

FINANCIAL STATEMENTS - 2003-04

(The audited Financial statements are subject to revision for giving effect of the merger of Phlox Pharmaceuticals Limited (Phlox) with the Company with effect from 1st March,2004. The merger of Phlox with the Company is pending subject to the approval of the required statutory authorities. These Financial Statements are provided as a matter of information only and are not meant for approval by the Shareholders at ensuing Annual General Meeting of the Company to be held on 30th December,2004.)





BOARD OF DIRECTORS

Mr. Dillip S. Shanghvi
Chairman & Managing Director

Mr. Sudhir V. Valia
Wholetime Director

Mr. Sailesh T. Desai
Wholetime Director

Mr. S. Mohanchand Dadha
Director

Mr. Hasmukh S. Shah
Director

Mr. Keki M. Mistry
Director

Mr. Ashwin Dani
Director

COMPANY SECRETARY

Mr. Kamlesh H. Shah

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.
Kotak Mahindra Bank Ltd.

REGISTRARS & SHARE TRANSFER AGENTS

Intime Spectrum Registry Ltd.
C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (West), Mumbai – 400 078.
Tel: 55555454
Fax: 55555353
Email: isrl@vsnl.com

Additional Collection Centre

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

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.

F.P. No. 27, Part Survey No. 27, C. S. No. 1050, T.P.S. No. 24,
Village Tandalja, District Vadodara.

Sun Pharmaceutical Advanced Research Centre (SPARC)
Kalina, Santacruz (East), Mumbai – 400 099.

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

PLANTS

FORMULATIONS

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

Plot 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.

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

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

AUDITORS' REPORT TO THE MEMBERS

SUN PHARMACEUTICAL INDUSTRIES LIMITED

1. We have audited the attached Balance Sheet of Sun Pharmaceutical Industries Limited as at 31st March, 2004 and the related Profit and Loss Account for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date, (in which are not incorporated the results of Hindustan Antibiotics Limited pending approval of its proposal for merger effective from March 31, 2004) 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 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 Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 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 give 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 'A' referred to in paragraph 3, we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - (iii) The Balance Sheet, Profit and Loss Account and cash flow statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the Balance Sheet, Profit and Loss Account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act;
 - (v) On the basis of written representations received from the Directors of the company as on 31st March, 2004 and taken on record by the Board of Directors of the company none of the Directors of the company is disqualified as on 31st March, 2004 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Act;
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto, *read with note 16 of Schedule 20 regarding inclusion of sale as a consignee and corresponding recording of purchases* give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the balance sheet, of the state of affairs of the company as at 31st March, 2004;
 - (b) in the case of the profit and loss account, of the profit for the year ended on that date; and
 - (c) in the case of cash flow statement, of the cash flows for the year ended on that date.

Mumbai
Dated: April 21, 2004

PARTHA GHOSH
Partner
Membership Number: F-55913
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

Sun Pharmaceutical Industries Ltd.



ANNEXURE 'A' TO AUDITORS' REPORT

Referred to in paragraph 3 of the Auditors' Report of even date to the members of Sun Pharmaceutical Industries Limited on the financial statements for the year ended March 31, 2004

1. (a) The company is maintaining records showing full particulars including quantitative details and situation of fixed assets. *However as explained to us Management is in the process of updating records for proper classification of assets and computing accumulated depreciation/ amortisation for each of the asset.*
 - (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. However the management has represented that the above discrepancies are not material.*
 - (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the company during the year.
2. (a) The inventory (excluding stocks with third parties) has been physically verified by the management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.
 - (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - (c) On the basis of our examination of the inventory records, in our opinion, the company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
3. (a) The company has granted loans, unsecured, to two companies covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end balance of such loans aggregates to Rs. 6869.04 lakhs and Rs. 63.55 lakhs respectively. The company has not taken loans, secured or unsecured, from companies covered in the register maintained under Section 301 of the Act.
 - (b) In our opinion, the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the company.
 - (c) In respect of the aforesaid loans, the parties are repaying the principal amounts as stipulated and are also regular in payment of interest.
 - (d) In respect of the aforesaid loans, there is no overdue amount.
4. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased / sold are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there are adequate internal control procedures commensurate with the size of the company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures.
5. (a) In our opinion and according to the information and explanations given to us, the transactions that need to be entered into the register in pursuance of Section 301 of Act, have been so entered.
 - (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered into the register in pursuance of Section 301 of the Act and exceeding the value of Rupees Five Lakhs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
7. In our opinion, the company has an internal audit system, commensurate with its size and nature of its business.
8. We have broadly reviewed the books of account maintained by the company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained *except for depreciation provided plant wise and not cost center wise*. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

Sun Pharmaceutical Industries Ltd.

