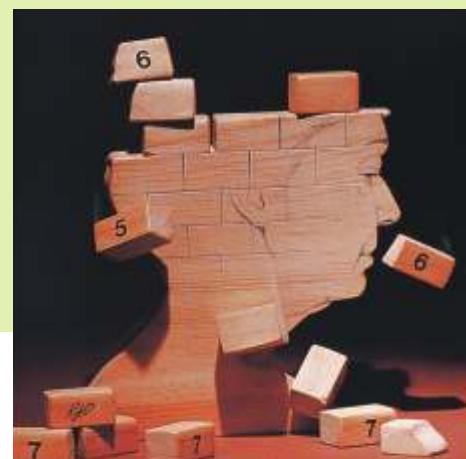
(Data from ORG March MAT for both the years)

Crohns' Disease: Plants and Humans share gene...

Crohns disease is an inflammatory bowel disease in which the inner lining of the gut is chronically inflamed. Researchers have traced this to a genetic abnormality on the nod2 gene on chromosome 16, which is also found in plants. Scientists say this possibly helps form the first line of defence against infections. This is the first time ever a plant gene was recognized in humans...

Associated Press, May 22,2002/ Nature, May 2002

9/11 shattered several perceptions of reality





In the peptide lab
at SPARC

Among the gastroenterology range is the specialized product Octride, a peptide analogue, which is used to treat variceal bleeding (bleeding from the lining of the gut), pancreatic complications and some forms of gastric cancer. Octride made significant progress this year, with sales of more than Rs. 45 million.

Ever since the takeover of brands from the erstwhile TDPL, orthopedics has been an important focus area for the company. While this area is getting increasingly competitive, quick new product introduction has helped the division differentiate with products that have a chronic use rather than products like painkillers that are used for a limited time.

Tizan SR, a sustained release form of tizanidine finds use in increased muscle tone associated with spasticity of various kinds (spasticity after stroke, spasticity in MS patients, spasticity after spinal cord injury, cerebral palsy and brain injury)

Another product with a differentiation edge is Hydroquin, an arthritis disease-modifying drug. Both these are expected to help differentiate the division as a serious contender in this key therapy subsegment, arthritis.

Migraine features among the top 20 disabilities worldwide as listed by WHO. The introduction of Suminat Nasal Spray, a novel dosage form that allows migraine patients to have quick relief with "any time anywhere" convenience will help the company further consolidate its presence in the evolving anti-migraine market.

*Helping break free
of the chains of migraine*



SOLARES

**Solares' market share moved from
1.86% to 1.69% of the participated market.**

New

Smoquit

OD phyllin

Somastat

Flease

Combitide

Gatiflox

Deslor

Budez nasal

Sompraz

Solares witnessed the most aggressive new product introduction for the year, with 9 products launched, mainly in the key therapy areas of respiratory/asthma. Among older products, Rofact continued to add strength based on data showing it to have a better gastrointestinal profile since it causes less ulcers.

Somastat (somatostatin) is a lifesaving gastroenterological drug launched by this division. Somastat treats liver cirrhosis of different kinds (alcohol related, cirrhosis due to hepatitis B and C), bleeding from esophageal varices and a life threatening condition called pancreatic fistula.

Deslor, a 3rd generation antihistamine is a good example of a "pure" compound. Deslor contains desloratadine, the dextro isomer of the drug which is 15 times more potent than loratadine. Unlike loratadine, it has a quicker onset and is non-sedating. The availability of a safe, non-sedating drug will improve compliance.

Another such potent drug launched this year was Sompraz, (esomeprazole). Esomeprazole, like its parent compound omeprazole, is a proton pump inhibitor. Esomeprazole promotes ulcer healing but with a much longer duration of action since it follows a different route of metabolism in the liver.



	2002	2001
Participated market size	34734	32002
Division market share (%)	1.69	1.86

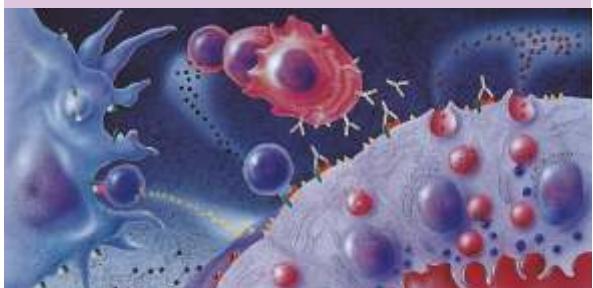
(Rs. mill.)
(Data from ORG March MAT for both the years)

AN ASTHMA MARKER?

Experts now believe that C reactive protein in the blood, which is a marker of inflammatory activity, could also be a signal for asthma in addition to a link to stroke, osteoporosis, diabetes, alzheimer's disease and artery blockages.

Anti-inflammatory steroids have for long been used in asthma. But the exact manner in which this inflammatory process is triggered is yet to be understood. In asthma, the likely triggers for inflammation could be airborne allergens like dust mites and pollen. Like all chronic ailments, lifestyle seems to play a predisposing role.

**Duenwald M., Jan 22, 2002,
Body's defender goes on attack,
New York Times**



*Therapy updates:
pointing the
right direction*

National Asthma guidelines update is released

After a review of research in this area for the last 5 years, an update of the National Asthma guidelines were issued. These guidelines recommend:

- Inhaled steroids as first line for children and adults with persistent asthma, because these improve lung function and quality of life
- A stepwise approach to asthma where treatment is adjusted based on the severity of the disease
- While doctors know more about the safety of inhaled steroids now, studies involving combinations with newer drugs such as B2 agonists need to be done in special groups such as children
- The evidence of inhaled steroid use in children was reassuring
 1. potential risk of delayed growth is temporary
 2. concerns on reduced bone mineral density and suppressed adrenal function are not significant
- Not enough is known about what increases the severity of disease and whether continued treatment can prevent progression in children
- The panel recommended a new class called leukotriene modifiers as alternative therapy for mild persistent asthma
- Antibiotics were not be used for an acute attack except if an infection (pneumonia/sinusitis) was present

NAEPP Expert Panel Report-
update on selected topics, June 10, 2002

A purer, safer and more potent version of current medicines?

May sound like a dream, but features in the realm of reality. Among products that have reached market based on this principle are desloratadine (the medication in Deslor), esomeprazole,(the medication in Sompraz) and escitalopram, which has recently been introduced in international markets. These drugs offer only the active metabolite or the single isomer of the earlier version. They are free of contaminants/drug forms that may cause side effects or reduce efficacy.



Now, for a quick review of the antiasthma drugs added to the Solares portfolio this year

OD Phyllin (once a day theophylline) offers an easy to administer once a day formulation of the asthma medication theophylline, which has been in use for over 50 years. OD Phyllin specifically offers better breathing on waking in the morning and reduces the requirement of the inhaled drug.

Floease (fluticasone), is a steroid with strong antiinflamatory activity and properties that positions it for use as a preventive rather than a rescue treatment to control acute attacks. Fluticasone can help reduce the dose or eliminate oral steroids that need to be taken. Patients taking high doses of inhaled steroids like beclomethasone and budesonide can be switched to lower (about half) the dose of fluticasone inhaler. The drug is well tolerated.

Combitide (fluticasone + salmeterol) was yet another anti-asthma inhaler added to the product portfolio- since both the medications in this product address different parts of the disease process, the net effect is synergistic. Patients on Combitide should be able to reduce or eliminate the use of oral steroids totally.

Budez nasal spray delivers the drug directly to the nasal mucosa, in the treatment of allergic/non allergic rhinitis and nasal polyps.

Smoking cessation, though not directly a part of Solares' focus areas of respiratory/asthma, is an attention area because of the link between smoking and lung disease. Smoquit, a product for smoking cessation, is believed to act by bringing the elevated dopamine and norepinephrine levels that smoking causes, back to normal. This is the first non-nicotine pharmacological treatment for this problem. Of an average of the 40% of active smokers who attempt to quit every year, as many as 30% desist from smoking for a day, and about 5% successfully give up the habit.



Cost due to major tobacco related diseases, cancer, heart ailments, respiratory disorders in India in 1999: about Rs. 28,000cr

Estimated number of cancer cases due to tobacco in India: 1,63,500

Absolute no. of deaths due to tobacco: 6 to 10 lacs

WHO estimates: By 2020, 13% of all deaths in India will be due to tobacco related disease

SPECTRA

Spectra's market share moved from 1.73% to 1.93% of the participated market.

New

Accucal

Dazit

Susten Inj

Mifeprin



Spectra is now being slowly recognized as a company competing in the gynec/derma space. Susten, Anofer, Sterotop, Dazolic- among the products launched in the last few years is helping the division build trust and customer relationships.

A mix of products characterizes the manner in which the portfolio is being built. One set of products addresses specific treatments, products such as Susten (for luteal phase support in pregnancy), Dazolic (gram-negative anaerobic infections), Sterotop (for atopic dermatitis). Products of a more "general" nature also make up the list : Anofer (for vitamin, iron supplementation), Roxetomin (a macrolide antiinfective for soft tissue infections).

This product mix is being built with the prescribing practices of gynecologists and dermatologists in mind, hence the preference for introducing products that they normally prescribe.

Among new products launched are Accucal (Calcium, Magnesium and Vit D3) which has been formulated to meet the body's increased requirements for calcium as in old age, pregnancy and lactation. Vit D3 promotes calcium absorption, magnesium acts as an antacid/heartburn reliever and corrects any deficiency of this trace mineral.

Important among new products introduced was Susten Inj. Susten injection contains natural progesterone for the treatment of threatened abortion (when there is a risk of losing the foetus before completion of pregnancy), as well as certain kinds of uterine bleeding.

New introductions by this division likely to emerge as star products are Mifeprin (mifepristone) and Zitotec (misoprostol), drugs for safe abortion. Deciding whether and when to have a child is one of the most important and private decisions that a woman can make. By making a medical alternative for abortion available at an early stage (as against a surgical procedure that may need anaesthesia), women can now decide for themselves about the option to solve failed contraception/unwanted pregnancy. Perhaps the best feature of this procedure is that it is private and needs to be known only to the doctor and the patient. Surgical trauma, which might be a sequel to surgical termination of pregnancy, is avoided. The drawbacks are few and are limited to the fact that this is a prolonged process and since this is medically induced, it is difficult to predict the exact time of the abortion.



	(Rs. mill.)	
	2002	2001
Participated market size	26023	24837
Division market share (%)	1.93	1.73

(Data from ORG March MAT for both the years)

much more than cramps

Endometriosis is a chronic disease involving the endometrial tissue. Normally endometrial tissue is found only inside the uterus, the reproductive organ where a fetus develops. Hormones direct the tissue to build up to prepare for a fertilized egg. If conception does not occur, the tissue passes out of the body during menstruation. Endometriosis occurs when tissue from the uterine lining is found outside the uterus. It may attach to organs in the abdomen, pelvis or another location. Outside the uterus, the tissue continues to respond to hormones. It swells, breaks down and bleeds. Surrounding tissue becomes inflamed, often with scarring.



Hormonal Therapy

Hormones are an option for women who are not trying to become pregnant. Birth control pills and other drugs that interfere with estrogen production may decrease pain and shrink the size and number of endometrial growths.

Surgery

For severe symptoms or for women who want to get pregnant, doctors can try to remove endometrial growths, often with laser surgery.



INCA

Inca' market share moved from 1.21% to 1.61% of the participated market.

New

Atcuron

Oxiplat

Letroz



Inca emerged as the fastest growing division among all existing divisions (although on a relatively small base). New products were introduced in its focus areas of anaesthesiology, anticancer and infertility management.

Atcuron was an important addition to Inca's anesthesia offering, with Vecuron already featuring among the largest brands for the division. Atcuron will help Inca further consolidate market share in the injectable muscle relaxant market.

Products used in infertility treatments are now contributing to a larger part of the divisions' portfolio than ever before, and currently 2 of Inca's top 5 brands are used in this area-GMH and Puregest.

Oncology has been identified as one of the primary growth drivers for the division.

Of the new products, Oxiplat (oxaliplatin) and Letroz (letrozole) are important additions to Inca's oncology treatment basket.

Sun Pharma was the first among Indian companies to introduce these products in the Indian market at reasonable prices (imported brands were being sold at international prices). This ensured that the latest cancer treatments were within the reach of a large number of Indian patients.

Oxiplat, an anticancer drug that finds use in metastatic colorectal cancer was an important addition to Inca's therapeutic armamentarium. Oxaliplatin, the medication in Oxiplat is a safer line of treatment compared to current therapy and new data is supports its use as first line for metastatic colorectal cancer.

Breast cancer is the second largest cancer affecting Indian women with as many as 80,000 new cases reported every year. Letroz is approved as first line therapy for metastatic estrogen dependent breast cancer in post menopausal women. This category of patients accounts for more than 60% of the total breast cancer cases. Letrozole belongs to a class called "selective aromatase inhibitors", these inhibit conversion of androgen to estrogen thus prevent tumor growth. Letroz is superior to the widely used Tamoxifen in terms of tumor response and survival. The use of Letrozole in neoadjuvant and adjuvant settings further extends the horizons for Letroz.



(Rs. mill.)

	2002	2001
Participated market size	2898	2629
Division market share (%)	1.61	1.21

(Data from ORG March MAT for both the years)

In 2000, the number of cases of invasive breast cancer in the US

185000

According to WHO, the incidence of breast cancer is increasing in most countries, with 50% of the world's breast cancer load in the developing world.

60800+

new cases of breast cancer were detected in India in 2001

1 of 58 women suffer from breast cancer in urban India



MILMET

Milmet's market share moved from 6.43% to 6.85% of the participated market.

New

Ocucin

Predmet

Select new product launches and an increasing emphasis on chronic subsegments within the ophthalmology area marked the Milmet range. The emphasis on chronic treatment products acts as a hook for the rest of the range- products used in acute treatments such as antiinfectives, antiinfective-antiinflammatory combinations, antifungals, eye allergies. Products used in-clinic (like cycloplegics and mydriatics) as well as in surgery (viscoelastic solutions) move based on ease of use, experience, trust and comfort level with the product.

Recent research that seems to support antiglaucoma use in high-risk patients with elevated eye pressure should augur well for Milmet's brand Timolet GFS (timolol maleate gel forming solution)

Patients with dry eye complain of sandy-gritty irritation or burning in their eyes. These symptoms are often confused with inflammation of the meibomian gland lining the eye.

In patients with dry eye, the symptoms get worse as the day goes on. At night, closure of the eyelids forms a watertight seal completely blocking evaporation and giving the eye surface a chance to recover. Once the eyes open, evaporation begins, and as the day proceeds, tear evaporation pulls further and further ahead of tear production, tear osmolarity increases, and patients develop worsening symptoms.

Why dry eye? Reasons are many - lacrimal gland disease, Decreased corneal sensation, Meibomian gland dysfunction.

Ophthalmologists carry out a detailed eye examination to arrive at the root cause of dry eyes, and treat it appropriately.

Dudrop, one of Milmet's products is used to treat dry eyes. Dudrop is isotonic and provides electrolyte balance that precisely matches that of the human tear film. With this electrolyte balance, growth, maintenance, and repair can proceed.

Glucoma is often referred to
**as the sneak thief
of sight...**

Dr Ronald Gross
of the Baylor College of Medicine
as quoted in a Reuters story

it occurs with no pain or symptoms.. many a times patients do not notice a difference in peripheral vision until the problem has progressed..."



	(Rs. mill.)	
	2002	2001
Participated market size	1984	1679
Division market share (%)	6.85	6.43

(Data from ORG March MAT for both the years)

Eye drops prevent Glaucoma in study

A recent study reported that the treatment of elevated pressure inside the eye can be effective in delaying the onset of glaucoma in high risk patients. (Archives of Ophthalmology, June 2002). Pressure lowering eyedrops can reduce by over 50% the development of open angle glaucoma, the most common kind. Elevated eye pressure occurs when the fluid that flows in and out of the eye drains too slowly, gradually increasing pressure inside the eye. Increased pressure damages the optic nerve and causes a loss of peripheral vision.

As the disease worsens, the field of vision narrows and blindness can result. By some estimates 4-7% of the population over 40 have elevated eye pressure and are at risk of glaucoma. So far, doctors did not know if treating elevated eye pressure delayed the onset of the disease. This study offers a basis for a decision.



NEW PRODUCTS

PRODUCT	USE
MILMET Ocucin (ofloxacin eye drops) Predmet (prednisolone eye drops)	antiinfective antinflammatory
ARIAN Rebose (acarbose)	oral antidiabetic
AZTEC Clopilet (clopidogrel) Irovel H (irbesartan + hctz) Monosprin DS (isosorbide mononitrate SR + aspirin) Reztul M (rosiglitazone + metformin)	anticlotting agent antihypertensive antianginal antidiabetic
SYNERGY Oleanz rapitabs (olanzapine rapidly dissolving) Bupron SR (bupropion SR) Citopam (citalopram) Ropark (ropinirole) Liofen inj intrathecal (baclofen)	antipsychotic smoking cessation antidepressant antiparkinson spasticity
INCA Atcuron (atracurium besylate) Oxiplat (oxaliplatin) Letrox (letrozole)	anaesthetic anticancer anticancer
SPECTRA Acucal (calcium elemental citrate, magnesium, vit d3) Dazit (desloratadine) Mifeprin (mifepristone) Susten inj (progesterone)	vitamin and calcium supplement anti-allergy pregnancy termination pregnancy maintenance
SYMBIOSIS Topirol (topiramate) Oxetol (oxcarbazepine)	antiepileptic antiepileptic
SUN Hyflex prefilled syringe (sodium hyaluronate for intrarticular inj) Colvac (sodium picosulphate) Celact MD (celecoxib mouth dissolving) Suminat nasal spray (sumatriptan) Hydroquin (hydroxychloroquin) Tizan SR (tizanidine sustained release) Mozax MPS (mosapride MPS)	arthritis of the knee laxative pain management anti-migraine rheumatoid arthritis chronic pain GERD, gastric ulcers
SOLARES Smoquit (bupropion SR) OD Phyllin (OD theophylline) Somastat (somastatin) Floease (fluticasone MDI) Combitide MDI (fluticasone + salmeterol MDI) Gatiflox (gatifloxacin) Deslor (desloratadine) Rofact RT (rofecoxib rapidly dissolving) Budez nasal spray (budesonide) Sompraz (esomeprazole)	smoking cessation anti-asthma variceal bleeding anti-asthma anti-asthma antiinfective anti-allergy pain management anti-asthma peptic ulcers

BULK DRUGS

5-amino Salicylic Acid	Meloxicam
Alendronate Sodium	Metamizol Magnesium
Acamprostate Calcium	Metaxalone
Amifostine	Metformin Hcl
Atorvastatin Calcium	Methylphenidate Hcl
Azithromycin	Metoprolol Succinate
Bupropion Hcl	Mirtazapine
Buprenorphine Hcl	Mitoxantrone Hcl
Buspirone Hcl	Mosapride Citrate Dihydrate
Carboplatin	Naltrexone Hcl
Carbamazepine	Nicorandil
Carvedilol	Octreotide
Cisplatin	Olanzapine
Citalopram Hydrobromide	Ondansetron Hcl
Clarithromycin	Oxaliplatin
Clomipramine Hcl	Oxcarbazepine
Clonazepam	Oxethazaine
Clopidogrel Bisulfate	Pamidronate Disodium
Desipramine Hcl	Pentoxifylline
Desmopressin Monoacetate	Pioglitazone Hcl
Desloratadine	Piroxicam Beta-cyclodextrin
Divalproex Sodium	Prednicarbate
Dobutamine Hcl	Quetiapine Fumarate
Dothiepin Hcl	Riluzole
Eptifibatide	Rivastigmine Tartrate
Erythromycin	Rofecoxib
Esomeprazole Magnesium	Ropinirole Hcl
Flurbiprofen	Rosiglitazone Maleate
Fluvoxamine Maleate	Roxithromycin
Gabapentin	Sodium Valproate
Glimepiride	Tetrabenazine
Irbesartan	Tizanidine Hcl
Lacidipine	Topiramate
Lercanidipine	Tramadol Hcl
Letrozole	Valproic Acid
Leuprolide Acetate	Venlafaxine Hcl
Losartan Potassium	Ziprasidone Hcl
Loteprednol Etabonate	

D I R E C T O R S ' R E P O R T

Your Directors take pleasure in presenting the Tenth Annual Report and Audited Accounts for the year ended 31st March, 2002.

F I N A N C I A L R E S U L T S	(Rs. Million)	
	Year ended 31st March, 2002	Year ended 31st March, 2001
Total Income	7590	6211
Profit after tax	1686	1352
Dividend		
Preference Shares	14	41
Equity Shares Final (Previous year Interim)	234	234
Corporate Dividend tax	1	33
Transfer to various Reserves	1327	664
Rate of dividend including interim on equity shares	50%	50%
Book value per equity share (Rs.)	114	93

The current year's results include figures of erstwhile M.J. Pharmaceuticals Ltd (MJPL), which has been merged with the Company with effect from January 1, 2002.

50%

DIVIDEND

An interim Dividend of 10.5% (previous year interim dividend 9.5% p.a.) p.a. was paid to the preference share holders at the Board Meeting of the Company held on 28th November, 2001. Your Directors are pleased to recommend an equity dividend at the rate of 50% for the year ended 31st March, 2002 (previous year 50%) on the equity share capital.

R&D Center, SPARC, Baroda



MANAGEMENT DISCUSSION AND ANALYSIS

There are two achievements that we'd like to begin this report with:

- 1 Sun Pharma was rated among the best companies for 2002 worldwide (turnover less than \$500 mill) by the business magazine Forbes Global. We featured among 10 companies selected from India, and more than 20000 companies featured globally
- 2 Sun Pharma was also selected as the top rated company among the top 10 Indian companies (Express Pharma Pulse award for overall excellence-2002, market share over 2.5%).

Industry Outlook

The pharma industry continues to grow at a healthy 10-12% rate, despite a drop in growth rates for large therapy areas such as antibiotics/tonics.

Speciality therapy areas continue to grow at a significantly higher rate than that for the industry. Some of the factors responsible for this growth: Increasing awareness of chronic disease areas, availability of better treatments, switching to newer therapies that offer discernable advantages in areas like parkinsons', epilepsy and hypertension. In speciality areas, competition has not only helped increase awareness, but increased promotion by a large number of companies has spurred market growth.

