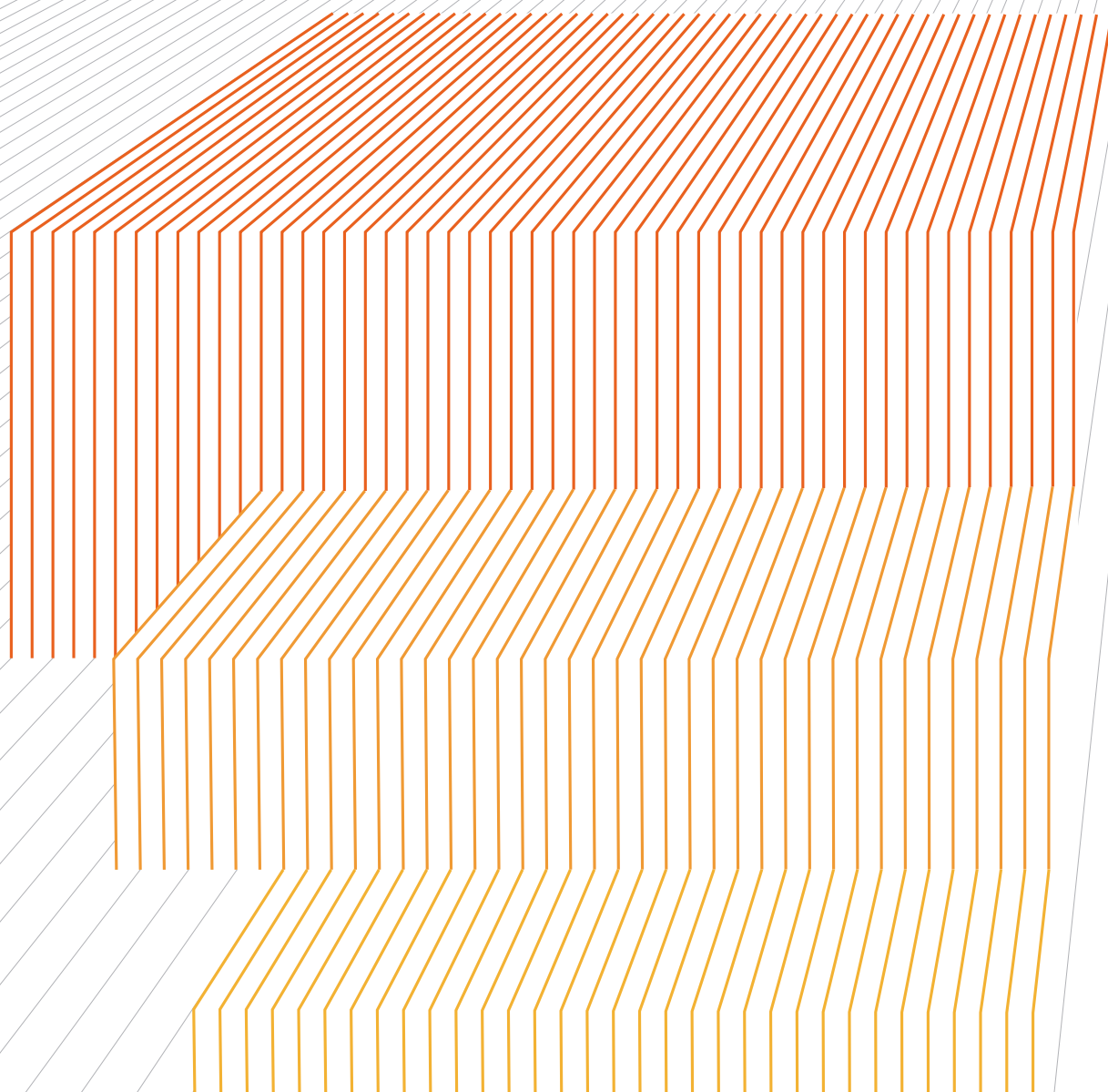


NATURAL PROGRESSION



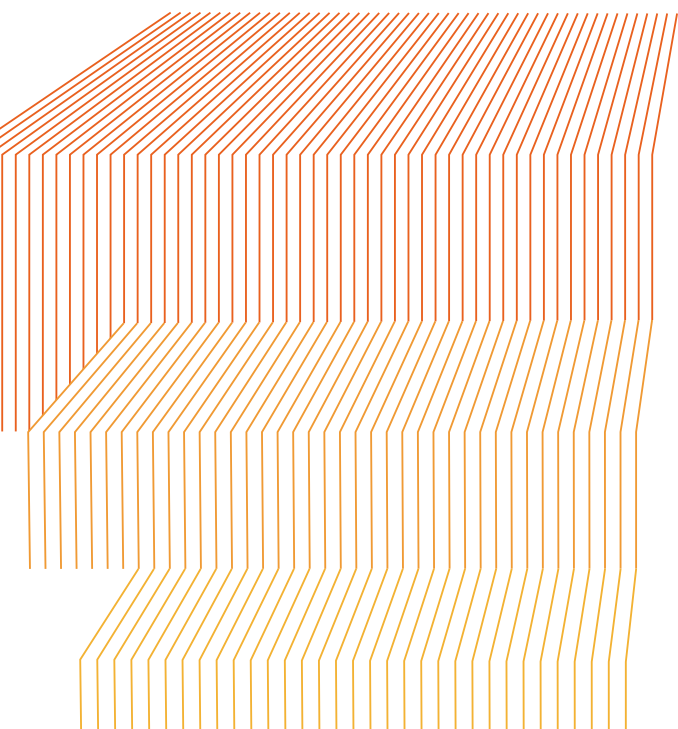
Annual Report 2010-11



CONTENTS

Natural Progression

Lines depicting steps—incremental change, gradual growth, lines sloping upwards. Innumerable such steps adding up, to form a smooth growth pattern when seen from a distance. Progress shown with lines racing to the distance, to infinity. The cover shows an artist's interpretation of the company's progress



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Corporate Information

Inside Back Cover

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.



2010-11 was a good year for Sun Pharma,

as were the preceding years. Our financial performance was strong, we completed a significant acquisition, enriched the portfolio of products we