

C O N T E N T S

02	Management Discussion and Analysis
22	Financial Snapshot
24	Directors' Report
28	Corporate Information
32	Auditors' Report
36	Balance Sheet
37	Profit and Loss Account
38	Cash Flow Statement
61	Statement Relating to Subsidiary Companies
62	Corporate Governance
73	Auditors' Report - Consolidated
74	Consolidated Balance Sheet
75	Consolidated Profit and Loss Account
76	Consolidated Cash Flow Statement

Challenges and Beyond

An artist's depiction of an arrow. Finding a way to build on the opportunities, making the most of challenges. Symbolising the spirit at Sun Pharma.

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.

2008-09 was a challenging year. In many ways. Every single economy of the world witnessed an economic downturn fuelled by the global liquidity crisis. The speed and the impact were in itself, daunting. Within the changes and corrections in the global systems is a ray of hope, not just for the world but for pharmaceutical companies like ours, as the focus on affordable health care intensifies.

Coincidentally, we too went through one of our more challenging years since we started business. Though new situations have been part of our business ever since we started to build it in 1983 and grew it to a Rs. 42,723 million business by 2008-09, the circumstances that we faced in 2008-09 were very different in magnitude and character.

Our 76% USA subsidiary Caraco received a Form 483 on inspection conducted by US FDA at its Detroit manufacturing facilities. This was followed by a warning letter on quality and non-conformance with SOP for the same facility. This did not have a material impact on the products that were already sold from this facility but it does block the approval of 25 pending ANDAs from Caraco. Caraco has since responded to the same. Caraco also had to recall all tablets of its brand Digoxin distributed prior to March 2009 as they differed in size. As communicated earlier, with support from Sun, Caraco is working hard to address these issues and ensure that such instances do not recur. From March beginning until May, the FDA conducted an inspection as a follow-up to its October 2008 warning letter and Caraco's subsequent response. On completion, the FDA investigators provided Caraco with a list of their observations on FDA Form 483, which Caraco has committed to provide a written response to. However, there were no deficiencies identified during the FDA inspection in the Quality Control Laboratory.

US FDA denied approval for our ANDA for generic Effexor XR®. The US FDA responding to a Citizen's Petition from Osmotica, also asked Sun Pharma to resubmit the ANDA if we wanted an approval. We have not been sued for our subsequent filing, but the generic approval will take its own course.

The Taro acquisition is under process. Mediation that was initiated on the recommendation of the Supreme Court of Israel, ended without any agreement being reached. A judgement is now awaited from the honourable court.

While these challenges called for quick responses, they did not affect the functioning of our underlying business across geographies. Our businesses continued to grow, add strength and earn a reasonable return.

As we look beyond, we believe that we have learnt through each of these challenges. These events have made us stronger, and hopefully we are now better prepared to deal with similar, or even larger, situations in the future.

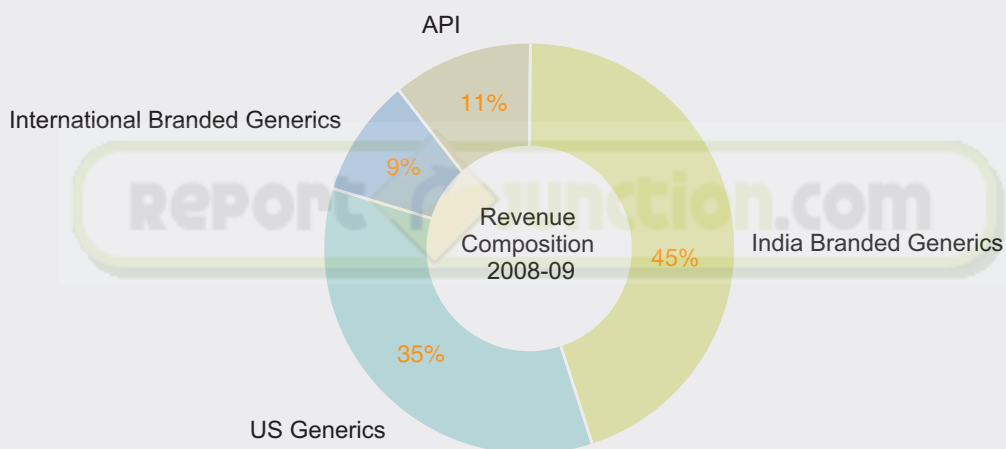
To quickly recap our 2008-09 results:

- We recorded sales of Rs. 42,723 million, a growth of 27% over the previous year
- Between Sun Pharma and Caraco, 38 ANDAs were filed covering 37 products
- 42 products were launched in India and ANDAs for 18 products were approved for the US
- We received the first approval for a controlled substance ANDA from our Cranbury, New Jersey facility
- Our expansion plans at Dadra, Halol and Detroit are being completed as per schedule

Business Overview

Sun Pharma's product portfolio consists of 4 main categories of products:

1. India Branded Generics
2. US Generics
3. International Branded Generics
4. Active Pharmaceutical Ingredients (API)



YEAR IN REVIEW

- Sun Pharma's annual sales for 2008-09 was Rs. 42,723 million, a growth of 27% over the previous year.
- This year, Sun's R&D expenditure was Rs. 3,320 million. The Company's cumulative spend on R&D over the years now amounts to Rs. 15 billion.
- In line with our intent of becoming an international generic pharma company, sales from international markets grew to 53% of our total turnover.
- Sales at Caraco were down 4% to USD 337 million.
- Between Sun Pharma and Caraco, a total of 69 ANDAs are now approved and 107 more await approval with the US FDA.
- 233 patents were filed and 76 granted based on research at our R&D centre.

Indian Pharmaceutical Market

India is the world's fourth largest pharmaceutical market in terms of volume and the 15th largest in terms of value (USD 8 billion) (Source: ORG IMS). It is primarily a retail-based branded generic market with 80% dispensed through pharmaceutical outlets. As in most emerging economies, acute therapies dominate and account for close to 75% of the market.

The Indian pharmaceutical industry has recorded a CAGR of 13.5% over the past five years. However, over the past two years, growth slowed a bit to 12.6%. Chronic therapies, such as diabetes, cardiovasculars, and products used to treat central nervous system ailments, are growing faster than acute therapy. While there was a slight decline in revenue growth in the first nine months of FY09, this probably was largely driven by a cut in excise duty from 8% to 4% that was passed through.

A draft of a new/revised drug price policy was being previously examined by the group of Cabinet Ministers in the country. The draft proposal seeks to expand the number of drugs significantly, to 354 molecules including those used to treat lifestyle ailments, under the purview of a pricing control regime. We continue to monitor the developments and will be able to assess our situation with respect to the policy only when the final policy is out. With a new government in place, this could likely be reviewed afresh.

With the domestic economy slowing, there have been well-founded fears of slowing growth in the pharma market. However,

in our estimate, the impact may be much lower and perhaps also be slower in comparison to the well-known cyclicals due to the strength in the longer-term growth story and the structural underpinnings of the market that remain intact -

- Changing demographics (including population growth) and rising disposable income due to which spend on healthcare is increasing
- Early and improving diagnosis
- Scope to increase penetration in the country - less than 40% of population is estimated to have access to modern medicines
- General increase in health awareness due to deep penetration of the electronic media
- Improving therapy/prescription compliance
- Improving health infrastructure with support from government's incentives

According to ORG IMS, other trends which continue to be witnessed by the industry include:

- Therapeutic profile of the Indian pharma market is changing from acute illnesses to chronic ailments. While prescriptions written by General Practitioners (GPs) are estimated to be growing at 2%, growth in specialist prescriptions is estimated at more than 5-6% p.a.
- In order to gain penetration, companies are increasing their reach to Class II-VI towns and rural areas. However, access to the market (i.e. connectivity and infrastructure), limited availability of doctors and dispensaries, lack of awareness and low inclination to pay are key hurdles.

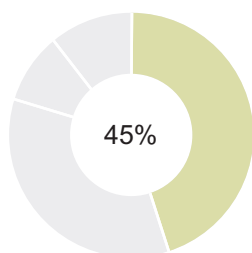


- The hospital market is expected to become a meaningful opportunity. Pharma sales to hospitals are estimated to be at Rs. 25 billion. Currently, around 250 companies are participating in this market.

According to ORG IMS Research, long term prospects of India's domestic market remain solid with the USD 8 billion market in 2008, expected to rise to USD 30 billion in 2020, implying a CAGR of 11.6% .