As India prepares for the post 2005 years, regulatory and legal practices and procedures that pertain to intellectual property rights are being brought in line with those followed internationally.

2 important moves in this direction during the course of the year were the announcement of the drug policy (including the criteria for the DPCO), and the Patents bill.

The new DPCO is based on the essential drugs list from the Ministry of Health and WHO as a starting point, and uses competitive intensity based on the ORG Retail Chemist Audit as a filter to arrive at a list of pharmaceuticals. The final screen that was considered in order to reduce the number of products within the span of control was cost of therapy less than Rs. 2/ per day. These screening factors seem to leave room for the market to determine the appropriate price levels for most products. It is expected that the final version will address the country's essential healthcare needs while allowing a sensible return on investment, generating returns that can be ploughed back to research.

The patent bill was passed by the parliament, with provisions for checks and balances such as ensuring that patents are not extended to perpetuity, provision for allowing development work on a patent during its patent life.

COMPANY PERFORMANCE

Total income increased 22.2%, net profit increased 24.8% over last year. The domestic formulations business, your company's largest contributor to turnover, grew by 26% to Rs. 4661mill. Exports, mainly speciality bulk actives, grew 18.2%.

Increasing the lead over competition with speciality marketing and innovative products is the area of the highest priority within the company. Customer relationships are perhaps the strongest moat one can create around a business, based on a mix of intangibles that are definable and concrete but difficult to replicate. We continue to apply these skills in the core therapy areas of our interest as well as the newer therapy areas that we have entered in the past few years.

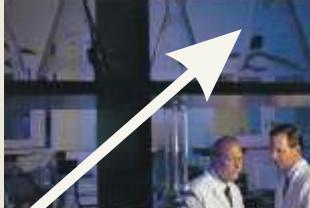
Continuing the thread of discussion from the last annual report, your company reiterates its commitment to becoming a better company, not merely a bigger company. We continue to emphasize the importance of strong brands, research and international markets- and have been taking several steps during the course of the year in order to fortify these areas.

In the domestic prescription market as per the ORG Retail Chemist Audit for March 2002 we closed the year at 5th rank with a 20% growth rate which continues to be well in excess of the growth number of the pharma industry. Market share was up to 2.80%, from 2.61% last March. We are very optimistic about growth opportunities and shall work at adding to market share.

6 brands continue to gradually move up the list of the most prescribed 300 pharma brands in the country : Monotrate, Glucored, Alzolam, Encorate, Zeptol, Pantocid.

In all, 48 brands feature among the top 3 by molecule. New products introduced in the last 4 years accounted for 40% of domestic formulation sales. Speciality products build over time as prescriptions are written for new patients, and patients who are inadequately controlled by older therapies are switched. A speciality product pipeline generally increases in size over time as versus acute therapies that tend to have sales spurts.

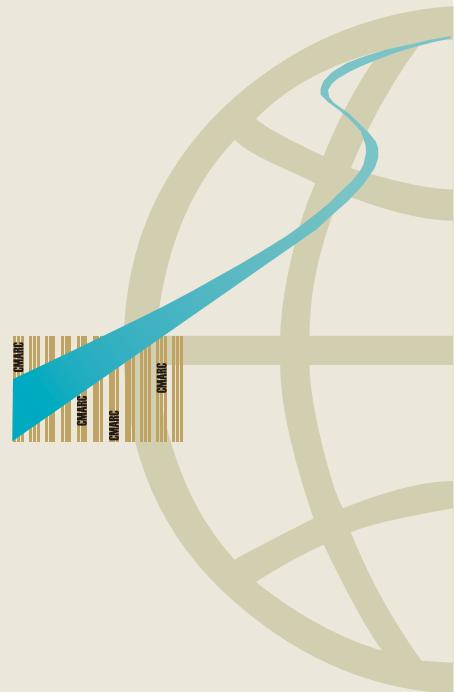
20% GROWTH



CMARC'S SPECIALIST LIST

A signal of intensifying competitive interest in speciality therapy areas was the repetitive price cutting seen with several interesting molecules that would have, at a sensible cost per day of therapy, offered good potential. In fact, in several of these brands have reached blockbuster status for innovator companies in large international markets.

In terms of rankings with specialists, in core therapy areas, we continue to hold our ranks while increasing prescription share. In the newer therapy areas we are gradually making a headway as we earn customer trust with products and field strategy. Our strategy here is to continue to introduce products with a technology advantage, apply the time-tested pharma marketing formula of carefully selected doctor list/call frequency/ repeat coverage to generate prescriptions. Such "on the ground" strategies tend to have a lasting impact as versus price based competition. The success that we've had with Susten (progesterone) in the Spectra division, is a case in point. Spectra, the division that handles women's health products, was relaunched last year with a refurbished product line, including brands inherited from the erstwhile TDPL. Susten's success helped the division gain a degree of credibility and acceptance with a new class of customers. Several interesting products are ready for launch to fortify Susten's success



caraco

UPDATE ON CARACO

We continue to be strongly upbeat about the US generic market, with Caraco now well on track to a profitable future.

The number of prescriptions filled with generics in the US continues to increase. One significant change- which we had briefly mentioned last year, is the increasing interest that decision-makers and influencers are beginning to have, in the way that generic law is interpreted in the US. FTC*, the senate, large businesses, buying houses and associations such as the AARP** appear to be much more watchful of company moves than they were a year ago. Laws relating to patent extensions and out of court settlements (between brand and generic companies) are coming under close scrutiny. These positive signs are indicative, on a macro level, of far greater attention to the manner in which healthcare costs are viewed in the US.

After the first lot of approvals received last year, Caraco continued to receive new ANDA approvals from the USFDA. The number of ANDAs received so far now total 6 (these address a \$300mill market), 6 more filings await approval (these address a \$390mill odd market after generisation). Caraco is expected to file for 1 or 2 products per quarter this year, and this will help to build future pipelines. Caraco currently has a reach encompassing over 50% of the US generic market.

For December 2001, Caraco posted sales of \$5.92mill and a loss of \$5.75mill (of which R&D related loss was \$3.08mill). On a much more encouraging note- for the first quarter of 2002, Caraco posted its first operating profit in 12 years of existence and the 5th year after we took equity in the company. At the net level, for q1, sales were \$3.3mill and loss \$0.52mill. In the second quarter of 2002, Caraco raised \$1.7mill through the issuance of fresh equity to a private investor. This was a reassuring signal of the value that remains untapped in Caraco, and the opportunity horizon ahead.

As Caraco stabilizes, in addition to a speciality generics strategy that was being followed so far, the company will also begin to make complex filings with exclusivity advantages or an innovation advantage. We are committed to maintain the pace of new opportunities at Caraco.



Caraco Pharm Labs, Detroit

* FTC : Federal Trade Commission

**AARP : American Association of Retired Persons

INTERNATIONAL MARKETS - DOSAGE FORMS

We are immensely excited about opportunities ahead of us in the international dosage form markets and have been putting in place the necessary infrastructure and resources to address these markets.

We now have 90 PSR and 35 supervisory/ managerial personnel (directly and through our agents) in place across the 36 markets that we are present in. These shortlisted countries fall into 3 broad categories with similar characteristics. Our broad strategy across these markets is to focus on the top 3 products in each type of market, so that we eventually reach identification/ownership with the product/therapy area in that country. As we put our strategy in place, we expect this part of our business to register exciting growth, partly because the base itself is so small and the opportunities immense.

INTERNATIONAL MARKETS - SPECIALITY BULK ACTIVES

Several of our bulk active plants have received international regulatory approvals in the last few years- Ahmednagar received USFDA approval, ISO 9002 and ISO14001 certifications, Panoli received ISO9002 certification, and will be offered for USFDA inspection shortly. Substantial upgradation was also carried out at Ankleshwar and Chennai, which will now be used for the domestic and neighboring markets. We have already witnessed an increase in the value addition for products after they receive US FDA approval. Across plants, 4 US Drug master files have been filed with the FDA, with 10 dossiers ready to file. 4 Files for Europe have been submitted and are awaiting approval.

The increasing proportion of sales of speciality bulk actives to customers in regulated markets will offer higher realizations for our speciality bulk active business.

research

INNOVATION BASED RESEARCH

In the biological research lab,
Baroda

Efforts during the course of the year were focused on meeting our 2-year research objective: In innovation based research, to have one NCE and 3 delivery system products in human trials. To this end, an increasing proportion of time and resources have been invested in research, a trend that is expected to gather momentum going ahead. At 4.5% of turnover, investments in research now exceed Rs. 1200 mill.

Like every year, the investments in projects at SPARC enabled more than 35 products (not counting line extensions) and 12 bulk actives to reach market. Our marketing divisions continue to hold the record for the number of new products introduced-4 of these (Edegra, Clopilet, Mozax, Pioglit) featured among the top 30 launches in the pharma industry for 2001 (based on ORG data for Dec 2001).

The continual stream of new products helped us meet our objective of 40% sales from products launched in the last 4 years. For several of these products, we have put our reverse engineering skills to good use in order to bring products to the Indian market soon after their international launch by innovator companies.

To summarize what we've said earlier, over the short term the emphasis is reverse engineered speciality bulk actives and formulations for India and traditional markets. This year, as a proportion of the R&D spend, the allocation to this area has actually decreased, with a larger proportion now getting spent on medium and long term projects.

Last year, when we wrote to you, we had outlined how across the Indian pharma industry a change in business mix was being witnessed. Companies are beginning to receive a small but important part of their revenue stream from research from early stage licensing deals. International markets are quickly becoming the fastest growing part of the business. We believe that this is just the beginning of a trend, but once this trend is well underway, there is little that can stop it.

Across sections of the Indian pharma industry, understanding of the legal and regulatory aspects, particularly those related to the US generic market - is getting closer to our understanding of the domestic market. One reason for this change is perhaps the inflow of revenues that can follow from an application of the fine print (with deployment of required resources) from areas of the FDA law relating to exclusivity, such as para 4 and section 505b2. This only goes to show that once infrastructure and resources are put into place, Indian companies have the potential to grow into formidable players in the US generic market. Our oft-tested reverse engineering skills give us a headstart.

NDDS projects that we are pursuing offer returns over the medium term, and projects in the areas of transdermals, DPIs and biodegradable membranes are progressing satisfactorily.

In the area of NCE, projects in three specific therapy areas of our interest continue, and we are fairly excited by the progress so far. Our strategy is based on an analogue drug discovery model, with known pharmacophores. Our current synthesis and screening capability is to be increased shortly. Currently we synthesise 14 compounds /week, screen 100 compounds/week invitro, 12/week invivo and 15/day in animal models. As always, we refrain from sharing more information about our progress in the area of innovation till we have the requisite intellectual property rights in place.

Now a word about the new research campus for innovation at Baroda . Construction work for 150,000 sq.ft of floor area, is progressing. The site will be made operational in a phased manner, and as it becomes operational we expect labs to begin and scientists (current staff working on nce/ndds at SPARC and new recruits) to transfer to this site. The mammoth task of adding new employees at SPARC is well underway.

In Mumbai, a new site has been bought and renovation/expansion work has started for a new product development lab for the international markets. This will add 50,000 sq. ft floor area to our research facility, and will be used for filings for US and Europe in addition to select ndds projects.

The Indian pharma sector is at the threshold of exciting opportunity, but each step ahead will require work that is absolutely world-class and knowledge management caliber of a superior level. By our estimates, Sun Pharma should be committing \$15mill every year to research in the nce/ndds area in the next 2/3 years. The entire team at SPARC is geared to manage the transition from a process driven to an innovation driven organization.

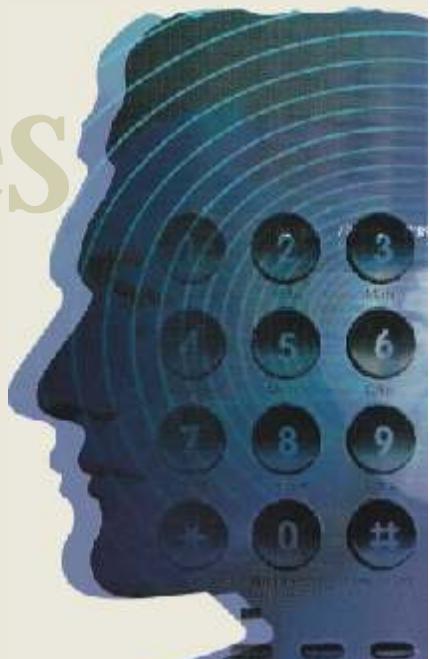


*In the tissue culture lab,
Baroda*

human resources

FOSTERING TEAM SPIRIT

The proof of our intent and interest in raising the floor on capability within the team is in implementation- this year, a total of 18 programs covering over 320 participants was completed. 260 internal promotions were made across the team. Team Sun Pharma now numbers over 3000 employees. The opportunity for career growth and cross-functional career switches is one reason we have a fairly successful record in retaining key people. Since the work requirement itself acts as a screen, the team that thrives and delivers in this fast paced atmosphere is one that is working towards the same set of ideals. This spirit-grit, hard work and honest ambition- is the most valuable asset at Sun Pharma. As an intangible, it's one that your directors are hard placed to attribute a precise number to. Your directors wish to thank Team Sun Pharma for their enthusiastic effort and winning spirit.



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

Additional Information

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

Corporate Governance

Certificate dated 30th May, 2002 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, is 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.

Finance

All the banks in consortium continue to offer their highest rating to your company enabling it to source funds from banks at the finest rate of interest. CRISIL continued to reaffirm their highest rating of "P1+", for your Company's Commercial Paper Program throughout the year.

During the year under review, your Company completely redeemed the outstanding 49,07,500 Non Convertible Redeemable Preference Shares of Rs.100 each as per the terms of the issue.

The Company does not offer any Fixed Deposit schemes.

Delisting of Company's Equity Share from the Stock Exchanges of Ahmedabad, Delhi, Kolkata and Chennai

As you would be aware that the members at the Company's Ninth Annual General Meeting held on 28th November, 2001 had approved by way of a special resolution the Company's proposal for voluntary delisting of the Company's Equity Shares from the Stock Exchanges-Ahmedabad, the Calcutta Stock Exchange Association Ltd, Madras Stock Exchange Ltd and the Delhi Stock Exchange Association Ltd. The Company had proposed voluntary delisting on account of nil/low volume of trading of Company's equity shares on such exchanges and ample availability of NSE and BSE terminals across the whole of the country in all major cities. The Company's equity shares will remain to be listed at the Stock Exchange Mumbai, the National Stock Exchange of India Ltd and Vadodara Stock Exchange Ltd. Shri Dilip S. Shanghvi, the promoter of the Company made an offer to the shareholders of the Company of the respective regions viz. Gujarat, West Bengal, Chennai, Pondicherry, Delhi and Haryana as required by SEBI guidelines reference No. SMDRP/CIR.14/98 dated 29-04-1998. The promoter of the Company has despatched the consideration for the equity shares tendered to the respective shareholders and all the required procedures for delisting from the respective regions shall be completed by 30th June, 2002.



Directors

Shri Sailesh T. Desai and Shri Sudhir V. Valia retire by rotation and being eligible offer themselves for reappointment.

Shri Dilip S. Shanghvi's term of appointment as Managing Director expires on 31st March, 2003. Under the leadership of Shri Shanghvi the Company has attained all round growth in its business. Your Directors recommend the re-appointment of Shri Shanghvi for a further period of 5 years.

Directors' Responsibility Statement

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

That in the preparation of the annual accounts for the financial year ended 31st March, 2002, the applicable accounting standards have been followed along with proper explanation relating to material departures;

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

That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

That the Directors have prepared the annual accounts for the financial year ended 31st March, 2002 on a 'going concern' basis.

Auditors

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

Acknowledgements

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

Mumbai,
30th May, 2002

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



BOARD OF DIRECTORS

Mr. Dilip S. Shangvi

Chairman & Managing Director

Mr. Sudhir V. Valia

Wholetime Director

Mr. Sailesh T. Desai

Wholetime Director

Mr. S. Mohanchand Dadha

Director

Mr. Narendra N. Borkar

Director

Mr. Hasmukh S. Shah

Director

SR.VICE PRESIDENT – FINANCE AND COMPANY SECRETARY

Mr. R. K. Baheti

AUDITORS

Price Waterhouse

Chartered Accountants

Mumbai.

BANKERS

Bank of Baroda

State Bank of India

Standard Chartered Bank

ICICI Bank Ltd

Bank of Nova Scotia

Citibank N. A.

REGISTRARS & SHARE TRANSFER AGENTS

Intime Spectrum Registry Ltd.

260-A, Shanti Indl. Estate,

Sarojini Naidu Road,

Mulund (West), Mumbai – 400 080.

Tel.: 5923837, 5647731

Fax: 5652757

e-mail: isrl@vsnl.com

Additional Collection Centre

201, Daver House,

197/199 Dr. D. N. Road,

Mumbai – 400 001

Tel.: 2656927/29

OFFICES

REGISTERED

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

CORPORATE

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

RESEARCH CENTRES

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

Sun Pharmaceutical Advanced Research Centre
(SPARC)

Kalina, Santacruz (East),
Mumbai – 400 099.

PLANTS

FORMULATIONS

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

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

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

BULK DRUGS

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

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Tenth Annual General Meeting of the Members of Sun Pharmaceutical Industries Limited will be held at Hotel Holiday Inn, Convention Centre, Akota Gardens, Vadodara 390 020 on Wednesday, 28th August, 2002, at 12.00 noon to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Balance Sheet as at 31st March, 2002, the Profit & Loss Account for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To confirm payment of interim dividend on Preference Shares and declare dividend on Equity Shares.
3. To appoint a Director in place of Mr. Sailesh T. Desai, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. Sudhir V. Valia, who retires by rotation and being eligible, offers himself for reappointment.
5. To re-appoint Messrs. Price Waterhouse., Chartered Accountants, Mumbai as the Auditors of the Company and to authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS

6. To consider, and if thought fit, to pass, with or without modification(s) the following Resolution, as an Ordinary Resolution.

"RESOLVED THAT the Authorised Capital of the Company be and is hereby increased from Rs.110,00,00,000/- (Rupees One Hundred Ten Crores only) divided into 8,50,00,000 (Eight Crore Fifty Lakhs) Equity shares of Rs.10/- (Rupees Ten only) each and 25,00,000 (Twenty Five Lakhs) Preference Shares of Rs.100/- (Rupees One Hundred Only) each to Rs.130,00,00,000/- (Rupees One Hundred Thirty Crores only) consisting of Equity Share Capital of Rs.100,00,00,000/- (Rupees One Hundred Crores only) divided into 10,00,00,000 (Ten Crores) Equity shares of Rs.10/- each and Preference Share Capital of Rs.30,00,00,000/- (Rupees Thirty Crores only) divided into 30,00,000 (Thirty Lakhs) Preference Shares of 100/- (Rupee One Hundred only) each".

7. To consider, and if thought fit, to pass with or without modification(s), the following resolution, as an Ordinary Resolution:

"RESOLVED THAT subject to the provisions contained in Article 71 of the Articles of Association of the Company and provisions of the Companies Act, 1956, the Authorised Preference Share Capital of the Company amounting to Rs.30,00,00,000 (Rupees Thirty Crores only) be and is hereby sub-divided from 30,00,000/- (Thirty Lakhs) Preference Shares of Rs. 100/- (Rupees One Hundred only) each to 30,00,00,000 (Thirty Crores) Preference Shares of Re. 1/- (Rupee One Only) each".

8. To consider, and if thought fit, to pass with or without modification(s), the following Resolution, as an Ordinary Resolution:

"RESOLVED THAT the existing Clause V of the Memorandum of Association of the Company relating to share capital be and is hereby altered by deleting the same and substituting in place thereof, the following as new Clause V :

V. The Authorised Share Capital of the Company is Rs. 1,300,000,000/- (Rupees One Thousand Three Hundred Millions only) divided into 100,000,000/- (One Hundred Millions) Equity Shares of Rs.10/- (Rupees Ten only) each and 300,000,000/- (Three Hundred Millions) Preference Shares of Re. 1/- (Rupee One Only) each, with power to increase or reduce such capital from time to time and power to divide the shares in the capital for the time being into other classes and to attach thereto respectively such preferential, convertible, deferred, qualified or other special rights, privileges, conditions or restrictions and to vary, modify or abrogate the same in such manner as may be determined by or in accordance with the regulations of the Company or the provisions of the law for the time being in force."