offer in the US, strengthened our speciality rankings in India and rest of world markets, added to our intellectual capital, and yet again reaffirmed our commitment to high standards of corporate governance and stakeholder transparency.

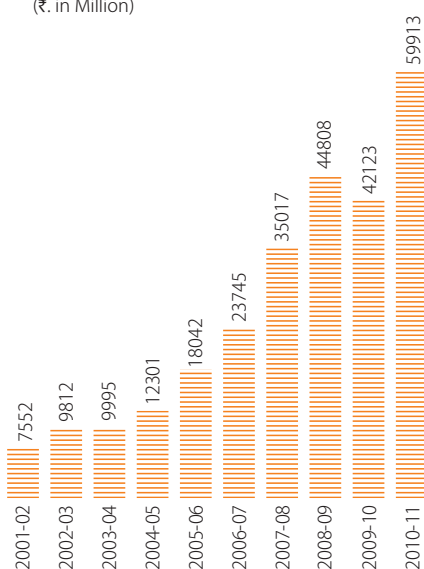
We are today the largest Indian company in the US generics space, the largest pharma company in India in chronic therapies, and an emerging force in the rest of the world markets.

We believe each development over the past year, incremental as it may seem in isolation, is part of a natural growth trajectory that builds from strength to strength. We will endeavor to drive future value through our steadily growing base business, complemented with acquisitions and alliances, while retaining the same respect for the bottomline.

