



ANNUAL REPORT 2006-07

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integrate

To put together. To coalesce different parts into a seamless whole. A sum that is greater than its parts. Building a composite that exceeds individual efforts taken separately. Which is the track we are now following at Sun Pharma. In 2005, through acquisitions we added 3 plants across 2 continents and 650 people. The task now is to merge these into the core Sun Pharma, to bring in corrections in these acquired businesses, to redirect the product offering to more profitable product lines, bring in production efficiencies and systems that are a hallmark at Sun Pharma. To synthesize and assimilate into greater whole.



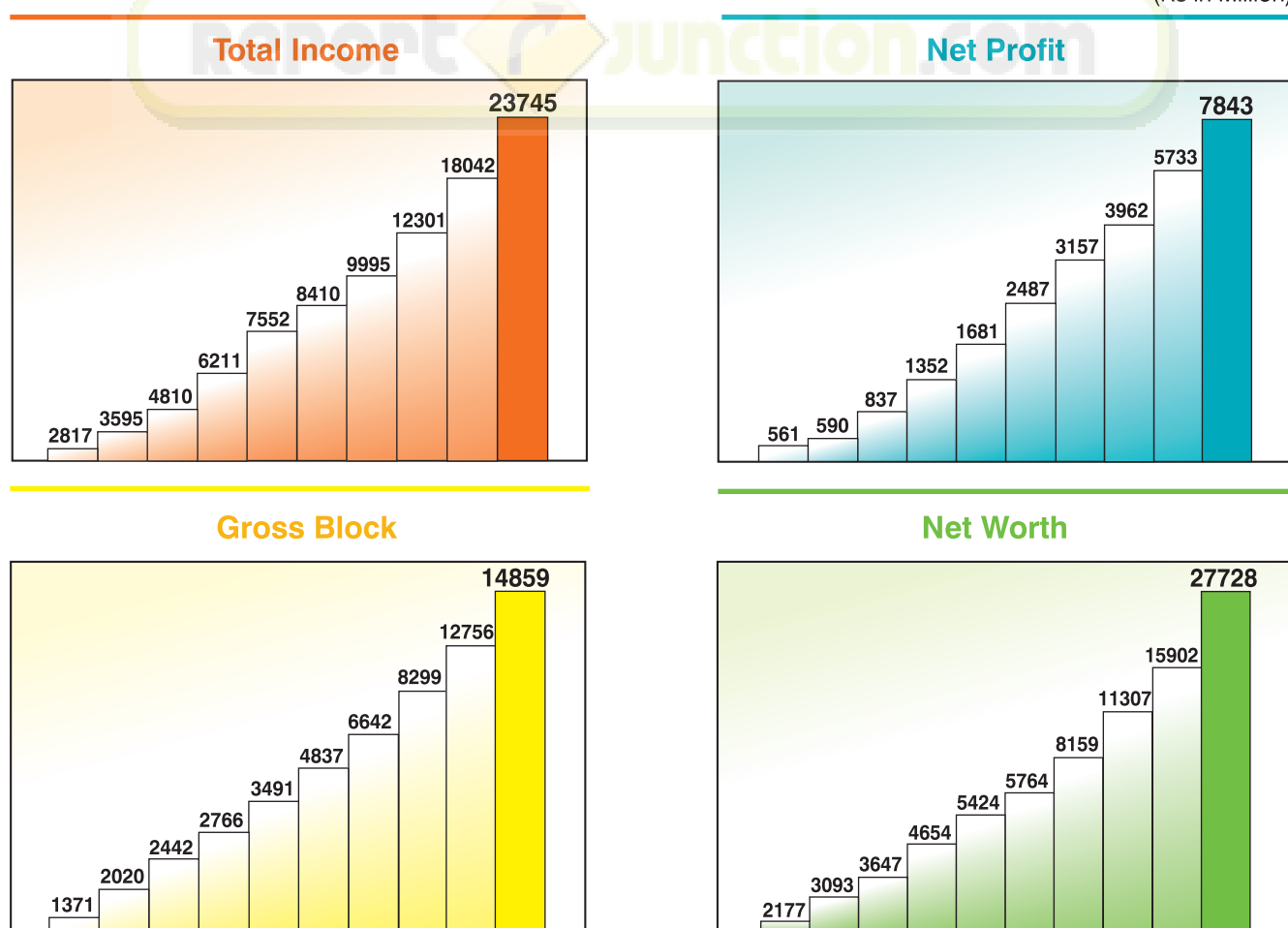
FINANCIAL HIGHLIGHTS

(Rs in Million)