9. To consider, and if thought fit, to pass with or without modification(s), the following Resolution, as a Special Resolution:

"RESOLVED THAT in pursuance to the provisions of Section 31 and all other applicable provisions, if any, of the

Companies Act, 1956, the existing Clause 4 of the Articles of Association of the Company be and is hereby altered by deleting the same and substituting in place thereof, the following as New Clause 4 :

4. "The Authorised Share Capital of the Company is Rs. 1,300,000,000/- (Rupees One Thousand Three Hundred Millions only) divided into 100,000,000/- (One Hundred Millions) Equity Shares of Rs.10/- (Rupees Ten only) each and 300,000,000/- (Three Hundred Millions) Preference Shares of Re. 1/- (Rupee One Only) each, with power to increase or reduce such capital from time to time and power to divide the shares in the capital for the time being into other classes and to attach thereto respectively such preferential, convertible, deferred, qualified or other special rights, privileges, conditions or restrictions and to vary, modify or abrogate the same in such manner as may be determined by or in accordance with the regulations of the Company or the provisions of the law for the time being in force. "

10. To consider and, if thought fit, to pass with or without modification(s) the following Resolutions as Special Resolutions:

"RESOLVED THAT pursuant to the applicable provisions of the Companies Act, 1956 and the Articles of Association of the Company and in accordance with the guidelines issued by the Securities & Exchange Board of India (SEBI) and subject to such other necessary approvals, if any required, and pursuant to the recommendation of the Board of Directors of the Company, an aggregate sum not exceeding Rs.18,71,77,232/- (Rupees Eighteen Crores Seventy One Lakhs Seventy Seven Thousand Two Hundred Thirty Two Only) drawn out of the Company's Capital Redemption Reserve Account or such accounts as are permissible to be utilised for the purpose, be and is hereby capitalised and the sum not exceeding Rs. 18,71,77,232/- (Rupees Eighteen Crores Seventy One Lakhs Seventy Seven Thousand Two Hundred Thirty Two Only) be transferred to Share Capital and be applied for issue and allotment of 6% Cumulative Redeemable Preference Shares not exceeding 18,71,77,232 (Eighteen Crores Seventy One Lakhs Seventy Seven Thousand Two Hundred Thirty Two) 6% Cumulative Redeemable Preference Shares of Re.1/- (Rupee One Only) each as Bonus Shares credited as fully Paid-up, to the Members of the Company holding Equity Shares of Rs.10/- (Rupees Ten only) each, whose names stand on the Company's Register of Members on such date ("Record Date") as the Directors may determine, in the proportion of 4 (Four) 6% Fully-Paid Bonus Cumulative Redeemable Preference Shares of Re.1/- (Rupee One Only) for every 1 (One) Equity Share of Rs.10/- (Rupees Ten only) held as on the Record Date and that the new Bonus Preference Shares so issued and allotted shall be treated for all purposes as an increase of the nominal amount of the Preference Share Capital of the Company in addition to the nominal amount of Equity Share Capital held by each such member and not as income and the said Bonus Cumulative Redeemable Preference Shares be issued and allotted, inter alia, on the following terms and conditions:

- (a) The new Cumulative Redeemable Preference Shares of Re. 1/- (Rupees One Only) each to be issued and allotted as Bonus Cumulative Redeemable Preference Shares shall be subject to the Memorandum and Articles of Association of the Company;
- (b) No Letters of Allotment shall be issued for the Bonus Cumulative Redeemable Preference Shares and in case the shares are held in demat form the Bonus Cumulative Redeemable Preference Shares will be credited to the demat account of beneficiary shareholder within the permitted time and in case the shares are held in physical form, the Share Certificates in respect thereof shall be delivered within Three months from the date of their allotment;
- (c) The issue and allotment of Fully-Paid new Cumulative Redeemable Preference Shares as Bonus Shares to the extent that they relate to non-residents shall be subject to the approval of Reserve Bank of India under the Foreign Exchange Management Act, 1999 (including any statutory modification(s) or re-enactment thereof for the time being in force) as may be required;

RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution, and for removal of any difficulty or doubt, the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee which the Board may constitute to exercise its powers, including the powers conferred by this Resolution) be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, expedient, usual or proper and to settle any question or difficulty that may arise with regard to the issue and allotment of Bonus Preference Shares as aforesaid or any other matters incidental or consequential thereto."

11. To consider and, if thought fit, to pass, with or without modification(s) the following Resolutions as Special Resolutions:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the

Companies Act, 1956 read with Schedule XIII to the Companies Act, 1956 and subject to such sanction(s) as may be necessary in law, Mr. Dilip S. Shangvi be and is hereby re-appointed as the Managing Director of the Company for a further period of Five years effective from 1st April, 2003 to 31st March 2008, on the terms and conditions (including the remuneration to be paid to him in the event of loss or inadequacy of profits in any financial year during the aforesaid period) set out in the draft Agreement submitted for approval to this meeting and for identification initialed by the Chairman which Agreement is hereby specifically sanctioned with liberty to the Board of Directors to alter, vary and modify the terms and conditions of the said appointment and/or Agreement, in such manner as may be agreed to between the Board of Directors and Mr. Dilip S. Shangvi within and in accordance with the limit prescribed in Schedule XIII of the Companies Act, 1956 or any amendment thereto and, if necessary, as may be agreed to between the Central Government and the Board of Directors as may be acceptable to Mr. Dilip S. Shangvi.

RESOLVED FURTHER THAT in the event of any statutory amendments, modifications or relaxation by the Central Government to Schedule XIII to the Companies Act, 1956, the Board of Directors be and is hereby authorised to vary or increase the remuneration (including the minimum remuneration), that is, the salary, commission, perquisites, allowances, etc. within such prescribed limit or ceiling and the aforesaid draft agreement between the Company and the Appointee be suitably amended to give effect to such modification, relaxation or variation, subject to such approvals as may be required by law.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take such steps expedient or desirable to give effect to this Resolution".

By Order of the Board of Directors

Place : Mumbai
Date : 28th June, 2002
Registered Office:
SPARC, Akota Road,
Akota, Vadodara – 390 020.

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

Notes :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.

The Proxy form duly completed must reach the Registered Office of the Company not later than forty eight hours before the time appointed for holding the meeting.

2. Listing of Equity Shares :

The shares of the Company continue to be listed at the Stock Exchanges at Vadodara, Mumbai and the National Stock Exchange. The Company has made applications for delisting of its equity shares from the Stock Exchanges of Ahmedabad, Delhi, Kolkata and Chennai and the Company has complied with all the conditions in this respect. The Stock Exchange listing fee has been paid to each of the Exchanges within the stipulated time.

3. The Register of Members and Share Transfer Books of the Company will be closed from Friday, 23rd August, 2002 to Wednesday, 28th August 2002 (both days inclusive).
4. As per the provisions of the Income Tax Act, 1961 as amended by the Finance Act, 2002, tax @ 10.5% is required to be deducted at source if the gross amount of dividend payable to a Resident Individual Shareholder during the financial year exceeds Rs.1000/-.

Resident Individual Shareholders who are likely to receive dividend amount of more than Rs.1000/- during a financial year and their total estimated income from dividend and other sources as provided in Section 197A(1B) of the Income Tax Act during such financial year is not likely to exceed Rs.50,000/- can claim gross dividend without deduction of tax at source by submitting declaration in Form No.15G (in duplicate) with the Company's Registrars M/s. Intime Spectrum Registry Ltd., [Unit: Sun Pharmaceutical Industries Ltd] 260-A, Shanti Industrial Estate, Sarojini Naidu Road, Mulund (West), Mumbai 400 080 on or before 23rd August, 2002. Please note that it will not be possible for the Company to act

upon 15G declarations received thereafter.

5. Unclaimed Dividends declared upto the financial year ended on 31st March, 1995 of the Company and of the erstwhile Tamilnadu Dadha Pharmaceuticals Limited which has been merged with the Company with effect from 1st April, 1997 have been transferred to the General Revenue Account of the Central Government and the same can be claimed by such Members from the Registrar of Companies, Gujarat, CGO Complex, Opp. Rupal Park, Naranpura, Ahmedabad 380 013, Gujarat.

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

Members who have not encashed their dividend warrants, for the financial year ended 31st March, 1996 and onwards may approach the Company's Registrar & Transfer Agents, M/s. Intime Spectrum Registry Ltd, 260-A, Shanti Industrial Estate, Sarojini Naidu Road, Mulund (West), Mumbai 400 080 for revalidating the warrants or for obtaining duplicate warrants. It may also be noted that once the unclaimed dividend is transferred to the Investor Education and Protection Fund as above, no claim can be made by the respective shareholders for the same.

6. The Members of erstwhile Tamilnadu Dadha Pharmaceuticals Limited (TDPL), erstwhile Gujarat Lyka Organics Limited (GLOL) and erstwhile Pradeep Drug Company Limited (PDCL) who have yet not sent their share certificates of erstwhile TDPL, GLOL and PDCL respectively for exchange with the share certificates of Sun Pharmaceutical Industries Limited are requested to do so at the earliest, since share certificates of the erstwhile TDPL, GLOL and PDCL held by them are no longer tradable.

Please note that as per the Notification of SEBI, Sun Pharmaceutical Industries Limited's shares are under compulsory Demat trading with effect from 29th November, 1999 for all the investors. You may, therefore, demat your equity share holdings if not already demated, to avoid any inconvenience.

Please note that as per the Business Rules of National Securities Depository Ltd. (NSDL), all shareholders can exercise their option to receive bonus preference shares either in electronic form or physical form. Therefore, we request you to indicate your option for further course of action.

- A. In case you hold the shares in dematerialized form and wish to receive the bonus preference shares in physical form, we request you to confirm the same in writing on or before 16th September, 2002. In case we do not receive your confirmation, the bonus preference shares will be issued in the dematerialized form.
- B. In case you hold the shares in physical form and wish to receive the bonus preference shares in dematerialized form, we request you to provide your client account particulars along with the DP ID in the format provided on page No.48 on or before 16th September, 2002. In case we do not receive the details, the bonus preference shares will be issued in physical form.

Please communicate the above details, superscribing the envelope 'BONUS PREFERENCE SHARE ISSUE" to the Company's Registrars, Intime Spectrum Registry Ltd., Unit: Sun Pharmaceutical Industries Ltd., 260-A, Shanti Industrial Estate, Sarojini Naidu Road, Mulund (West), Mumbai 400 080.

9. Members/proxies should bring the attendance slip duly filled in for attending the meeting.

Explanatory Statement under Section 173(2) of the Companies Act, 1956

The Explanatory Statement for item No.6 to 11 of the accompanying Notice set out hereinabove is as under:

Item No. 6 :

The present Authorised Capital of the Company is Rs.110,00,00,000/- (Rupees One Hundred Ten Crores only) comprising of Equity Share Capital of Rs.85,00,00,000/- (Rupees Eighty Five Crores only) divided into 8,50,00,000 (Eight Crores Fifty Lakhs) Equity shares of Rs.10/- (Rupees Ten only) each and Preference Share Capital of Rs.25,00,00,000/- (Rupees Twenty Five Crores only) divided into 25,00,000 (Twenty Five Lakhs) Preference Shares of Rs.100/- (Rupees One Hundred Only) each.



As per the rehabilitation scheme of amalgamation/merger of erstwhile M. J. Pharmaceuticals Ltd (MJPL) with the Company duly sanctioned by the Hon'ble Board for Industrial and Financial Reconstruction (BIFR) at its hearing held on 3rd May 2002, the residual MJPL after its restructuring has been merged with our Company with effect from 1st January, 2002. MJPL had the Authorised Capital of Rs.20,00,00,000/- (Rupees Twenty Crores only) comprising of Equity Share Capital of Rs.15,00,00,000/- (Rupees Fifteen Crores only) divided into 1,50,00, 000 (One Crore Fifty Lakhs) Equity shares of Rs.10/- (Rupees Ten only) each and Preference Share Capital of Rs. 5,00,00,000/- (Rupees Five Crores only) divided into 5,00,000 (Five Lakhs) Preference Shares of Rs.100/- (Rupees One Hundred Only) each. In view of the merger of residual MJPL with the Company the Authorised Capital of MJPL gets added to the Authorised Share Capital of the Company.

Hence it is proposed to give effect to such increase, pursuant to the said BIFR merger order of MJPL, in the Authorised Share Capital of the Company so as to reflect the same correctly in Company's Memorandum and Articles of Association of the Company.

The Resolution as set out in item No. 6 of the Notice will be placed before the meeting for the approval of the members.

None of the Directors of the Company is interested in the resolution.

ITEM Nos. 7, 8 and 9:

The Authorised Share Capital of the Company shall be Rs.130,00,00,000/- (Rupees One Hundred Thirty Crores Only) after giving effect to the resolution No.6 as above consisting of Equity Share Capital of Rs.100,00,00,000/- (Rupees One Hundred Crore Only) divided into 10,00,00,000 (Ten Crores) Equity Shares of Rs.10/- (Rupees Ten only) each and Preference Share Capital of Rs.30,00,00,000/- (Rupees Thirty Crores Only) divided into 30,00,000/- (Thirty Lakhs) Preference Shares of Rs. 100/- (Rupees One Hundred only) each.

Since the Company is proposing to issue 6% Fully paid Bonus Cumulative Redeemable Preference Shares of Re.1/- each as Bonus Preference Shares to the Equity shareholders of the Company, hence it is proposed to divide the Authorised Preference Share Capital par value from Rs.100/- to Re.1/- without affecting the total Authorised Share Capital of the Company.

Hence it is proposed to alter Clause V of the Memorandum of Association and Article 4 of the Articles of Association of the Company.

The Resolution as set out in Item Nos. 7 and 8 of the Notice will be placed before the meeting for the approval of the Members by Ordinary Resolution and Item No.9 will be placed before the Members for the approval of the Members by Special Resolution since amendments to the Articles of Association of the Company under section 31 of the Companies Act, 1956 requires the members' approval by way of Special Resolution.

None of the Directors of the Company is interested in the resolution.

A copy of the Memorandum and Articles of Association of the Company showing proposed alterations is available for inspection at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on any working day prior to the date of the Meeting and at the venue of the Annual General Meeting on the date of the Meeting during the Meeting hours.

Item No. 10:

As stated above, it is proposed by the Board of Directors of the Company to issue 18,71,77,232 (Eighteen Crores Seventy One Lakhs Seventy Seven Thousand Two Hundred Thirty Two Only) Bonus 6% Cumulative Redeemable Preference Shares of Re. 1/- each in the proportion of 4 (four) 6% Cumulative Redeemable Preference Shares of Re.1/- each for every 1 (one) Equity Share of Rs.10/- each held in the Paid-up Equity Share Capital of the Company by capitalisation of Capital Redemption Reserve or such reserves as may be decided/permited, amount to the extent of Rs.18,71,77,232 (Rupees Eighteen Crores Seventy One Lakhs Seventy Seven Thousand Two Hundred Thirty Two Only) subject to the approval of the Members of the Company and such other approvals as may be required.

TERMS OF ISSUE OF BONUS PREFERENCE SHARES

1. The face value of Preference Shares is Re.1/- per share.
2. Every Equity Shareholder as on the Record Date (to be decided by the Board of Directors) shall be entitled to 4 (Four) 6%

Cumulative Redeemable Preference Shares of Re.1/- (Rupee One Only) each credited as fully paid-up by way of Bonus Shares for every 1 (One) existing Equity Share held by him on the Record Date.

3. The Preference share shall be redeemed at par compulsorily at the end of 5 years from the date of allotment.
4. The Preference Shares shall be redeemable at par at the option of the Preference Shareholder any time from 1st December, 2002 to 28th February, 2003. The Board will announce from time to time the period during which redemption will take place in subsequent years.
5. The Preference Shares can be redeemed in one or more tranches.
6. Income Tax and other taxes if any on such redemption as may be applicable to the Preference shareholder at the time of redemption shall be payable by the Preference shareholder. Income Tax will be deducted at source as applicable.
7. Preference Shares shall carry dividend at the rate of 6% per annum, subject to deduction of tax at source as may be applicable. The dividend will be paid to the Preference shareholders whose names appear in the Register of Members as on the relevant Record Date(s) declared for the purpose of payment of dividend.
8. The Preference Shares are proposed to be listed at the Stock Exchanges, where the Equity Shares of the Company are listed, subject to approval of the Stock Exchanges and concerned authorities. The Preference Shares shall be freely transferable subject to applicable regulations in this behalf.
9. The Company reserves the right to amend the terms of Preference Shares subject to such approvals as may be required. Any modification of rights of Preference Shareholders can be made as per the provisions of the Companies Act, 1956.
10. The issue of Preference Shares is subject to the provisions of Articles of Association of the Company, the Companies Act, 1956 and other applicable regulations and such other approvals as may be required. The issue and allotment of fully-paid new Preference shares as Bonus Preference shares to the extent that they relate to non-residents shall be subject to the approval if required, of Reserve Bank of India under the Foreign Exchange Management Act, 1999.
11. The Preference Shares will be issued in dematerialized form to the shareholders who have demated their Equity Shares as on the Record Date and in physical form to the shareholders who hold shares in physical form as on the Record Date. Those Shareholders who are holding shares in physical form and has sent the request form for demat to the Company's Registrars before the stipulated date will get the shares in dematerialized form.

The resolution as set out in Item No.10 of the Notice will be placed before the Meeting for the approval of the Members.

None of the Directors of the Company is interested in the resolution except to the extent of their respective shareholdings in the Company and shareholding in the Company of their relatives and/or concerns/companies/bodies corporate in which they may be interested or indirectly either as a shareholder and/or as a director and/or otherwise.

Item No. 11:

At the Sixth Annual General Meeting of the Company held on 24th July,1998 shareholders had approved the re-appointment of Mr. Dilip S. Shanghvi as Managing Director of the Company for a period of 5 years from 1st April,1998. Under the leadership of Mr. Dilip S. Shanghvi, the Company has recorded all round growth in its business. The term of Mr. Dilip S. Shanghvi as Managing Director expires on 31st March, 2003.

The main terms and conditions of Mr. Dilip S. Shanghvi's re-appointment shall be as under:

- i. Mr. Dilip S. Shanghvi to perform such duties and exercise such powers as are entrusted to him by the Board.
- ii REMUNERATION:

The remuneration payable shall be determined by the Board from time to time within, however, the maximum limits set forth below:

- a Salary (including bonus) upto Rs.7,50,000/- (Rupees Seven Hundred Fifty Thousands Only) per month.

b Commission:

Subject to availability of profit and at the rate of not more than 1% of the net profit for the year, the Board of Directors will determine the commission payable within the overall ceiling laid down in sections 198 and 309 of the Companies Act, 1956 and Schedule XIII as may be applicable from time to time.

c Perquisites:

He will be entitled to furnished/non furnished accommodation or house rent allowance, gas, electricity, medical reimbursement, leave travel concession for self and family, club fees, personal accident insurance, company maintained car, telephone and such other perquisites in accordance with the Company's rules, the monetary value of such perquisites to be determined in accordance with the Income-Tax Rules, 1962 being restricted to Rs.1,000,000/- (Rupees One Million Only) per annum;

d Company's contribution to provident fund and superannuation fund or annuity fund, gratuity payment as per Company's rules and encashment of leave at the end of his tenure shall not be included in the computation of ceiling on remuneration and perquisites as aforesaid.

In the event of absence or inadequacy of profits in any financial year, the remuneration payable to him by way of salary and perquisites shall not exceed the maximum limit prescribed under Schedule XIII of the Companies Act, 1956.

The Board shall have the discretion and authority to modify the forgoing terms and remuneration within, however, the limit prescribed under Schedule XIII of the Companies Act, 1956.

The appointment will be for a period of 5 years, which may be terminated by either party giving to the other 30 days notice in writing or upon Mr. Shanghi's ceasing to be a Director of the Company.

In compliance with the provisions of Section 309 and other applicable provisions, if any, of the Companies Act, 1956, the details of remuneration payable to Mr. Dilip S. Shanghi are placed before the members, in general meeting, for their approval by way of special resolution.

The terms and conditions of Mr. Dilip S. Shanghi's appointment as set out above may also be treated as an abstract of the terms of the draft Agreement between Mr. Dilip S. Shanghi and the Company under Section 302 of the Companies Act, 1956.

Mr. Dilip S. Shanghi himself and Mr. Sudhir V. Valia being his relative are concerned or interested in the resolution at Item No.11 of the Notice.

The draft of the agreement to be entered into with Mr. Dilip S. Shanghi is available for inspection by any member of the Company at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on any working day prior to the date of the Meeting and at the venue of the Annual General Meeting on the date of the Meeting during the Meeting hours.

By Order of the Board of Directors

Place : Mumbai
Date : 28th June, 2002
Registered Office:
SPARC, Akota Road,
Akota, Vadodara – 390 020.

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

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

1. We have audited the attached Balance Sheet of Sun Pharmaceutical Industries Limited as at 31st March, 2002 and the relative Profit and Loss Account for the year ended on that date both of which we have signed under reference to this report. These financial statements are the responsibility of the management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of Section 227 (4A) of The Companies Act, 1956 of India (the 'Act') and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that :
 - a We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of these books;
 - c The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - d In our opinion, these financial statements have been prepared in compliance with the applicable accounting standards referred to in Section 211 (3C) of the Act.
 - e Based on the representations made by all the Directors of the Company as on 31st March, 2002 and taken on record by the Board of Directors of the Company and in accordance with the information and explanations as made available, the Directors of the Company do not, *prima facie*, have any disqualification as referred to in clause (g) of subsection (1) to Section 274 of the Act.
 - f In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account together with the Notes thereon and attached thereto give in the prescribed manner the information required by the Act and also give respectively, a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2002; and
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date.

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

Mumbai, 30th May, 2002

ANNEXURE TO THE AUDITORS' REPORT

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

- (i) (a) The Company has maintained proper records to show full particulars, including quantitative details and situation of its fixed assets.
(b) As explained to us, the fixed assets of the Company have been physically verified during the year by the Management. Since the Management is in the process of reconciling the book records and the physical inventory, we are unable to comment whether the discrepancies between the book records and the physical inventory are material.
- (ii) The fixed assets of the Company have not been revalued during the year.
- (iii) The stocks of finished goods, raw materials, packing materials and stores and spares of the Company at all its location have been physically verified by the management during the year except where physical verification of stocks lying with third parties was not carried out, confirmations have been obtained by the management.
- (iv) In our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- (v) The discrepancies between the physical stocks and the book stocks, which have been properly dealt with, were not material after taking into account necessary adjustments required to be made to the book stocks.
- (vi) In our opinion, the valuation of stocks of finished goods, raw materials, packing materials and stores and spares has been fair and proper in accordance with the normally accepted accounting principles in India and is on the same basis as in the preceding year.
- (vii) The Company has not taken any loans secured or unsecured from companies, firms or other parties listed in the register maintained under Section 301 of The Companies Act, 1956 of India (the Act). In terms of sub-section (6) of Section 370 of the Act, provisions of the Section are not applicable to the Company on or after commencement of the Companies (Amendment) Act, 1999 of India.
- (viii) In our opinion, the rates of interest and other terms and conditions of loans, secured or unsecured, granted by the Company to companies, firms or other parties listed in the register maintained under Section 301 of the Act are not *prima facie* prejudicial to the interest of the Company. In terms of sub-section (6) of Section 370 of the Act, provisions of the Section are not applicable to the Company on or after commencement of the Companies (Amendment) Act, 1999 of India.
- (ix) The parties (including employees) to whom loans or advances in the nature of loans have been given by the Company are repaying the principal amounts as stipulated and are also generally regular in payment of interest where applicable. In those cases where principle amounts and interests are not paid as stipulated, reasonable steps have been taken by the Company for recovery of the principal and interest.
- (x) In our opinion, having regard to the explanations as regards purchases, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business, for purchase of stores, raw materials including components, plant and machinery, equipment and similar assets and for the sale of goods.
- (xi) In our opinion, purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the 'Act' and aggregating during the year Rs. 50,000 or more in value in respect of each party have been made at prices which are reasonable having regard to the prevailing market prices for such goods, materials or services or the prices at which the transactions for similar goods or services have been made with other parties.
- (xii) The Company has a system of determining unserviceable or damaged stores and raw materials or finished goods on the basis of technical evaluation and on such basis, in our opinion, adequate amounts have been written off such stocks in the accounts.
- (xiii) The Company has not accepted any fixed deposits from the public during the year.