KEY PERFORMANCE INDICATORS

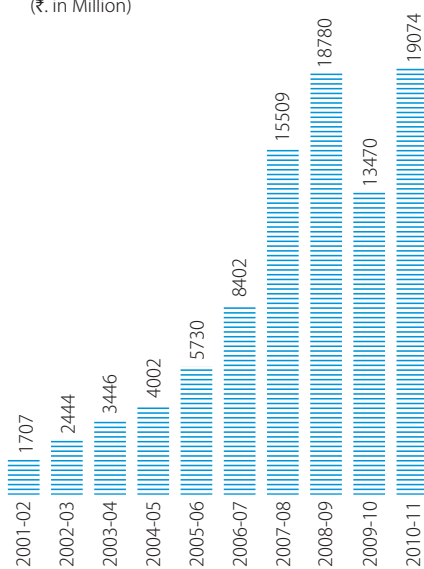
Total Income

(₹. in Million)



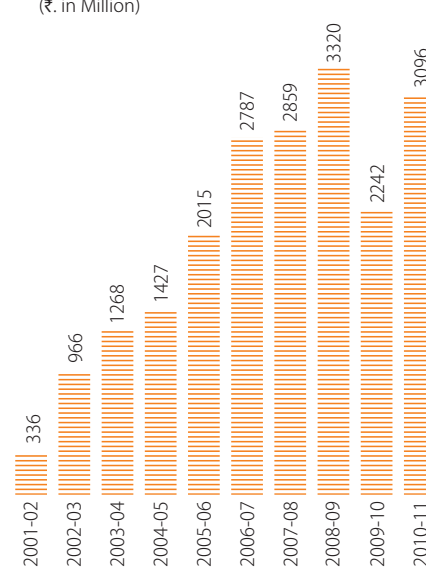
Profit After Tax

(₹. in Million)



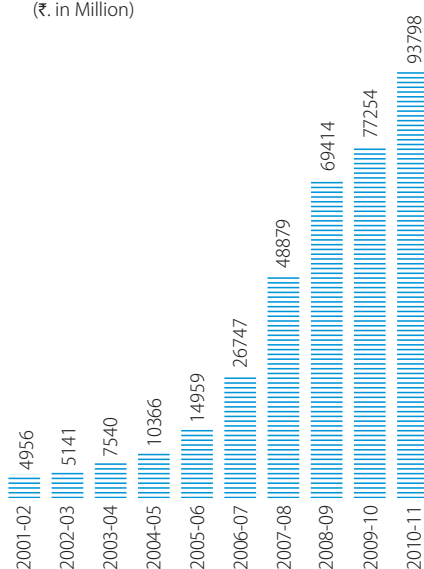
R & D Expenditure

(₹. in Million)



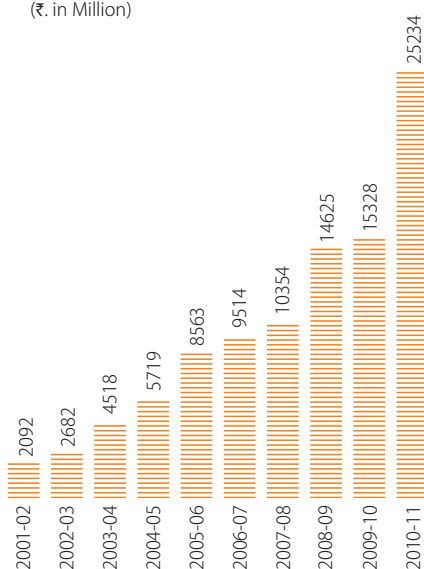
Reserve and Surplus

(₹. in Million)



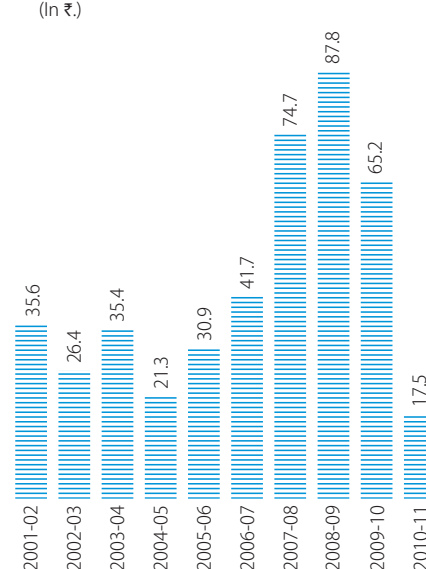
Net Block

(₹. in Million)



Earning Per Share - Basic*

(In ₹.)