Financial Statements-2003-04

9. (a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the company is generally regular in depositing undisputed statutory dues including investor education and protection fund, employees' state insurance, income-tax, wealth tax, customs duty, excise duty and other material statutory dues as applicable, with the appropriate authorities except in respect of provident fund. The extent of the arrears of statutory dues outstanding as at March 31, 2004, for a period of more than six months from the date they became payable, in respect of provident fund are as follows-

Name of the statute	Nature of dues	Amount (in Rs. lakhs)	Period to which the amount relates	Due date	Date of Payment
Employees Provident Fund	Provident Fund	0.49	January 2002 to May 2003	Various dates	Still due

- (b) According to the information and explanations given to us and the records of the company examined by us, the particulars of dues of sales-tax, income-tax, customs duty, wealth tax, excise duty and cess as at March 31, 2004 which have not been deposited on account of a dispute, are referred to in Annexure 'B'.
10. The company has no accumulated losses as at March 31, 2004 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. According to the records of the company examined by us and the information and explanation given to us, the company has not defaulted in repayment of dues to any banks as at the balance sheet date.
12. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund/societies are not applicable to the company.
14. In our opinion, the company is not a dealer or trader in shares, securities, debentures and other investments.
15. In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the company for loans taken by others from banks or financial institutions during the year are not prejudicial to the interest of the company.
16. In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
17. On the basis of an overall examination of the balance sheet of the company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis, which have been used for long-term investment. No long-term funds have been used to finance short-term assets except permanent working capital.
18. The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
19. No debentures are outstanding at the year-end.
20. The company has not raised any money by public issues during the year.
21. During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.

Mumbai
Dated: April 21, 2004

PARTHA GHOSH

Partner

Membership Number:F-55913

For and on behalf of

PRICE WATERHOUSE

Chartered Accountants

Sun Pharmaceutical Industries Ltd.



ANNEXURE 'B' TO AUDITORS' REPORT

Referred to in paragraph 9 (b) of Annexure 'A' a statement on the matters specified in the Companies (Auditor's Report) Order, 2003 of Sun Pharmaceutical Industries Limited for the year ended March 31, 2004.

Name of the statute	Nature of dues	Amount (in Rs. lakhs)	Period to which the amount relates	Forum where the dispute is pending
The Central Excise Act	Differential duty on physician samples	94.02	01/08/1995 to 31/05/2000	Appellate Tribunal, Mumbai
	Modvat credit	4.76	1996-97	CEGAT
	Input credit on capital goods	0.41	1997	Assistant Commissioner of Excise, Ahmednagar
	Discrepancies of inventory	1.39	1997-98	Appellate Tribunal, Mumbai
	Shortages of input	0.88	2000	Commissioner C. Ex. & Customs (Appeals) Mumbai
	Demand and penalty on unpaid duty on Spent Solvents etc.	0.34	2000	Commissioner (Appeals)
	Destruction of excisable goods	8.78	September 2001	Central Excise Commissionerate, Daman
	Differential duty on physician samples	29.64	September 01 to December 02	Appellate Tribunal, Mumbai
	Reversal of excise duty on clearance of exempted goods	13.91	2002	Sales Tax Tribunal
	Reversal of excise duty on clearance of exempted goods	6.06	2002	Joint Commissioner (Appeals)
	Reversal of excise duty on clearance of exempted goods	13.95	01/03/2003 to 30/06/2003	Commissionerate (Appeals)
	Availment of cervat credit w.r.t. export	6.41	1994-95	No appeal filed

Financial Statements - 2003-04

Name of the statute	Nature of dues	Amount (in Rs. lakhs)	Period to which the amount relates	Forum where the dispute is pending
The Income Tax Act, 1961	No details available	0.16	P.Y. 1988-89	No details available
	Levy of additional income tax	0.94	P.Y. 1990-91	CIT (Appeals XII), Chennai
	Share of demand with respect to Amalgamated Partnership Firm	599.43	P.Y. 1988-89 to 1997-98	ITAT, Ahmedabad
	Interest u/s 220 (2) on above – Share with respect to Amalgamated Partnership Firm	93.61	P.Y. 1988-89 to 1997-98	ITAT, Ahmedabad
	Share in respect of Amalgamated Partnership Firm	6.25	P.Y. 1988-89 to 12/07/1998	ITAT, Ahmedabad
	Balance Demand of Assessment of erstwhile amalgamated Company.	6.78	P.Y. 1989-90	ITAT, Ahmedabad
	Share of Balance Demand with respect to amalgamated Partnership Firm	41.06	P.Y. 1996-97 & 1997-98	ITAT, Ahmedabad
	Balance Demand of Assessment – appeal filed	144.34	P.Y. 1997-98 to 2000-01	ITAT, Ahmedabad
	Dispute relating to 80 HHC deduction	8.61	P.Y. 1995-96, 1997-98 & 1998-99	ITAT, Chennai