- (xiv) In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable scrap where applicable and significant. The Company has no by-products.
- (xv) In our opinion, the Company's present internal audit system is generally commensurate with its size and nature of business.
- (xvi) On the basis of records produced, we are of the opinion that, *prima facie*, the cost records prescribed by the Central Government of India under Section 209(1)(d) of the Act, have been maintained in respect of bulk drugs and formulations. However, we are not required to and have not carried out any detailed examination of such accounts and records.
- (xvii) The Company has been generally regular in depositing during the year, provident fund and employees' state insurance dues with the appropriate authorities in India.
- (xviii) At the last day of the financial year, there were no amounts outstanding in respect of undisputed income-tax, wealth-tax, sales tax, customs duty and excise duty which were due for more than six months from the date they became payable.
- (xix) During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, we have not come across any personal expenses which have been charged to Profit and Loss Account, nor have we been informed of any such case by the management other than those payable under contractual obligations and/or accepted business practices as followed in India.
- (xx) The Company is not a sick industrial company within the meaning of clause (O) of Section 3(1) of the Sick Industrial Companies (Special Provisions) Act, 1985 of India.
- (xxi) As explained to us, the nature of services rendered is such that it does not involve the consumption of materials and stores and does not require utilization of man-hours.
- (xxii) In respect of trading activities, there are no damaged goods in the possession of the Company as at 31st March, 2002.
- (xxiii) In respect of finance activities:
 - (i) The Company has generally maintained documents and records where the Company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
 - (ii) We are informed that the provisions of special statute relating to chit fund, nidhi or mutual benefit society are not applicable to the Company during the year.
 - (iii) The shares, securities and debentures have been held by the Company in its own name for which timely entries have been properly recorded.

Mumbai, 30th May, 2002

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

BALANCE SHEET AS AT 31ST MARCH, 2002

	Schedules	As at 31st March, 2002		As at 31st March, 2001
		Rs in Millions	Rs in Millions	Rs in Millions
SOURCES OF FUNDS				
Shareholders' Funds				
Share Capital	1A	467.7		794.7
Share Capital Suspense	1B	0.2		0.2
Reserves and Surplus	2	4888.5	5356.4	3858.6
				4653.5
Loan Funds				
Secured Loans	3	89.1		131.5
Unsecured Loans	4	33.2	122.3	225.6
			5478.7	5010.6
APPLICATION OF FUNDS				
Fixed Assets				
Gross Block	5	3004.9		2674.8
Less: Depreciation and Lease Terminal Adjustment		915.1		784.1
Net Block		2089.8		1890.7
Add: Capital Advances and Work-in-Progress		368.4	2458.2	91.3
				1982.0
Investments	6		825.3	644.5
Current Assets, Loans and Advances				
Inventories	7	1310.5		1479.7
Sundry Debtors	8	1077.6		939.9
Cash and Bank Balances	9	147.8		105.6
Deposit with ICICI Limited		100.0		300.0
Loans and Advances-Others	10	622.9		415.0
		3258.8		3240.2
Less: Current Liabilities and Provisions	11	832.5	2426.3	856.1
Deferred Tax Liability	12		(231.1)	0.0
			5478.7	5010.6
NOTES TO ACCOUNTS	19			

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

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

For and on behalf of the Board

DILIP S. SHANGHVI
Chairman & Managing Director

SUDHIR V. VALIA
Wholetime Director

SAILESH T. DESAI
Wholetime Director

Partha Ghosh

Partner

For and on behalf of

Price Waterhouse

Chartered Accountants

Mumbai, 30th May, 2002

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

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

	Schedules	Year ended 31st March, 2002 Rs in Millions	Year ended 31st March, 2001 Rs in Millions	Year ended 31st March, 2001 Rs in Millions
INCOME				
Income from Operations	13	7531.6	6139.0	
Other Income	14	58.2	72.1	6211.1
EXPENDITURE				
Material Cost	15	3108.8	2401.9	
Indirect Taxes	16	793.0	703.8	
Personnel Cost	17	419.5	371.5	
Operational Expenses	18	1221.9	1125.5	
Depreciation		173.8	162.1	4764.8
PROFIT BEFORE TAXATION		1872.8		1446.3
Provision for Taxation (incl. Deferred Tax)		160.0		94.5
PROFIT AFTER TAXATION		1712.8		1351.8
Exceptional Item : Cost of Investment in excess of nominal value of Shares of MJPL		26.4		0.0
PROFIT FOR THE YEAR		1686.4		1351.8
BALANCE BROUGHT FORWARD		1177.3		762.9
Balance brought forward from Amalgamating Company		0.0		34.2
AVAILABLE FOR APPROPRIATIONS		2863.7		2148.9
APPROPRIATIONS				
Dividend				
Preference Shares		13.5	41.1	
Equity Shares-Interim-Proposed		0.0	233.8	
Equity Shares-Final-Proposed		233.9	0.0	
Corporate Dividend Tax		1.4	248.8	308.0
Transferred to General Reserve		1000.0	500.0	
Transferred to Capital Redemption Reserve		327.2	1327.2	663.6
BALANCE CARRIED TO BALANCE SHEET		1287.7		1177.3
NOTES TO ACCOUNTS	19			
EARNING PER SHARE - BASIC & DILUTED		Rs. 35.72		Rs. 27.83

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

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

For and on behalf of the Board

DILIP S. SHANGHVI
Chairman & Managing Director

SUDHIR V. VALIA
Wholetime Director

SAILESH T. DESAI
Wholetime Director

Partha Ghosh

Partner

For and on behalf of

Price Waterhouse

Chartered Accountants

R. K. BAHETI

Sr. VP-Finance & Company Secretary

Mumbai, 30th May, 2002

SCHEDULES TO THE ACCOUNTS

	As at 31st March, 2002 Rs in Millions	As at 31st March, 2001 Rs in Millions
SCHEDULE 1A : SHARE CAPITAL		
Authorised		
10,00,00,000 (Previous Year 5,00,00,000)		
Equity Shares of Rs 10 each	<u><u>1000.0</u></u>	<u><u>500.0</u></u>
30,00,000 (Previous Year 60,00,000)		
Preference Shares of Rs 100 each	<u><u>300.0</u></u>	<u><u>600.0</u></u>
Pursuant to the amalgamation of M.J.Pharmaceuticals Ltd. (MJPL) with the Company, the Authorised Share Capital of MJPL comprising of 1,50,00,000 Equity Shares of Rs.10 each (Rs 150 million) and 5,00,000 Preference Shares of Rs 100 each (Rs 50 million) aggregating to Rs 200 million has been added to the respective Share Capital of the Company.		
Issued and Subscribed		
467,74,537 (Previous Year 467,56,018)		
Equity Shares of Rs. 10 each	<u><u>467.7</u></u>	<u><u>467.5</u></u>
Nil (Previous Year 49,07,500) 10.5% (Previous Year 9.5%) Redeemable, Cumulative, Non-Convertible Preference Shares of Rs.100 each fully paid, redeemable in three equal half yearly instalment at the end of second year from the date of allotment and first such repayment commencing on 13th November, 2000 or as per the terms and conditions of the offer document.	<u><u>0.0</u></u>	<u><u>327.2</u></u>
	<u><u>467.7</u></u>	<u><u>794.7</u></u>

Notes:

- 1) 3,44,37,166 (Previous Year 3,44,37,166) Equity shares of Rs.10 each were allotted as fully paid Bonus Shares by capitalisation of Share Premium Account, Profit and Loss Account and Amalgamation Reserve Account.
- 2) 4,13,633; 2,08,000; 4,77,581;11,438;18,519 Equity Shares of Rs.10 each fully paid, were allotted to the shareholders of erstwhile Tamilnadu Dadha Pharmaceuticals Ltd, Milmet Laboratories Pvt. Ltd, Gujarat Lyka Organics Ltd, Sun Pharmaceutical Exports Ltd and Pradeep Drug Company Ltd respectively, pursuant to Schemes of Amalgamations, without payment being received in cash.

SCHEDULE 1B : SHARE CAPITAL SUSPENSE

19,771 (Previous Year 18,519) Equity shares of Rs.10 each fully paid up, to be issued pursuant to the scheme of Amalgamation of M.J.Pharmaceuticals Ltd. (Previous Year-Pradeep Drug Company Ltd) with the Company.
(Refer note no. 2 of Schedule 19)

<u><u>0.2</u></u>	<u><u>0.2</u></u>
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SCHEDULES TO THE ACCOUNTS

	As at 31st March, 2002 Rs in Millions	As at 31st March, 2001 Rs in Millions
SCHEDULE 2 : RESERVES AND SURPLUS		
Capital Reserve		
As per last Balance Sheet	6.7	6.7
Share Premium		
As per last Balance Sheet	317.3	565.2
Add: Transferred from Amalgamating Company (Gross)	49.0	141.2
Add: Received / Receivable during the year	0.0	0.1
	366.3	706.5
Less: Debit balance in Profit and Loss Account of Amalgamating Company	308.1	0.0
Less: Transferred to Profit and Loss Account	0.0	141.2
Less: Utilised for writing off Issue Expenses of Amalgamating Company	0.8	1.2
Less: Utilised for issuing Bonus Shares	0.0	246.7
Less: Shares Forfeited	0.0	0.1
	57.4	317.3
Debenture Redemption Reserve		
As per last Balance Sheet	0.0	6.3
Less: Transferred to General Reserve	0.0	6.3
Capital Redemption Reserve		
As per Last Balance Sheet	174.6	11.0
Add : Transferred from Profit and Loss Account	327.2	163.6
	501.8	174.6
Amalgamation Reserve		
As per Last Balance Sheet	0.0	61.7
Add : Surplus on Amalgamation	41.3	92.4
Less: Transferred to General Reserve	41.3	92.4
Less: Utilised for issuing bonus shares	0.0	61.7
	0.0	0.0
General Reserve		
As per last Balance Sheet	2182.7	1583.6
Add: Transferred from Debenture Redemption Reserve	0.0	6.3
Add: Transferred from Amalgamating Company	5.0	0.4
Add: Transferred from Amalgamation Reserve	41.3	92.4
Add: Transferred from Profit and Loss Account	1000.0	500.0
	3229.0	2182.7
Less: Transferred to Deferred Tax Liability	194.1	0.0
	3034.9	2182.7
Profit and Loss Account		
As per Annexed Account	1287.7	1177.3
	4888.5	3858.6
SCHEDULE 3 : SECURED LOANS		
From Banks-Demand Loan, Cash Credit and Packing Credit	89.1	131.5
	89.1	131.5
Credit facilities from Banks are secured by hypothecation of stocks and book debts. Further, it is secured by way of first charge on fixed assets at Vapi unit.		
SCHEDULE 4 : UNSECURED LOANS		
Short term Loans		
From Financial Institution	1.7	2.5
Commercial Papers	0.0	200.0
Deferred Sales Tax #	31.5	23.1
	33.2	225.6

Repayable within one year Rs. 3.3 million (Previous Year Rs.2.6 million)

SCHEDULES TO THE ACCOUNTS

SCHEDULE 5 : FIXED ASSETS

Particulars	Gross Block						Depreciation						Rs in Millions	
	As at 1.4.01	Additions on Amalgamation	Additions 01-02	Deletions 01-02	As at 31.3.02	As at 1.4.01	Additions on Amalgamation	For year 01-02	Written back/ Deleted	As at 31.3.02	As at 31.3.02	As at 31.3.01	As at 31.3.02	As at 31.3.01
Freehold Land	9.6	1.3	4.0	0.0	14.9	0.0	0.0	0.0	0.0	0.0	14.9	9.6		
Leasehold Land	16.5	2.8	0.0	0.0	19.3	1.2	0.4	0.1	0.0	1.7	17.6	15.3		
Buildings	551.9	65.5	61.7	2.5	676.6	66.5	24.7	14.4	0.1	105.5	571.1	485.4		
Plant and Machinery	1347.0	71.2	262.1	12.9	1667.4	484.7	23.4	112.4	4.6	615.9	1051.5	862.3		
Vehicles	32.9	0.7	2.7	1.5	34.8	11.1	0.5	3.2	0.7	14.1	20.7	21.8		
Furniture and Fixtures	49.5	0.1	5.8	0.0	55.4	18.5	0.0	3.9	0.0	22.4	33.0	31.0		
Trademarks,Designs and Other Intangible Assets	466.6	0.0	2.9	0.0	469.5	72.4	0.0	30.3	0.0	102.7	366.8	394.2		
SUBTOTAL-A	2474.0	141.6	339.2	16.9	2937.9	654.4	49.0	164.3	5.4	862.3	2075.6	1819.6		
Assets Given On Lease	200.8	0.0	0.0	133.8	67.0	57.1	0.0	9.5	45.6	21.0				
Lease Terminal Adjustment	0.0	0.0	0.0	0.0	0.0	72.6	0.0	0.8	41.6	31.8				
SUBTOTAL-B	200.8	0.0	0.0	133.8	67.0	129.7	0.0	10.3	87.2	52.8	14.2	71.1		
TOTAL A+B	2674.8	141.6	339.2	150.7	3004.9	784.1	49.0	174.6	92.6	915.1	2089.8	1890.7		
Capital Advances and Work in Progress	91.3	5.3	346.3	74.5	368.4	0.0	0.0	0.0	0.0	0.0	368.4	91.3		
GRAND TOTAL	2766.1	146.9	685.5	225.2	3373.3	784.1	49.0	174.6	92.6	915.1	2458.2	1982.0		
Previous Year	2442.4	103.3	335.3	114.9	2766.1	613.3	34.0	167.4	30.6	784.1	1982.0			

NOTES :

- Buildings include Rs. 500 (Previous Year Rs Nil) towards cost of shares in a Co-operative Housing Society.
- Capital Advances and work in progress includes Rs. 2.0 Million (Previous Year Rs Nil) on account of Pre-operative expenses

As at 31st March, 2002
Rs in Millions

As at 31st March, 2001
Rs in Millions

SCHEDULE 6 : INVESTMENTS (LONG TERM, AT COST)

Government Securities

National Savings Certificates	Rs. 12,000 (Previous Year Rs. 12,000)	0.0	0.0
(Deposited with Government Authorities)			

Trade Investments

A) Quoted

M.J. Pharmaceuticals Ltd.- Nil (Previous Year 21,92,734) Equity Shares of Rs.10 each fully paid	0.0	33.1
Purchased during the year 11,55,300 equity shares for Rs.17.4 million		
Caraco Pharmaceutical Laboratories Ltd., - USA 83,82,666 (Previous Year 83,82,666) fully paid Common Shares of no par value	303.9	303.9
		303.9

Market Value - Rs.1512.0 million (Previous Year Rs. 253.8 million)

B) Unquoted

In Subsidiary Companies-

Sun Pharma Industries Ltd. Russia-1,000 (Previous Year 1,000) Shares of Rubles 20 each fully paid	0.2	0.2
Sun Pharma Global Inc. BVI - 5,00,000 (Previous Year 5,00,000) Shares of US \$ 1 each fully paid	17.6	17.6
Milmet Pharma Ltd. - 9,000 (Previous Year 9,000) Equity Shares of Rs 10 each fully paid	0.1	0.1

Sun Pharmaceutical Industries Ltd.

SCHEDULES TO THE ACCOUNTS

	As at 31st March, 2002 Rs in Millions	As at 31st March, 2001 Rs in Millions
Sun Pharmaceutical (Bangladesh) Ltd.- 724 (Previous Year 724) Equity Shares of 100 Takas each fully paid	0.1	0.1
Advance against Share Capital (Previous Year - Nil)	<u>63.4</u>	<u>81.4</u>
		0.0

Others

Promissory Note -	As at 31st March, 2002 Rs in Millions	As at 31st March, 2001 Rs in Millions
Caraco Pharmaceutical Laboratories Ltd.,USA	440.0	247.7
M.J. Pharmaceuticals Ltd. - Nil (Previous Year 400,000)	<u>0.0</u>	<u>41.8</u>
15% Cumulative Redeemable Preference Shares of Rs.10 each fully paid up		
Purchased during the year 1,00,000 preference shares for Rs.17.6 million		289.5

C) In capital of Partnership Firm

M/s Sun Pharma Exports Rs. (8,168) (Previous Year Rs. (320))	0.0	0.0
	<u>825.3</u>	<u>644.5</u>

SCHEDULE 7 : INVENTORIES

(As valued and certified by the Management)

Consumable Stores	0.7	3.5
Raw Materials	564.7	563.5
Packing Materials	53.9	37.1
Finished Goods	427.3	548.3
Work-in-Progress	<u>263.9</u>	<u>327.3</u>
	<u>1309.8</u>	<u>1476.2</u>
	<u>1310.5</u>	<u>1479.7</u>

SCHEDULE 8 : SUNDY DEBTORS

(Unsecured-Considered Good)

Over Six Months	163.4	125.3
Others	<u>914.2</u>	<u>814.6</u>
	<u>1077.6</u>	<u>939.9</u>

SCHEDULE 9 : CASH AND BANK BALANCES

Cash and Cheques in hand	9.4	13.7
Balances with Scheduled Banks on-		
Current Accounts	132.8	79.2
Deposit Accounts	1.1	9.3
Unpaid Dividend Accounts	<u>4.5</u>	<u>3.4</u>
	<u>138.4</u>	<u>91.9</u>
	<u>147.8</u>	<u>105.6</u>

SCHEDULE 10 : LOANS AND ADVANCES

(Unsecured-Considered Good, unless stated otherwise)

Loan to Employees # / Others*	85.0	191.9
Advances recoverable in cash or in kind or for value to be received	40.4	28.5
Advances to Suppliers		
Considered Good	71.7	28.4
Considered Doubtful	<u>0.0</u>	<u>0.2</u>
Less: Provision for Doubtful Advances	<u>0.0</u>	<u>0.2</u>
Due on Sale of Undertaking	189.4	0.0
Balances with Central Excise and Customs	63.6	44.6
DEPB and Advance Licence	88.4	72.3
Other Deposits	27.6	26.0

SCHEDULES TO THE ACCOUNTS

	As at 31st March, 2002	As at 31st March, 2001
	Rs in Millions	Rs in Millions
Advance Payment of Income Tax (Net of provision)	56.8 <hr/> 622.9 <hr/>	23.3 <hr/> 415.0 <hr/>

- # Due from Officer of the Company Rs.1.0 million (Previous Year Rs. 1.1 million)
 Maximum amount outstanding during the year Rs. 1.1 million (Previous Year Rs. 1.2 million)
 * Secured Loans Rs. 24.4 million (Previous Year Rs. 32.4 million)

SCHEDULE 11 : CURRENT LIABILITIES AND PROVISIONS

Current Liabilities

Sundry Creditors and Advances from Customers			
Due to Small Scale Industrial Undertakings	6.4		0.3
Others	361.2		321.1
Security Deposits	14.3		61.5
Unclaimed Dividend	4.5		3.4
Other Liabilities	212.2	598.6	212.2
			598.5

Provisions

Proposed Equity Dividend	233.9	233.8
Corporate Dividend Tax	0.0	23.8
	832.5	856.1

SCHEDULE 12 : DEFERRED TAX LIABILITY

Deferred tax assets

Unpaid liabilities allowable on payment basis u/s 43B	2.1	0.0
Others	0.2	0.0
Less : Deferred tax liability		
Depreciation on Fixed Assets	233.4	0.0
	(231.1)	0.0

	Year ended 31st March, 2002	Year ended 31st March, 2001
	Rs in Millions	Rs in Millions

SCHEDULE 13 : INCOME FROM OPERATIONS

Sales	7477.2	6114.4
Export Incentives	0.6	1.2
Interest-Tax deducted at source Rs. 11.1 million (Previous Year 12.4 million)	42.8	9.5
Lease Rental / Hire Charges	2.2	12.6
Tax deducted at source Rs.0.1 million (Previous Year Rs.27000)		
Add: Lease Equalisation Account	8.5	1.0
Conversion / Analytical Charges	0.3	0.3
Tax deducted at source Rs.0.3 million (Previous Year Rs. 28000)	7531.6	6139.0

SCHEDULE 14 : OTHER INCOME

Other Interest	2.8	8.9
Tax deducted at source Rs.0.3 million (Previous Year Rs.1.2 million)		
Sundry Balances Written Back (Net)	0.0	10.2
Insurance Claims	2.2	3.8
Dividend	11.8	9.1
Miscellaneous Income-Tax deducted at source Rs.0.5 million (Previous Year Rs. 0.5 million)	41.4	40.1
	58.2	72.1

SCHEDULES TO THE ACCOUNTS

	Year ended 31st March, 2002 Rs in Millions	Year ended 31st March, 2001 Rs in Millions
SCHEDULE 15 : MATERIAL COST		
Inventories at the beginning of the year	1476.2	723.1
Transferred from Amalgamating Company	0.0	76.5
Purchases during the year	2942.4	3078.5
Inventories at the end of the year	(1309.8)	(1476.2)
	3108.8	2401.9
SCHEDULE 16 : INDIRECT TAXES		
Excise Duty	567.3	529.4
Sales Tax	217.3	166.2
Turnover Tax	3.8	5.0
Purchase Tax	4.6	3.2
	793.0	703.8
SCHEDULE 17 : PERSONNEL COST		
Salaries, Wages,Bonus and Benefits	337.8	302.0
Contribution to Provident and Other Funds	32.5	26.4
Other Welfare Expenses	49.2	43.1
	419.5	371.5
SCHEDULE 18 : OPERATIONAL EXPENSES		
Stores and Spares Consumed	55.0	40.9
Manufacturing Charges	78.3	103.3
Power and Fuel	115.1	118.0
Rent	8.0	8.5
Rates and Taxes	7.7	8.6
Insurance	10.5	8.0
Selling and Distribution	349.8	303.4
Commission and Discount	50.1	31.5
Repairs		
Building	11.1	10.2
Plant and Machinery	57.5	53.6
Others	13.0	81.6
10.2	74.0	
Printing and Stationery	14.0	13.8
Travelling and Conveyance	35.5	36.2
Overseas Travel and Export Promotion	169.5	131.5
Communication	33.2	40.8
Research and Development	72.3	94.2
Irrecoverable Debts/Advances Written Off	15.7	0.0
Professional and Consultancy	20.1	19.8
Donations	1.4	0.9
Loss on Sale of Fixed Assets	6.8	1.5
Share of Loss from Partnership Firm, Rs 8,168 (Previous Year Rs 320)	0.0	0.0
Auditors' Remuneration (including service tax)		
Audit Fees	1.7	1.2
Certification Fees	0.1	0.0
Other Services	0.9	0.4
Out of Pocket Expenses	0.1	0.1
Miscellaneous	94.5	88.9
	1221.9	1125.5

SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2002

SCHEDULE 19 : NOTES TO ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

(i) Basis of Accounting

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

(ii) Fixed Assets and Depreciation / Amortisation

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

(iii) Investments

Investments are stated at cost.