* During the financial year 2002-03, each Equity shares of ₹.10/-each was split into two equity share of ₹.5/- each.
During the financial year 2010-11, each Equity shares of ₹.5/-each was split into five equity share of ₹.1/- each.

PERFORMANCE AND FINANCIAL HIGHLIGHTS

TEN YEAR
FINANCIAL HIGHLIGHTS

(₹. in Million)

Consolidated										
Particulars	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Operating Performance										
Income from Operations	7505	9725	9847	11983	17372	22373	34606	43751	38086	57214
Total Income	7552	9812	9995	12301	18042	23745	35017	44808	42123	59913
Profit after tax	1707	2444	3446	4002	5730	8402	15509	18780	13470	19074
R&D Expenditure	336	966	1268	1427	2015	2787	2859	3320	2242	3096
a) Capital	197	363	598	418	481	347	134	222	159	236
b) Revenue	139	603	670	1009	1534	2440	2725	3098	2083	2860
c) % of Turnover	5%	12%	13%	12%	12%	13%	9%	8%	6%	5%
Financial Position										
Equity Share Capital	468	465	464	928	929	967	1036	1036	1036	1036
Reserve and Surplus	4956	5141	7540	10366	14959	26747	48879	69414	77254	93798
Gross Block	3007	4033	6232	7806	12342	14252	15960	21476	23340	45520
Net Block	2092	2682	4518	5719	8563	9514	10354	14625	15328	25234
Investment	818	38	1765	6485	3541	2543	6565	18595	31664	22310
Net Current Asset	2410	3725	4808	16360	23006	26843	33995	35485	28542	45939
Stock Information										
Number of Shares	46,774,537	93,048,478	92,755,678	185,511,356	185,731,637	193,402,120	207,116,391	207,116,391	207,116,391	1,035,581,955
Earnings per Share- Basic (In ₹)*	35.6	26.4	35.4	21.3	30.9	41.7	74.7	87.8	65.2	17.5
Earning Per Share- Diluted (In ₹)*	35.6	13.2	17.7	20.7	27.7	38.9	71.8	87.8	65.2	17.5

* During the financial year 2002-03, each Equity shares of ₹.10/-each was split into two equity share of ₹.5/- each.
During the financial year 2010-11, each Equity shares of ₹.5/-each was split into five equity share of ₹.1/- each.

MANAGEMENT DISCUSSION AND ANALYSIS

THE GLOBAL PHARMA MARKET

Global Pharma quick facts 2010



View of Ahmednagar Plant

- The global pharma market has registered **4.1% growth** to reach **US\$856 billion**.
- Global generic drug spending is estimated to be **US\$ 234 billion**.
- The US pharmaceutical market stood at US\$310.6 billion.
- European markets of Germany, France, Italy, Spain and UK reached US\$ 147.4 billion.
- The 17 'pharmerging' countries of China, India, Russia, Brazil, Turkey, Venezuela, Poland, Argentina, Mexico, Vietnam, South Africa, Thailand, Indonesia, Romania, Egypt, Pakistan and Ukraine stood at US\$ 150.5 billion.
- The Indian pharma market stood at US\$ 12.3 billion.

(Source: IMS Health)

Outlook

Global pharma market is expected to grow by **5-7%** to reach **US\$ 880 billion** in 2011

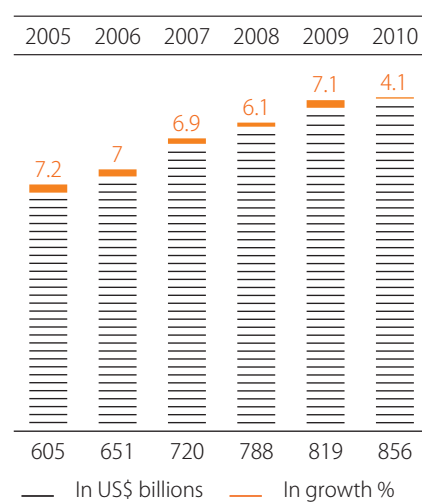
Global pharma market to reach **US\$ 1.1 trillion** by 2014

