



Annual Report 2007- 08

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Focus

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Board Of Directors

Mr. Dilip S. Shanghvi
Chairman & Managing Director

Mr. Sudhir V. Valia
Wholetime Director

Mr. Sailesh T. Desai
Wholetime Director

Mr. S. Mohanchand Dadha
Director

Mr. Hasmukh S. Shah
Director

Mr. Keki M. Mistry
Director

Mr. Ashwin Dani
Director

Company Secretary

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

Auditors

Deloitte Haskins & Sells
Chartered Accountants, Mumbai

Bankers

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

Registrars & Share Transfer Agents

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

Additional Collection Centre

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

Plants

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Offices

Registered

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

Corporate

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

Research Centres

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

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

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

* With partnership firm Sun Pharmaceutical Industries.



HPLC's, Analytical Lab, R&D Center



API Manufacturing, Panoli



Formulation Lab, R&D Center



R&D Center, Baroda



Lobby, R&D Center



Pharmacokinetics Lab, R&D Center

Highlights

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

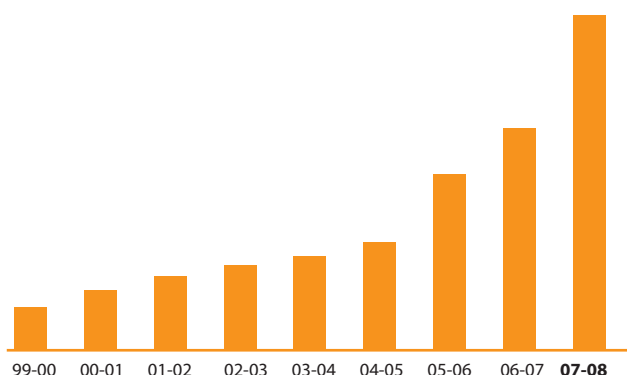
all numbers pertain to the consolidated entity

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

Consolidated - Total Revenue

(Rs. In Million)

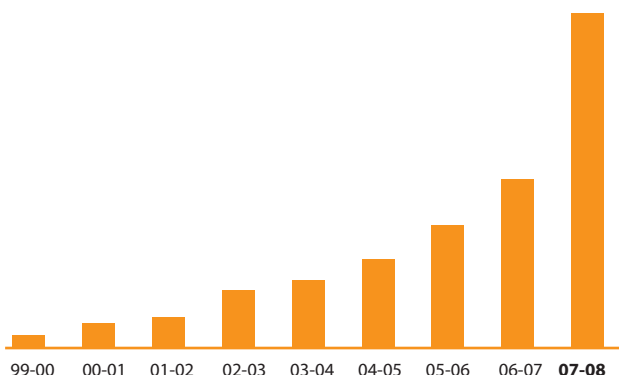
4,445 5,682 6,985 8,410 9,995 12,301 18,052 23,787 **35,017**



Consolidated - Net Profit

(Rs. In Million)

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



Disclaimer:

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

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



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Proposed Taro merger and subsequent events.

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

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

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

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

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

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Indian Market

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

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

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

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

MAT IMS-ORG For Apr '08

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

(* therapy areas have been renamed for understanding)

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

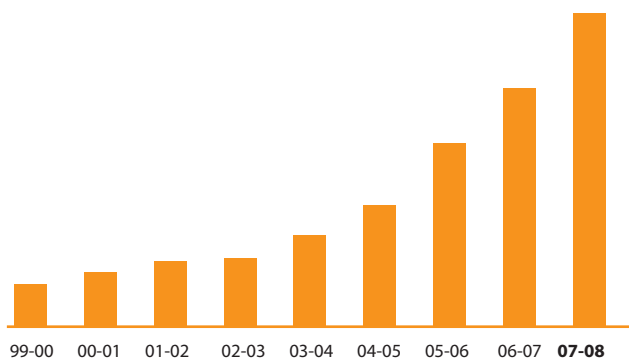
Patent challenges continued this year as well, testing the boundaries of what is patentable in the country despite the Indian Patent law leaving little room for incremental innovation to get protection. Since 2005, a new Patent Act has been in place in the country offering international levels of intellectual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

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

Standalone - Total Revenue

(Rs. In Million)

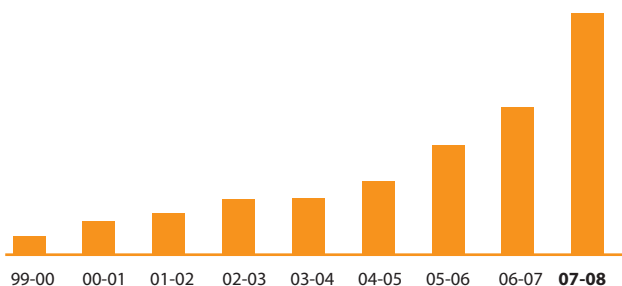
4,445 5,682 7,023 7,330 9,598 12,468 18,070 24,067 **32,767**



Standalone - Net Profit

(Rs. In Million)

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



Division-wise Representative Strength & Therapy Areas

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

TOTAL 2450

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