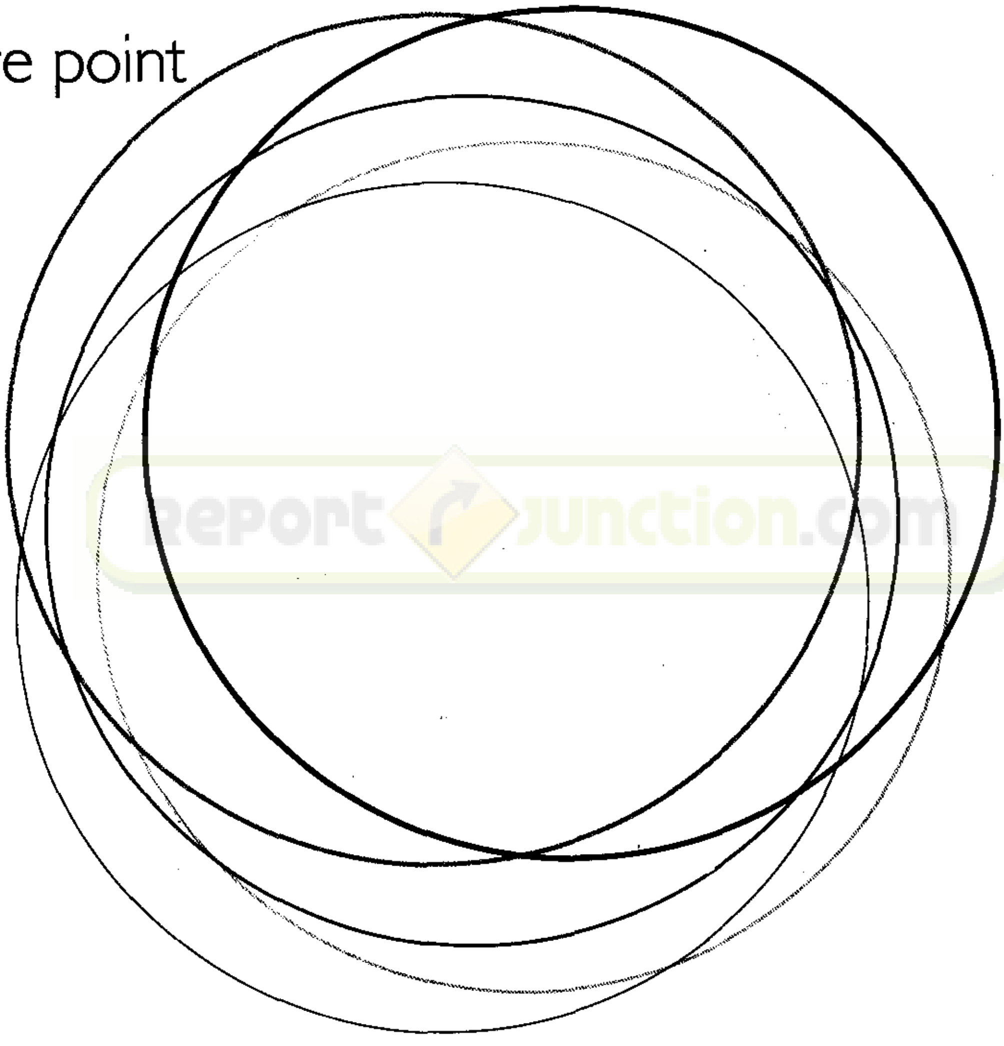
centre point



ANNUAL REPORT 1999-2000

SUN
PHARMACEUTICAL
INDUSTRIES LTD.

focus

NOUN:

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

VERB:

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

Roget's II: The New Thesaurus, Third Edition.

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

It is the principle of light

in which all things are found dissolved,

Its only from this light that mind

expresses clarity of thought.

All burning fire, all shining sun

all subtle qualities of the atmosphere

all silver radiance of the moon

are nothing else but this.