(iv) Inventory Valuation

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

(v) Deferred Tax Assets/Liability

are recognised as per Accounting Standard - AS 22 on 'Accounting for taxes on Income' issued by The Institute of Chartered Accountants of India.

(vi) Research and Development

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

(vii) Sales

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

(viii) Foreign Currency Transactions

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

(ix) Terminal Benefits

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

2. MERGERS AND ACQUISITIONS

Pursuant to the scheme of rehabilitation of the erstwhile M.J.Pharmaceuticals Ltd (MJPL) with the Company, as sanctioned by the Board for Industrial and Financial Reconstruction-

- (i) MJPL has been merged with Sun Pharmaceutical Industries Ltd, w.e.f. 1st January 2002. The amalgamation has been accounted for under the "Pooling of Interests Method" as prescribed in the Accounting Standard (AS-14) issued by the Institute of Chartered Accountants of India. Accordingly, the assets, liabilities and reserves of the erstwhile MJPL as at 1st January 2002, have been taken over at their respective book values, subject to adjustments made for the differences in the accounting policies between the two companies.
- (ii)
 - (a) The assets and liabilities of the erstwhile MJPL were transferred to and vested in the Company with effect from 1st January, 2002. The scheme has accordingly been given effect to in these accounts.
 - (b) Accumulated debit balance of Rs.308.1 million in the Profit and Loss Account of erstwhile MJPL has been adjusted in the Share Premium Account of the Company.

SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2002

- (c) Equity shares of Rs.10 each of the Company are to be issued to the shareholders of the erstwhile MJPL, in the ratio of 1 share of the Company for every 210 shares of erstwhile MJPL. Pending allotment of the aforesaid shares, an amount of Rs.0.2 million has been disclosed as Share Capital Suspense, as on 31st March, 2002.
- (d) The Company's investment of 33,48,034 equity shares of Rs.10 each fully paid and 5,00,000 15% cumulative redeemable preference shares of Rs.10 each fully paid in MJPL, stands cancelled. Rs 26.4 million being the cost of investment in excess of nominal value of share capital of MJPL has been charged to Profit and Loss account.
- (iii) Figures for the current financial year include figures for the erstwhile MJPL for the period from 1st January, 2002 to 31st March, 2002 and are therefore strictly not comparable to those of the previous year.

	As at 31st March, 2002 Rs in Millions	As at 31st March, 2001 Rs in Millions		
3. CONTINGENT LIABILITIES NOT PROVIDED FOR				
Guarantees Given by the Company	732.0	525.1		
Letters of Credit	163.6	79.3		
Packing Credit	16.0	0.0		
Liabilities Disputed				
Sales Tax	69.7	67.6		
Excise Duty	36.5	0.6		
Income Tax	102.6	93.5		
Towards Price Equalisation Fund-DPEA	10.0	10.0		
Import duty-JDGFT	17.4	15.6		
ESIC Contribution	0.2	0.0		
Claims against the Company not acknowledged as debts	0.4	0.0		
4. CAPITAL COMMITMENTS-FIXED ASSETS	185.6	24.2		
 Year ended 31st March, 2002 Rs in Millions				
 5. REMUNERATION TO DIRECTORS				
Managerial Remuneration u/s 198 of the Companies Act, 1956 *				
Salaries and Allowances	7.1	7.8		
Contribution to Provident and Superannuation Funds	1.4	1.5		
Perquisites and Benefits (Current Year Rs. 30,000 ; Previous Year Rs.40,000)	0.0	0.0		
* No commission is paid to Directors. Remuneration paid to the Directors is within limits specified under Section 198 of the Companies Act,1956.				
6. RESEARCH AND DEVELOPMENT EXPENDITURE				
Revenue	197.3	178.9		
Capital	139.4	71.0		
7. INTEREST EXPENSES FOR				
Fixed Loans	26.8	41.0		
Debentures	3.0	1.5		
Others	6.3	34.0		
8. INFORMATION RELATING TO CONSUMPTION OF MATERIALS				
	Quantity Rs in Millions	Value Rs in Millions	Quantity Rs in Millions	Value Rs in Millions
Raw Materials and Packing Materials				
Raw Materials-KGs	5897514}	2218.5	8109663}	1722.5
Raw Materials-Litres	7168573}		5995604}	
Raw Materials (PEN G)-BOU (in '000)	0	0.0	635	295.9
Packing/Other Materials	*	135.4	*	119.7
Total		<u>2353.9</u>		<u>2138.1</u>

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

SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2002

Imported and Indigenous	%	Value Rs in Millions	%	Value Rs in Millions
Raw Materials and Packing Materials				
Imported	21.58	508.0	18.12	387.5
Indigenous	78.42	1845.9	81.87	1750.6
Total	100.00	2353.9	100.00	2138.1
Stores and Spares				
Imported	1.09	0.6	0.48	0.2
Indigenous	98.91	54.3	99.52	40.7
Total	100.00	54.9	100.00	40.9

9. INFORMATION RELATING TO LICENSED CAPACITY AND PRODUCTION

(*as certified by the Management)

As at 31st March, 2002

As at 31st March, 2001

Tablets/Capsules/Parenterals/Ointments (No's in Millions)

Licensed Capacity	Not Applicable	Not Applicable
Installed Capacity *	3070.0	3542.1
Actual Production (including loan licence)	1844.9	1746.3

Bulk Drugs/Chemicals(KGs)

Licensed Capacity	Not Applicable	Not Applicable
Installed Capacity *	1617375.0	1841250.0
Actual Production (including loan licence)	958867.2	785787.0

Liquids (KLs)

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

10. INFORMATION RELATING TO TURNOVER, PURCHASE AND STOCKS

Rs in Millions

	Turnover* Qty	Turnover* Value	Purchases Qty	Purchases Value	Opening Stock* Qty	Opening Stock* Value	Closing Stock Qty	Closing Stock Value
Formulations (Qty/Millions)								
2001-02	2245.7	4944.0	314.1	528.0	319.6	272.7	232.9	230.5
2000-01	2069.3	4057.7	341.3	507.2	301.3	168.6	319.6	272.7
Bulk Drugs/Chemicals (Qty/Kgs)								
2001-02	939718.4	2468.0	0.0	0.0	64916.7	275.6	84065.5	198.8
2000-01	863348.2	2056.7	79298.5	121.1	63179.4	156.7	64916.7	275.6
Others								
2001-02	0.0	65.2	0.0	42.6	0.0	0.0	0.0	0.0
2000-01	0.0	10.4	0.0	0.0	0.0	0.0	0.0	0.0
Total		7477.2		570.6		548.3		427.3
2000-01		6114.4		628.3		325.3		548.3

* Includes Interunit Sales Rs 522.4 million (Previous Year Rs 521.5 million)

SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2002

11. INCOME/EXPENDITURE IN FOREIGN CURRENCY

	Year ended 31st March, 2002 Rs in Millions	Year ended 31st March, 2001 Rs in Millions
Income		
Exports (FOB basis)	1337.2	1133.8
Lease Rentals	1.6	1.4
Expenditure		
Raw Materials (CIF basis)	418.3	668.9
Packing Materials (CIF basis)	1.4	3.5
Finished Goods (CIF basis)	42.5	34.7
Capital Goods (CIF basis)	91.3	76.1
Spares and Components (CIF basis)	16.3	2.4
Overseas Travelling	29.6	21.3
Others	50.6	69.6

12. Foreign currency transactions are translated as per the accounting policy referred to in item 1(viii) above. The net exchange gain of Rs.30.26 million (Previous Year Rs.27.69 million) is included in the net profit for the year.

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

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

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

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

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

	Year ended 31st March, 2002 Rs in Millions	Year ended 31st March, 2001 Rs in Millions
(a) Net Profit		
Net profit for the year	1686.4	1351.8
Less :Dividend on Preference Shares	13.5	41.1
Less : Corporate Dividend Tax on Preference Shares	1.4	9.3
Profit used as Numerator	<u>1671.5</u>	<u>1301.4</u>
(b) Weighted Average number of Equity Shares used as Denominator	46794308	46774537
(c) Nominal value per share	Rs. 10.00	Rs. 10.00
(d) Earnings Per Share (Basic and Diluted)	Rs. 35.72	Rs. 27.83

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

Primary Segment

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

Secondary Segment (By Geographical Segment)

	Year ended 31st March, 2002 Rs in Millions		
	India	Outside India	Total
Sales	6081.2	1396.0	7477.2

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

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

SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2002

17 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, 2002	04

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

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

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

Total Liabilities	Total Assets
1185.9	6542.3

Sources of Funds

Paidup up Capital #	Reserves and Surplus
467.9	4888.5
Secured Loans	Unsecured Loans
89.1	33.2

includes Rs. 0.2 million raised pursuant to the Scheme of Amalgamation of M. J. Pharmaceuticals Ltd.

Application of Funds

Net Fixed Assets	Investments
2458.2	825.3
Net Current Assets*	Miscellaneous Expenditure
2195.2	NIL

* includes Deferred Tax Liability Rs. 231.1 million

IV Performance of the Company (Rs. in Millions)

Total Income	Total Expenditure
7589.8	5717.0
Profit Before Tax	Profit After Tax
1872.8	1712.8
Earning per share Rs.**	Dividend Rate
35.72	50%

** EPS is calculated after considering dividend on Preference Share Capital upto 31st March, 2002

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

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

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

For and on behalf of the Board

DILIP S. SHANGHVI
Chairman & Managing Director

SUDHIR V. VALIA
Wholetime Director

SAILESH T. DESAI
Wholetime Director

Partha Ghosh

Partner

For and on behalf of

Price Waterhouse

Chartered Accountants

Mumbai, 30th May, 2002

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

Sun Pharmaceutical Industries Ltd.

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

Particulars	Subsidiaries 1	Associates 2	Key Management Personnel 3	Relatives of Key Management Personnel 4	Enterprise Under Significant Influence of Key Management Personnel or their relatives 5	Rs in Millions	
						Total	
Purchases of goods		340.2				340.2	
Sale of goods	12.8	99.5				112.3	
Sale of fixed assets				0.1		0.1	
Receiving of Service	56.2	13.3				69.5	
Rendering of Service		0.2			0.2	0.4	
Lease Rent received		1.6				1.6	
Recovery of Expenses				0.1		0.1	
Finance (including loans and equity contributions in cash or in kind)							
Equity Contribution as on 31/03/02	63.5					63.5	
Promissory notes		185.7				185.7	
Advances received				0.1		0.1	
Guarantees and Collaterals							
Bank Guarantee as on 31/03/2002		732.0				732.0	
Interest Income		26.6				26.6	
Rent Income				0.1		0.1	
Director's Remuneration		8.5				8.5	
Rent Paid			0.2			0.2	0.4
Outstanding receivables, net of Payables as on 31/03/2002	11.2	22.3			0.4	33.9	
Note:							
Names of related parties and description of relationship							
1. Subsidiaries					Sun Pharma Global Inc. BVI. Milmet Pharma Ltd. Sun Pharmaceutical (Bangladesh) Ltd.		
2. Associates					M. J. Pharmaceuticals Ltd. Caraco Pharmaceutical Laboratories Ltd - U.S.A Sun Pharma Exports		
3. Key Management Personnel					Mr. Dilip S. Shanghvi Mr. Sudhir V. Valia Mr. Shailesh Desai		
4. Relatives of Key Management Personnel					Mrs Vibha Shanghvi Mrs Kumud Shanghvi Mrs Meera Desai Mrs Nirmala Desai	Wife of Chairman Mother of Chairman Wife of Wholetime Director Mother of Wholetime Director	
5. Enterprise under significant influence of Key Management Personnel or their relatives					Sun Petrochemical Pvt Ltd Sun Speciality Chemicals Pvt Ltd Navjivan Rasayan (Gujarat) Pvt Ltd		

Sun Pharmaceutical Industries Ltd.

AUDITORS' CERTIFICATE

1. The attached cash flow statement and the notes thereon (initialled by us for the purpose of identification) has been compiled from and is based on the audited accounts of Sun Pharmaceutical Industries Limited for the year ended 31st March, 2002 reported by us on 30th May, 2002.
2. According to the information and explanations given, the attached cash flow statement with the notes thereon has been prepared pursuant to Clause 32 of the listing agreement with the concerned stock exchanges and the reallocations required for the purpose are as made by the Company.

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

Mumbai, 30th May, 2002

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2002

	Year ended 31st March, 2002 Rs in Millions	Year ended 31st March, 2001 Rs in Millions
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax and extraordinary items	1872.8	1446.3
(incl. Net exchange gain Rs.30.26 millions)		
Adjustments for:		
Depreciation / Lease terminal adjustment	174.6	161.2
(Profit) / Loss on sale of assets	6.8	0.0
Cost of Investment in excess of nominal value of Shares of MJPL	(26.4)	0.0
Net interest (received) / paid	(45.6)	(18.4)
Subtotal of Adjustments	109.4	142.8
Operating Profit before working capital changes	1982.2	1589.1
Adjustments for:		
Trade and Other Receivables	(312.1)	(267.0)
Deposit with ICICI Ltd.	200.0	0.0
Inventories	169.2	(755.9)
Trade Payables	231.2	(11.8)
Bank Borrowings availed (including Commercial Papers)	(242.4)	(48.6)
Subtotal of Adjustments	45.9	(1083.3)
Cash generated from operations	2028.1	505.8
Add : Interest received	78.9	86.1
Less: Interest paid	(36.1)	(76.6)
Less: Direct Taxes paid	(193.5)	(102.5)
Cash flow before extraordinary items	1877.4	412.8
(Decrease) / Increase in reserves	(407.7)	287.4
Net Cash from operating activities	1469.7	700.2

Sun Pharmaceutical Industries Ltd.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2002

	Year ended 31st March, 2002 Rs in Millions	Year ended 31st March, 2001 Rs in Millions
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(708.9)	(325.5)
Sale of Fixed Assets	51.3	11.6
Sale / Cancellation of Investments	109.9	87.0
Purchase of Investments	(290.7)	(57.2)
Interest received	2.8	8.9
Net Cash used in investing activities	(835.6)	(275.2)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of Equity Share Capital	0.2	0.0
Calls received	0.0	0.1
Redemption of Preference Share Capital	(327.2)	(163.6)
Redemption of Debentures	0.0	(6.7)
Repayment of Long Term Borrowings	0.0	(80.4)
Short Term Loans taken	7.6	6.6
Dividends and Corporate Dividend Tax paid	(272.5)	(118.9)
Net Cash used in financing activities	(591.9)	(362.9)
D. Net Increase in Cash and Cash Equivalents [A+B+C]	42.2	62.1
E. Cash and Cash Equivalents as at 1st April, 2001	105.6	43.5
F. Cash and Cash Equivalents as at 31st March, 2002 [D+E]	147.8	105.6

Notes:

- 1) The figures of 2001-02 include assets and liabilities of erstwhile M.J.Pharmaceuticals Ltd. transferred pursuant to scheme of amalgamation.
- 2) Previous year's figures have been regrouped/reclassified, wherever necessary.

Mumbai, 30th May, 2002

For and on behalf of the Board

DILIP S. SHANGHVI

Chairman & Managing Director

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

Sr.	Name of Subsidiary	Zao Sun Pharma Industries Ltd. Russia	Sun Pharma Global Inc. BVI	Milmet Pharma Ltd.
1	The financial year of the Subsidiary Company ended on	31st December, 2001	31st December, 2001	31st March, 2002
2	Shares in the Subsidiary held by the Holding Company as at the above date A) Number of Shares B) Extent of Holding	1000 Shares of Rubles 20 each fully paid-up 100%	500000 Shares of US\$ 1 each fully paid-up 100%	9000 Equity Shares of Rs. 10 each fully paid-up 97.83%
3	Net aggregate amount of Profit/(Loss) of the Subsidiary Company so far as they concern the members of the Holding Company and - A) Not dealt with in the Holding Company's accounts for the year ended 31 st March, 2002 (i) For the Subsidiary's financial year ended as aforesaid (ii) For the Previous financial years of the Subsidiary, since it became Holding Company's Subsidiary B) Dealt with in Holding Company's accounts for the year ended 31 st March, 2002 (i) For the Subsidiary's financial year ended as aforesaid (ii) For the Previous financial years of the Subsidiary, since it became Holding Company's Subsidiary	Rubles 155442 Rubles (232228)	US\$ 242985 US\$ 946253	Rs. 313736 Rs. 613491
4	A) Change in the interest of the Holding Company between the end of the last financial year of the Subsidiary and 31 st March, 2002 B) Material changes occurred between end of the financial year of the Subsidiary and 31 st March, 2002	Nil Nil	US\$ 50000 US\$ 200000	Nil Nil

Note: As on 31st March, 2002 the Company holds 72.40% being 724 Ordinary Shares of Takas 100 each fully paid-up In Sun Pharmaceutical (Bangladesh) Ltd. (A Subsidiary Company) which was incorporated in Bangladesh on 29th March, 2001. Further during the year, the Company has advanced a sum of 63.4 Million Rupees towards equity contribution to the referred Subsidiary, Shares for which are pending allotment as on 31st March, 2002. The first Financial Year of the Subsidiary will end on 30th June, 2002 and as such the information/documents required pursuant to Section 212 of Companies Act, 1956 are not applicable for the Financial Year ended 31st March, 2002.

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, 2002

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

Sun Pharmaceutical Industries Ltd.

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

	<u>Year ended 31st March, 2002</u>	Year ended 31st March, 2001
A. Power and Fuel Consumption		
1. Electricity		
(a) Purchased		
Unit (in '000 KWH)	15199	15690
Total Amount (Rs. in Millions)	65.9	69.5
Rate (Rs./Unit)	4.3	4.4
(b) Own Generation through Diesel Generator		
Units (in '000 KWH)	591	778
Units per Litre of Diesel Oil	2.9	3.1
Cost (Rs./Unit)	4.1	4.5
2. Furnace Oil		
Quantity (in '000 Litres)	1211	2061
Total Amount (Rs. in Millions)	14.1	23.8
Average Rate (Rs./Unit)	11.6	11.5
3. Gas (for Steam)		
Gas Units (in '000 Litres)	2061	1424
Total Amount (Rs. in Millions)	18.9	11.4
Average Rate (Rs./Unit)	9.1	8.0

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

- At our Panoli plant we have commissioned Vapour Absorption System in place of Vapour Compression System. This new System is used for lowering water temperature, which in turn is used in process cooling or airconditioning. A sum of Rs.11.3 lacs as direct savings per year has been envisaged due to the commissioning of the above. Additionally the machine also imparts a benefit of Eco-friendly design. This System does not use Chlorofluorocarbon (CFC) as refrigerant and hence will contribute towards the prevention of ozone layer depletion.
- We use steam in place of electricity for heating of De-mineralized water, fluid bed dryers for producing hot air systems for coating department and for making starch paste.

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

Specific projects in R & D ensure the company is in a state of readiness to launch new products and line extensions that enable it to maintain a position of leadership in chronic therapy areas. A large part of the research budget and management time is being invested in innovative R & D projects covering New Chemical Entity (NCE) and Novel Drug Delivery System (NDDS). Projects that offer a quicker payback viz. formulations, including controlled / speciality bulk actives, peptides are also an important area since they generate revenues that can be reinvested for long term projects.

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

In the year 2001-02, about 35 formulations reached market based on technology developed in-house. A select number of bulk actives were also scaled up, taking the total to over 75. Formulations of the latest molecules help us maintain or add to our rankings with specialist and consultants. Bulk actives are used to make formulations that are cost effective and offer a quicker time to market entry. Bulk actives also earn valuable foreign exchange and most of these reach large international customers and help build brand-equity for the Company.

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

3. Future plan of action

Innovation continues to be the area of primary focus and large sums have been earmarked for research on New Chemical Entity (NCE) and Novel Drug Delivery System (NDDS). An Innovation Campus is being built in Baroda, on over a 16 acre site with well designed and equipped labs. This is expected to become operational over the next 1½-2 years in a phased manner. A 150 person strong scientist team is expected to be at work here once the centre is fully operational. A new location for a large research facility is being constructed in Mumbai to work on NDDS projects as well as product dossiers for US and Europe with the current 40 strong team to be strengthened as per project requirements.

4. Expenditure on R&D

	Year ended 31st March, 2002 Rs in Millions	Year ended 31st March, 2001 Rs in Millions
a) Capital	139.4	71.0
b) Revenue	197.3	178.9
c) Total	336.7	249.9
d) Total R&D expenditure as % of Total Turnover	4.5%	4.1%

B. Technology Absorption, Adaptation and Innovation

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

In its endeavor to offer new products, better processes and innovations, your Company continues to invest large sum on R&D equipment, new facility and human resource for innovative R&D projects covering NCE and NDDS.

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

- (a) First to market with several products, helps to capture market share ahead of competition, specially in newer therapy areas like gynaecology, dermatology, where the Company is trying to make a headway.
- (b) In market segments such as Asthma where only few Companies have a large market share, ability to launch complex inhalers and inhalers with combination has helped differentiate the Company and build a complete offering (oral and inhalers in Asthma).
- (c) Products like Letroz, Oxiplat, Oxitol, Ropark that were so far being imported in the country at high cost are now made available at competitive price.
- (d) Products like Monosprin DS, Oleanz SR, Rofact RT, Celact MD, provide the patient a drug which is easier to take.

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

C. Foreign Exchange Earnings and Outgo

	Year ended 31st March, 2002 Rs in Millions	Year ended 31st March, 2001 Rs in Millions
1. Earning from Exports	1338.8	1135.20
2. Expenditure (CIF basis)	650.0	908.1
3. Investment and Loan given	255.7	0.1
4. Loan given received back	0.0	2.3

CORPORATE GOVERNANCE

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

1. Company's Philosophy on Code of Corporate Governance

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

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

2. Board of Directors

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

Composition and category of Directors is as follows:

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

Number of Board Meetings held and the dates on which held: 7 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: 19th April, 2001, 30th July, 2001, 19th October, 2001, 28th November, 2001, 22nd January, 2002, 15th February, 2002 and 30th March, 2002.

