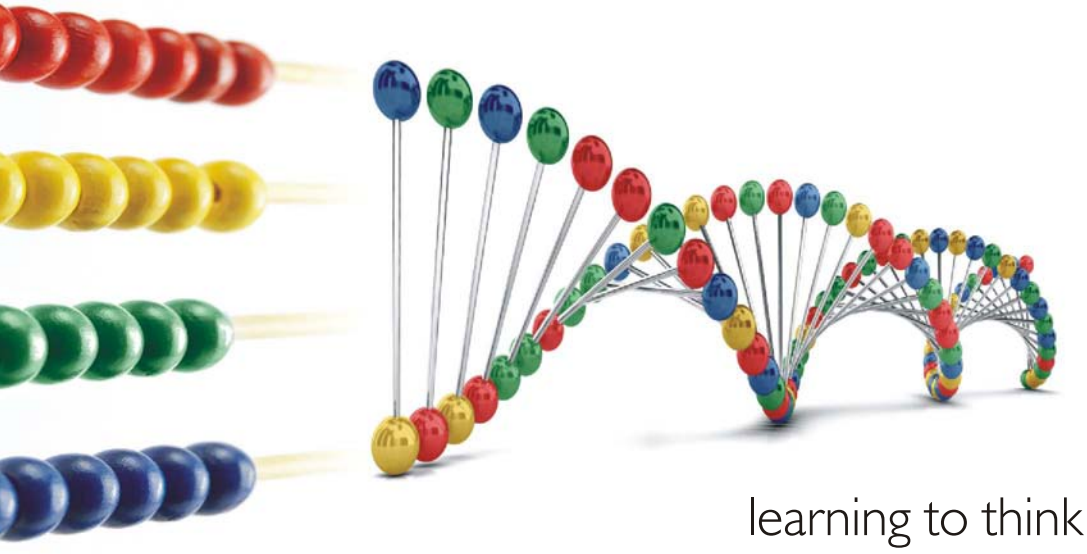
SUN PHARMA
ADVANCED RESEARCH
COMPANY LTD.

ANNUAL REPORT 2009-10



learning to think differently

learning to think differently

An abacus. A child's plaything. Nothing more than an ingenius collection of beads, a counting tool.

But viewed differently? Arranged differently? Arranged with precision and thought, working to a design?

A DNA double helix, the genetic code that is fundamental to all human life and functioning.

The cover depicts an artist's view of the change possible, if one looks differently.

Sometimes a different way of thinking, a fresh perspective challenges paradigms. Offers new possibilities. This is the insight we've put to work in our research projects.

Consider for instance, our NCE projects in the area of prodrugs, which tweaks old, time-tested treatments to make them work better, so as to avoid known shortcomings.

Or consider for instance, our NDDS, like Dry Powder Inhalers, creating asthma treatments that not only work better, but are also incredibly user friendly, for the very young and old.

Doing work that creates intelligent design. Because the first step is by learning to think differently.

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Corporate Information

BOARD OF DIRECTORS

Mr. Dilip S. Shanghvi
Chairman & Managing Director

Dr. T. Rajamannar
Wholetime Director &
Executive Vice President
R&D

Mr. Sudhir V. Valia
Director

Prof. Dr. Andrea Vasella
Director

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Director

Mr. S. Mohanchand Dadha
Director

COMPANY SECRETARY

Ms. Meetal Sampat

AUDITORS

Deloitte Haskins & Sells
Chartered Accountants, Mumbai

BANKERS

ICICI Bank Ltd.
Indusind Bank Ltd.
Citibank N. A.
Bank of Baroda

REGISTRARS & SHARE TRANSFER AGENTS

Link Intime India Pvt. Ltd.
C/13, Kantilal Maganlal Estate,
Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (West),
Mumbai 400 078.
Tel: (022) 25946970-78 Fax: (022) 25946969
E-mail: sparc@linkintime.co.in
rnt.helpdesk@linkintime.co.in

Additional Collection Centre
203 Davar House, 2nd Floor,
D.N. Road, Fort, Mumbai 400 001.
Tel: (022) 22694127

REGISTERED OFFICE

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

MUMBAI OFFICE

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

RESEARCH CENTRES

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

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

907/4, GIDC,
Makarpura,
Vadodara 390 010

SPARC | MANAGEMENT DISCUSSION AND ANALYSIS

Industry structure and developments

Internationally, new developmental pipelines from in-house R&D are drying up due to several factors like:

complexity of therapeutic targets, falling R&D productivity, escalating costs associated with developing new products, greater regulatory hurdles and increasing challenges of managing innovation.

Today new molecules are often being licensed in or acquired from smaller or boutique pharma companies since there are fewer replenishment candidates that can be sourced internally for large blockbusters that go off patent at Big Pharma. These smaller companies have demonstrated either a delivery technology or new biology advantage and appear to be adroit at innovating, while large pharma companies have the expertise in navigating the regulatory process. This trend indicates that 25% to 30% of research is outsourced by Big Pharma.

In the long run, this trend to acquire molecules and technologies developed elsewhere, may work to India's advantage. But such partnering will also bring in its own set of challenges. While the industry has proven skills in chemistry, any such transfer will entail preconditions like the need to invest in upgrading our knowledge base in the areas of new biology, target validation, Good laboratory Practice (GLP) and Good Clinical Practice (GCP). For this the regulatory framework that vets and validates trials and procedures designed for and conducted in India, needs to be internationally compatible, with special allowances for our specific needs. Steps to create such a framework are underway.

The relatively young Indian pharma R&D industry, is still in its incipient phase of evolution. A strong lineage of expertise in chemistry, large pool of professionals and availability of patients ideal for clinical research, are factors that have worked to India's advantage in pharma R&D. However, as the industry evolves, the right mix of skills and a large scientific knowledge pool

in the area of biological sciences - molecular biology, pharmacology, toxicology and clinical pharmacology should help the sector move to the next stage of development.

Today India is an R&D partner of choice because of it's formulation development capabilities, process chemistry expertise, state-of-the-art tertiary healthcare facilities, skilled workforce and cheaper costs. In fact, India also offers an edge in costs over other low cost countries such as China. Quoting from a paper by an industry expert - global R&D spend is about $60 billion, with a split of 1:2 in the non-clinical to clinical spend. Current data indicates that fully loaded cost of non-clinical operations in India is just a fraction of costs in US and Western Europe and even lower for clinical operations.

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India's patent laws are now at par with the level of intellectual property protection in developed nations. This has been both the stimulus and the reason for investments in innovation. It has forced Indian pharma companies to take a hard look at innovation, lest access to new molecules is curtailed unless these are licensed in or developed in-house.

At the same time, companies also recognize the value they can potentially generate as participants in the research process.

R&D Centre, Baroda

Quoting from a paper by an industry expert

Global R&D spend is about $60 billion, with a split of 1:2 in the non-clinical to clinical spend

Opportunities and threats

Indian companies are addressing two fronts:

Analogue chemistry for new chemical entities with improved profiles of validated targets and development of novel drug delivery systems for existing / marketed molecules designed to offer a specific advantage.

Indian companies are addressing two fronts: analogue chemistry for new chemical entities with improved profiles of validated targets and development of novel drug delivery systems for existing/marketed molecules designed to offer a specific advantage.

For India to compete with developed markets for a share of the research pie, a renewed focus on speed across the concerned areas will be a prerequisite. Regulatory lead time when applicable, faster patient recruitment in clinical research, availability of high tech solutions such as high throughput instrumentation and remote data capture are other important factors that need to be considered for execution speed.

There is also a serious need to notch up the quality of services that research requires, such as quality of background and ongoing training for scientists and quality of goods and services from local or supplementary vendors. On the other hand there are concerns about whether our administrative setup for patents can handle a large volume of patent applications in a timely manner. This concern must be put to rest as well.

Large enough capacities need to be built across the value chain in order to compete internationally – currently these are nascent by international standards. Capacities need to be built in genomics, molecular biology, in vitro studies and animal toxicology, biopharmaceutics, execution of phase I, II and III studies, data management and biostatistics.

Another threat that needs to be factored in for research is that unexpected regulatory requirements that may cause delays. We will also need to be prepared for additional investments or requirements to make unexpected changes in the initial research plan.

PERFORMANCE HIGHLIGHTS

The team showed considerable progress in projects across NCEs and NDDS.

A systematic and disciplined innovation process has been pursued right from the initial stages. Instead of chasing large ticket blockbusters, the focus is on creating products that fill in gaps in therapy, and create long term value.

Larger multinationals typically spend large sums every year on R&D. This makes it imperative for a company like SPARC to use its limited resources judiciously, and invest in projects that stand a good probability of reaching market.

In the NDDS area, the focus is on developing products that improve patient compliance, enhance safety, and/or expand product indications.