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

centre point

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

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

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

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

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

summary

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

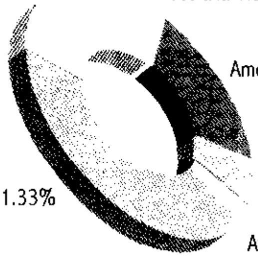
Exports of speciality bulk actives across Sun Pharma and Sun Pharma Exports increased 42% to Rs.90.23cr. These are repeat orders from large end users where we have already established a presence over the last few years. Increasing approvals from the regulatory authorities from the developed markets such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

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

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

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

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



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

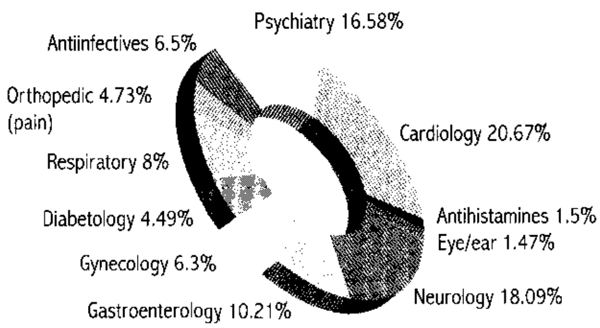
Domestic Markets :
The size of the team depends on the speciality covered - their number and spread

FIELD TEAM SIZE

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

therapy review

BREAK UP BY THERAPY AREA



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

customer centric

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

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

	Nov 1999 Feb 2000	July1999 October1999
Psychiatrists	1	1
Neurologists	1	1
Cardiologists	2	2
Gastroenterologists	2	2
Diabetologists	7	7
Chest physicians	3	5
Consultant physicians	3	5
Orthopedicians	4	4
Oncologists	7	5
Ophthalmologists	5	6
Nephrologists	7	7
Surgeons	22	20
GP	15	19
Pediatricians	15	21
Gynecologists	29	35
ENT specialists	6	7

(CMARC audits for the periods mentioned)

SYNERGY

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

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

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

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

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

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

TOP 5 PRODUCTS

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

(ORG Retail Chemist Audit, March 2000)

ADD

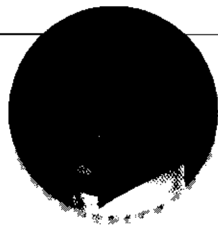
ATTENTION DEFICIT DISORDER

ADD consists of two basic symptoms:

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

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

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



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

Inattention

Inability to attend to details at school/work

Difficulty in paying attention for extended lengths of time

Inability or refusal to follow instructions, complete work or chores

Tendency to avoid tasks that require sustained mental effort

Disorganized, careless, distractible, forgetful

Hyperactivity

Fidgety, restless, agitated

Difficulty playing or engaging in leisure activities

Constantly "on the go" or driven

Excessively talkative

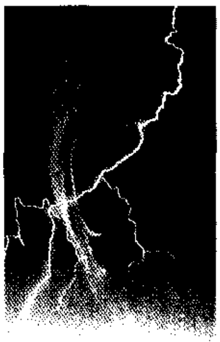
Impulsivity

Impatience

Difficulty delaying responses or waiting one's turn

Tendency to blurt out, interrupt, intrude on others

Risky, provocative, explosive, antisocial behaviour



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

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

Direc 2

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

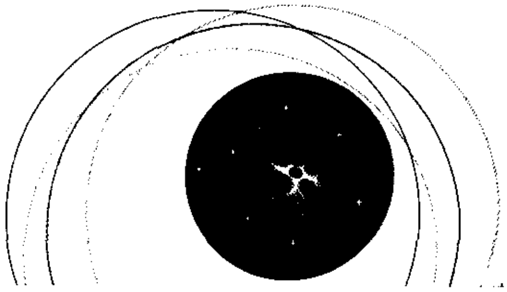
Gabantin, the antiepileptic that was launched last year is now beginning to find usage in the treatment of pain relief in 2 conditions where pain is inadequately treated-nerve pain after a herpes infection and pain in diabetic patients. Several other conditions in which Gabantin is being studied are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