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

Name of the Director	Attendance Particulars for the year ended 31 st March, 2002		No. of other directorship and committee member/ chairmanships as on 31 st March, 2002		
	Board Meetings	Last AGM	Other Directorships	Committee membership of the Company	Committee Chairmanships of the Company
Dilip S. Shanghvi	7	Yes	7	Investors' Grievance	None
Sudhir V. Valia	5	No	10	Investors' Grievance	None
Sailesh T. Desai	7	Yes	7	None	None
S. Mohanchand Dadha	7	Yes	6	Audit & Investors' Grievance	Audit
Narendra N. Borkar	None	No	1	Audit	None
Hasmukh S. Shah	6	Yes	10	Audit & Investors' Grievance	Investors' Grievance

The brief resume, experience and other details of the Directors, viz., Shri Sailesh T. Desai and Shri Sudhir V. Valia who retires by rotation at the ensuing Annual General Meeting is given under:

Shri Sailesh T. Desai is a graduate from Calcutta University and is a successful entrepreneur with 27 years of wide industrial experience out of which 17 years in the pharma industry and at present Wholetime Director of our Company. He is a Director in the following companies: Sun Speciality Chemicals Pvt. Ltd., Sun Resins & Polymers Pvt. Ltd., Sun Fastfin Services Pvt. Ltd.,

Caraco Pharmaceutical Laboratories Ltd., Detroit, USA, Milmet Pharma Ltd, Vision Finstock Pvt. Ltd and Sun Pharmaceutical (Bangladesh) Ltd.

Shri Sudhir V Valia is a Chartered Accountant with more than two decades of experience in finance and taxation, representing the Board since 31.01.94 and at present is the Wholetime Director of our Company. He is a Director in the following companies: Virtuous Finance Ltd., Shamic Trade Ventures Pvt. Ltd., Lakshadeep Investments & Finance Pvt. Ltd., Khyati Financial Services Pvt. Ltd., Caraco Pharmaceutical Laboratories Ltd., Detroit, USA, Sun Pharma Global Inc., BVI, Virtuous Share Investments Pvt. Ltd., Virtuous Securities & Broking Pvt. Ltd., SPARC Bio-Research Pvt. Ltd., and Sun Petrochemicals Pvt. Ltd. He is an Executive Committee Member of Federation of Indian Chamber of Commerce & Industry.

3. Audit Committee

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

The terms of reference stipulated by the Board to the Audit Committee cover the matters specified under Clause 49 of the Listing Agreement as well as Section 292A of the Companies Act, 1956. Three Audit Committee Meetings were held during the year ended 31st March, 2002. The dates on which Meetings were held are as follows: 30th July, 2001, 19th October, 2001 and 15th February, 2002. The attendance of each Member of the Committee is given below :

Name of the Director	No. of Audit Committee Meetings attended
Shri S. Mohanchand Dadha	3
Shri Hasmukh S. Shah	3
Shri Narendra N. Borkar	-

4. Remuneration Committee

The Company has not formed any Remuneration Committee of Directors. The Wholetime Directors' remuneration is approved by the Board within the overall limit fixed by the shareholders at their meetings. Presently, Non-Executive Directors do not draw any remuneration other than Board/Committee Meeting sitting fees.

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

The details of the remuneration paid to the Directors during the year 2002 are given below:

Directors	Salary #	Perquisites *	Sitting Fees	Total
Shri. Dilip S. Shanghvi	2,880,000	848,800	—	3,728,800
Shri. Sudhir V. Valia	1,987,200	797,920	—	2,785,120
Shri. Sailesh T. Desai	1,224,000	733,739	—	1,957,739
Shri. S. Mohanchand Dadha	—	—	70,500	70,500
Shri Narendra N. Borkar	—	—	—	—
Shri Hasmukh S. Shah	—	—	50,000	50,000

Salary includes bonus.

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

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

Notes:-

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

5. Shareholders'/Investors' Grievance Committee

The Board of the Company had constituted a Shareholders'/Investors' Grievance Committee, comprising of Shri S. Mohanchand Dadha, Shri Dilip S. Shanghvi, Shri Sudhir V. Valia with Shri S. Mohanchand Dadha as the Chairman. Shri

Hasmukh S Shah was inducted in the Shareholders/Investors Grievances Committee with effect from 15.02.2002 and was appointed as the Chairman of the Committee in place of Shri S. Mohanchand Dadha. The present Chairman of the Committee is Shri Hasmukh S Shah. 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 Shri R. K. Baheti, Sr. Vice President-Finance & Company Secretary of the Company.

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

The total number of complaints received and replied to, to the satisfaction of shareholders during the year under review, were 766. Outstanding complaints as on 31st March, 2002 were 18, which were attended/replied to by 2nd week of April, 2002. 15 requests for transfers and 72 requests for dematerialisation were pending for approval as on 31st March, 2002, which were approved and dealt with by 15th April, 2002 and 10th April, 2002 respectively.

6. General Body Meetings

Location and time for last 3 Annual General Meetings were:

Year	AGM	Location	Date	Time
1998-99	AGM	Synergy House-II, Gorwa Road, Subhanpura, Vadodara – 390 007.	29/12/1999	11.00 A.M.
1999-00	AGM	Synergy House-II, Gorwa Road, Subhanpura, Vadodara – 390 007.	25/08/2000	11.00 A.M.
2000-01	AGM	Hotel Holiday Inn, Convention Centre, Akota Gardens, Vadodara - 390 020.	28/11/2001	11.00 A.M.
2000-01	Adjourned AGM	Hotel Holiday Inn, Convention Centre, Akota Gardens, Vadodara - 390 020.	30/03/2002	11.00 A.M.

No postal ballots were used/invited for voting at these meetings in respect of special resolutions passed (as there were no such provisions in the Companies Act, 1956). Presently the Company does not have any proposal that requires a postal ballot.

7. Disclosures

- * No transaction of a material nature has been entered into by the Company with Directors or Management and their relatives, etc. that may have a potential conflict with the interests of the Company. The Register of contracts containing transactions in which directors are interested, is placed before the Board of Directors regularly.
- * There has been no instance of non-compliance by the Company on any matter related to capital markets. Hence, the question of penalties or strictures being imposed by SEBI or the Stock Exchanges does not arise.

8. Means of Communication

- The annual, half-yearly and quarterly results are regularly posted by the Company on its website www.sunpharma.com. These are also submitted to the Stock Exchanges in accordance with the Listing Agreement and published in leading newspapers like 'The Economic Times'.
- The Management Discussions and Analysis Report forms part of this Annual Report and is captioned "Management Discussion and Analysis" in Directors' Report.
- As a measure of cost reduction, the Company has opted for voluntary de-listing of its Equity Shares with The Stock Exchange, Ahmedabad, The Delhi Stock Exchange Assn. Ltd., New Delhi, The Calcutta Stock Exchange Assn. Ltd., Kolkata and Madras Stock Exchange Ltd., Chennai which is in progress.

9. General Shareholder Information

9.1 Annual General Meeting :

- Date and Time : 28th August, 2002 at 12.00 noon.
- Venue : Hotel Holiday Inn, Convention Centre, Akota Gardens, Vadodara – 390 020, Gujarat.

- 9.2 Financial Calendar (tentative)** : Results for the quarter ending 30th June, 2002 – 3rd week of July, 2002.
 Results for quarter ending 30th September, 2002 – Last week of October, 2002.
 Results for quarter ending 31st December, 2002 – 3rd week of January, 2003.
 Results for quarter ending 31st March, 2003 - Last week of April, 2003.
 Annual General Meeting for the approval of the audited accounts for the year ended 31st March, 2003 - the last week of July, 2003.
- 9.3 Details of Book Closure** : From 23rd August, 2002 to 28th August, 2002. (both days inclusive).
- 9.4 Divided Payment Date** : On or after 30th August, 2002.
- 9.5 Listing of Equity Shares on Stock Exchanges at** : At Vadodara, Mumbai, Ahmedabad, New Delhi, Kolkata, Chennai and National Stock Exchange (NSE). However, applications have been made for delisting from Ahmedabad, Delhi, Calcutta and Madras Stock Exchanges.
- 9.6 Stock Code :**
- (a) Trading Symbol Bombay Stock Exchange (Demat Segment): SUNPHARMA 524715
 Trading Symbol National Stock Exchange (Demat Segment) : SUN PHARMA
 - (b) Demat ISIN Numbers in NSDL : ISIN No. INE044A01010 and CDSL for Equity Shares.

9.7 Stock Market Data

Bombay Stock Exchange (BSE) (in Rs.)	National Stock Exchange(NSE) (in Rs.)
---	--

	Month's High Price	Month's Low Price	Month's High Price	Month's Low Price
April 2001	560.95	472.00	564.90	472.05
May 2001	645.00	542.25	647.00	540.00
June 2001	618.85	512.00	614.85	515.50
July 2001	623.00	410.00	635.00	492.35
August 2001	600.00	526.20	600.00	522.60
September 2001	601.00	490.00	602.00	486.40
October 2001	581.40	506.00	584.00	506.00
November 2001	610.20	558.00	606.00	558.65
December 2001	595.00	543.75	600.00	541.10
January 2002	691.85	560.00	691.70	551.25
February 2002	664.80	605.05	667.00	606.00
March 2002	686.00	625.50	675.00	630.00

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

Share price performance relative to BSE Sensex based on share price on 31st March, 2002.

PERIOD	SUN PHARMA SHARE PRICE	BSE SENSEX	% Change in SUN PHARMA RELATIVE TO SENSEX
Financial Year 2001-2002	+23.77%	-3.75%	+27.52%
Year-on-Year	+23.77%	-3.75%	+27.52%
2 Years	+4.66%	-30.63%	+35.29%
3 Years	+309.9%	-7.24%	+317.14%
5 Years	+691.41%	+3.23%	+688.18%

Share price performance relative to Nifty based on share price on 31st March, 2002.

PERIOD	SUN PHARMA SHARE PRICE *	NIFTY	% Change in SUN PHARMA RELATIVE TO NIFTY
Financial Year 2001-2002	+22.87%	-1.62%	+24.49%
Year-on-Year	+22.87%	-1.62%	+24.49%
2 Years	+5.46%	-26.1%	+31.56%
3 Years	+285.51%	+4.78%	+280.77%
5 Years	+678.26%	+16.66%	+661.60%

* source Economic Times

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

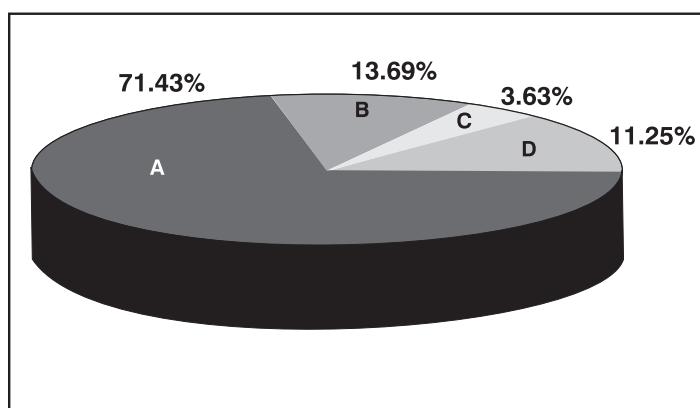
Ms. Swati Uchil
Intime Spectrum Registry Ltd.,
260-A Shanti Industrial Estate,
Sarojini Naidu Road, Mulund (West),
Mumbai – 400 080. E-Mail :isrl@vsnl.com

9.10 Share Transfer System

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

The Company has, as per SEBI guidelines with effect from 1st July, 2000, offered the facility of transfer cum demat. Under the said system, after the share transfer is effected, an option letter is sent to the transferee indicating the details of the transferred shares and requesting him/her/them in case he/she/they wishes to demat the shares, to approach a Depository Participant (DP) with the option letter. The DP, based on the option letter, generates a demat request and sends the same to the Company along with the option letter issued by the Company. On receipt of the same, the Company dematerialise the shares. In case the transferee does not wish to dematerialise the shares, he need not exercise the option and the Company then despatches the share certificates after 30 days from the date of such option letter.

9.11 Distribution of Shareholding as on 31st March, 2002



- A. Promoters and Persons acting in concert [71.43%] 3,34,10,639
- B. International Investors (FII/NRIs/OCB) [13.69%] 64,03,659
- C. Indian Financial Institution/Banks/Mutual Funds [3.63%] 16,98,249
- D. Others Public [11.25%] 52,61,992

Total No. of Equity Shares = 4,67,74,537

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

9.12 Dematerialisation of Shares

About 82% of the outstanding shares have been de-materialised up to 31st March, 2002. Trading in Equity Shares of the Company is permitted only in de-materialised form w.e.f. 29th November, 1999 as per notification issued by the Securities and Exchange Board of India (SEBI).

Liquidity:

Your Company's shares are fairly liquid and are actively traded on the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). The highest trading activity is witnessed on the BSE and NSE. Relevant data for the **average daily turnover** for the financial year 2001-2002 is given below:

	BSE	NSE	BSE + NSE
In no. of share (in Thousands)	17.14	21.00	38.14
In value terms (Rs. Millions)	9.97	12.20	22.17

9.13 Plant locations : As provided on the front page of the Annual Report.

9.14 Investor Correspondence For Shares held in Physical form

- (a) For transfer/dematerialisation of Shares, payment of dividend on Shares, and any other query relating to the shares of the Company
- Ms. Swati Uchil
Intime Spectrum Registry Ltd.,
260-A, Shanti Industrial Estate,
Sarojini Naidu Road, Mulund (West), Mumbai – 400 080.
E-Mail: isrl@vsnl.com
For Shares held in Demat Form
To the Depository Participant.
- (b) Any query on Annual Report
- Shri R. K. Baheti/Shri Ashok Bhuta/Ms. Mira Desai,**
Acme Plaza, Andheri Kurla Road,
Opp. Sangam Cinema, Andheri (East), Mumbai – 400 059.
rajkumar_baheti@sunpharma.com
ashok_bhuta@sunpharma.com
mira_desai@sunpharma.com
corpcomm@sunpharma.com.

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

To the Members of Sun Pharmaceutical Industries Limited

We have examined the compliance of the conditions of Corporate Governance by Sun Pharmaceutical Industries Limited for the year ended 31st March, 2002, as stipulated in clause 49 of the listing agreement of the Company with Stock Exchanges in India.

The compliance of the 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 Corporate Governance. It is neither an audit nor an expression of an opinion on the financial statements of the Company.

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

We state that in respect of investor grievances received during the year ended 31st March, 2002, no investor grievances are pending against the Company as on 30th May, 2002, as per the records maintained by the Company and presented to the Investors/ Shareholders Grievance Committee.

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

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

Mumbai,
Date: 30th May, 2002

CONSOLIDATED FINANCIAL STATEMENTS

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

1. We have audited the attached consolidated balance sheet of Sun Pharmaceutical Industries Limited and its Subsidiary Companies as at March 31, 2002, and also the related profit and loss account for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements (except consolidated cash flow statement refer Note 13 on Schedule 19), based on our audit. We did not audit the financial statements of the following companies Sun Pharma Global Inc, ZAO Sun Pharma Industries Limited, Milmet Pharma Limited and Sun Pharmaceutical (Bangladesh) Limited whose total assets and total revenues at those year ends totals Rs. 197.61 million and Rs. 64.72 million respectively. Except for Sun Pharmaceutical (Bangladesh) Limited whose financial statements (Total assets Rs. 109.13 million as at March 31, 2002, profit and loss account not prepared as the Company has not commenced commercial production) has not been audited, the financial statements of other subsidiaries as at and for the year ended March 31, 2002/December 31, 2001 as appropriate have been audited by other auditors whose reports have been furnished to us and our opinion in so far as relates to the total assets and total revenues is based solely on the reports of auditors of subsidiaries.
2. We conducted our audit in accordance with generally accepted auditing standards 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 misstatements. 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 the significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit and reports of other auditors provide a reasonable basis for our opinion except for Sun Pharmaceutical (Bangladesh) Limited whose financial statements for the period ended March 31, 2002 have not been audited.
3. We report that the consolidated financial statements (except consolidated cash flow statement refer Note 13 on Schedule 19), have been prepared by the Company in accordance with the requirements of Accounting Standard 21 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India, on the basis of the individual financial statements of Sun Pharmaceutical Industries Limited and its Subsidiary Companies included in the aforesaid consolidation.
4. In our opinion, based on our audit and the reports of other auditors subject to the financial statements of Sun Pharmaceutical (Bangladesh) Limited, which have not been audited, the consolidated financial statements (except consolidated cash flow statement refer Note 13 on Schedule 19), referred to above give a true and fair view of the financial position of Sun Pharmaceutical Industries Limited and its Subsidiary Companies as at March 31, 2002 and of the results of their operations for the year then ended in conformity with generally accepted accounting principles in India.

Mumbai, 30th May, 2002

PARTHA GHOSH
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

BALANCE SHEET AS AT 31ST MARCH, 2002

	Schedules	As at 31st March, 2002	
		Rs in Millions	Rs in Millions
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1A	467.7	
Share Capital Suspense	1B	0.2	
Reserves and Surplus	2	4955.8	5423.7
Minority Interests			
Share Capital		26.2	
Reserves and Surplus (Rs 20,427)		0.0	26.2
Loan Funds			
Secured Loans	3	89.1	
Unsecured Loans	4	33.2	122.3
			5572.2
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	3007.2	
Less: Depreciation and Lease Terminal Adjustment		915.1	
Net Block		2092.1	
Add: Capital Advances and Work-in-Progress		483.4	2575.5
Investments			
	6		818.3
Current Assets, Loans and Advances			
Inventories	7	1311.3	
Sundry Debtors	8	1062.6	
Cash and Bank Balances	9	156.3	
Deposit with ICICI Limited		100.0	
Loans and Advances-Others	10	625.9	
		3256.1	
Less: Current Liabilities and Provisions	11	846.6	2409.5
Deferred Tax Liability	12		(231.1)
Miscellaneous Expenditure (Rs 3,780) (To the extent not written off or adjusted)			0.0
			5572.2
NOTES TO ACCOUNTS			
	19		

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

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

Partha Ghosh
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants
Mumbai, 30th May 2002

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

DILIP S. SHANGHVI
Chairman & Managing
Director
SUDHIR V. VALIA
Wholetime Director

Partha Ghosh
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants
Mumbai, 30th May 2002

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

DILIP S. SHANGHVI
Chairman & Managing
Director
SUDHIR V. VALIA
Wholetime Director

Sun Pharmaceutical Industries Ltd.

CONSOLIDATED FINANCIAL STATEMENTS - SCHEDULES TO THE ACCOUNTS

	As at 31st March, 2002 Rs in Millions					As at 31st March, 2002 Rs in Millions														
SCHEDULE 1A : SHARE CAPITAL																				
Authorised																				
10,00,00,000 Equity Shares of Rs 10 each				1000.0																
30,00,000 Preference Shares of Rs 100 each				300.0																
Pursuant to the amalgamation of M.J.Pharmaceuticals Ltd. (MJPL) with the Company, the Authorised Share Capital of MJPL comprising of 1,50,00,000 Equity Shares of Rs.10 each (Rs 150 million) and 5,00,000 Preference Shares of Rs 100 each (Rs 50 million) aggregating to Rs 200 million has been added to the respective Share Capital of the Company.																				
Issued and Subscribed																				
467,74,537 Equity Shares of Rs. 10 each				467.7																
				467.7																
Notes:																				
1) 3,44,37,166 Equity shares of Rs.10 each were allotted as fully paid Bonus Shares by capitalisation of Share Premium Account, Profit and Loss Account and Amalgamation Reserve Account.																				
2) 4,13,633; 2,08,000; 4,77,581; 11, 438 and 18,519 Equity Shares of Rs.10 each paid-up, were allotted to the shareholders of erstwhile Tamilnadu Dadha Pharmaceuticals Ltd, Milmet Laboratories Pvt. Ltd, Gujarat Lyka Organics Ltd, Sun Pharmaceutical Exports Ltd. and Pradeep Drug Company Ltd. respectively, pursuant to Schemes of Amalgamations, without payment being received in cash.																				
SCHEDULE 1B : SHARE CAPITAL SUSPENSE																				
19,771 Equity shares of Rs.10 each fully paid up, to be issued pursuant to the scheme of Amalgamation of M. J. Pharmaceuticals Ltd. with the Company. (Refer note no. 4 of Schedule 19)																				
				0.2																
SCHEDULE 2 : RESERVES AND SURPLUS																				
Capital Reserve																				
As per last Balance Sheet				6.7																
SCHEDULE 3 : SECURED LOANS																				
From Banks-Demand Loan, Cash Credit and Packing Credit									89.1											
									89.1											
Credit facilities from Banks are secured by hypothecation of stocks and book debts. Further, it is secured by way of first charge on fixed assets at Vapi unit.																				
SCHEDULE 4 : UNSECURED LOANS																				
Short term Loans																				
From Financial Institution									1.7											
Deferred Sales Tax #									31.5											
									33.2											
# Repayable within one year Rs. 3.3 million																				
SCHEDULE 5 : FIXED ASSETS																				
Particulars		Gross Block					Depreciation				Rs in Millions									
		As at 1.4.01	Additions on Amalgamation	Additions 01-02	Deletions 01-02	As at 31.3.02	As at 1.4.01	Additions on Amalgamation	For year 01-02	Written back/ Deleted 01-02	As at 31.3.02	As at 31.3.02								
Freehold Land	9.6	1.3	4.0	0.0	14.9	0.0	0.0	0.0	0.0	0.0	14.9									
Leasehold Land	16.5	2.8	0.0	0.0	19.3	1.2	0.4	0.1	0.0	1.7	17.6									
Buildings	551.9	65.5	61.7	2.5	676.6	66.5	24.7	14.4	0.1	105.5	571.1									
Plant and Machinery	1347.0	71.2	262.1	12.9	1667.4	484.7	23.4	112.4	4.6	615.9	1051.5									
Vehicles	32.9	0.7	2.7	1.5	34.8	11.1	0.5	3.2	0.7	14.1	20.7									
Furniture and Fixtures	49.5	0.1	8.1	0.0	57.7	18.5	0.0	3.9	0.0	22.4	35.3									
Trademarks,Designs and Other Intangible Assets	466.6	0.0	2.9	0.0	469.5	72.4	0.0	30.3	0.0	102.7	366.8									
SUBTOTAL-A	2474.0	141.6	341.5	16.9	2940.2	654.4	49.0	164.3	5.4	862.3	2077.9									
Assets Given On Lease	200.8	0.0	0.0	133.8	67.0	57.1	0.0	9.5	45.6	21.0										
Lease Terminal Adjustment	0.0	0.0	0.0	0.0	0.0	72.6	0.0	0.8	41.6	31.8										
SUBTOTAL-B	200.8	0.0	0.0	133.8	67.0	129.7	0.0	10.3	87.2	52.8	14.2									
TOTAL A+B	2674.8	141.6	341.5	150.7	3007.2	784.1	49.0	174.6	92.6	915.1	2092.1									
Capital Advances and Work in Progress	91.3	5.3	461.3	74.5	483.4	0.0	0.0	0.0	0.0	0.0	483.4									
GRAND TOTAL	2766.1	146.9	802.8	225.2	3490.6	784.1	49.0	174.6	92.6	915.1	2575.5									