Particulars	STANDALONE				CONSOLIDATED					
	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Total Income	2817	3595	4810	6211	7552	8410	9995	12301	18042	23745
Net Profit	561	590	837	1352	1681	2487	3157	3962	5733	7843
Gross Block	1371	2020	2442	2766	3491	4837	6642	8299	12756	14859
Net Worth	2177	3093	3647	4654	5424	5764	8159	11307	15902	27728
R&D Expenses	112	98	201	250	336	966	1268	1427	2015	2787
Capital	35	45	102	71	197	363	598	418	481	347
Revenue	77	53	99	179	139	603	670	1009	1534	2440
% of Sales	4.21	2.75	4.20	4.09	4.52	11.62	12.90	12.04	12.31	13.07
Exports	507	894	1137	1181	1364	2604	3864	5027	6958	9687
Debt Equity ratio	0.18	0.21	0.13	0.08	0.00	0.23	0.51	1.61	1.18	0.40
Current ratio	4.21	4.04	4.00	3.78	3.37	3.44	3.27	7.33	7.55	9.81

The Company has started preparing Consolidated Financial Statements from Financial Year 2001-02 onwards.

(Rs in Million)



<p>BOARD OF DIRECTORS</p> <p>Mr. Dilip S. Shanghvi <i>Chairman & Managing Director</i></p> <p>Mr. Sudhir V. Valia <i>Wholetime Director</i></p> <p>Mr. Sailesh T. Desai <i>Wholetime Director</i></p> <p>Mr. S. Mohanchand Dadha <i>Director</i></p> <p>Mr. Hasmukh S. Shah <i>Director</i></p> <p>Mr. Keki M. Mistry <i>Director</i></p> <p>Mr. Ashwin Dani <i>Director</i></p>	<p>PLANTS</p> <p>Plot No.214 & 20 Govt. Industrial Area, Phase II, Piparia, Silvassa-396 230.</p> <p>Halol-Baroda Highway, Near Anand kendra, Halol, Dist. Panchmahal-388 380 Gujarat.</p> <p>Plot No.25 & 24 / 2, GIDC, Phase-IV, Panoli-395 116, Dist. Bharuch, Gujarat.</p> <p>A-7 & A-8, MIDC Ind. Area, Ahmednagar-414 111.</p> <p>Plot No. 4708, GIDC, Ankaleshwar-393 002.</p> <p>Sathammai Village, Karunkuzi Post, Maduranthakam T.K., Kanchipuram District, Tamilnadu-603 303.</p> <p>Plot No.223, Span Industrial Complex, Dadra-396 191 (U.T).</p> <p>Plot No.817/A, Karkhadi, Taluka:Padra, Distt. Vadodara-391 450.</p>	<p>OFFICES</p> <p>Registered</p> <p>Sun Pharma Advanced Research Centre (SPARC), Tandalja, Vadodara - 390 020.</p> <p>Corporate</p> <p>Acme Plaza, Andheri Kurla Road, Andheri (East), Mumbai - 400 059.</p> <p>RESEARCH CENTRES</p> <p>Sun Pharma Advanced Research Centre (SPARC), Akota Padra Road, Akota, Vadodara-390 020.</p> <p>F.P. 27, Part Survey No.27, C.S.No. 1050, T.P.S. No. 24 Village Tandalja, District Vadodara-390 020.</p> <p>17-B, Mahal Industrial Estate, Mahakali Caves Road, Andheri (East), Mumbai-400 059.</p>
<p>COMPANY SECRETARY</p> <p>Mr. Kamlesh H. Shah Email : secretarial@sunpharma.com</p>	<p>Sun Pharma Industries* Survey No. 259/15, Dadra-396 191 (U.T.Of D.& NH)</p>	
<p>AUDITORS</p> <p>DELOITTE HASKINS & SELLS <i>Chartered Accountants</i> Mumbai.</p>	<p>Sun Pharma Industries* 6-9, Export Promotion Industrial Park (EPIP),Kartholi, Bari Brahmana, Jammu-181 133 (J & K) Kartholi, Jammu, JK.</p> <p>Sun Pharmaceutical Industries Inc. 705 E. Mulberry Street Bryan, Ohio 43506, USA</p> <p>Sun Pharmaceutical Industries Inc. 270 Prospect Plains Road Cranbury, New Jersey 08512 , USA</p>	
<p>BANKERS</p> <p>Bank of Baroda</p> <p>State Bank of India</p> <p>Citibank N.A.</p> <p>Standard Chartered Bank</p> <p>ICICI Bank Ltd.</p> <p>Bank of Nova Scotia</p> <p>Kotak Mahindra Bank Ltd.</p>	<p>Caraco Pharmaceutical Laboratories Ltd. 1150 Elijah McCoy Drive Detroit 48202., Michigan ,U.S.A.</p> <p>Sun Pharmaceutical (Bangladesh) Limited, Chandana, Joydevpur, Gazipur, Bangladesh.</p> <p>Alkaloida Chemical Company Exclusive Group Limited H-4440 Tiszavasvari, Kabay, Janos 4.29, Hungary</p>	
<p>REGISTRARS & SHARE TRANSFER AGENTS</p> <p>Intime Spectrum Registry Pvt. Ltd., C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), MUMBAI-400 078. Tel : 25963838 Fax : 25946969 Email: sunpharma@intimespectrum.com</p> <p>Additional Collection Centre 201, Daver House, 197 / 199, Dr. D.N. Road, MUMBAI -400 001. Tel : 22694127</p>	<p><small>* in partnership with the firm Sun Pharma Industries</small></p>	