India Branded Generics

The India Branded Generics market, valued at Rs. 353.7 billion, grew by 10% during 2008. (Source: IMS - ORG Stockist Data)



India Branded Generics



THERAPY WISE COVERAGE: INDIA BRANDED GENERICS SEGMENT

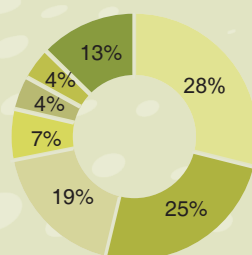
Speciality	Marketing Division
Psychiatry	Synergy, Symbiosis and Sirius
Neurology	Synergy, Symbiosis and Sirius
Diabetology	Arian, Azura Life Sciences and Avior
Cardiology	Arian, Azura Life Sciences and Avior
Ophthalmology	Avesta and Milmet
Gastroenterology and Others	Sun and Solares
Asthma (Chest) and COPD	Radiant
Orthopedics	Sun and Ortus
Gynecology	Spectra and Inca Life Sciences
Fertility	Inca Life Sciences
Urology	Inca Life Sciences
Dermatology	Ortus
Oncology	Sun Oncology A and B
Interventional Cardiology	Azura Critical Care
Anesthesia and ICU	Sun Speciality Care

YEAR IN REVIEW

Domestic formulations or India Branded Generics has shown rapid growth, contributing 45% to our total revenue during 2008-09. Our market share has grown from 2.6% in March 2001 to 3.5% during March 2009. The top 10 brands of the Company now contribute 21% of the sales in this segment. (Source: IMS - ORG Stockist Data)

During 2008-09, we demonstrated a 32% growth, with chronic therapy largely driving the growth. Fast-growing chronic therapies like Psychiatry, Neurology, Gastroenterology, Cardiology constitute more than 70% of our portfolio. We continue to demonstrate market leadership in the chronic segments. We rank amongst the top 3 in more than 50% of the brands from a portfolio of over 500 brands. A 2,500- representative strong field force across 18 marketing divisions helps build strong brand loyalty.

28% Central Nervous System
25% Gastroenterology and Diabetology
19% Cardiovascular System
13% Others
7% Gynecology and Urology
4% Musculo-Skeletal System
4% Respiratory System



Therapy-wise breakup

We have also been ranked number one among psychiatrists, neurologists, cardiologists, ophthalmologists and orthopedics (as per the CMARC survey) for a number of years now.

C MARC Ranks	Nov'02-Feb'03	Mar'04-Jun'04	Mar'05-Jun'05	Nov'05-Feb'06	Nov'06-Feb'07	July'07-Oct'07	Nov'07-Feb'08	Nov'08-Feb'09
Psychiatrists	1	1	1	1	1	1	1	1
Neurologists	1	1	1	1	1	1	1	1
Cardiologists	3	1	1	1	1	1	1	1
Orthopedic	6	4	3	2	1	1	1	1
Ophthalmologists	4	3	1	1	1	1	1	1
Diabetologists	3	4	2	1	1	1	1	2
Gastroenterologists	3	2	2	2	2	2	2	2
Chest Physicians	4	4	5	5	5	5	4	3
Nephrologists	5	4	4	4	4	4	4	4
Consultant Physicians	5	5	5	5	5	5	5	5
Oncologists	6	8	3	4	4	6	6	7
Urologists	11	11	10	8	8	10	9	8
ENT Specialists	5	9	9	10	5	16	16	17

Participation at Conferences

Our CNS division participated strongly at three major conferences - the annual meets of the Indian Association of Private Psychiatrists or IAPP (in Hyderabad), Indian Association of Neurology or IAN (in Delhi), as well as Neurology Society of India or NSI (in Pune). The participation was driven towards creating brand awareness as well as enriching the customer's knowledge base and was aided by distribution of CDs and journals.

Our Spectra & Inca Life Science (our Gynec division) saw strong participation at the 52nd annual conference of Federation of Obstetric and Gynecological Societies of India (FOGSI).

At the inaugural function of the Association of Radiation Oncologists of India (AROI) conference, Sun Pharma was accorded special recognition for its contribution to post graduate teaching programmes.

CME Programmes

Participation at CME programmes continued to be well attended. These included (a) CME programmes for super specialties (b) Comprehensive review of Movement Disorders (The Aspen India Course) (c) Teaching programme for Oncology PG students under the wings of Indian College of Radiation Oncology (ICRO) and AROI in teaching institutes and (d) Self study from Europe for respiratory specialists and chest physicians all over the country.

Empowering Knowledge

Under the guidance of The Indian Society of Gastroenterology (ISG) Education Committee, our Gastro Division proposed and initiated an exclusive twice in a year training programme for post graduate students in Gastroenterology from across the country. This training will not only help the students prepare for their exams better, but will also increase their overall knowledge in their areas.