In the NCE area the philosophy is to work with validated targets and established biology, so as to limit the number of variables. The molecules that are chosen to be developed are with a view to address safety/side effect concerns with efficacy (enhancement of therapeutic index), or to overcome pharmacokinetic limitations such as limited window of absorption.

NDDS PROJECTS

The SPARC team is working on several interesting NDDS platform technologies, which are at various stages of progress, including a few that have completed clinical trials and have already reached the market in India. Some of the technologies at advanced stages are discussed here.

Oral

- GASTRO RETENTIVE INNOVATIVE DEVICE (GRID)
- WRAP MATRIX CONTROLLED RELEASE TECHNOLOGY.

Injectables

- NANOPARTICULATE FORMULATIONS
- BIODEGRADABLE DEPOT INJECTIONS

Topical

- DRY POWDER INHALERS
- SMM TECHNOLOGY FOR OPHTHALMIC FORMULATIONS
- GFR TECHNOLOGY FOR ONCE A DAY OPHTHALMIC FORMULATIONS

GRID

Some drugs are absorbed only from the upper part of the gastrointestinal tract, or may have a low solubility or degrade in intestinal fluid. Since most drugs would transit through the stomach and small intestine (which is the absorption site) rather quickly, it is difficult to make these into long acting or controlled release formulations.

The Gastro Retentive Innovative Device (GRID) is designed to retain and release a drug from the stomach for about eight hours. Because of longer retention it is an ideal once-a-day system for drugs that are otherwise absorbed only from upper part of the small intestine. Since the drug is retained longer, this improves the absorption of the drug. The GRID can be made in such a way that it offers a combination of instant and sustained release from the same. Since it is given once a day, this is much easier for the patient to take.

Baclofen GRS

Spasticity, a condition in which certain muscles are continuously contracted, affects over 12 million worldwide. Generally, spasticity is associated with common neurological disorders like multiple sclerosis, stroke, cerebral palsy and spinal cord injury.

Baclofen and Tizanidine are the drugs of choice, Baclofen being the largest prescribed drug for this indication, world wide.

Baclofen GRS uses a proprietary GRID system which ensures longer retention in the stomach, hence increasing bioavailability. Baclofen GRS eliminates frequent day and night time dosing, and reduces the adverse effects from the peak concentration, specially sedative effects.

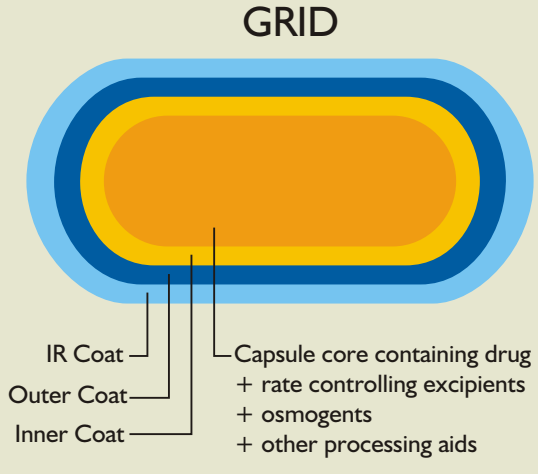
An IND has been filed with the US FDA. A Phase III randomized, placebo controlled efficacy study in 300 patients has been initiated in the US. Another open label study in 100 patients has been planned.

After extensive clinical trials, Baclofen GRS capsules in six strengths have been developed of which two strengths are being marketed in India.

Nanoparticle technology platform

Water insoluble anticancers have two issues with their use-first, toxic surfactants often have to be used to solubilise the drug; and secondly, such drugs not only reach the tumor tissues but also reach and penetrate healthy tissues in the body. SPARC's novel self dispersing Nanoparticle technology platform addresses these challenges. Our technology offers higher drug localization to the cancer cells, uses less excipient, and can deliver a higher dose. Usually, when anticancers have to be administered, special preparation is required - premedication with antihistamines or steroids, use of special infusion bags/bottles, and in line filters. Products made with our technology do not need such preparation. Our product has a quick and easy 'one-step' dilution and infusion procedure. Infusion time is significantly shorter with Paclitaxel injection for nanodispersion (30 minutes), which results in a shorter stay in clinic.

> Our technology offers higher drug localization to the cancer cells, uses less excipient, and can deliver a higher dose.



GRID for timed drug release

- This oral delivery system offers once a day dosing of a drug that would otherwise have to be taken several times a day.
- Products with a very high dose can be formulated into a simple-to-swallow tablet using this technology. Since this technology is not simple to copy, the risk of generics is limited.
- Several products are in progress at different stages for Indian and the US-markets.
- An antiepileptic with high solubility and very high dose is in Phase II, and will be filed as a 505b(2) filing in the US.
- Another drug, an antihypertensive, is in Phase II in the US, a drug with high dose and high solubility.
- A skeletal muscle relaxant with ultra short life is in Phase I, and preclinical studies are going on with two other molecules.

Paclitaxel Injection for nanodispersion (PICN)

Taxanes are the most successful drug class for solid tumors, and molecules like Paclitaxel and Docetaxel are blockbusters owing to significantly higher response rates and survival advantages in wide range of solid tumors Paclitaxel, an anticancer, is the established standard of care for advanced cancers such as those of the breast, lung, ovary, prostate, cervix, esophagus and stomach, urinary tract and bladder, as well as head & neck.

Despite its success, Paclitaxel has some limitations. There is a very high incidence and severity of toxicities associated with its use, especially hypersensitivity reactions, neutropenia and peripheral neuropathies. There is also a high incidence of hypersensitivity reactions because of the use of excipients used to dissolve the anticancer drug.

PICN is a novel formulation of Paclitaxel using SPARC's proprietary nano particle platform technology. The drug achieves 30% higher concentration in tumour tissues compared to conventional paclitaxel.

To avoid this toxicity related problem, Abraxane, the world's first reformulated Paclitaxel product was approved in international markets.

Abraxane has several advantages - pre-medication with high dose corticosteroids and antihistamines is not required, a higher dose of paclitaxel can be delivered without increase in toxicities, the drug offers superior efficacy and safety in advanced breast cancer patients who have progressed to first line chemotherapy.

As a result, Abraxane® commands a significant premium to generic Paclitaxel.

However, Abraxane uses homogenized human serum albumin. The use of albumin poses risk of immunogenicity and viral infection, specially in a patient with lowered immunity. Dosing and administration are complex and time consuming.

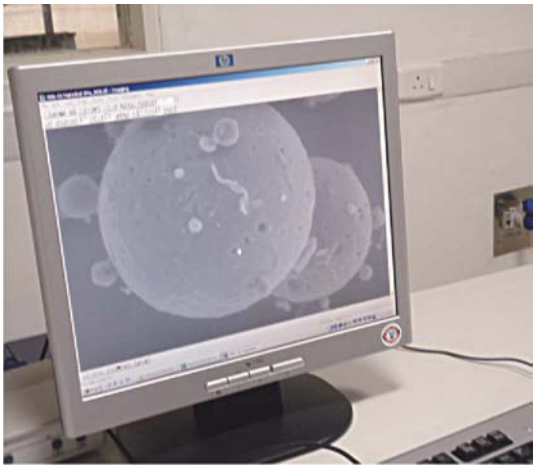


Image from Scanning Electron Microscope

Abraxane was also found to be linked to significantly higher incidence of side effects like neuropathy compared to conventional paclitaxel.

Our product, PICN is a novel formulation of Paclitaxel using SPARC's proprietary nano particle platform technology. The drug achieves 30% higher concentration in tumour tissues compared to conventional paclitaxel. For PICN, the patient does not need to be prepared by giving high doses of steroids, antihistamines and antiemetics. No inline filters and special infusion sets are required. The medication also shows a linear, predictable response even at higher doses.

Extensive preclinical studies have been completed with our product. Phase I clinical trials are ongoing, and a superior safety profile compared to Abraxane was observed.

For the US, we plan to use the 505 b(2) route to register this product. A Phase I study of combination chemotherapy of PICN with carboplatin is to begin shortly.

In India, a phase II/III study in metastatic breast cancer will begin this year.

Docetaxel Injection concentrate for nanodispersion

We have developed a self dispersing nano particle formulation of Docetaxel which avoids toxic solvents that are used in the conventional docetaxel formulation. In animal studies, the formulation was found to be safe at doses upto 7.5 times the conventional formulation. Our formulation also achieved significantly higher concentration in tumors compared to the innovator brand. We have completed all nessecary preclinical studies required to initiate Phase I clinical trials.

We intend to use the 505 b(2) route to register this product in the US. For India, we have initiated a Phase I study in patients with solid tumors.

> In animal studies, the formulation was found to be safe at doses upto 7.5 times the conventional formulation.

