

CONTINUOUS

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ACCESS



A

RESILIENCE

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EMPATHY



E

ANNUAL REPORT 2020-21

Reaching People. Touching Lives.





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### Disclaimer

Our Annual Report cover is a creative representation. Sun Pharma strictly follows all Covid-19 protocols and strongly recommends that everyone wears a mask during the pandemic.





# CARE

At Sun Pharma, CARE has always been integral to our purpose of providing high-quality medicines to help improve health and save lives. For us, in the times of a global pandemic, CARE assumed an altogether different and wider connotation – **C**ontinuous, **A**ccess, **R**esilience and **E**mpathy. It became our compass north as we mobilised all the resources at our disposal to ensure un-interrupted supply of medicines to those who needed the most – patients, healthcare partners and the society at large.

We did so by ensuring that all our manufacturing plants operated continuously while providing a safe and secure workplace to our employees, by deploying the best-available technologies. With severe restrictions on mobility and global supply chains in doldrums, our teams worked round-the-clock to ensure access to medicines, often facing multiple challenges. Further, we extended a helping hand in whatever way we could – from donating COVID-19 specific medicines, PPEs, hand sanitisers to providing food items to the vulnerable sections.

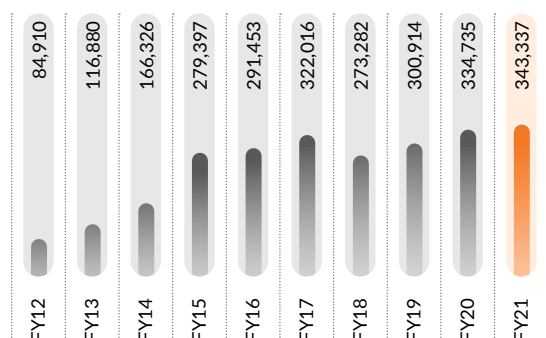
With the pandemic further reinforcing the importance of generics in healthcare management, our global positioning and continued investments enabled us to demonstrate a resilient performance while staying true to our commitments as a responsible business. For now, we are focused on overcoming the pandemic in collaboration with governments and build a safer and healthier world with CARE at the core.



## Key Performance Indicators (Consolidated)

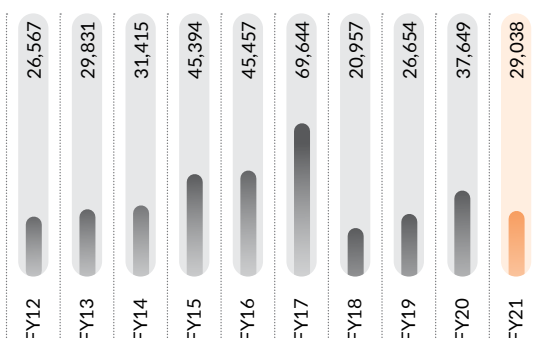
### Total income

(₹ Million)



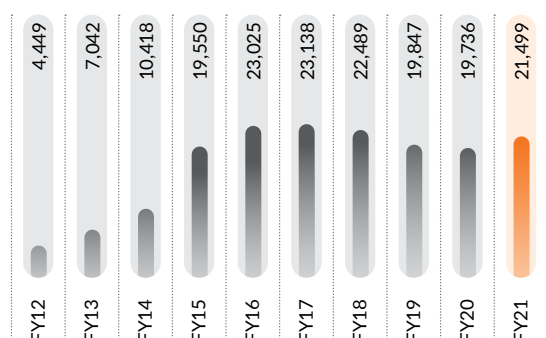
### Net profit after minority interest

(₹ Million)