US pharma market will reach anywhere between **US\$ 320** and **350 billion** by 2015

European markets to reach up to **US\$ 160 billion** by 2015

(Source: IMS Health)

A GROWTH OF WORLDWIDE PHARMA SPENDING OVER THE YEARS



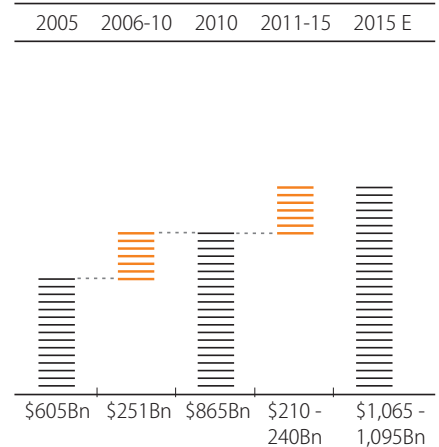
(Source: IMS Health)

Management Discussion and Analysis

Although global spending on medicines is expected to grow from US\$ 856 billion in 2010 to reach around US\$ 1,065-1,095 billion in 2015, the incremental growth in global medicine spending is expected to slow from the US\$251 billion increment registered in 2006-10 to the expected US\$ 210-240 billion increment during 2010-15. Patent expiries, increasing generic sales and budget controls may restrain successive growth in medicines spending globally, especially in developed markets.

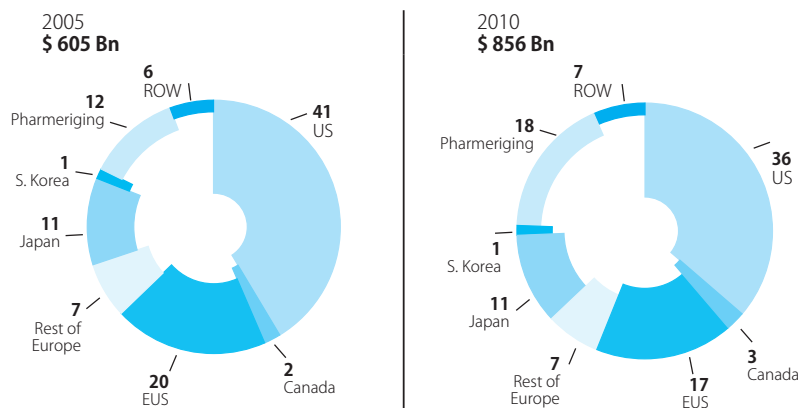
Between 2005 and 2015 the share of developed markets (US and EU 5) in global medicine spending is expected to fall, the share of pharmerging countries is expected to rise, and is expected to remain steady for Japan, rest of Europe and Canada. Pharmerging markets will witness the highest growth in the next five years, driven by increased access through healthcare reforms and economic growth.

B GLOBAL SPENDING ON MEDICINES

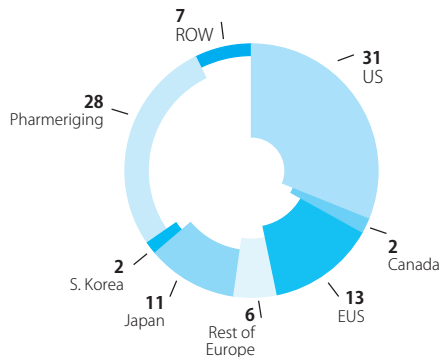


(Source: IMS Health)

C SPENDING ON MEDICINES BY GEOGRAPHY (In %)



**2015 Estimate
\$ 1,065 Bn - 1,095 Bn**



(Source: IMS Health)