Biodegradable implants / injections

Chronic treatment of serious conditions such as prostate cancer, requires long term maintenance of drug levels in the body, over several months or weeks. This may require daily or frequent injections, which is cumbersome for the patient. One solution involves use of a depot or reservoir from which drug is released over a long period. However, such currently available depots have drawbacks that limit their use-a high polymer to drug ratio, use of special needles, and requires specially trained staff.

SPARC is working on a proprietary Depot Technology with biocompatible and biodegradable micron size polymer particles that contains the drug in its matrix, and offer long term systemic delivery of the drug. In this delivery system, the drug is encapsulated within microspheres from where it is gradually released.

Our product requires a conventional needle for a normal injection, unlike some competing products where tiny rods have to be implanted under the skin with bigger sized needles. Our product is not associated with patient trauma and pain. No special training or equipment is needed for administration. The injection volume is lower hence this is more convenient for the patient. Our delivery system offers rapid onset and prolonged release over months. Since uniform blood levels are maintained, there are no peaks and valleys that are seen with frequent daily doses.

GnRH microspheres - Goserelin Depot Injection 1 M

Goserelin is LHRH that is used for the treatment of hormone dependent tumors such as prostate cancer and advanced breast cancer, and for endometriosis.

SPARC is working on Goserelin depot 1 M injection using its proprietary biodegradable depot injection platform. Unlike the existing and marketed product where a thick implant is placed under the skin using a large bore 16G/14G needle, our product is given as a conventional injection using normal 22G needles.

Clinical trials have been initiated for the once-a-month product, and the once-in-three month product is at an advanced stage of progress.

For the US, an IND filing for the 1 month injection is likely in 2011-12. For India, Goserelin Depot 1 M clinical trials began in April this year.

Octreotide Depot Injection I M

A one month depot formulation of Octreotide, a peptide is used in the treatment of acromegaly, carcinoid syndrome, and the treatment of diarrhoeas in patients with vasoactive intestinal peptide secreting tumors.

Since somatostatin has a short half life, it needs to be administered 3-4 times per day. Our scientists have created a one month long single shot that offers tailored release of the drug.

The volume of the injection to be administered is lesser as well, since our product uses a full 50% lesser polymer excipient compared to the competitor's product

An IND filing for Ocreotide depot I M is planned in 2011-12.

DPI

Asthma affects over 300 million patients worldwide. Inhalation drugs are 70% of this $21 billion market. Inhaled short and long-acting beta agonists and corticosteroids are fundamental to the treatment of asthma. DPIs that combine a long acting beta agonist with a corticosteroid are a $8.3 billion market.

SPARC's DPI device offers a premetered 60 dose device that is activated by inhalation.

Our device is small and convenient, easy to carry. Our device is easy to use across pediatric, geriatric, and adult patient populations. The device delivers uniform dose independent of breathing flow rate. What is more, the device is designed to avoid double dosing.

Our device is specially designed in such a manner that it delivers the drug at 50% of the dose of the branded product and still offers the same efficacy. At half the dose, our product has demonstrated comparable efficacy to Seretide Accuhaler in a 100 patient, Phase III clinical trial in India.

Certain features have been added that make it user friendly - there is a visual, audible and tactile feedback upon dose administration. A glow-in-the-dark feature ensured easy night-time use. There is a feature for assisting visually impaired, as reminder to refill device, when 8 doses remain.

Our device is specially designed in such a manner that it delivers the drug at 50% of the dose of the branded product and still offers the same efficacy.

In head on trials versus the innovator device, SPARC's DPI demonstrated statistically and clinically significant improvement on all efficacy parameters studied. There was also a reduction in use of rescue medication, by day and night time asthma symptoms.

Phase III studies have been completed with this device, in India., with likely launch in 2010-11. We will be pursuing the 505 b(2) route, a pre IND meeting is awaited with the USFDA.

Swollen Micelle Microemulsion (SMM) Technology

Glaucoma is a type of optic neuropathy characterized by progressive injury to the retinal ganglion cells. Elevated intraocular pressure (IOP) is considered the primary cause of the optic nerve damage.

Prostaglandin analogues such as Latanoprost are the first line treatment for glaucoma and form the largest drug class with global sales at US$ 2.7 billion and MS of 52% in 2008.

The currently marketed Latanoprost contains a preservative, Benzalkonium Chloride (BKC). BKC not only acts as a preservative, but it also solubilizes the drug in its micellar structure.

However, it has been shown that on long term use, such BKC containing eye drops may be harmful to the eye surface. EU requires replacing of BAK from eyedrops wherever possible. Also, such BKC containing eyedrops are not stable at room temperatures, and may require storage at 2-8 degrees C.

SMM is a platform technology by SPARC for solubilizing ophthalmic drugs with limited or no solubility. This technology does not require the use of quaternary ammonium preservative/surfactant like Benzalkonium Chloride which may be damaging to the eye.

Our product contains BKC-free Latanosprost for improved ocular retention. This is a non infringing formulation to the market leader Xalantan from Pfizer, with similar strength, dosing, etc. Removal of BKC reduces tearing, burning, itching, and hence reduces drainage from the surface of the eye. Another advantage is that our product contains latanoprost in an unbound form, which also enables its partition across eye tissues. Our product does not need any special refriegeration for storage/transport.

SPARC has completed a Phase III clinical trial in India, and demonstrated improved safety profile and eye comfort.

IND has been approved at the USFDA. the USFDA requires two Phase III studies for product registration, and these studies will likely begin in mid 2010.

Expected launch in India is in 2010-11.

GFR technology

Chronic eye ailments like glaucoma typically require short-duration drugs to be instilled several times a day. To increase the duration of action of such drugs, and to localize drug action with minimal systemic absorption, also to create a clear and non irritant formulation, SPARC has developed a Gel Free Reservoir (GFR) technology.

GFR technology uses a unique polymer ratio that does not decrease visual clarity and flow property. The physical properties of our product is similar to natural tears.

GFR Timolol Maleate once-a-day ophthalmic formulation - This product has the characteristics of an ideal eyedrop - clear colorless solution, bioadhesive yet non sticky. In a clinical trial, SPARC's GFR based Timolol 0.5% eyedrops instilled once a day were found to be equivalent to the brand leader Timolol maleate 0.5% instilled twice a day. Phase III trials have been completed in India and product launch is likely in 2010-11.

NEW CHEMICAL ENTITIES

The team at SPARC has been working on select projects in therapeutic analogues or bioavailability modification. These projects offer a better handle on risk and timelines compared to totally new pharmacophores.

The new molecule projects being worked on are as under:

SUN-1334H
SUN-597
SUN-09
SUN-44

SUN-1334H

This antihistamine is the first of SPARC Ltd.'s drug candidate meant for allergy. Antihistamines are prescribed in conditions like allergic rhinitis, urticaria, hay fever, conjunctivitis and pruritis. An ideal antihistamine would be selective, non sedating, with a quick onset and long duration of action, free of limiting side effect such as those on the heart, and suitable for oral and topical use.

SUN-1334H is currently being developed both for oral and topical (nasal and ophthalmic) use. This molecule has been designed to offer an advantageous pharmacological and safety profile compared to the currently marketed drugs like cetirizine.

In previously outlined preclinical studies, SUN-1334H was found to be a a potent and selective H1 blocker with fast onset and long duration of action, effective in allergic models, with a high safety index, and not crossing the blood brain barrier.

Preclinical studies with SUN-1334H have been published in prestigious journals - Drugs in R&D, as well as International Archives of Allergy and Immunology. These studies substantiated the molecule's safety and efficacy claims.

In Phase I studies done in Europe, the molecule was found to be safe at up to 8 times the expected clinically effective dose.

Phase II clinical studies were completed for three indications viz. seasonal allergic rhinitis, chronic idiopathic urticaria and perennial allergic rhinitis.

Chronic toxicity studies are ongoing in human volunteers. The 16 mg dose was found to be statistically superior compared to placebo.

For topical applications such as allergic conjunctivitis, an eyedrop formulation may be a better alternative. An eyedrop formulation of SUN-1334H was tested, and found to be effective in treating allergen and histamine induced conjunctivitis in once-a-day dosing.

A Phase I study with this product will now begin in India. An IND will be filed in the US after completion of the Phase I study in India.

SUN-597

One of the areas of work for the team at SPARC is soft steroids. An ideal topical steroid would show high efficacy on the target organ, long duration of action yet rapid inactivation on systemic absorption, low systemic bioavailability. An ideal topical steroid would also have limited potential for side effects typically associated with steroids on long term use, such as skin thinning, increase in intraocular pressure and metabolic changes.