Name of the statute	Nature of dues	Amount (in Rs. lakhs)	Period to which the amount relates	Forum where the dispute is pending
Central Sales Tax Act	Assessed demand of erstwhile amalgamated company for sales made to a Govt. hospital.	0.68	P.Y. 1981-82 to P.Y. 1985-86	AAC, Chennai
	Assessed demand of erstwhile amalgamated company	24.75	P.Y. 1994-95	Sales Tax Authority, Chennai
	Assessed/Re-assessed demand of erstwhile amalgamated company	12.80	P.Y. 1997-98	2 nd Appellate Authority of Sales Tax
	Disallowance of consignment sales of amalgamated company	1.95	P.Y. 1998-99	AAC, Chennai
	Assessment demand	0.21	P.Y. 1999-00	Sales Tax Authority, Chennai
	Purchase Tax u/s 15 B / Interest	6.80	P.Y. 2000-01 & upto July 01	Sales Tax Tribunal
	Ex -party Order Passed for CST	107.19	P.Y. 1993-94 to 1997-98	Nani-Daman Sales Tax Dept
Uttar Pradesh Sales Tax Act	Non-submission of 'C' Form	0.07	P.Y. 1997-98	1st Appeal Authority of Sales Tax Dept.
	Trade Tax Matter/ Non submission of sales tax and other documents	5.02	P.Y. 2000-01	1st Appeal Authority of Sales Tax Dept.
West Bengal Sales Tax Act	Non- submission of " F " Forms/ Non acceptance of C/N	0.52	P.Y. 2000-01	1st Appeal Authority of Sales Tax Dept.
Bihar Sales Tax Act	Disallowance of differential price	12.23	P.Y. 2000-01	1st Appeal Authority of Sales Tax Dept.

Financial Statements -2003-04

Name of the statute	Nature of dues	Amount (in Rs. lakhs)	Period to which the amount relates	Forum where the dispute is pending
Karnataka Sales Tax Act	Excess recoupment of sales tax and other levies	1.61	P.Y. 1999-00 & 2000-01	Sales Tax Tribunal
Mumbai Sales Tax	Sales tax on sale of import licenses	7.33	P.Y. 1994-95	Deputy Commissioner of Sales Tax Appeal – VI – Mumbai
Gujarat Sales Tax Act	Excess Interest & Penalty	2.94	P.Y. 1993-94	Gujarat Sales Tax Dept.
	4 % of B. T. Wrongly assessed as Deferred Tax Liability	8.00	P.Y. 1994-95 to P.Y. 1996-97	Gujarat Sales Tax Dept.
	Purchase Tax – u/s 15 B / B. T. Ratio / Interest	4.19	P.Y. 2000-01 & upto 17/06/2001	Gujarat Sales Tax Dept.
	Purchase Tax – u/s 15 B	4.93	P.Y. 2000-01	Gujarat Sales Tax Dept.
Daman Sales Tax Act	Ex -party Order Passed for CST	0.29	P.Y. 1993-94 to 1997-98	Nani-Daman Sales Tax Dept
Tamilnadu General Sales Tax Act	Dispute for sales tax charged on supplies to ESI	5.93	P.Y. 1981-82 to 1985-86	Sales Tax Department
	Assessed demand	0.65	P.Y. 1999-2000	Sales Tax Appellate Tribunal
Orrisa Sales Tax Act	Price Difference	3.68	P.Y. 1999-2000	Appellate authority of Sales Tax
Indian Customs Act	Payment made by JDFT, Chennai against import materials	207.96	P.Y. 1993-94	High Court, Chennai
DPCO	Demand raised for Calcium Lactate	100.49	P.Y. 1995-96	Concerned Ministry
ESIC Act	Disputed arrears	1.93	Prior to 1997	Appellate Authority



BALANCE SHEET AS AT 31ST MARCH, 2004

	Schedules	As at 31st March, 2004		As at 31st March, 2003	
		Rs in Million	Rs in Million	Rs in Million	Rs in Million
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1	618.3		622.2	
Reserves and Surplus	2	8432.4	9050.7	6340.0	6962.2
Loan Funds					
Secured Loans	3	125.3		92.4	
Unsecured Loans	4	1888.8	2014.1	0.0	92.4
Deferred Tax Liability					
	5		350.9		290.9
			<u>11415.7</u>		<u>7345.5</u>
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	6	4658.6		3403.4	
Less: Depreciation and Lease Terminal Adjustment		1310.4		1090.0	
Net Block		3348.2		2313.4	
Add: Capital Advances and Work-in-Progress		236.6	3584.8	673.9	2987.3
Investments	7		5368.3		856.1
Deferred Tax Assets	8		3.4		3.4
Current Assets, Loans and Advances					
Inventories	9	1602.9		1556.2	
Sundry Debtors	10	627.4		1971.6	
Cash and Bank Balances	11	757.4		786.8	
Loans and Advances-Others	12	1366.9		554.6	
		4354.6		4869.2	
Less: Current Liabilities and Provisions	13	1895.4	2459.2	1370.5	3498.7
			<u>11415.7</u>		<u>7345.5</u>

NOTES TO THE FINANCIAL STATEMENTS 20

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

Membership Number: F-55913

For and on behalf of

Price Waterhouse

Chartered Accountants

Mumbai, 21st April 2004

KAMLESH H. SHAH

Company Secretary

For and on behalf of the Board

DILIP S. SHANGHVI

Chairman & Managing Director

SUDHIR V. VALIA

Wholtime Director

SAILESH T. DESAI

Wholtime Director

Mumbai, 21st April 2004

Sun Pharmaceutical Industries Ltd.