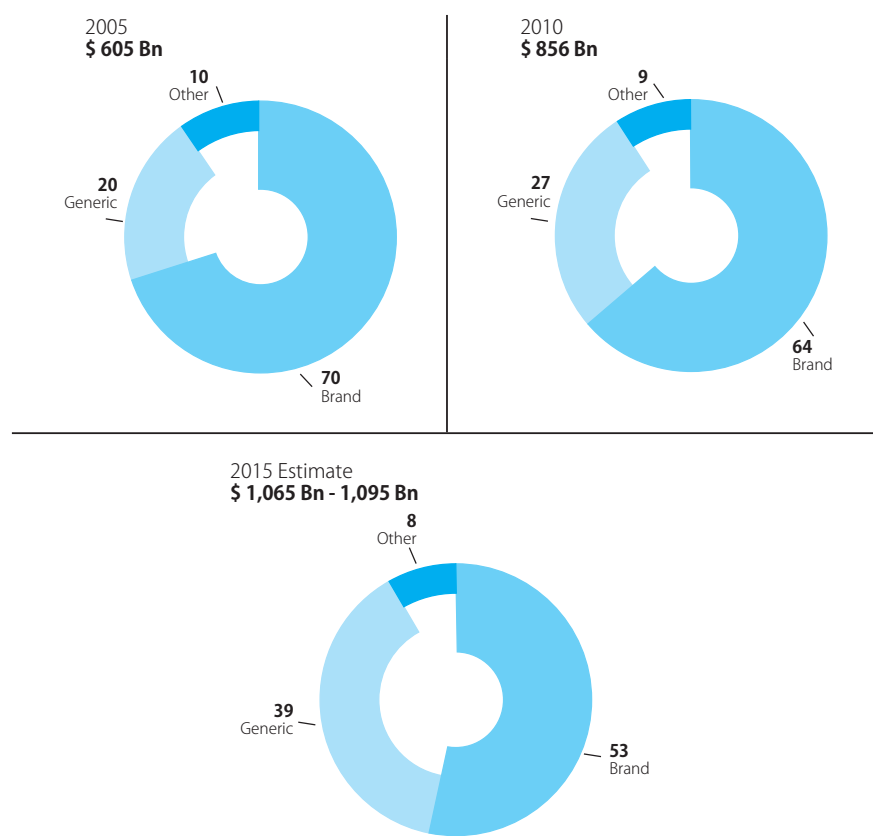


BRANDED GENERICS VS. PATENTED DRUGS

Although a large number of branded products lost their patent protection during the year in the US, however, this did not trigger extensive growth in generic drugs (which are low cost therapeutic equivalents of patented or innovative drugs), on account of intense price competition. Pricing continues to be one of the most important issues in the pharma world, as affordable healthcare remains a priority for governments worldwide. The rising cost of new product development for new molecules on one hand, as well as spiraling healthcare budgets and mounting governmental pressure to reduce drug prices have prompted companies to ramp up their generic/ branded generic business *(Source: IMS Health)*.

Brands comprised about 2/3rd of the global pharmaceutical spending during the year 2010. As patents expire in developed markets, the share of branded or patented products is expected to decline in the coming years.

D GLOBAL MARKET, SEGMENT WISE (In %)



Note: a) Generics includes branded generics
b) Others includes OTC and non categorized products

(Source: IMS Health)

Global generic drug spending is estimated to be **US\$ 234 billion** in 2010

Global spending on generics to reach **US\$ 400-430 billion** by 2015

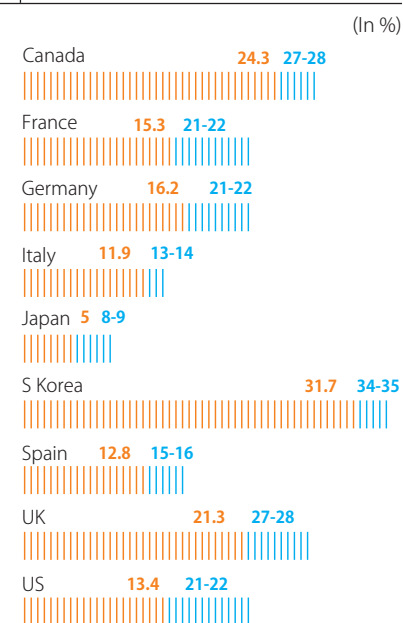
US pharma spending to grow **0-3%** by 2015 but US Generics market to grow at a CAGR of 10% by 2013 reaching **US\$ 108.5 billion** by 2013

The global market share for patented medicines is expected to decline from **64%** in 2010 to **53%** by 2015

(Sources: IMS Health and Credit Suisse Report, April 2011)

It is expected that highest growth in generics spending would come from the US, Canada, UK, and South Korea. Japan may continue with the lowest generic share, despite significant policy incentives to increase generic prescribing and dispensing.