On account of its significantly higher anti-inflammatory activity and lower side effect profile, SUN-597 now replaces our earlier molecule in this category viz. SUN-461. SUN-597 is a topical glucocorticoid for asthma and other applications. Topical or non systemic glucocorticoids are used to treat inflammations of the airway, skin, eye, and gastrointestinal tract. However, long term use of corticosteroids can result in hypothalamus-pituitary axis suppression, osteoporosis, lowered immunity, growth suppression, behavioral changes and lipid metabolism changes.

SUN-597 appears to be a novel, safe non systemic glucocorticoid with a promising therapeutic index.

In preclinical studies, SUN-597 showed good affinity for the human glucocorticoid receptor, and good selectivity over other sex hormone and mineralocorticoid receptors.

In invivo studies, SUN-597 showed good potency in animal models for inflammation, models of asthma and allergic rhinitis. The oral bioavailability was very low besides short plasma half-life and therefore the molecule has a low likelihood of systemic side effects. This has been demonstrated in preclinical in vivo models, wherein SUN-597 appears to have a higher therapeutic index compared to currently marketed corticosteroids.

We have received permission from the Drug Controller General of India to begin Phase I clinical trial for the nasal formulation, and these trials are expected to begin shortly.

For the inhaled product, the dosage form formulation and sub acute toxicity studies are expected to be completed by 2010-11.

The next area of study and clinical development relates to the area of prodrugs of products that have limited absorption. Products that are absorbed only from a small part of the gastrointestinal tract, can be made into prodrugs to improve absorption throughout the gastric tract hence improve bioavailability. A drug that would have to be given in very large doses and administered several times a day can be made into a smaller-dose, once a day dosage form, with faster onset of action, and better blood levels.

SUN-09

Baclofen is the standard drug of choice for the treatment of spasticity. However, it has a narrow absorption window in the intestine, and after absorption, is rapidly cleared from the blood. To offer adequate symptom relief, the drug has to be administered frequently.

Our lead, SUN-09 is a prodrug of baclofen being developed as "an efficient baclofen". Unlike baclofen, SUN-09 is absorbed throughout the length of the intestine, thus offering better systemic availability from an equivalent dose.

Extensive animal studies have been completed, and in these, SUN-09 has been shown to get rapidly absorbed and converted to baclofen. Besides, in animal studies after intra-colonic administration SUN-09 provided quicker absorption and higher levels of baclofen as compared to normal baclofen.

Upon oral administration, dose dependant muscle relaxation with rapid onset of action in mice indicated higher efficacy without any additional safety concerns.

An IND has been approved in India for human clinical trials, with Phase I likely to begin in 2010-11.

SUN-44

SUN-44, a prodrug of gabapentin, is being developed as a gabapentin with improved pharmacokinetics. Gabapentin, an analogue of the brain neurotransmitter GABA, is prescribed in the treatment of epilepsy, as also for the treatment of neuropathic pain, restless leg syndrome, mood disorders.

Gabapentin has a non-linear dose dependant bioavailability, as the dose is increased, the percentage of absorption decreases. This is because the transport mechanism in the intestine gets saturated at a higher dose levels. Also, the expression of the transporter that links with the molecule and carries it across the gastrointestinal tract tissues may vary from patient to patient. The molecule is also excreted relatively rapidly, hence there is a great deal of variation in patient responses to the drug.

SUN-44 has been designed to address this bioavailability issue. Upon oral administration SUN-44 is rapidly absorbed and converted to gabapentin in animal studies leading to higher AUC and lower Tmax, as compared to normal gabapentin. This translated to better efficacy of SUN-44 when compared with gabapentin at equivalent dose levels in animal model for epilepsy.

Also, SUN-44 does not raise any additional safety concerns on account of its molecular structure. IND has been submitted with the regulatory authority in India. Phase I is to begin in 2010-11.

Outlook

As we take our NCE and NDDS projects ahead on the research pathway, we're learning about how to manage in a changing regulatory environment, handle the technical demands of innovation, and balance the requirements of projects that have short term, medium term and long term timeframes. While we're satisfied with the progress on our projects so far, we recognize that we have quite some distance to go before we reach market, though some NDDS projects are considerably closer to market than they were previously.

Risks and concerns

Innovative research is a high risk area, and while we've tried to take on manageable risks through our process of project selection, and by simultaneously working on projects with different delivery timeframes. But there is every likelihood that an investment may have to be abandoned if a project is dropped or changed in subsequent stages of research progress. A project may need longer timeframes, or may need additional tests or costs that were not initially anticipated. We may or may not find a technology or licensing partner to work with, in order to bring the product to market. A competing technology or product might limit the potential for our NCE or NDDS.

Internal control systems and their adequacy

SPARC Ltd. has in place a well defined organizational structure and adequate internal controls for efficient operations. The team has in place internal policies, and is cognizant of applicable laws and regulations, particularly those related to protection of intellectual property, resources and assets, and the accurate reporting of financial transactions. The company continually upgrades these systems. The internal control system is supplemented by extensive internal audits, conducted by independent firms of chartered accountants.

SPARC | DIRECTORS' REPORT

Your Directors take pleasure in presenting the Fifth Annual Report and Audited Accounts for the year ended 31st March, 2010.

Financial Result

(Rs. in Thousands)

	Year ended 31st March, 2010	Year ended 31st March, 2009
Total Income	347,404	352,705
Profit/(Loss) before Depreciation & Tax	(189,447)	(106,549)
Depreciation	25,991	18,364
Profit/(Loss) before Tax	(215,438)	(124,913)
Provision for Tax (includes Deferred Tax, Wealth Tax & Fringe Benefit Tax)	96	(33,508)
Profit/(Loss) after Tax	(215,534)	(91,405)
Balance brought forward from Previous Year	(190,106)	(98,701)
Balance carried to Balance Sheet	(405,640)	(190,106)

Dividend

In view of loss incurred during the year under review, your Directors do not recommend any dividend for the year under review.

Directors

Prof. Dr. Goverdhan Mehta and Prof. Dr. Andrea Vasella, Directors of the Company, retire by rotation at the ensuing Annual General Meeting, and being eligible offer themselves for reappointment.

Management discussion and analysis

The management discussion and analysis on the operations of the Company is provided in a separate section and forms a part of this report.

Corporate governance report

Report on Corporate Governance and Certificate of the Auditors of your Company regarding compliance of the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges, are enclosed.

Human resources

SPARC, which is committed to do quality research work, has a dedicated team of about 220 employees, of which 208 are highly qualified and experienced scientists comparable to those existing internationally. We understand and value that all employees are career conscious. The growth of employees is intrinsically linked with the growth of any organization and vice versa. No organization can develop without taking its employees on the growth path and therefore, employees' career development is a part of human resources mission.

Biostudy Centre

We provide performance driven reward, comprehensive development and learning opportunities, challenging work content and quality of work life.

Your Directors recognize the team's valuable contribution and place on record their appreciation for Team SPARC.

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, is available at the registered office of your Company.

However, as per the provisions of Section 219(1)(b)(iv) of the said Act, the Report and Accounts are being sent to all shareholders of the Company and others entitled thereto excluding the aforesaid information.

Any shareholder interested in obtaining a copy of this statement may write to the Company Secretary at Mumbai office or Registered office address of the Company.

Public deposits

The Company has not accepted any deposit from the Public during the year under review, under the provisions of the Companies Act, 1956 and the rules framed thereunder.

Information on conservation of energy, technology absorption, foreign exchange earning and outgo

The additional information relating to energy conservation, technology absorption, foreign exchange earning and outgo, pursuant to Section 217(1)(e) of the Companies Act 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is given in Annexure and forms part of this Report.

Directors' responsibility statement

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

i. that in the preparation of the annual accounts for the financial year ended 31st March, 2010, the applicable accounting standards have been followed along with proper explanation relating to material departures;

ii. that the Directors have selected appropriate accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and on the loss of the Company for the year under review;

iii. that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and,

iv. that the Directors have prepared the annual accounts for the financial year ended 31st March, 2010 on a 'going concern' basis.

Auditors

Your Company's auditors, M/s. Deloitte Haskins & Sells, Chartered Accountants, Mumbai, retire at the conclusion of the forthcoming Annual General Meeting. Your Company has received a letter from them to the effect that their re-appointment, if made, will be in accordance with the provisions of Section 224(1-B) of the Companies Act, 1956.

Acknowledgements

Your Directors wish to thank all stakeholders and business partners-your Company's bankers, medical profession and business associates for their continued support and valuable co-operation. The Directors also wish to express their gratitude to investors for the faith that they continue to repose in the Company.