NOTES :

- Buildings include Rs. 500 towards cost of shares in a Co-operative Housing Society.
- Capital Advances and work in progress includes Rs. 10.4 Million on account of Pre-operative expenses

CONSOLIDATED FINANCIAL STATEMENTS - SCHEDULES TO THE ACCOUNTS

	As at 31st March, 2002 Rs in Millions	Year ended 31st March, 2002 Rs in Millions
SCHEDULE 6 : INVESTMENTS (LONG TERM, AT COST)		
Government securities		
National Savings Certificates Rs. 12,000 (Deposited with Government Authorities)	0.0	
Trade Investments		
A) Quoted		
Caraco Pharmaceutical Laboratories Ltd., - USA 1,01,05,323 fully paid Common Shares of no par value	350.5	
Market Value - Rs.1822.7 million		
B) Unquoted		
Promissory Note - Caraco Pharmaceutical Laboratories Ltd.,USA	467.8	
C) In capital of Partnership Firm		
M/s Sun Pharma Exports Rs. (8,168)	0.0	
	<u><u>818.3</u></u>	
SCHEDULE 7 : INVENTORIES		
(As valued and certified by the Management)		
Consumable Stores	0.7	
Raw Materials	564.7	
Packing Materials	53.9	
Finished Goods	428.1	
Work-in-Progress	263.9	
	<u><u>1310.6</u></u>	
	<u><u>1311.3</u></u>	
SCHEDULE 8 : SUNDAY DEBTORS		
(Unsecured-Considered Good)		
Over Six Months	163.4	
Others	899.2	
	<u><u>1062.6</u></u>	
SCHEDULE 9 : CASH AND BANK BALANCES		
Cash and Cheques in hand	10.9	
Balances with Scheduled Banks on-		
Current Accounts	139.8	
Deposit Accounts	1.1	
Unpaid Dividend Accounts	4.5	
	<u><u>145.4</u></u>	
	<u><u>156.3</u></u>	
SCHEDULE 10 : LOANS AND ADVANCES		
(Unsecured-Considered Good, unless stated otherwise)		
Loan to Employees / Others*	85.0	
Advances recoverable in cash or in kind or for value to be received	42.8	
Advances to Suppliers	71.7	
Due on Sale of Undertaking	189.4	
Balances with Central Excise and Customs	63.6	
DEPB and Advance Licence	88.4	
Other Deposits	28.1	
Advance Payment of Income Tax (Net of provision)	56.9	
	<u><u>625.9</u></u>	
* Secured Loans Rs. 24.4 million		
	<u><u>625.9</u></u>	
SCHEDULE 11 : CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Sundry Creditors and Advances from Customers		
Due to Small Scale Industrial Undertakings	6.4	
Others	369.9	
Security Deposits	14.3	
Unclaimed Dividend	4.5	
Other Liabilities	217.6	
	<u><u>612.7</u></u>	
Provisions		
Proposed Equity Dividend	233.9	
	<u><u>846.6</u></u>	
SCHEDULE 12 : DEFERRED TAX LIABILITY		
Deferred tax assets		
Unpaid liabilities allowable on payment basis u/s 43B	2.1	
Others	0.2	
Less : Deferred tax liability		
Depreciation on Fixed Assets	233.4	
	<u><u>(231.1)</u></u>	
	<u><u>208.2</u></u>	
SCHEDULE 13 : INCOME FROM OPERATIONS		
Sales		7445.0
Service Charges		2.9
Export Incentives		0.6
Interest-Tax deducted at source Rs. 11.1 million		45.3
Lease Rental / Hire Charges		2.2
Tax deducted at source Rs.0.1 million		8.5
Add: Lease Equalisation Account		10.7
Conversion / Analytical Charges		0.3
Tax deducted at source Rs.0.3 million		<u><u>7504.8</u></u>
SCHEDULE 14 : OTHER INCOME		
Other Interest		2.8
Tax deducted at source Rs.0.3 million		42.1
Insurance Claims		2.2
Miscellaneous Income-Tax deducted at source Rs.0.5 million		<u><u>47.1</u></u>
SCHEDULE 15 : MATERIAL COST		
Inventories at the beginning of the year		1477.0
Purchases during the year		2909.3
Inventories at the end of the year		(1310.6)
		<u><u>3075.7</u></u>
SCHEDULE 16 : INDIRECT TAXES		
Excise Duty		567.3
Sales Tax		217.3
Turnover Tax		3.8
Purchase Tax		4.6
		<u><u>793.0</u></u>
SCHEDULE 17 : PERSONNEL COST		
Salaries, Wages,Bonus and Benefits		350.6
Contribution to Provident and Other Funds		33.2
Other Welfare Expenses		49.7
		<u><u>433.5</u></u>
SCHEDULE 18 : OPERATIONAL EXPENSES		
Stores and Spares Consumed		55.0
Manufacturing Charges		78.3
Power and Fuel		115.1
Rent		9.0
Rates and Taxes		7.7
Insurance		10.6
Selling and Distribution		355.6
Commission and Discount		50.1
Repairs		
Building		11.1
Plant and Machinery		57.5
Others		14.0
		82.6
Printing and Stationery		15.0
Travelling and Conveyance		40.2
Overseas Travel and Export Promotion		135.9
Communication		34.8
Research and Development		72.3
Irrecoverable Debts/Advances Written Off		15.7
Professional and Consultancy		21.9
Donations		1.4
Loss on Sale of Fixed Assets		6.8
Share of Loss from Partnership Firm, Rs 8,168		0.0
Auditors' Remuneration (including service tax)		
Audit Fees		1.7
Certification Fees		0.1
Other Services		0.9
Out of Pocket Expenses		0.1
Miscellaneous		97.4
		<u><u>1208.2</u></u>

Sun Pharmaceutical Industries Ltd.

CONSOLIDATED FINANCIAL STATEMENTS - SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2002

SCHEDULE 19 : NOTES TO ACCOUNTS

1. SUBSIDIARIES

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

Name of Subsidiary	Country of Incorporation	Proportion of ownership	Year ending	Audited By
Indian Subsidiary				
Milmet Pharma Limited	India	97.8%	31-03-2002	Pravin Doshi & Co.
Foreign Subsidiaries				
Sun Pharma Global Inc.	British Virgin Islands	100.0%	31-12-2001	Valia & Timbadia
ZAO Sun Pharma Industries Limited	Russia	100.0%	31-12-2001	OOO Audit -911
Sun Pharmaceutical (Bangladesh) Limited	Bangladesh	72.5%	31-03-2002	Not Audited

2. (i) Significant Accounting Policies and Notes to these Consolidated Financial Statements are intended to serve as a means of informative disclosure and a guide for better understanding of the consolidated position of the Companies. Recognising this purpose, the Company has disclosed only such policies and notes from the individual financial statements which fairly represent the needed disclosures. Lack of homogeneity and other similar considerations made it desirable to exclude some of them, which in the opinion of the management, could be better viewed when referred from the individual financial statements.
- (ii) The accounts have been prepared to comply in all material aspects with applicable accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India.
- (iii) The financial statements of the Parent Company and its subsidiaries have been consolidated on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances, intra-group transactions and unrealised profits.

3. SIGNIFICANT ACCOUNTING POLICIES

(i) Basis of Accounting

The financial statements have been prepared under historical cost convention on an accrual basis.

(ii) Fixed Assets and Depreciation / Amortisation

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

(iii) Investments

Investments are stated at cost.

(iv) Inventory Valuation

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

(v) Deferred Tax Assets/Liability

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

(vi) Research and Development

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

(vii) Sales

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

(viii) Foreign Currency Transactions

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

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

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

(ix) Terminal Benefits

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

4. MERGERS AND ACQUISITIONS

Pursuant to the scheme of rehabilitation of the erstwhile M. J. Pharmaceuticals Ltd (MJPL) with the Company, as sanctioned by the Board for Industrial and Financial Reconstruction-

- (i) MJPL has been merged with Sun Pharmaceutical Industries Ltd, w.e.f. 1st January 2002. The amalgamation has been accounted for under the "Pooling of Interests Method" as prescribed in the Accounting Standard (AS-14) issued by the Institute of Chartered Accountants of India. Accordingly, the assets, liabilities and reserves of the erstwhile MJPL as at 1st January 2002, have been taken over at their respective book values, subject to adjustments made for the differences in the accounting policies between the two companies.
- (ii) (a) The assets and liabilities of the erstwhile MJPL were transferred to and vested in the Company with effect from 1st January, 2002. The scheme has accordingly been given effect to in these accounts.
- (b) Accumulated debit balance of Rs.308.1 million in the Profit and Loss Account of erstwhile MJPL has been adjusted in the Share Premium Account of the Company.
- (c) Equity shares of Rs.10 each of the Company are to be issued to the shareholders of the erstwhile MJPL, in the ratio of 1 share of the Company for every 210 shares of erstwhile MJPL. Pending allotment of the aforesaid shares, an amount of Rs.0.2 million has been disclosed as Share Capital Suspense, as on 31st March, 2002.
- (d) The Company's investment of 33,48,034 equity shares of Rs.10 each fully paid and 5,00,000 15% cumulative redeemable preference shares of Rs.10 each fully paid in MJPL, stands cancelled. Rs 26.4 million being the cost of investment in excess of nominal value of share capital of MJPL has been charged to Profit and Loss account.

As at 31st March, 2002
Rs in Millions

5. CONTINGENT LIABILITIES NOT PROVIDED FOR

Guarantees Given by the Company	732.0
Letters of Credit	163.6
Packing Credit	16.0
Liabilities Disputed	
Sales Tax	69.7
Excise Duty	36.5
Income Tax	102.6
Towards Price Equalisation Fund-DPEA	10.0
Import duty-JDGFT	17.4
ESIC Contribution	0.2
Claims against the Company not acknowledged as debts	0.4

6. CAPITAL COMMITMENTS-FIXED ASSETS

Year ended 31st March, 2002
Rs in Millions

7. REMUNERATION TO DIRECTORS

Managerial Remuneration u/s 198 of the Companies Act, 1956 *

Salaries and Allowances	7.1
Contribution to Provident and Superannuation Funds	1.4
Perquisites and Benefits (Current Year Rs. 30,000)	0.0

* No commission is paid to Directors. Remuneration paid to the Directors is within limits specified under Section 198 of the Companies Act, 1956.

CONSOLIDATED FINANCIAL STATEMENTS - SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2002

	Year ended 31st March, 2002 Rs in Millions
8. RESEARCH AND DEVELOPMENT EXPENDITURE	
Revenue	197.3
Capital	139.4
9. INTEREST EXPENSES FOR	
Fixed Loans	26.8
Debentures	3.0
Others	6.3
10. Foreign currency transactions are translated as per the accounting policy referred to in item 1(viii) above. The net exchange gain of Rs.30.26 million is included in the net profit for the year. Foreign exchange gain of Rs.1.2 million on account of income and expenditure consolidation and Rs.7.6 million on account of consolidation of assets and liabilities of subsidiaries have been transferred to Currency Fluctuation Reserve account.	
11. Provision for taxation is arrived at after considering available tax credit under minimum alternate tax.	
12. Disclosure with respect to Accounting Standards issued by the Institute of Chartered Accountants of India	
(i) Accounting Standard (AS-18) on Related Party Disclosure - as per Annexure 'A'.	
(ii) Accounting Standard (AS-20) on Earnings Per Share:	
	Year ended 31st March, 2002 Rs in Millions
(a) Net Profit	
Net profit for the year	1680.9
Less : Dividend on Preference Shares	13.5
Less : Corporate Dividend Tax on Preference Shares	1.4
Profit used as Numerator	<u><u>1666.0</u></u>
(b) Weighted Average number of Equity Shares used as Denominator	46794308
(c) Nominal value per share	Rs. 10.00
(d) Earnings Per Share (Basic and Diluted)	Rs. 35.60

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

Primary Segment

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

Secondary Segment (By Geographical Segment)

Year ended 31st March, 2002

Rs in Millions

India	Outside India	Total
-------	---------------	-------

Sales	6081.2	1363.8	7445.0
Service Charges	2.9	2.9	2.9

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

13. Accounting Standard 21,"Consolidated Financial Statements " issued by the Institute of Chartered Accountants of India is applicable in respect of accounting periods commencing on or after 1st April,2001.Being the year of transition,it is not practical to present the Consolidated Cash flow Statement since the consolidated figures for the previous year were not compiled and hence ,opening balances,which were relevant for compilation of this year's Cash Flow ,are not available.

14. Goodwill of Rs 7,977 arising on consolidation with respect to acquisition of shares of Milmet Pharma Ltd. (a subsidiary Company) acquired in April, 99 has been adjusted in the Profit and Loss Account and has also been amortised in full to the Profit and Loss Account

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

Partha Ghosh

Partner

For and on behalf of

Price Waterhouse

Chartered Accountants

Mumbai, 30th May 2002

R. K. BAHETI

Sr. VP-Finance & Company Secretary

DILIP S. SHANGHVI

Chairman & Managing Director

SUDHIR V. VALIA

Wholetime Director

ANNEXURE 'A'

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

Particulars	Associates	Key Management Personnel	Relatives of Key Management Personnel	Enterprise Under Significant Influence of Key Management Personnel or their Relatives	Rs in Millions				
					1	2	3	4	Total
Purchases of goods	340.2								340.2
Sale of goods	99.5								99.5
Sale of fixed assets									
Receiving of Service	13.3								0.1
Rendering of Service	0.2								13.3
Lease Rent received	1.6								0.2
Recovery of Expenses									
Finance (including loans and equity contributions in cash or in kind)									
Promissory notes	179.9								179.9
Advances received									0.1
Guarantees and Collaterals									
Bank Guarantee as on 31/03/2002	732.0								732.0
Interest Income	26.6								26.6
Rent Income									
Director's Remuneration		8.5							0.1
Rent Paid				0.2					8.5
Outstanding receivables,net of Payables as on 31/03/2002	22.3								0.4
Note:									22.7

Names of related parties and description of relationship

- Associates M. J. Pharmaceuticals Ltd., Caraco Pharmaceutical Laboratories Ltd - U.S.A, Sun Pharma Exports
- Key Management Personnel Mr. Dilip S. Shanghvi, Mr. Sudhir V. Valia, Mr. Shailesh Desai
- Relatives of Key Management Personnel Mrs Vibha Shanghvi Wife of Chairman
Mrs Kumud Shanghvi Mother of Chairman
Mrs Meera Desai Wife of Wholetime Director
Mrs Nirmala Desai Mother of Wholetime Director
- Enterprise under significant influence of Key Management Personnel or their relatives Sun Petrochemical Pvt Ltd
Sun Speciality Chemicals Pvt Ltd
Navjivan Rasayan (Gujarat) Pvt Ltd

Sun Pharmaceutical Industries Ltd.

ZAO SUN PHARMA INDUSTRIES LTD. RUSSIA

DIRECTOR'S REPORT

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

In 2001 ZAO «Sun Pharma Industries Limited» did not perform the business activity. During the fiscal period there were certain financial operations at ZAO «Sun Pharma Industries Limited» which were as follows:

- a financial irrevocable contribution of a private person: - 44779,39;
the above-mentioned contribution has helped to pay the salaries, loans and debts.
- a sale of the xerox copy equipment (MINOLTA EP 1050): - 10800,00;
- an advance payment attributed as a non-trade income: - 379053,60;
- a loss attributed as a non-trade charge: - 154548,35.

Note: It is a debtor indebtedness of UNIKOMBANK which can not be covered (please, see the Moscow Arbitratory Court Verdict of 20.12.01: UNIKOMBANK was officially defined as a bankrupt and the procedure of its liquidation was completed; due to the shortage of a bankrupt property the submitted claims of creditors are to be considered as the covered ones).

- a positive exchange rate: - 252,00;
- a negative exchange rate: - 25153,00;

Note: These exchange rates have appeared in the result of a re-evaluation of liabilities determined in the hard currency sums. The re-evaluation was calculated in accordance with the RF Central Bank Exchange Rate. The results of exchange rates are included in the final accounting report.

- a Balance Income of 2001: - 247599,00;

Note: A basis for the calculation of a Tax on Profit is reduced (in accordance with the Russian Law) due to the received sums of a financial irrevocable contribution of a private person and a sale of the xerox copy equipment - MINOLTA EP 1050; please, also note that in this case an index-deflator was applied for the computation.

- a Total Income: - 199316,00;
- a 35% Profit Tax: - 69761,00;
- additional Payments to the RF State Budget: - 4360,00;

Note: The RF Central Bank Discount Rate is 25%.

- a non-distributed net Profit of the fiscal period: - 172871,00;
- a debtor indebtedness: - 12167,00;

Note: the above-mentioned sum comprises a nonReturned guarantee loan paid for a foreign specialist to Migration Service (12024,00) and an over-paid Tax on Property (143,00).

- a creditor indebtedness: - 75098,00;

Note: taxes to be paid to the RF State Budget;

A Loss introduced in the 3rd Section of the Balance Sheet means a financial result: a Loss of the previous years (232228,00) is deducted on the sum of a Profit of the fiscal period (172871,00). A Profit of the fiscal period is deducted on the sum of a Expenditure (17429,00) covered at the expense of a Profit of the fiscal period

Deputy General Director P. A. Sinarevsky

The chief accountant N. P. Lobzenkova
April 16, 2002

BALANCE SHEET AS AT 31ST DECEMBER, 2001

	Amount (RRu) As at 31/12/2001	Amount (RRu) As at 31/12/2000
ASSETS		
I FIXED ASSETS	0	6.315
Office Equipments		
II CURRENT ASSETS	0	0
Inventories	0	0
Finished Goods	0	0
Receivables (less than 12 months)	12.024	12.024
Debtors for goods and services	12.024	12.024
Other Debtors	0.143	155.116
Cash and Bank Balances	6.145	0
Bank Balances	6.145	0
Other Current Assets	0	0
III PROFIT AND LOSS ACCOUNT	76.786	232.227
Profit and Loss Account		
	95.098	405.682
LIABILITIES		
IV CAPITAL AND RESERVES	20.000	20.000
Authorised Capital		
Paid up Share Capital	20.000	20.000
V CURRENT LIABILITIES	0	0
Sundry Creditors		
For Goods and Services	0	0
Advances from Customers	0	354.152
Other Liabilities	75.098	31.530
	95.098	405.682

P. A. Sinarevsky
Deputy General Director

Date - 16/04/2002

ZAO «Sun Pharma Industries Limited»

N. P. Lobzenkova
Chief Accountant

AUDITING CONCLUSION

Auditing Company "OOO AUDIT-911" (Legal Address: 107078, Moscow, ul. Novaya Basmannaya, dom 10, stroenie 1, office 87; registered by Moscow Registration Chamber on January 21, 1997, Certificate No.001.252.669. Bank details: Bank Account No.40702810638070100694 in the Strominsky Affiliate of the SAVING BANK No.5281; Licence No.000943 issued in accordance with the RF Ministry of Finance Order No.193 of July 22, 1999 with the validity of three years) performed the audit of the business activity of ZAO "Sun Pharma Industries Limited" accounting documentation for the period of 2001. Legal Address: 109444, Moscow, ul. Sormovskaya, dom 8, kor.2, komnata pravleniya. Actual Address: 117420, Moscow, Profsoyuznaya, dom 57, office 722; the Moscow Registration Chamber Registration No.031.055 of 15.04.94, OKPO 34615539; Bank Account No.40702810700074407001, Corresponding Account No. 301018105000000000662, BIK 044525662 in "Sodbusinessbank", the "Oktiabrskoe" Affiliate, Moscow.

The Founder is a Company "Sun Pharmaceutical Industries Limited". Legal Address: Sun Pharma Advanced Research Center (SPARC), Akota Road, Vadodara, 390-020, Gujarat State, INDIA.

A head is a Deputy General Director, Mr.P.A.Sinarevsky (Power of Attorney No.1 of 10.12.2000 provides a mentioned person with a right to represent the Company interests in the federal and municipal bodies of Russian and Moscow authorities).

A Chief Accountant is Mrs. N.P.Lobzenkova.

The auditing was performed in accordance with an Agreement No.28/03 of March 28, 2002 since 28.03.02 till 29.03.02 by the auditor, Mr. Petrov V.A.

AUDITING CONCLUSION made by the AUDITING COMPANY

1. Auditing Company "OOO AUDIT-911" has performed the audit of the ZAO "Sun Pharma Industries Limited" accounting documentation for the period of 2001. The mentioned accounting documentation is prepared by ZAO "Sun Pharma Industries Limited" Executive Management on the basis of Federal Law No. 129-FZ of November 21,1996 "Accounting Reports" (along with the Changes and Amendments issued on 23.07.98) and on the basis of RF Ministry of Finance Order number 34n of 29.07.98 (along with the Changes and Amendments issued on 30.12.99 and 24.03.00) - "Annual Accounting Reports" prepared in the Russian Federation."
2. It is the responsibility of ZAO "Sun Pharma Industries Limited" Executive Management to prepare the above-mentioned accounting documentation . The obligation of the Auditing Company "OOO AUDIT - 911" is to make up our official opinion on the basis of the performed audit in accordance with the submitted accounting documentation.
3. The audit was performed in accordance with the Legislation of RF, particularly in respect of the Law of RF No.119-FZ of 07.08.01 "Auditing Rules" (along with the Changes and Amendments issued on 14.12.01). The audit was planned and carried on to get the confirmation that there were no any grave infringements inn the internal accounting documentation. To get the true understanding in the audit we selected the certain data and statements of the accounting documentation.
4. We suppose the accounting documentation of ZAO "Sun Pharma Industries Limited", enclosed to the current Conclusion, is true, i.e. the mentioned documentation is prepared in a way giving the possibility to determine the general state of assets and passives of ZAO "Sun Pharma Industries Limited" on the 1st of January, 2002; we confirm also our opinion in respect of the mentioned Company financial results for the period of 2001 as far as we were studying the Company financial report according to the Federal Law 129-FZ of November 21, 1996 "Accounting Reports" (along with the Changes and Amendments issued on 23.07.98) and on the basis of RF Ministry of Finance Order No.34n of 29.07.98 (along with the Changes and Amendments issued on 30.12.99 and 24.03.00) - "Annual Accounting Reports" prepared in the Russian Federation".