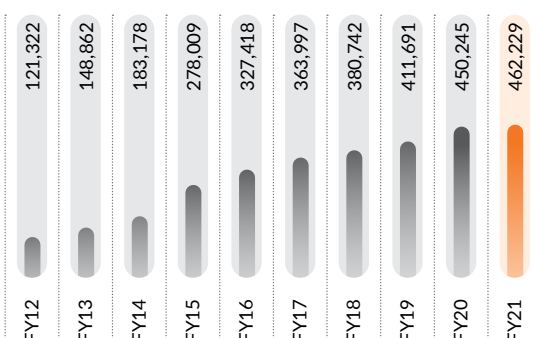
### R&D investment

(₹ Million)



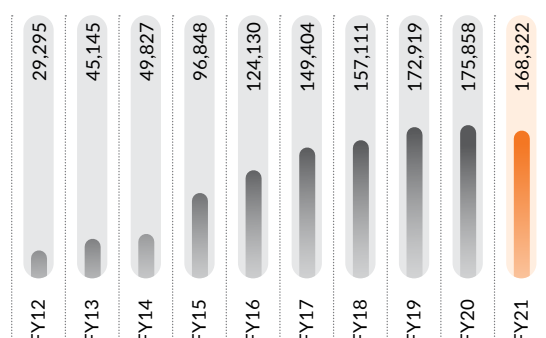
### Reserve & surplus

(₹ Million)



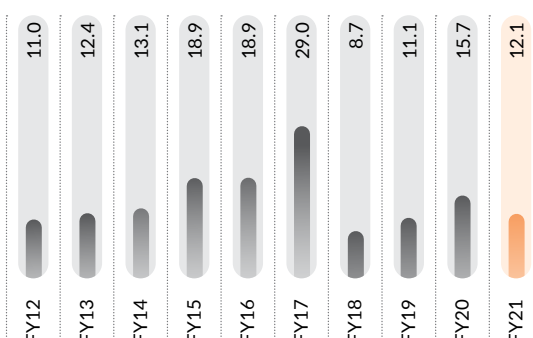
### Carrying value of property, plant & equipment and other intangible assets\*

(₹ Million)



### Earning per share (adjusted for bonus/split)\*

(₹ per share)



\* During the FY14, the Company issued bonus shares in the ratio of one equity share of ₹1 for every share held.

\* During the FY16, the Company's equity shares increased to 2,407 Million due to the merger of erstwhile Ranbaxy Laboratories Ltd. (RLL) with the Company, wherein 0.80 equity share of ₹1 each of the Company have been allotted to the shareholders of RLL for every 1 share of ₹5 each held by them.

The Company had adopted Ind AS accounting standard w.e.f April 1, 2016 with prior period restated from April 1, 2015. Hence, FY16 onwards the financials are reported as per Ind-AS and are not strictly comparable with previous years.

\*\* Carrying value of property, plant, equipment and other intangible assets includes Capital work-in-progress & Intangible assets under development

## Ten Year Financial Highlights

(Consolidated)