For and on behalf of the Board of Directors

Mumbai
22nd May, 2010

Dilip S. Shanghvi
Chairman & Managing Director

Sun Pharma Advanced Research Company Ltd.
Akota Road, Akota, Vadodara 390 020.
www.sunpharma.in

Annexure to Directors' Report

CONSERVATION OF ENERGY

Power and Fuel Consumption

Our operations are not Energy intensive. However the Company has endeavored to optimise the use of energy resources and taken adequate steps to avoid wastage & use latest technology & equipments, wherever feasible, to reduce energy consumption.

TECHNOLOGY ABSORPTION

A. Research and Development

1. SPECIFIC AREAS IN WHICH R&D IS CARRIED OUT BY THE COMPANY

Sun Pharma Advanced Research Company Ltd (SPARC Ltd) works on innovation and new product development for global markets. It undertakes projects in innovative research and technology for new chemical entities (NCE's) or new molecules, and novel drug delivery systems (NDDS).

New Chemical Entities (NCE's)

The thrust areas of research programs for new molecules or new chemical entities (NCE's) are:

> Design and development of therapies for
  Allergy
  Inflammation

> Design and development of pro-drugs (chemical delivery systems) for currently marketed drugs that have poor oral absorption profile.

Allergy

SUN-1334H is a novel selective histamine H1 receptor antagonist for the therapy of allergic disorders such as seasonal and perennial allergic rhinitis, urticaria, etc. This molecule has finished phase II clinical studies in USA and in India. Currently it has also been developed preclinically as an eye-drop for ophthalic indications; an IND has been filed in India for conducting phase I clinical trials by ocular administration.

Inflammation

SUN-597 is a locally acting anti-inflammatory glucocorticoid receptor agonist, belonging to the category called "soft steroids". It is structurally related to our erstwhile molecule in this category, viz. SUN-461 but has a superior preclinical pharmacological profile. Preclinical development has been completed for SUN-597 for use in the treatment of allergic rhinitis and asthma.

Pro-drugs

Anticonvulsant/ Modification of absorption

Our lead molecule, SUN-44 is a pro-drug of the currently marketed drug gabapentin which is used for the treatment of neuropathy and seizures. Preclinical studies required for permission for phase I clinical trials have been completed for SUN-44.

Muscle relaxant/ Modification of absorption

Our lead SUN-09 is a pro-drug of a currently marketed drug used as a skeletal muscle relaxant for the treatment of spasms related to CNS disorders. Preclinical studies required for permission for phase I clinical trials have been completed for SUN-09. To initiate Phase-I clinical trial in India in Q2.

Novel Drug Delivery Systems (NDDS)

In the drug delivery systems research (NDDS) platform technologies that are being developed are:

> Novel device for inhaled drugs

> Controlled release systems
  Gastric retention innovative device(GRID)
  Matrix system (wrap-matrix)

> Targeted drug delivery
  Nanoemulsions

> Biodegradable injections/ implants
Ophthalmic systems

N**ovel device for inhaled drugs**

A newly engineered dry powder inhalation device is under development which would enable convenient and uniform dose administration of drugs for asthma and COPD. The device would be small, convenient to carry and have a simple three step operating sequence - “open-inhale-close”. The device is being developed to comply with the US and European FDA requirements.

CONTROLLED RELEASE SYSTEMS

Gastro retentive innovative device (GRID)

An innovative gastro retentive system (GRS) has been devised that allows longer retention of drugs in the stomach and improves gastrointestinal absorption of drugs that have a narrow absorption window. The mechanism for gastroretention is based on flotation, size expansion and mucoadhesion.

Wrap matrix system

A novel platform technology, with a core and coat has been developed that offers gradual and controlled release of medicines that are highly soluble and are required to be administered in high doses. Based on this technology a few ANDAs for controlled release dosage forms have been filed with US FDA.

Targeted drug delivery

Nanoemulsion

Nanotechnology based delivery systems (Nanotectons) enable selective delivery of cytotoxic drugs to cancerous tissues. In this technology, drugs are encapsulated within nanoscale carriers derived from biocompatible polymers and lipids.

This nanoparticle platform technology has completed Phase I trials. It is in Phase II. Another nanotechnology based anticancer agent has completed preclinical development with demonstrated proof of concept.

Biodegradable injections/ implants

Depot formulations using biodegradable polymers obviate the requirement of frequent injections of certain drugs in case of ailments such as hormone dependant cancers. The depot technology developed by us uses long-acting microparticles.

Two peptide drugs formulations using this technology are in development.

Ophthalmic Formulations

Novel nanotechnology swollen micelle microemulsion platform for water insoluble antiglaucoma drugs. It avoids toxic quaternary ammonium surfactants and stabilizes the formulation at ambient conditions. This product has completed proof of concept and phase III clinical trials.

A novel gel free reservoir technology comprising a polymer combination for once-a day ophthlamic administration of a water soluble antiglaucoma drug. The technology enhances duration of action without sticking adhesion effects.

2. BENEFITS DERIVED AS A RESULT OF THE ABOVE R&D

These are long term projects, with a higher risk profile compared to generic projects., and typically take 8-10 years to reach market, if at all. NCEs upon commercialization are expected to provide patients with better treatment options or safer side effect profile for the disorders for which these therapies are being developed.

The new drug delivery systems that are being developed are platform technologies that can be used for several different drugs. The eventual commercialization of the products based on these technologies would provide patients with newer dosage forms that are safer, more effective in terms of availability in the body, and easier for the patient to take or to administer.

3. FUTURE PLAN OF ACTION

New Chemical Entities (NCE’s)

Allergy –SUN-1334H

Complete studies on cardiovascular safety,metabolism, toxicity etc required for phase III trials
Conduct phase I human trials by the ocular administration

Inflammation – SUN-597
Obtain regulatory approval and commence phase I human studies by nasal route of administration

Pro-drug – SUN-44
Obtain regulatory approval and commence phase I human studies

Pro-drug – SUN-09
Obtain regulatory approval and commence phase I human studies

Novel Drug Delivery Systems (NDDS)
N**ovel device for inhaled drugs**
- Design and validation of device
- Launch in semi-regulated markets in 2010
IND filing with US FDA in 2010

Gastro retentive innovative device (GRID)
IND filed in USA for Baclofen extended release product using GRID technology. This IND is approved. Further work Initiated, This product has already been launched in India.

Wrap matrix system
Few controlled release products which are filed as an ANDA with US FDA are under review and will be launched upon approval.

Innovative products based on this technology for drugs of various therapeutic categories are under development. Wherever appropriate they will be taken through clinical trials and filed.

Nanoemulsion
Phase 2 human trials for one cytotoxic product in 2010
Phase 1 human trials for the second cytotoxic product in 2010

Biodegradable injections/ implants
Depot injection of GnRH analogue, clinical trials in humans for semi-regulated market in 2010
- Launch in semi-regulated markets in 2010

4. EXPENDITURE ON R&D	**Year ended 31st March, 2010 Rs in Thousand**	Year ended 31st March, 2009 Rs in Thousand
a) Capital	**107,110**	224,185
b) Revenue	**535,101**	456,558
c) Total	**642,211**	680,743
d) Total R&D expenditure as % of Total Turnover	**186.7%**	193.7%

B. Technology Absorption, Adaptation and Innovation

1. **Efforts in brief, made towards technology absorption, adaptation and innovation**
   The Company continues its endavour for research in the area of Innovative and Novel Drug Delivery System with the latest technology and a skilled scientific team.

2. **Benefits derived as a result of the above efforts e.g. Product improvement, cost reduction, product development, import substitution**
   Innovative NCE and NDDS programs being undertaken by the company will help in making available new and effective products. These products, when commercialised, will improve the quality of life of the patients.

3. **Your company has not imported technology since its inception.**

C. Foreign Exchange Earnings and Outgo

1. Earnings	**315,609**	323,014
2. Outgo	**196,043**	263,948

Auditors' Report

1. We have audited the attached Balance Sheet of Sun Pharma Advanced Research Company Limited ("the Company") as at March 31, 2010 and also the Profit and Loss Account and the Cash Flow Statement for the year ended annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to above, we report that:

   (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   (iii) In our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

   (iv) in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies and notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

      (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2010;

      (b) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and

      (c) in the case of the Cash Flow Statement, of the Cash Flows for year ended on that date.

5. On the basis of written representations received from directors as on March 31, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No. 117366W)

K. A. Katki
Partner
(Membership No. 038568)

Place: Mumbai
Date: May 22, 2010

Annexure to the Auditors' Report

(Referred to in paragraph 3 of our report of even date)
Sun Pharma Advanced Research Company Limited

(i) Having regards to the nature of the Company's business, Clauses xiii, xiv, xviii, xix and xx of paragraph 4 of the Companies (Auditors' Report) Order, 2003, are not applicable.

(ii) In respect of its fixed assets:

(a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.

(c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.

(iii) According to the information and explanations given to us, the Company did not have any inventory during the year.

(iv) The Company had neither granted nor taken any loan, secured or unsecured, to or from Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.