E DEVELOPED MARKETS GENERIC SHARE (In %)



● 2010 Generic Share ● 2015 Share Increase Estimate

(Source: IMS Health)

GROWTH SHIFTING TO PHARMERGING MARKETS

The 17 'pharmerging' countries are expected to contribute 28% to global market spending by 2015. Pharmerging markets are expected to double their spending on medicines to \$285-315 billion by 2015, compared with \$151 billion in 2010 (Source: IMS Health).

The Asia Pacific pharmaceutical market, comprising India, China, Malaysia, South Korea and Indonesia, has emerged as one of the fastest growing pharmaceutical markets. High growth, witnessed in emerging markets, has led to a focus shift for large pharma companies from regulated markets to emerging markets. It is expected that while growth in regulated markets will slow down, emerging markets would lead industry growth. Emerging markets have traditionally been characterized with one or more of the following:

- Relatively low entry barriers in terms of product registration requirements and intellectual property rights
- Price sensitivity
- Favorable regulatory environment
- Rising disposable incomes
- Likely increase in health insurance schemes
- Low manufacturing costs
- Competitive local industry presence

The past decade has witnessed the industry scenario undergoing a transformation with the expansion by Big Pharma in India, China, Brazil, Russia and Latin America. Some of the challenges faced by Big Pharma in emerging countries, as well as some of the strategies that they've adopted to counter the challenges are as follows:

Future projections

Tier wise countries		Incremental Pharma Market Growth (2008-13)
Tier I	China	US\$ 40 billion +
Tier II	Brazil Russia India	US\$ 5-15 billion
Tier III	Venezuela Poland Argentina Turkey Mexico Vietnam South Africa Thailand Indonesia Romania Egypt Pakistan Ukraine	US\$ 1-5 billion

(Source: IMS Health)

Challenges

- Increasing competition in generic segment
- Pricing issues
- Declining research and development (R&D) productivity

Strategies

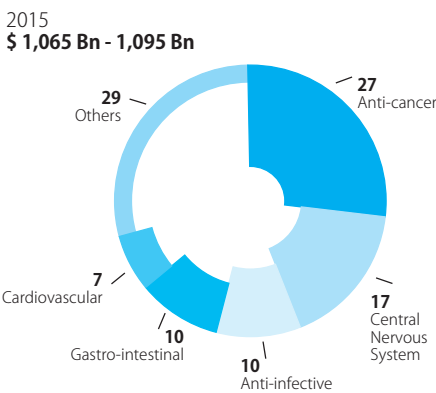
- Offering low-cost generic products
- Cutting down costs
- Contract manufacturing
- Mergers & acquisitions
- Partnerships & alliances

CHRONIC THERAPY AREAS GLOBALLY

During the year, high volume sales were recorded for anti-cancers, antipsychotics, lipid regulators, proton pump inhibitors and antidepressants. A combination of changing lifestyle patterns, better diagnostic tools and increasing awareness and access, are leading to an increase in incidence and treatment sought for chronic diseases like hypertension, congestive heart failure, depression, asthma and diabetes all over the world. Additionally, factors like pollution and environment changes contribute to an increased incidence of asthma.

Growth is expected to continue in generics, as well as in anti-diabetics, cardiovasculars, and anti-hypertensives in 2011. The prevalence of Type II diabetes is expected to increase in pharmerging countries, such as China, India and Brazil, because of a growing population and changing lifestyle conditions, as well as better access and diagnosis (Source: IMS Health).

G 2015: LEADING THERAPY AREA ESTIMATES (BRANDED PRODUCTS): (in %)



(Source: India Pharma 2015, McKinsey Research Report)



Formulation analytical area, SPARC