	(₹ Million)									
Particular	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21
<b>Operating performance</b>										
Revenue from operations	80,195	112,999	160,804	273,920	284,870	315,784	264,895	290,659	328,375	334,981
<b>Total income</b>	<b>84,910</b>	<b>116,880</b>	<b>166,326</b>	<b>279,397</b>	<b>291,453</b>	<b>322,016</b>	<b>273,282</b>	<b>300,914</b>	<b>334,735</b>	<b>343,337</b>
Net profit for the year (after minority interest)	26,567	29,831	31,415	45,394	45,457	69,644	20,957	26,654	37,649	29,038
R&D expenditure	4,449	7,042	10,418	19,550	23,025	23,138	22,489	19,847	19,736	21,499
a) Capital	362	427	556	1,178	783	1,679	1,819	718	484	471
b) Revenue (excluding depreciation)	4,088	6,616	9,862	18,373	22,242	21,459	20,669	19,129	19,252	21,028
c) % of sales	5.6	6.3	6.5	7.2	8.3	7.6	8.6	6.9	6.1	6.5
<b>Financial position</b>										
Equity share capital	1,036	1,036	2,071	2,071	2,407	2,399	2,399	2,399	2,399	2,399
Reserve and surplus	121,322	148,862	183,178	278,009	327,418	363,997	380,742	411,691	450,245	462,229
Property, plant & equipment and other intangible assets (at cost)**	54,269	75,763	86,505	143,616	187,212	217,315	238,073	271,424	298,549	308,582
Carrying value of property, plant & equipment and other intangible assets**	29,295	45,145	49,827	96,848	124,130	149,404	157,111	172,919	175,858	168,322
Investments	22,129	24,116	27,860	35,028	18,299	11,919	71,429	79,025	101,431	96,125
Net current assets	76,749	86,618	126,969	135,488	167,973	150,666	117,716	137,296	159,477	142,965
<b>Stock information</b>										
Number of shares (in Million)	1,036	1,036	2,071	2,071	2,407	2,399	2,399	2,399	2,399	2,399
Earnings per share (adjusted for bonus/split) (in ₹)*	11.0	12.4	13.1	18.9	18.9	29.0	8.7	11.1	15.7	12.1
Earnings per share-Basic (in ₹)*	25.7	28.8	15.2	18.9	18.9	29.0	8.7	11.1	15.7	12.1
Earning per share-Diluted (In ₹)*	25.7	28.8	15.2	18.9	18.9	29.0	8.7	11.1	15.7	12.1

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## Managing Director's Message



*Most of our businesses have recorded growth for FY21 despite the challenges related to the global COVID-19 pandemic. Our India business outperformed the average industry growth. We are also enthused by the growth in our global specialty business. We believe that all our businesses are well positioned and our endeavour will be to grow the overall business. We also expect the momentum for our global specialty business to continue.*

**Dilip S. Shanghvi**  
Managing Director

### Dear Shareholders,

The COVID-19 pandemic has disrupted economies across the world and the pharmaceutical industry is at the forefront in the fight against the global pandemic. The industry has quickly adapted itself to the changed dynamics and has ensured continuity of supply so that patients continue to get access to their medications. The industry has also stepped in to supply medicines for the treatment of COVID-19 symptoms and other associated ailments. Some of the pharmaceutical companies have developed COVID-19 vaccines in record time. The pandemic is accelerating a significant change across the healthcare ecosystem in various countries and forcing public and private health systems to adapt and innovate at a pace like never before.

Governments across the world have increased spending on healthcare to counter the pandemic. There is also an increasing realisation in middle and low income economies that healthcare related investments need to be increased, which will lead to better/earlier diagnosis and appropriate treatment for patients.

Another area of focus is making the supply chain resilient. This will require striking a pragmatic balance between outsourcing and self-sufficiency. Recognising the important role of the pharmaceutical industry and to strengthen its competitiveness, the Government of India has floated Production-Linked Incentive (PLI) Schemes. The objective of these schemes is to enhance India's manufacturing capabilities to meet global scale apart from encouraging higher investment in R&D for the development of innovative and complex products that will enable the Indian pharmaceutical industry to meet the global demand of pharmaceutical products.

### COVID-19 RISK RESPONSE

Sun Pharma has focused on a multi-pronged approach to overcome the challenges of the COVID-19 pandemic. The Company has focused on:

1. Ensuring continuous supply of medicines and maintaining continuity of the supply chain
2. Increased focus on use of technology tools to facilitate business
3. Focus on the safety and well-being of employees
4. Enhancing supply of multiple therapeutics used in the treatment of COVID-19 and associated ailments, such as Remdesivir, Favipiravir, Itolizumab, Liposomal Amphotericin B, Hydroxychloroquine, etc.
5. Donation of COVID-19 medicines and other items like PPE kits, masks, sanitisers, gloves, food items, etc.

### FY21 HIGHLIGHTS

FY21 was a unique year. It witnessed the full brunt of the COVID-19 pandemic across the global economy and various sectors. Governments globally were forced to resort to stringent lockdowns/restrictions to prevent the spread of the pandemic, which were gradually relaxed in the second half of FY21.