(v) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control systems commensurate with the size of the Company and nature of its business with regard to purchase of consumables and fixed assets and for sale of goods (technology) and services. During the course of our audit, we have not observed any major weaknesses in such internal control systems.

(vi) In respect of contracts or arrangements entered in the register maintained in pursuance of section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:

(a) The particulars of contract or arrangements referred to in Section 301 that needed to be entered into the register, maintained under the said section have been so entered.

(b) Where each such transaction (excluding loans reported under paragraph (iv) above) is in excess of Rs. 5 lakhs in respect of any party, the transactions have been made at prices which are *prima* facie reasonable having regard to prevailing market prices at the relevant time, except in respect of certain purchases for which comparable quotations are not available and in respect of which we are unable to comment.

(vii) According to the information and explanations given to us, the Company has not accepted any deposits from public during the year within the meaning of Section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.

(viii) In our opinion, the internal audit functions carried out during the year by firms of Chartered Accountants appointed by the management have been commensurate with the size of the Company and the nature of its business.

(ix) To the best of our knowledge and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records for any product of the Company under Section 209 (1) (d) of the Companies Act, 1956.

(x) According to the information and explanations given to us, in respect of statutory dues:

(a) The Company has been generally regular in depositing undisputed statutory dues, including, Provident Fund, Employees' State Insurance, Income tax, Sales tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess and other material statutory dues with the appropriate authorities during the year. There were no dues payable in respect of Investor Education and Protection Fund, during the year.

(b) There were no undisputed amounts payable in respect of Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, cess and other material statutory dues in arrears as at March 31, 2010 for a period of more than six months from the date they became payable.

(c) There were no disputed dues in respect of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues during the year.

(xi) The Company has not yet completed a period of 5 years since incorporation, accordingly reporting under Clause 4 (x) of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.

(xii) In our opinion and according to the information and explanation given to us, the Company has not defaulted in repayment of dues to banks. The Company has not obtained any borrowings from financial institutions or by way of debentures.

(xiii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiv) In our opinion and according to the information and explanation given to us, the Company has not given any guarantees for loans taken by others from banks and financial institutions.

(xv) To the best of our knowledge and belief and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained, other than temporary deployment pending application.

(xvi) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that the Company has, prima – facie, used funds raised on short term basis through an increase in net current liabilities and losses aggregating to Rs. 466,606 Thousand, towards long term investment in fixed assets.

(xvii) To the best of our knowledge and belief and according to the information and explanation given to us, no fraud on or by the Company was noticed or reported during the year.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No. 117366W)

K. A. Katki
Partner
(Membership No. 038568)

Place: Mumbai
Date: May 22, 2010

Balance Sheet as at 31st March, 2010

Rs in Thousand

As at 31st March	Schedule	2010		2009	
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	**1**	**207,116**		207,116	
Reserves and Surplus	**2**	**—**		149,660	
			207,116		356,776
Loan Funds					
Unsecured Loan	**3**		**21,300**		17,186
Deferred Tax Liability (Net)	**4**		**—**		—
TOTAL			**228,416**		373,962
APPLICATION OF FUNDS					
Fixed Assets	**5**				
Gross Block		**705,312**		599,721	
Less: Depreciation		**96,440**		71,328	
Net Block		**608,872**		528,393	
Capital Work-in-Progress (including Advances on Capital Account)		**20,276**	**629,148**	44,376	572,769
Current Assets, Loans and Advances					
Sundry Debtors	**6**	**6,710**		5,086	
Cash and Bank Balances	**7**	**53,531**		5,227	
Loans and Advances	**8**	**33,000**		32,445	
		93,241		42,758	
Less: Current Liabilities and Provisions	**9**				
Current Liabilities		**538,601**		231,122	
Provisions		**21,246**		10,443	
		559,847		241,565	
Net Current Assets			**(466,606)**		(198,807)
Profit and Loss account (Debit Balance)		**405,640**		190,106	
Less : Adjusted against General Reserve (as per contra)		**339,766**	**65,874**	190,106	—
TOTAL			**228,416**		373,962
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS	**16**				
Schedules referred to herein form an integral part of the Financial Statements					

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

K. A. KATKI
Partner

Mumbai, 22nd May, 2010

For and on behalf of the Board

DILIP S. SHANGHVI
Chairman & Managing Director

SUDHIR V. VALIA
Director

MEETAL S. SAMPAT
Company Secretary

Dr. T. RAJAMANNAR
Wholetime Director

Mumbai, 22nd May, 2010

Profit and Loss Account for the year ended 31st March, 2010

Rs in Thousand

Year ended 31st March	Schedule	**2010**		2009	
INCOME					
Income from operations	**10**	**344,068**		351,419	
Other Income	**11**	**3,336**		1,286	
			347,404		352,705
EXPENDITURE					
Materials consumed	**12**	**67,627**		75,601	
Personnel Cost	**13**	**220,780**		164,301	
Operating and Other Expenses	**14**	**246,694**		216,925	
Depreciation		**25,991**		18,364	
Interest Expenses	**15**	**1,750**		2,427	
			562,842		477,618
LOSS BEFORE TAXATION			**(215,438)**		(124,913)
Provision for Taxation					
- Current Tax (Wealth Tax)			**75**		100
- Deferred Tax Expense / (Credit)			**—**		(34,128)
- Fringe Benefit Tax			**—**		520
- Fringe Benefit Tax for earlier year			**21**		—
LOSS AFTER TAX			**(215,534)**		(91,405)
BALANCE OF LOSS BROUGHT FORWARD			**(190,106)**		(98,701)
BALANCE OF LOSS CARRIED TO BALANCE SHEET			**(405,640)**		(190,106)
EARNING PER SHARE (Refer Note B.12 of Schedule 16)					
Basic (Rs.)			**(1.04)**		(0.44)
Diluted (Rs.)			**(1.04)**		(0.44)
face value per share Re. 1					
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS	**16**				
Schedules referred to herein form an integral part of the Financial Statements					

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

K. A. KATKI
Partner

Mumbai, 22nd May, 2010

MEETAL S. SAMPAT
Company Secretary

For and on behalf of the Board

DILIP S. SHANGHVI
Chairman & Managing Director

SUDHIR V. VALIA
Director

Dr. T. RAJAMANNAR
Wholetime Director

Mumbai, 22nd May, 2010

Cash Flow Statement for the year ended 31st March, 2010

Rs in Thousand

Year ended 31st March	**2010**	2009
Particulars		
Cash Flow From Operating Activities:		
Loss before Tax	**(215,438)**	(124,913)
Adjustments for:		
Depreciation	**25,991**	18,364
Loss on Sale of Fixed Assets	**351**	2,353
Interest Expenses	**1,750**	2,427
Interest Income	**(714)**	(730)
Provision for employee benefits	**10,782**	(979)
Unrealised Foreign Exchange (Gain) / Loss	**50**	1,070
Operating Loss Before Working Capital changes	**(177,228)**	(102,408)
Adjustments for changes in Working Capital:		
(Increase) / Decrease in Sundry Debtors	**(1,767)**	238,288
(Increase) / Decrease in Other Receivables	**(1,552)**	8,395
Increase in Trade payable and Other Liabilities	**305,969**	114,415
Cash Generated from Operations	**125,422**	258,690
Refund of Income Tax	**1,109**	—
Taxes Paid	**(187)**	(4,147)
Net Cash generated from Operating Activities	**126,344**	254,543
Net Cash Flow from Investing Activities:		
Interest received	**714**	730
Purchase of Fixed Assets / CWIP	**(81,834)**	(262,349)
Sale Proceeds of Fixed Asset	**289**	720
Fixed / Margin Money Deposit with Scheduled Bank	**(40,854)**	(3)
Net Cash used in Investing Activities	**(121,685)**	(260,902)
Cash Flow From Financing Activities:		
Interest Paid	**(1,323)**	(2,427)
Repayment of / Proceeds from Bank Overdraft Facility	**(17,186)**	12,890
Proceeds from Loan	**21,300**	—
Net Cash Flow generated from Financing Activities	**2,791**	10,463
Net Increase in Cash or Cash Equivalents	**7,450**	4,104
Cash and Cash equivalents at the beginning of the year	**5,209**	1,105
Cash and Cash equivalents at the close of the year	**12,659**	5,209
NOTES TO CASH FLOW STATEMENT		
1. Cash and Cash equivalents included in cash flow statement comprise of the following:		
Cash on hand and balances with Bank (Refer Schedule 7)	**53,531**	5,227
Less : Fixed / Margin Money Deposit > than 3 Months	**40,872**	18
Cash and Cash equivalents as restated	**12,659**	5,209

2. The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard (AS) – 3 on Cash Flow Statements as notified by the Companies (Accounting Standards) Rules, 2006.
3. Previous year's figures are regrouped wherever considered necessary.