HIGHLIGHTS*

- Net sales for the year ending 31 March, 2007, were up 30%.
- Completed the demerger of the entire innovative business comprising of research projects for new molecules and new delivery systems, scientists, intellectual property, space and equipment into Sun Pharma Advanced Research Company Ltd., which will be shortly listed.
- International markets contributed 43% of sales, in line with our objective of becoming an international generic company.
- Domestic formulations were 53% of sales, growing 23% over 2005-2006.
- Branded formulation exports to markets other than the US grew 50% over the previous year
- Sales at Caraco up 41% for the year ending March 31, 2007. Between Sun Pharma and Caraco 34 ANDAs are now approved compared to 22 at the end of 2006. 77 ANDAs await USFDA approval including 7 tentative approvals.
- Twenty-nine API were developed and scaled up, many of these enabled the introduction of new products in the domestic market.
- R&D spend at 14% of net sales is amongst the highest in sector.
- A total of 380 patents have been filed so far, of which 70 have been granted. The patents for innovation-based products are now transferred to SPARC Ltd.
- Employee strength is over 7300, including subsidiaries and associate companies.

* all numbers pertain to the consolidated entity

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 its consolidated subsidiaries.

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY

SPARC: Research Centre, Baroda

In late May we announced signing an agreement to acquire Taro Pharmaceutical Industries Ltd., (TAROF, Pink Sheets), a multinational generic manufacturer with established subsidiaries, manufacturing and products across the U.S., Israel, and Canada. North America represented more than 90% of Taro's sales in 2005.

We intend to fund this USD 454 million acquisition with internal accruals and proceeds from the USD 350 million FCCB issue we made in 2004. This deal is expected to be completed in the first half of the current financial year.

(Rs. Mill)

	Standalone sales breakup by type	Mar 07	Mar 06	
	Total Sales	17221	13530	
	Domestic Formulations	10876	8513	
	Domestic Bulk	1357	1206	
	Domestic Others	5	2	
	Exports Formulations	1782	1070	
	Exports Bulk	3184	2720	
	Exports Others	17	18	