Director of Auditing Company
"OOO AUDIT - 911"

D.I.Popov
Auditor
29.03.2002

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

	Amount (RRu) As at 31/12/2001	Amount (RRu) As at 31/12/2000
Net Sales	0	0
Interest	0	0
Other Income	433.084	11.445
	433.084	11.445
Cost of Sales of Goods and Services	0	0
Commercial Expenses	0	0
Interest	0	0
Other Operating Expenses	259.925	26.033
Road tax and Property Tax	0.288	0.859
	260.213	26.892
Profit for the period	172.871	0
Loss for the period	0	15.448
Add: Preliminary Expenses	17.429	52.001
Balance brought forward	232.228	164.768
Balance carried over to Balance Sheet	76.786	232.227
P. A. Sinarevsky Deputy General Director		
N.P.Lobzenkova Chief Accountant		
Date - 16/04/2002		
ZAO «Sun Pharma Industries Limited»		

SUN PHARMA GLOBAL INC. BRITISH VIRGIN ISLAND

DIRECTORS' REPORT

To,

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

Your Directors take pleasure in submitting the 6th Annual Report and Statement of Audited Accounts for the year ended 31st December, 2001.

Financial Results

The working of the Company during the year has been satisfactory and the Company has made profit of U.S. \$ 292,985 (Previous year U.S. \$ 224,789) from its operations.

Dividend

An Interim dividend @ 10% (Previous year @ 40% Final Dividend) for the Financial Year under review was paid to the equity shareholders of the Company. Your Directors recommend that the interim dividend on equity shares be treated as final.

Auditors

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

ON BEHALF OF THE BOARDS OF DIRECTORS

DILIP S. SHANGHVI	SUDHIR V. VALIA
Director	Director

Mumbai , 27th April, 2002.

BALANCE SHEET AS AT 31ST DECEMBER, 2001

	SCHEDULE	As at 31st December, 2001	(AMOUNT IN US\$)	As at 31st December, 2000
SOURCES OF FUNDS				
Shareholders' Funds				
Share Capital	1	500,000		500,000
Reserves and Surplus				
Profit and Loss Account		1,189,238		946,253
		1,689,238		1,446,253
APPLICATION OF FUNDS				
Investments	2	952,086		951,986
Current Assets, Loans and Advances				
Current Assets	3	180,600		60,569
Loans and Advances		569,992		689,056
		750,592		749,625
Less : Current Liabilities and Provisions	4	13,440		255,792
		737,152		493,833
Miscellaneous Expenditure				
(To the extent not written off or adjusted)				
Preliminary Expenses		0		434
		1,689,238		1,446,253
NOTES TO ACCOUNTS				
	8			

As per our report of even date attached.

For and on behalf of the Board

For **VALIA & TIMBADIA**
Chartered Accountants

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

HITEN C. TIMBADIA
Partner

Mumbai, 27th April, 2002

AUDITORS' REPORT TO THE MEMBERS

We have audited the attached Balance Sheet of Sun Pharma Global Inc. British Virgin Island as at 31st December, 2001 and Profit and Loss Account of the Company for the year ended on that date annexed thereto and report that :

- (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- (b) In our opinion , proper books of account have been kept by the Company so far as appears from our examination of those books.
- (c) The Balance Sheet and Profit and Loss Account dealt with by the report are in agreement with the books of account.
- (d) In our opinion and to the best of our information and according to the explanation given to us , the said accounts give a true and fair view :
 - i. In the case of the Balance Sheet of the state of affairs of the Company as at 31st December, 2001.
 - ii. In the case of the Profit and Loss Account of the profit of the Company for the year ended on that date.

For VALIA & TIMBADIA
Chartered Accountants

HITEN C TIMBADIA
Partner

Mumbai , 27th April , 2002.

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

	SCHEDULE	For the year ended 31st December, 2001	(AMOUNT IN US\$)	For the year ended 31st December, 2000
INCOME				
Income from Operations	5	952,467		468,451
Interest Income		52,616		84,183
		1,005,083		552,634
EXPENDITURE				
Material Cost	6	0		15,650
Operating Expenses	7	712,098		312,195
		712,098		327,845
PROFIT FOR THE YEAR				
		292,985		224,789
BALANCE BROUGHT FORWARD				
		946,253		921,464
AVAILABLE FOR APPROPRIATION				
		1,239,238		1,146,253
APPROPRIATIONS				
Interim Dividend		50,000		0
Proposed dividend		0		200,000
		1,189,238		946,253
NOTES TO ACCOUNTS				
	8			

As per our report of even date attached.

For and on behalf of the Board

For **VALIA & TIMBADIA**
Chartered Accountants

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

HITEN C. TIMBADIA
Partner

Mumbai, 27th April, 2002

SUN PHARMA GLOBAL INC. BRITISH VIRGIN ISLAND

SCHEDULES TO THE ACCOUNTS

	(AMOUNT IN US \$)		(AMOUNT IN US \$)	
	As at 31st December, 2001	As at 31st December, 2000	For the year ended 31st December, 2001	For the year ended 31st December, 2000
SCHEDULE : 1 SHARE CAPITAL				
Authorised				
500,000 Shares of US \$ 1/- Each	500,000	500,000		
Issued and Subscribed				
500,000 Shares of US \$1/- each fully paid up	500,000	500,000		
(Entire Share Capital is held by Holding Company				
Sun Pharmaceutical Industries Ltd., India.)	500,000	500,000		
SCHEDULE : 2 INVESTMENTS				
A) Trade Investments (Quoted)				
Caraco Pharmaceutical Laboratories Ltd. U.S.A. 1,722,657				
(Previous Year 1,722,657) Fully paid and Non Assessable				
Common Shares of No par value				
(Market Value \$ 1,981,056				
(Previous Year \$ 349,872))	951,986	951,986		
B) Trade Investments (Unquoted)				
Sun Pharmaceutical (Bangladesh) Ltd.				
i] 1 - (Previous Year - Nil)	2	0		
Equity Shares of 100 Takas each fully paid				
ii] Equity Contribution				
(Previous Year - Nil) pending allotment	98	0		
	952,086	951,986		
SCHEDULE : 3 CURRENT ASSETS				
Inventories of finished goods				
(As certified by the Management)	16,800	16,800		
Debtors - Considered good	28,560	32,876		
Balance with Bank	125,240	893		
Security Deposit	10,000	10,000		
	180,600	60,569		
SCHEDULE : 4 CURRENT LIABILITIES AND PROVISIONS				
Current Liabilities				
Creditors	13,440	55,792		
Provisions				
Proposed Dividend	0	200,000		
	13,440	255,792		
(AMOUNT IN US \$)				
	For the year ended 31st December, 2001	For the year ended 31st December, 2000		
SCHEDULE : 5 INCOME FROM OPERATIONS				
Sales	0	16,000		
Service Charges	952,467	452,451		
	952,467	468,451		
SCHEDULE : 6 MATERIAL COST				
Opening Stock	16,800	16,800		
Purchases	0	15,650		
Less : Closing Stock	16,800	16,800		
	0	15,650		
SCHEDULE : 7 OPERATING EXPENSES				
Conveyance	60,491	23,790		
Office Expenses	37,787	24,300		
Business Promotion Expenses	24,000	0		
Printing and Stationery	20,357	8,006		
Professional Charges	38,213	36,000		
Rent	18,000	18,000		
Repairs and Maintenance	20,342	8,000		
Selling and Distribution Expenses	325,108	127,860		
Entertainment Expenses	127,267	50,053		
Car Hire	6,356	2,500		
Communication Expenses	32,038	12,600		
Miscellaneous Expenses	1,580	527		
Preliminary Expenses written off	434	434		
Audit Fees	125	125		
	712,098	312,195		

SCHEDULE 8

NOTES TO ACCOUNTS

- Significant accounting policies
 - Revenue Recognition : Revenue is recognised on accrual basis
 - Preliminary expenditure is written off over a period of 5 years
 - Shares of Caraco Pharmaceutical Laboratories Limited acquired in exchange for technology transfer are accounted at issue price.
 - Inventory of stock of goods is valued at lower of cost or market value
- Loan to Caraco Pharmaceutical Laboratories Ltd., USA (CARACO) is in the nature of unsecured demand notes which accrues interest @ 10% upto March 31, 2001 and 8% thereafter.

MILMET PHARMA LIMITED

DIRECTORS' REPORT

To
The Members of
MILMET PHARMA LIMITED.

Your Directors have pleasure in presenting you the 6th Annual Report of your Company together with the Audited Accounts for the year ended on 31st March, 2002.

FINANCIAL RESULTS

	Year ended 31 st March, 2002	Year ended 31 st March, 2001
Profit Before Tax	7,20,973	7,07,053
Profit After Tax	3,20,695	4,27,414
Balance B/f from Previous Year	6,18,944	1,91,530
Surplus carried to Balance Sheet	9,39,639	6,18,944

DIVIDEND

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

OPERATIONS

During the year under review the Company achieved the total income of Rs.208.24 Lakhs as compared to Rs.159.67 Lakhs of previous year and the Company earned profit of Rs.3.21 Lakhs as compared to Rs.4.27 lakhs during the previous year.

DIRECTORS

Sri Sailesh T Desai, retires by rotation at the forthcoming Annual General Meeting of the Company and, being eligible, has offered himself for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- that in the preparation of the annual accounts for the financial year under review, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and on the profit of the Company for the year under review;

AUDITORS' REPORT TO THE MEMBERS

We have audited the attached Balance Sheet of Milmet Pharma Limited as at 31st March, 2002, and the Profit and Loss Account of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

- We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the said books.
- The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account.
- In our opinion, the Balance sheet and Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- On the basis of the written representations from the Directors, taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2002 from being appointed as a Director under Section 274 (1) (g) of the Companies Act, 1956.
- In our opinion, and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon, give the information required by the Companies Act 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - In case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2002.
 - In case of the Profit and Loss Account, of the profit of the Company for the year ended on that date.

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

- The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956 or from Company under the same management as defined under Section 370 (1B) of the Companies Act, 1956.

- that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the Directors have prepared the annual accounts for the financial year ended under review on a 'going concern' basis.

PUBLIC DEPOSIT

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

Information on Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and outgo as required under section 217 (i) (e) of the Companies Act, 1956.

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

PARTICULARS OF EMPLOYEES

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

AUDITORS

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

ACKNOWLEDGEMENTS

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

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

SAILESH T DESAI ASHOK BHUTA
Director Director

Place: Vadodara
DATE : 15th May, 2002

- The Company has not granted any loan during the year, secured or unsecured, to companies, firms or other parties listed in Register maintained under Section 301 of the Companies Act, 1956 or to Company under the same management as defined under Section 370 (1B) of the Companies Act, 1956.
- According to the information and explanations given to us, the Company has granted loans, or advances in the nature of loans only to employees. Repayments of principal amounts and interest are stipulated generally in time.
- According to the information and explanations given to us, the transactions of sale of services (there being no purchase and sale of goods and materials) made in pursuance of contracts and arrangements entered in the register maintained under Section 301 of the Companies Act, 1956, and aggregating during the year to Rs.50000/- or more in respect of each party have been made at prices which are reasonable having regard to the prevailing market prices.
- The Company has not accepted any deposit from the public to which the provisions of Section 58A of the Companies Act, 1956, and the rules made thereunder apply.
- According to the records of the Company Provident Fund and Employees' State Insurance dues have been regularly deposited during the year with the appropriate authorities.
- There were no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty as at 31st March 2002, which were outstanding for a period of more than six months from the date they become payable.
- No personal expenses of Directors & Employees has been charged to Revenue Accounts.
- The Company is not a sick industrial company within the meaning of Clause (O) of sub-Section (1) of Section 3 of Sick Industrial Companies (Special Provisions) Act, 1985.
- In respect of services activities:
 - Having regard to the nature of service activities, a system for allocating man-hours to the relative jobs is not considered necessary.
 - There is a reasonable system of authorization at proper levels and adequate system of internal control commensurate with the size of the Company and nature of its business.

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

For Pravin Doshi & Co.
Chartered Accountants

Place : Baroda
Dated : The 15th Day of May, 2002

(PRAVIN M. DOSHI)
Partner

MILMET PHARMA LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2002

		(Amount in Rupees)	
SCHEDULE		As at 31st March, 2002	As at 31st March, 2001
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	A	92,000	92,000
Reserves and Surplus	B	939,639	618,944
		1,031,639	710,944
APPLICATION OF FUNDS			
Current Assets, Loans and Advance			
Sundry Debtors	C	3,782,096	3,529,921
Cash and Bank Balances	D	785,703	194,568
Loans and Advances	E	1,725,816	1,634,516
		6,293,615	5,359,005
Less: Current Liabilities and Provisions	F	5,265,756	4,652,786
		1,027,859	706,219
Miscellaneous Expenditure			
(To the extent not written off or adjusted)			
Preliminary Expenses		3,780	4,725
		1,031,639	710,944
NOTES TO ACCOUNTS	K		

As per our report of even date attached.

For PRAVIN DOSHI & CO.
Chartered Accountants

PRAVIN M DOSHI
Partner

Baroda, 15th May, 2002

For and on behalf of the Board

SAILESH T DESAI
DIRECTOR

ASHOK BHUTA
DIRECTOR

For and on behalf of the Board

SAILESH T DESAI
DIRECTOR

ASHOK BHUTA
DIRECTOR

SCHEDULES TO ACCOUNTS

		(Amount in Rupees)	
As at		As at	
31st March, 2002		31st March, 2001	
SCHEDULE A : SHARE CAPITAL			
Authorised			
50,000 (Previous year 10,000)			
Equity Shares of Rs.10 each		500,000	100,000
Issued and Subscribed			
9,200 (Previous Year 9,200)			
Equity Shares of Rs.10 each fully paid up		92,000	92,000
(Out of above 9,000 (Previous Year 9,000)			
Equity Shares of Rs.10 each			
are held by Sun Pharmaceutical Industries			
Limited (the Holding Company))		92,000	92,000
SCHEDULE B : RESERVES AND SURPLUS			
Profit and Loss Account			
As per Annexed Account		939,639	618,944
		939,639	618,944
SCHEDULE C : SUNDY DEBTORS			
(Unsecured and considered good)			
Over six months		0	0
Others		3,782,096	3,529,921
(Debt due from holding company -			
Sun Pharmaceutical Industries Limited)		3,782,096	3,529,921
SCHEDULE D : CASH AND BANK BALANCES			
Cash in hand		15,070	126,471
Balances with Scheduled Banks on			
current account		770,633	68,097
		785,703	194,568

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

		(Amount in Rupees)	
SCHEDULE		Year ended	Year ended
		As at 31st March, 2002	As at 31st March, 2001
INCOME			
Income from Operations	G	20,791,913	15,956,190
Other Income	H	32,370	10,667
		20,824,283	15,966,857
EXPENDITURE			
Personnel Expenses	I	13,996,242	12,256,024
Operational Expenses	J	6,107,068	3,003,780
		20,103,310	15,259,804
PROFIT BEFORE TAX			
		720,973	707,053
PROVISION FOR TAXATION			
		397,134	279,639
TAX ADJUSTMENT FOR EARLIER YEAR			
		3,144	0
PROFIT AFTER TAX			
		320,695	427,414
BALANCE BROUGHT FORWARD			
		618,944	191,530
BALANCE CARRIED TO BALANCE SHEET			
		939,639	618,944
NOTES TO ACCOUNTS			
	K		

As per our report of even date attached.

For PRAVIN DOSHI & CO.
Chartered Accountants

PRAVIN M DOSHI
Partner

Baroda, 15th May, 2002

For and on behalf of the Board

SAILESH T DESAI
DIRECTOR

ASHOK BHUTA
DIRECTOR

SCHEDULES TO ACCOUNTS

		(Amount in Rupees)	
As at		As at	
31st March, 2002		31st March, 2001	
SCHEDULE E : LOANS AND ADVANCES			
(Unsecured and considered good)			
Advances recoverable in cash or in kind or for			
value to be received		1,617,824	1,384,413
Advance Payment of Income		107,992	250,103
Tax (Net of provision)		1,725,816	1,634,516
SCHEDULE F : CURRENT LIABILITIES AND PROVISION			
Sundry Creditors		80,408	122,087
Other Liabilities		5,185,348	4,530,699
		5,265,756	4,652,786
SCHEDULE G : INCOME FROM OPERATIONS			
Commission		20,791,913	15,956,190
		20,791,913	15,956,190
SCHEDULE H : OTHER INCOME			
Interest - Tax Deducted at Source Nil		32,370	9,167
(Previous Year Nil)		0	1,500
Miscellaneous Income		32,370	10,667
SCHEDULE I : PERSONNEL EXPENSES			
Salaries, Wages, Bonus and Benefits		12,823,535	11,288,402
Contribution to Provident and Other Funds		721,502	615,746
Other Welfare Expenses		451,205	351,876
		13,996,242	12,256,024

MILMET PHARMA LIMITED

SCHEDULES TO ACCOUNTS

	(Amount in Rupees)	
	Year ended 31st March, 2002 Rupees	Year ended 31st March, 2001 Rupees
SCHEDULE J : OPERATIONAL EXPENSES		
Rent	120,000	120,000
Rates and Taxes	2,000	1,500
Insurance	84,564	27,404
Selling and Distribution	3,767,759	0
Travelling and Conveyance	1,512,538	2,443,491
Communication Expenses	32,325	88,246
Miscellaneous Expenses	577,382	312,639
Auditors Remuneration		
- Audit Fees	10,500	10,500
	6,107,068	3,003,780

SCHEDULE 'K' : NOTES TO ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

i. BASIS OF ACCOUNTING

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

ii. REVENUErecognition

All revenues are accounted on accrual basis.

iii. TERMINAL BENEFITS

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

iv. PRELIMINARY EXPENSES

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

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

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

I. Registration Details

Registration No.	04/31523
Balance Sheet Date	31st March, 2002

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

Public Issue	Right Issue
NIL	NIL
NIL	Private Placement

III. Position of Mobilisation and Deployment of Funds

(Amount in Rs.Thousands)

Total Liabilities	1032
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Sources of Funds

Paid-up Capital	92
Secured Loans	0

Application of Funds

Net Fixed Assets	0
Net Current Assets	1028
Accumulated Losses	0

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

Turnover	20824
Profit Before Tax	721
Earning Per Share in Rs.	34.89

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

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

Product Description

REQUEST FOR BONUS PREFERENCE SHARES IN THE ELECTRONIC FORM

(To be filled in by the shareholder and returned to the address mentioned below)

Mr. N. Mahadevan Iyer,
Intime Spectrum Registry Ltd.,
Unit: Sun Pharmaceutical Industries Ltd.,
260-A, Shanti Industrial Estate,
Sarojini Naidu Road,
Mulund (West),
MUMBAI 400 080.

I/We, the undersigned, would like to receive my/our bonus 6% Cumulative Redeemable Preference Shares of Sun Pharmaceutical Industries Ltd, in the book-entry (electronic) form. Details of my/our holding in Sun Pharmaceutical Industries Ltd is/are as follows:

Name (s): 1. 2. 3.	Address:
Folio Number	
Total number of shares held	

I/We wish to receive _____ (number) Preference shares in electronic form. The details of my/our beneficiary (depository) account is given below:

Depository Name	NSDL/CDSL							
Depository Participant Name								
Depository participant ID	I	N						
Beneficiary Account No.								

I/We understand that, if the Preference shares cannot be credited to my/our beneficiary account for any reason whatsoever, I/We will be given physical Preference share certificate(s).

Yours sincerely,

Name & Signature of Shareholder(s)

- 1.
- 2.
- 3.

The signature(s) should tally with the specimen signature(s) registered with the Company.



ATTENDANCE SLIP

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

I hereby record my presence at the TENTH ANNUAL GENERAL MEETING of the Company at Hotel Holiday Inn, Convention Centre, Akota Gardens, Vadodara - 390 020 on Wednesday 28th August, 2002, at 12.00 noon

Name _____

Reference Folio / D. P. & Client I. D. No. _____

SIGNATURE OF THE ATTENDING MEMBER / PROXY No. of Equity Shares held _____

- Notes:
- Shareholder/Proxyholder wishing to attend the meeting must bring the Attendance Slip to the meeting and hand over at the entrance duly signed.
 - Shareholder/Proxyholder desiring to attend the meeting should bring his/her copy of the Annual Report for reference at the meeting.

— ----- CUT HERE ----- —



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

PROXY FORM

I/We _____

of _____ in the district of _____ being

Member of the above-named Company, hereby appoint _____

of _____ in the district of _____ or failing him,

of _____ in the district of _____

as my/our proxy to attend and vote for me/us on my/our behalf at the TENTH ANNUAL GENERAL MEETING of the Company at Hotel Holiday Inn, Convention Centre, Akota Gardens, Vadodara - 390 020 on Wednesday, 28th August, 2002, at 12.00 noon and any adjournment thereof.

Signed this _____ day of _____ 2002

Reference Folio / D. P. & Client I. D. No. _____

Affix
30 paise
Revenue
Stamp

No. of Equity Shares held _____

Signature

NOTE: The Proxy Form must be returned so as to reach the Registered Office of the Company at SPARC, Akota Road, Akota, Vadodara - 390 020, not less than FORTY EIGHT HOURS before the time for holding the aforesaid meeting.



Acme Plaza, Andheri Kurla Road, Andheri East, Mumbai 400 059. Fax: 022-8212010 Email: corpcomm@sunpharma.com