Being a supplier of essential products, the pharmaceutical industry continued to manufacture and supply pharmaceutical products. However, the lockdowns across the countries resulted in temporary closure of doctor clinics, restrictions on travel of the medical representatives, and a significant reduction in patient visits to the doctor's clinic. Non-critical treatments

and elective surgeries were postponed in many cases. Online medical consultation could only partly compensate for face-to-face interactions. This led to lower demand for pharmaceutical products in the first half of the year and a gradual recovery was witnessed only in the second half, as governments lifted the lockdown restrictions.

It is against this backdrop that we reported a 2.5% growth in our overall revenues which stood at ₹331 Billion for FY21. Last year's sales included a one-time special business in the US and hence, while the US business showed a decline, all our other businesses have recorded growth for the full year despite the challenges related to the global COVID-19 pandemic.

Our EBITDA for the year grew by 25.5% driven by better product mix, efficiency initiatives and reduced marketing, selling and distribution and travelling expenses across markets. Some of these cost savings can be termed as temporary in nature and are mainly related to the pandemic restrictions and may reverse over a period of time as the COVID-19 situation normalises.

### OPERATIONAL PERFORMANCE

For FY21, India formulation sales stood at ₹103 Billion, up 6.5% and accounted for about 31% of overall revenues. Our India business has outperformed the average industry growth, driven by our leading presence in chronic segments coupled with our strong brand equity with doctors. As per AIOCD AWACS March 2021 data, we have witnessed an increase in our market share to 8.2% on MAT basis compared to 8.1% in the previous year.

As per SMSRC data for February 2021, Sun Pharma is ranked No. 1 by prescriptions with 10 different classes of doctors. Despite the COVID-19 pandemic, we continued our new launches momentum with 96 new introductions in India.

The field force expansion undertaken in Q4 of last year, was completed during the year and the new medical representatives have commenced their field work. Our field force strength now stands at 10,900+.

Revenues in the US declined by about 4% to ₹101 Billion and accounted for approximately 30% of our consolidated revenues for FY21. Despite the challenges of the pandemic, we witnessed a ramp-up in sales of our specialty products for the year. The generics business continued to face price erosion, driven by the competitive intensity amongst manufacturers, buying consortium pressures and a higher pace of generic approvals from the USFDA. Our subsidiary, Taro, recorded about 15% decline in overall revenues to US\$549 Million for the year.

We grew by 5% in Emerging Markets (EM) for the year. The Y-o-Y depreciation of some EM currencies has reduced our reported growth. The constant currency growth for EM revenues was about 6.4% for the year.

Our sales in the rest of world (RoW) markets grew by 6.6% for the year, driven by some key Western European markets, Canada and Australia.

### RESEARCH & DEVELOPMENT (R&D)

Our R&D investments for the year were approximately ₹21 Billion at 6.5% of overall sales. During the year, we continued our R&D efforts to develop complex generics and innovative

specialty products. Some of the clinical trials for our specialty products witnessed a delay of a few months during the year due to the pandemic, and have gained momentum after the lockdowns were lifted gradually. Investments for developing the long-term specialty pipeline are expected to continue.

We continue to invest in R&D related to our global generic business, for developing and filing products across markets. At Sun Pharma, we have multiple R&D centres and a strong R&D team to cater to these requirements. We continue to be disciplined in identifying future R&D projects for the US generics market, with the focus being on developing complex products, which may attract less competition.

### SPECIALTY BUSINESS PERFORMANCE

We are enthused by the momentum of our global specialty business which grew by 11% to US\$475 Million during the year despite the various challenges resulting from the global pandemic. Global Ilumya sales grew by 51% over last year to touch US\$143 Million in FY21.