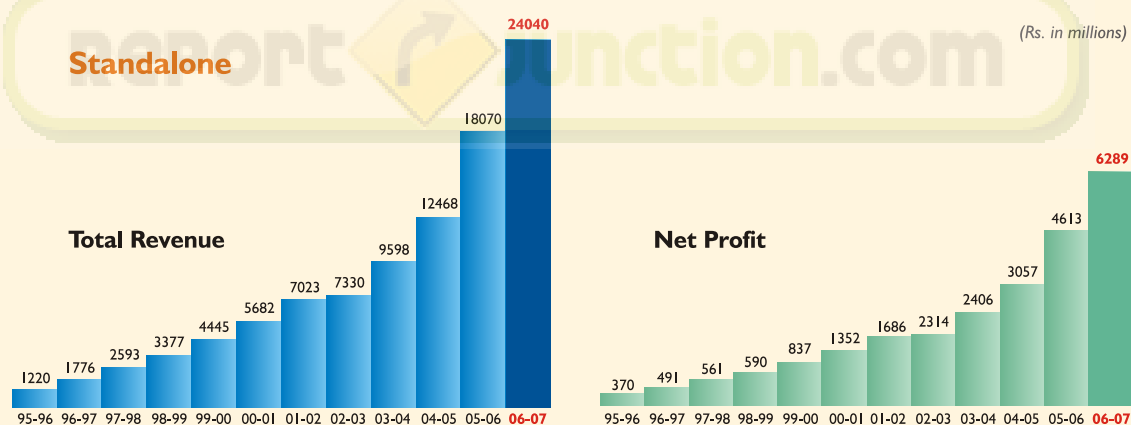
DIVISIONWISE REPRESENTATIVE STRENGTH

Sun	264	Gastroenterology, Orthopaedics, products for physicians	Sirius	112	Psychiatry, Neurology
Solares	239	Gastroenterology, Orthopaedics	Inca Life Sciences	112	Fertility, Gynecology, Urology
Spectra	229	Gynaecology	Symbiosis	109	Psychiatry, Neurology
Arian	189	Cardiology, Diabetology	Milmet	86	Ophthalmology
Azura Life Sciences	187	Cardiology, Diabetology	Avesta	86	Ophthalmology
Avior	168	Cardiology, Diabetology	Ortus	83	Rheumatology, Dermatology
Synergy	137	Psychiatry, Neurology	Sun Oncology 'A'*	25	Oncology
Radiant	120	Asthma, COPD, products for respiratory	Sun Oncology 'B'*	26	Oncology
			Azura Critical Care*	23	Interventional Cardiology

Total: 2195

(*as of March 31, 2007, for Azura critical care and Sun Oncology teams, the number is for first line managers)

Standalone



MANAGEMENT DISCUSSION AND ANALYSIS

INDIAN MARKETS

MAT IMS-ORG For Mar '07	Value in Rs. billion	MS%	Growth%
Total Indian Pharma Market*	280	100.0	14
Gastroenterology, Diabetes	68	24.6	13
Antiinfectives (oral, injectables)	56	20.2	13
Cardiology	26	9.6	11
Respiratory system	26	9.3	13
Pain, Muscles and joints	22	7.9	24
Psychiatry and Neurology	19	6.9	13
Skin	15	5.6	16
Blood and Blood forming organs	11	4.0	11
Urology, Sex Hormones	10	3.6	17

(*therapy areas have been renamed for understanding)



Increasing per capita income in urban areas, better access to medicines and doctors, higher awareness of therapies and ailments are driving growth in speciality pharma.

There was a significant change in the therapy wise growth rates this year, with the possibility of seasonal epidemics such as dengue/ chikungunya accelerating growth of acute therapy areas such as pain management and anti-infectives. This is unlike previous years where chronic therapy areas showed higher growth.

The Indian prescription market is Rs 279 bill, with 14% growth rate at the stockist level, based on market data for companies that have a national presence. (IMS ORG Stockist Audit, MAT, March 07).

Speciality therapy areas continued to show above market / double digit growth rates. As we've said earlier, increasing per capita income in urban areas, better access to medicines and doctors, higher awareness of therapies and ailments are driving growth in speciality pharma.

Like last year, an important development that continued to preoccupy pharma companies this year too, was the proposed pricing policy announced by the government. The previous parameter for price control was essentiality which makes tremendous sense in a country like India, where a tiny slice of the population has access to medicines, healthcare insurance is minimal, and the patient pays for medical care. The suggested policy tentatively added chronic or lifestyle disease as a criteria, increasing complexity in a market where pharmaceutical costs are the least anywhere in the world on account of intense competition. This proposed move would increase the span of products under price control from 74 at present to over 350. This single piece of legislation could dramatically alter the pharma market and is being debated vigorously by industry bodies at the highest levels. At this point in time, it would be difficult to speculate as to when, and in what form, would the pricing policy finally see light of day.