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

K. A. KATKI
Partner

Mumbai, 22nd May, 2010

For and on behalf of the Board

DILIP S. SHANGHVI
Chairman & Managing Director

SUDHIR V. VALIA
Director

MEETAL S. SAMPAT
Company Secretary

Dr. T. RAJAMANNAR
Wholetime Director

Mumbai, 22nd May, 2010

Schedules to the Financial Statements

1 SHARE CAPITAL

Rs in Thousand

As at 31st March	2010	2009
Authorised		
266,500,000 (Previous Year 266,500,000) Equity Shares of Re. 1 each	**266,500**	266,500
Issued, Subscribed and Paid Up		
207,116,391 (Previous Year 207,116,391) Equity Shares of Re. 1 each, fully paid up	**207,116**	207,116
Notes:		
Of the above :		
192,260,055 (*) (Previous Year 192,260,055) Equity Shares of Re. 1 each fully paid up were issued to Shareholders of Sun Pharmaceutical Industries Limited Pursuant to scheme of demerger.		
14,856,336 (*) (Previous Year 14,856,336) Equity Shares of Re.1 each were allotted to the holders of Zero Coupon Foreign Currency Convertible Bonds of Sun Pharmaceutical Industries Limited upon exercise of conversion option.		
(*) (All of above Equity Shares were allotted for consideration other than cash)		
	207,116	207,116

2 RESERVES AND SURPLUS

As at 31st March	2010	2009
General Reserve		
Balance as per last Balance Sheet	**339,766**	339,766
Less : Profit and Loss Account (Debit Balance) (as per contra)	**339,766**	190,106
	—	149,660

3 UNSECURED LOAN

As at 31st March	2010	2009
Bank Overdraft (Secured by Corporate Guarantee given by a Company under the same management)	**—**	17,186
Long Term Borrowings - Other (Refer Note B.10 of Schedule 16)	**21,300**	—
	21,300	17,186

4 DEFERRED TAX LIABILITY (NET)

(Refer Note No.B.7 to Schedule 16)

As at 31st March	2010	2009
Deferred Tax Liability		
Depreciation on Fixed Assets	**150,450**	135,908
Less :		
Deferred Tax Assets		
Provision for employee benefits	**11,679**	3,541
Unabsorbed losses (Restricted to the extent of deferred tax liability on depreciation on account of virtual certainty)	**138,771**	132,367
	150,450	135,908
	—	—

Schedules to the Financial Statements

5 FIXED ASSETS

PARTICULARS	GROSS BLOCK (At Cost)				DEPRECIATION				NET BLOCK	
	As at 01.04.2009	Additions during the year	Deletions	**As at 31.03.2010**	As at 01.04.2009	Deletions	For the year	**As at 31.03.2010**	**As at 31.03.2010**	As at 31.03.2009
TANGIBLE ASSETS										
Buildings	172,829	16,815	—	**189,644**	12,867	—	2,837	**15,704**	**173,940**	159,962
Equipments	410,118	85,713	—	**495,831**	55,257	—	21,564	**76,821**	**419,010**	354,861
Vehicles	13,632	980	1,519	**13,093**	2,544	879	1,251	**2,916**	**10,177**	11,088
Furniture and Fixtures	3,142	3,602	—	**6,744**	660	—	339	**999**	**5,745**	2,482
TOTAL	**599,721**	**107,110**	**1,519**	**705,312**	**71,328**	**879**	**25,991**	**96,440**	**608,872**	**528,393**
Previous Year	379,377	224,185	3,841	599,721	53,732	768	18,364	71,328	528,393	—
								Capital Work-in-Progress (including advances on capital account)	**20,276**	44,376
									629,148	572,769

6 SUNDRY DEBTORS

Rs in Thousand

As at 31st March	2010	2009
(Unsecured-Considered Good, unless stated otherwise)		
Over Six Months		
Considered Good	**1,237**	—
Debts due less than Six Months	**5,473**	5,086
(Refer Note B.18 of Schedule 16)		
	6,710	5,086

7 CASH AND BANK BALANCES

As at 31st March	2010	2009
Cash in hand	**92**	584
Balances with Scheduled Banks		
Current Accounts	**12,567**	4,625
Deposit Accounts	**40,872**	18
(Of the above Deposit of Rs. 15 Thousand (P. Y. Rs.15 Thousand is pledge with Government Authorities)		
	53,531	5,227

8 LOANS AND ADVANCES

As at 31st March	2010	2009
(Unsecured-Considered Good, unless stated otherwise)		
Advances Recoverable in cash or in kind or for value to be received	**3,248**	3,112
Balance with Custom and Excise Authorities	**13,367**	11,529
Loans to Employees	**5,433**	8,851
Advance Income Tax / Tax deducted at source		
(Net of Provisions Rs.75 Thousand (Previous Year Rs.102 Thousand))	**3,606**	4,603
Advances to Suppliers	**7,346**	4,350
	33,000	32,445

Schedules to the Financial Statements

9 CURRENT LIABILITIES AND PROVISIONS

Rs in Thousand

As at 31st March	2010		2009	
Current Liabilities				
Sundry Creditors				
Dues to micro and small enterprises	**—**		—	
Dues to others	**75,240**		72,117	
Advances from customer	**421,474**		123,716	
Security Deposits	**887**		923	
Other Liabilities	**40,575**		34,366	
Interest accrued but not due on loan	**425**	**538,601**	—	231,122
Provisions				
Provision for Fringe Benefit Tax [Net of Advance FBT of Rs.973 Thousand (Previous year Rs. 1,004 Thousand)]	**47**		26	
Provision for employee benefits	**21,199**	**21,246**	10,417	10,443
		559,847		241,565

10 INCOME FROM OPERATIONS

Year ended 31st March	2010		2009	
Sale of Technology / Know-how		**315,609**		323,014
Royalty Income		**28,459**		28,405
		344,068		351,419

11 OTHER INCOME

Year ended 31st March	2010		2009	
Interest on Loan / Deposit		**598**		730
[TDS Rs.Nil (Previous Year Rs. Nil)]				
Interest on Income Tax refund		**116**		—
Miscellaneous Income		**4**		287
Exchange gain (Net)		**2,618**		269
		3,336		1,286

12 MATERIALS CONSUMED

Year ended 31st March	2010		2009	
R&D Material consumed		**67,627**		75,601
		67,627		75,601

Schedules to the Financial Statements

13 PERSONNEL COST

Rs in Thousand

Year ended 31st March	2010	2009
Salaries, Wages, Bonus and Benefits	**184,369**	149,253
Contribution to Provident and Other Funds	**23,424**	6,449
Staff Welfare Expenses	**12,987**	8,599
	220,780	164,301

14 OPERATING AND OTHER EXPENSES

Year ended 31st March	2010		2009	
Stores, Spares and Consumables		**23,953**		25,523
Power and Fuel		**27,929**		24,994
Rates and Taxes		**1,103**		993
Rent		**500**		—
Insurance		**620**		407
Repairs				
- Building	**682**		2,248	
- Plant & Machinery	**12,452**		15,545	
- Others	**2,428**	**15,562**	2,182	19,975
Printing and Stationery		**2,887**		2,725
Traveling and Conveyance		**9,054**		6,478
Testing Charges		**8,144**		17,175
Communication		**2,753**		2,464
Loss on sale of fixed assets		**351**		2,353
License and Fees		**5,909**		4,976
Labour Charges		**9,006**		6,885
Maintenance Charges		**2,815**		1,952
Membership Fees and Subscription		**2,011**		2,116
Professional Charges		**126,534**		91,179
Auditors' Remuneration (excluding service tax) - Audit Fees		**700**		700
Miscellaneous Expenses		**6,863**		6,030
		246,694		216,925

15 INTEREST EXPENSES

Year ended 31st March	2010	2009
Interest - Fixed Loan	**425**	—
Interest - Others	**1,325**	2427
	1,750	2,427

Schedules Forming Integral part of the Financial Statements as at March 31, 2010

16 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

A Significant Accounting Policies

I Basis of Preparation of Financial Statements

These financial statements are prepared under historical cost convention on an accrual basis in accordance with the Generally Accepted Accounting Principles in India and the Accounting Standards (AS) as notified under Companies (Accounting Standards) Rules, 2006.

II Use of Estimates

The presentation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognised in the period in which the results are known / materalised.

III Fixed Assets and Depreciation

Fixed Assets are stated at historical cost less accumulated depreciation / amortisation thereon and impairment losses, if any. Depreciation is provided on Straight Line Method at the rates specified in Schedule XIV to The Companies Act, 1956. Assets costing Rs.5,000/- or less are depreciated at hundred percent rate on prorata basis in the year of purchase.