The first half of FY21 witnessed temporary closure of doctor clinics in the US because of the lockdown restrictions (to counter the pandemic), resulting in reduction in patient footfalls and postponement of certain treatments. This impacted our specialty sales in the first half, including sales of Ilumya, Cequa and Levulan. It also impacted the ramp-up of Absorica LD, which we had launched in February 2020. The lockdown restrictions were gradually lifted in the second half, resulting in a recovery in our specialty sales. Post the close of the year, a generic for Absorica entered the market in April 2021.

### PROGRESS ON SPECIALTY INITIATIVES

Key initiatives during the year for the specialty business include:

1. Presented positive results from the ILUMYA® five-year study, which demonstrated that patients with moderate-to-severe plaque psoriasis who continued to receive ILUMYA® through five years of continuous treatment, maintained consistent and extensive skin clearance with no new safety issues, regardless of baseline level of skin disease, age or background illnesses.
2. Launched ILUMYA® in Japan
3. Expanding market presence for ILUMYA – During the year, Sun Pharma entered into an exclusive licensing and distribution agreement for ILUMYA™ with Hikma for the Middle East & North Africa (MENA) region.
4. Presented clinical data analysis for ODOMZO and LEVULAN KERASTICK – Long-term analyses of the ODOMZO clinical study confirmed that treatment with ODOMZO provided clinically meaningful outcomes to patients with locally advanced basal cell carcinoma (laBCC) who were taking common concomitant medicines, such as medicines for cardiovascular, inflammatory and auto-immune diseases. For LEVULAN KERASTICK + BLU-U, a post hoc analysis of the Phase 3 trial showed significantly greater clearance of lesions and a significantly larger percent of cumulative disease area cleared with no clinically significant adverse events.

5. **Update on specialty R&D pipeline** – During the year, we initiated multiple clinical trials for our specialty portfolio:

- a. **Ilumya** – Commenced Phase-3 clinical trials for psoriatic arthritis; the Phase-2 clinical trial interim results released last year demonstrated that the trial met its primary endpoint with over 71% of patients on Ilumya achieving ACR20 response (20% improvement in symptoms) with no evident safety concerns. A successful Phase-3 trial, subject to regulatory approval, is likely to expand the addressable market for Ilumya.
- b. **SCD-044** – Initiated Phase-2 clinical trials for a potential oral treatment for atopic dermatitis and moderate to severe plaque psoriasis. SCD-044 is a selective S1PR1 modulator resulting in better cardiac safety profile. The molecule met therapeutically relevant levels of lymphocytopenia at safe doses in Phase-1 study.
- c. **MM-II** - Commenced Phase-2 trials for a potential treatment for knee pain in patients with symptomatic knee osteoarthritis. MM-II is a product with empty multi-lamellar liposomes (first of its kind) for treatment of pain in osteoarthritis.
- d. **GLP-1R** (Glucagon-Like Peptide-1 Receptor) agonist – Initiated Phase-1 clinical trials for treating diabetes. The pre-clinical data had demonstrated significant outcomes on various diabetic parameters, viz. glucose reduction, decrease in HbA1c, augmented insulin secretion, lowering of glucagon level, meaningful reduction in triglyceride levels and larger body weight reduction. We look forward to validating this data in human clinical trials.

### cGMP COMPLIANCE

Adherence to global cGMP standards is a key priority for us. Pharmaceutical manufacturing units need to be constantly upgraded to ensure compliance with global cGMP norms. We have an unwavering focus on 24x7 compliance to ensure continuity of supplies to our customers and patients worldwide.

During the year, due to the travel restrictions related to the pandemic, we did not undergo any USFDA audit. For our Halol facility, which was classified as an “Official Action Indicated (OAI)” in March-2020, we have already completed all the corrective actions required to get the facility back into compliance and are awaiting a re-inspection from the USFDA. However, due to the ongoing COVID-19 pandemic and associated travel restrictions, the re-inspection is delayed.