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

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

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

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



AZTEC

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

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

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

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

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

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

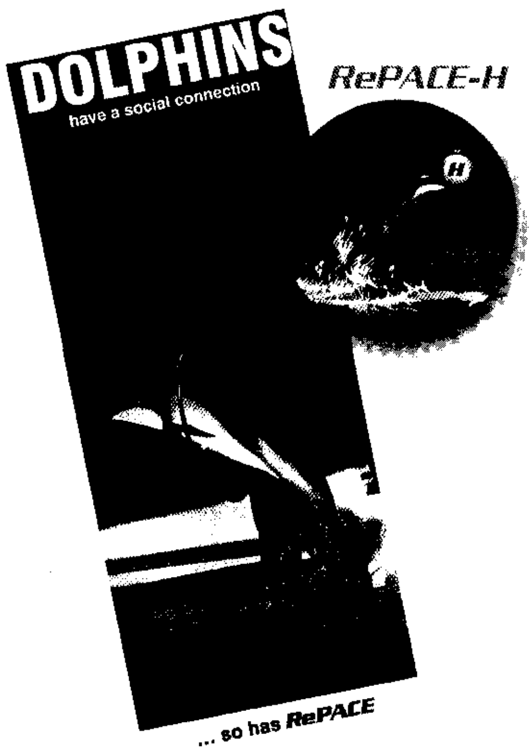
Repace H (losartan + hydrochlorothiazide) is the preferred treatment for patients who are not adequately controlled with losartan alone. Not only does this provide the patient with usage convenience and better symptom control, these drugs when taken together also offer a synergistic mechanism of action.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

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

TOP 5 PRODUCTS

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

(ORG Retail Chemist Audit, March 2000)

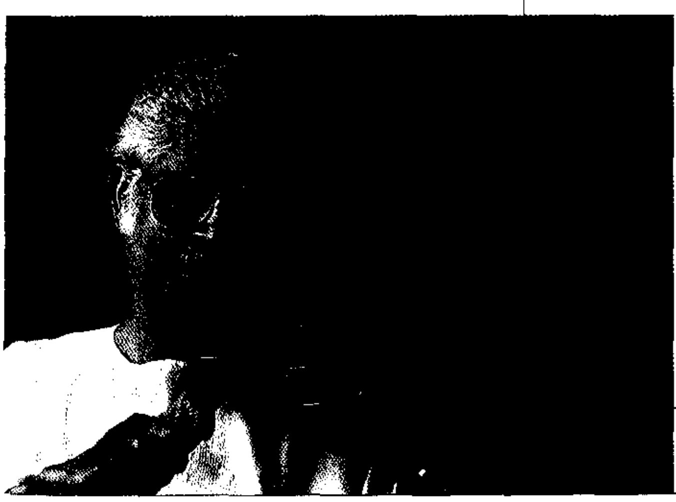


Aztor, a new cholesterol reducing agent belonging to a class called HMG COA reductase inhibitors was launched this year. HMG reductase is a key enzyme in cholesterol synthesis. The medication in Aztor inhibits this enzyme and reduces the "bad cholesterol"- the LDL cholesterol. Aztor also reduces elevated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

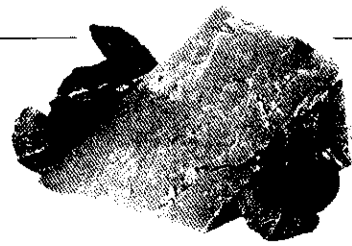
hyperten

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

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



Cholestrol



Why is cholesterol important?

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

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

SUN DIVISION

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

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

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

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

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

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

TOP 5 PRODUCTS

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

(ORG Retail Chemist Audit, March 2000)

arthritis

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