Working closely with the Academy of Master Teachers, an intensive two day programme has been developed for various post graduate students across Mumbai and Hyderabad. This gives students an opportunity to examine live cases, and watch how leading professionals reach their diagnoses.

We continued with our initiative of bringing the latest international medical advances to Indian doctors.

- Post our first success of using webcast technology, this year, we arranged a video conferencing for 1,100 doctors in 20 Indian cities with Dr. Paul Ridker, a principal investigator in the Rosuvastatin JUPITER trial, the landmark trial for the key cholesterol lowering agent.
- We also hosted the President-elect, Medicine & Science of the American Diabetes Association, Dr. John Buse and his team at four centers in India, where they shared the latest highlights on scientific advances such as apo B and post prandial hyperglycemia with 1,100 doctors.

- The other educational initiatives taken in the field of cardiology and diabetes under the best practices series include the amalgamation of leading Indian and foreign faculties under the banner of well appreciated Best of ACC/Best of ESC/Best of EASD events.

Others

Besides leaving a mark with the medical community, our Aakanksha-designed campaign has also made its presence felt at the Rx Club Awards NY with our promotional theme “Every heart counts for us” and the Aztor EZ theme “The lower you reach, the more rewarding it is”.

Highlights of the year

42 products have been brought to the market in India in FY09, across 18 marketing divisions. 9 products used a technology-based differentiation or were complex, 12 were integrated to API.

Pantocid group, Aztor, Strocit and Gemer continue to grow at double-digit growth rates in extremely competitive markets.

We brought to the market hi-tech Octride Depot 20 mg and 10 mg once a month injections, a one-of-its-kind product for the treatment of serious and difficult to treat indications such as Neuroendocrine Tumors (NETs) and Acromegaly. We introduced a number of complex products such as Tamlet (modified release Tamsulosin Hydrochloride & Extended Release Tolterodine Tartarate Capsules), Tyrogef (Gertifinib), Cernos Depot (Testosterone Undecanoate).

OUTLOOK

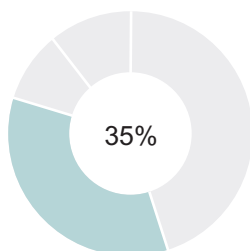
Sun Pharma ranks as the leader in several therapies including Psychiatry, Neurology, Cardiology, Diabetology, Ophthalmology and Orthopedics. Our goal is to strengthen our leadership position. To this end, we continue to concentrate on our strategy to focus on chronic therapies to create a sustainable revenue stream from the Indian market. We intend to retain and strengthen our position in these therapies as well as attain the first position in other therapies where we currently have a lower rank, thus increasing our market share and keeping consumer focus.

We have worked steadily to make Sun Pharma a company that can deliver sustained, high-quality growth. We continue to help patients by bringing to the market technically complex products supported by our very able sales and marketing force and a productive Research and Development (R&D) cell.

From an operations perspective, we continue to focus on minimizing the time taken to launch our products in the market and optimize operational costs through vertical integration.



US Generics



US Generics



MARKET SCENARIO

The generics market remains a major growth area in the global healthcare arena. It continues to grow at a faster pace than the global pharma market, largely due to regular patent expirations of blockbuster drugs. Rising healthcare expenditure also contributes to industry expansion, with governments seeking cost-containment in several national healthcare sectors, by promoting the use of generic products over higher-priced originator products.

However, the year 2008 witnessed significant reduction in sales growth, despite robust volume increases. This was largely on account of manufacturers increasingly competing in price battles within most of the world's major markets.

Global generic products generated USD 78 billion in audited sales in the twelve months through September. The top eight global markets - the US, Germany, France, the UK, Canada, Italy, Spain and Japan - today account for 84% of total generics sales. (Source: IMS 2008 Global Pharmaceutical Market and Therapy Forecast)

US, the world's largest generics market with 42% of global sales, experienced a 2.7% sales decline in the twelve months ending September 2008 while volume increased 5.4 % during the same period. The market is currently valued at USD 33 billion, compared with USD 34 billion last year, reflecting declining prices and fewer blockbusters losing patent protection in 2008. (Source: IMS 2008 Global Pharmaceutical Market and Therapy Forecast) Generic products now account for 71.5% of the total US pharmaceutical market volume, however accounting for only 21.6% of all dollars spent on prescription. (Source: Generic Pharmaceutical Association 2009 Report)

The return of Democrats to power in the White House and US Congress should further improve the prospects of generic companies in the US pharmaceutical market. In all likelihood, the new Democrat regime in the US will be additionally pro-generic, given the