### FOCUS ON IMPROVING EFFICIENCIES

During the year, we continued our efforts to improve efficiencies across the organisation. Enhancing manufacturing efficiencies, optimising manufacturing footprint, rationalising generics R&D investments and reducing fixed costs are some of the areas targeted for efficiency improvement.

### DEBT REDUCTION

During FY21, the Company has repaid debt of about US\$580 Million, the benefit of which is visible in the reduction in finance cost.

### OVERALL OUTLOOK

Given the uncertainties of the pandemic in the near term, we have refrained from giving a guidance for FY22. However, we believe that all our businesses are well positioned and our endeavour will be to grow the business, notwithstanding the near-term uncertainties related to the COVID-19 pandemic. We also expect the momentum for our global specialty business to continue, if there are no more pandemic-related lockdowns in the regulated markets.

We will continue our R&D investments in developing a differentiated generic pipeline as well as in building our specialty pipeline in the coming years.

Generic pharmaceutical products have been an important component of the overall global healthcare system. The COVID-19 pandemic and the resulting increase in healthcare awareness further reinforces the role of generics in global healthcare management. Sun Pharma's strong positioning in the global generics industry and continued investments for the future will ensure that it remains a prominent player in this space.

#### Top priorities for FY22 will be:

1. Business growth
2. Safety and well-being of employees including facilitation of COVID vaccination for employees and their immediate family
3. Supply chain continuity and inventory optimisation
4. Continued focus on cost and operational efficiency
5. Increased investments in IT to facilitate business and digital transformation
6. Focus on improving return ratios

Our employees have put in extraordinary efforts during the past year to ensure business continuity despite the multiple disruptions resulting from the COVID-19 pandemic and lockdowns. We have been able to maintain adequate supply of our products in various markets while simultaneously ensuring overall productivity without compromising on safety protocols.

We are grateful to our Board of Directors for their guidance and support in these uncertain times.

We are also thankful for your support as a shareholder and we hope that you will continue to repose your confidence in us in the future as well.

Warm regards,

**Dilip Shanghvi**  
Managing Director  
Sun Pharmaceutical Industries Limited



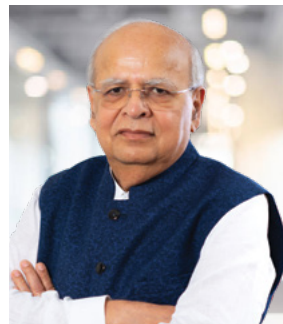
## Board of Directors



**Israel Makov**  
Chairman, Non-executive  
and Non-Independent  
Director



**Dilip S. Shanghvi**  
Managing Director



**Sailesh T. Desai**  
Whole-time Director



**Kalyanasundaram  
Subramanian**  
Whole-time Director



**Sudhir V. Valia**  
Non-executive and  
Non-Independent Director



**Rekha Sethi**  
Non-executive and  
Independent Director



**Vivek Chaand Sehgal**  
Non-executive and  
Independent Director



**Gautam Doshi**  
Non-executive and  
Independent Director



**Dr. Pawan Goenka**  
Additional Independent  
Director (appointed with  
effect from May 21,  
2021)



**Rama Bijapurkar**  
Additional Independent  
Director (appointed with  
effect from May 21,  
2021)

## Leadership Team



**Abhay Gandhi**  
CEO - North  
America



**Dr. Pradeep Sanghvi**  
Executive Vice-President,  
Head - US R&D



**Dr. Sapna Purohit**  
Senior Vice-President,  
Head of Human Resources



**Dr. Azadar H. Khan**  
Senior Vice-President,  
Corporate Relations and  
CSR, India Regulatory  
Affairs



**Aalok Shanghvi**  
Executive Vice-President,  
Head - Emerging Markets  
Head - Global Generics  
R&D, Business Development



**C. S. Muralidharan**  
Chief Financial Officer



**Anilkumar Jain**  
CEO - API Business



**Davinder Singh**  
Executive Vice-President,  
Sun Global Operations