IV Leases

Lease rental for assets taken on operating lease are charged to the Profit and Loss Account in accordance with Accounting Standard 19 on Leases.

V Research and Development Cost

The research and development cost is accounted in accordance with Accounting Standard – 26 'Intangible Asset'. All related revenue expenditure incurred on original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding up to the time when it is possible to demonstrate probable future economic benefits, is recognised as research expenses and charged off to the Profit and Loss Account, as incurred. All subsequent expenditure incurred for product development on the application of research findings or other knowledge upon demonstration of probability of future economic benefits, prior to the commencement of production, to the extent identifiable and possible to segregate are accumulated and carried forward as development expenditure under Capital Work in Progress, to be capitalised as an intangible asset on completion of the project. In case a project does not proceed as per expectations / plans, the same is abandoned and the amount classified as development expenditure under Capital Work in Progress is charged off to the Profit and Loss Account.

VI Revenue Recognition

Sale of Technology / know-how (rights, licenses and other intangibles) are recognised when performance obligation is completed and risk and rewards of ownership of the products are passed on to the customers, which is generally as per agreement. Royalty income is recognised on accrual basis as per relevant agreement. Sales includes Sales Tax / VAT, excluding Service Tax and are stated net of returns, if any.

VII Foreign Currency Transactions

Transactions denominated in foreign currencies are recorded at the exchange rate prevailing at the date of transaction. Monetary items denominated in foreign currency at the year end are translated at year end rate. The exchange differences arising on settlement / translation are recognised in the Profit and Loss Account.

VIII Government Grant

Government grants are accounted when there is reasonable assurance that the enterprise will comply with the conditions attached to them and it is reasonably certain that the ultimate collection will be made. Capital subsidy in nature of Government Grants related to specific fixed assets is accounted for where collection is reasonably certain and the same is shown as a deduction from the gross value of the asset concerned in arriving at its book value and accordingly the depreciation is provided on the reduced book value.

IX Taxes on Income

Provision for taxation comprises of Current Tax, Deferred Tax and Fringe Benefit Tax. Current Tax provision has been made on the basis of reliefs and deductions available under the Income Tax Act, 1961. Deferred tax resulting from

Schedules Forming Integral part of the Financial Statements as at March 31, 2010

"timing differences" between taxable and accounting income is accounted for using the tax rates and laws that are enacted or substantively enacted as on the balance sheet date. The deferred tax asset is recognised and carried forward only to the extent that there is a reasonable certainty that the assets can be realised in future. However, where there is unabsorbed depreciation or carry forward losses under taxation laws, deferred tax assets are recognized only if there is virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each Balance Sheet date. Fringe Benefits tax has been calculated and accounted for in accordance with the provisions of the Income Tax Act, 1961 and the Guidance note on Fringe Benefit Tax by the Institute of Chartered Accountants of India. Pursuant to the enactment of the Finance Act, 2009, Fringe Benefit tax stands abolished w.e.f. April 01, 2009.

X Employee Benefits

(a) The Company's contribution in respect of provident fund is charged to Profit and Loss Account each year.

(b) With respect to gratuity liability, Company contributes to Life Insurance Corporation of India (LIC) under LIC's Group Gratuity policy. Gratuity liability as determined on actuarial basis by an independent valuer is charged to Profit and Loss Account.

(c) Liability for accumulated compensated absences of employees is ascertained on actuarial basis by an independent valuer and provided for as per Company's rules.

XI Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised only when there is a present obligation as a result of past events and when a reliable estimate of the amount of the obligation can be made. Contingent liability is disclosed for (i) Possible obligations which will be confirmed only by future events not wholly within the control of the Company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimates of the amount of the obligation can not be made. Contingent Assets are not recognised in the financial statements since this may result in the recognition of the income that may never be realised.

XII Impairment of Assets

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Profit and Loss Account. If at the Balance Sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

B NOTES TO FINANCIAL STATEMENTS

1 CONTINGENT LIABILITIES NOT PROVIDED FOR

	As at 31st March 2010	As at 31st March 2009
	Rs in Thousand	Rs in Thousand
Guarantees given by the bankers (against Margin Money Deposit) on behalf of the Company	**37,866**	31,189

2 REMUNERATION TO DIRECTORS

	Year ended 31st March 2010	Year ended 31st March 2009
	Rs. in Thousand	Rs. in Thousand
Managerial Remuneration U/s 198 of The Companies Act, 1956		
Salaries and Allowances	**18,894**	11,507
Contribution to Provident and Superannuation Funds	**936**	547
Perquisites and Benefits	**84**	23
	19,914	12,077

The above remuneration is within the overall limits as approved by the share holders of the Company and by the Central Government vide its letter No.:12/901/2007-CL-VII dated 17th January 2008, 16th February 2008 and 4th March 2008.

Director's sitting fees of Rs.1,720 Thousand (Previous Year Rs. 1,400 Thousand) paid to Non-Executive Directors is not included herein above.

Schedules Forming Integral part of the Financial Statements as at March 31, 2010

No Commission was paid to Directors during the year accordingly, computation of net profits in accordance with Section 309(5) read with Section 349 of the Companies Act, 1956 has not been given.

The remuneration reported above excludes Gratuity and Compensated Absences, since the same is ascertained on an aggregated basis for the Company as a whole by way of actuarial valuation and separate values attributable to Director is not available.

3 The company is engaged in Pharmaceutical Research & Development in the field of New Chemical Entity (NCE) and New Drug Delivery System (NDDS). These activities involve uncertainties, high risk & reward, long gestation period and are capital intensive in nature. The Company is registered with the Department of Scientific and Industrial Research (DSIR), Government of India and is an approved commercial Research & Development Company under section 80-IB of the Income Tax Act, 1961. During the year, the DSIR has also sanctioned a 15 year unsecured soft loan under its Drug and Pharmaceutical Research Programme for a project of the Company. The Company is of the view that barring unforeseen circumstances and based on its existing revenue streams consisting of fees for technology and royalty and considering the fact that some of the projects being undertaken by the Company are at advanced stages of activity, which if successful, could generate adequate cash flows for the Company so as meet its obligations as they fall due and reduce / wipe off the accumulated losses. No development cost has been capitalised during year.

4 INFORMATION RELATING TO CONSUMPTION OF MATERIALS

	Year ended 31st March 2010		Year ended 31st March 2009	
		Rs. in Thousand		Rs. in Thousand
Imported and indigenous				
R & D Material Consumed	**%**		%	
Imported	**28.77**	**19,456**	44.22	33,428
Indigenous	**71.23**	**48,171**	55.78	42,173
Total	**100.00**	**67,627**	100.00	75,601

	As at 31st March, 2010	As at 31st March, 2009
	Rs. in Thousand	Rs. in Thousand
5 Estimated amount of contracts remaining to be executed on capital account [net of advances].	**4,525**	6,136

6 INCOME / EXPENDITURE IN FOREIGN CURRENCY

	Year ended 31st March 2010	Year ended 31st March 2009
	Rs. in Thousand	Rs. in Thousand
Income		
Sales / Income from operations	**315,609**	323,014
Expenditure		
Material (CIF basis)	**20,241**	31,008
Capital Goods (CIF basis)	**35,799**	123,243
Stores, Spares and Consumables (CIF basis)	**14,091**	11,931
Professional charges	**121,167**	95,126
Travel Expenses	**2,893**	1,252
Others	**1,852**	1,388

7 The timing differences mainly relating to unabsorbed depreciation and carried forward losses under the Income Tax Act, 1961, results in a deferred tax asset as per AS-22 – on “Accounting for Taxes on Income”. Deferred tax asset has been recognised in respect of business losses to the extent that future taxable income will be available from future reversal of any deferred tax liability recognised at the balance sheet date and is restricted to the extent of such liabilities. As a prudent measure, the excess of deferred tax asset (net) of Rs. 209,572 Thousand (Previous Year Rs. 135,384 Thousand) in relation to the above has not been recognised in the accounts as there is no virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Schedules Forming Integral part of the Financial Statements as at March 31, 2010

8 The net exchange gain of Rs.24,690 Thousand (Previous Year Rs. 6,963 Thousand) is included under respective heads of Profit and Loss Account.

9 There are no Micro, Small and Medium Enterprises, as defined in the Micro, Small and Medium Enterprises Development Act, 2006 to whom the Company owes dues on account of principal amount together with interest and accordingly no additional disclosures have been made.

The above information regarding Micro, Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

10 During the current year, the Department of Science and Technology has sanctioned a loan of Rs. 96,600 Thousand of which the Company has received the first installment of Rs. 21,300 Thousand as at March 31, 2010. The balance 2 installments amounting to Rs. 75,300 Thousand will be received over next two years. The said loan is given to the Company under the "Drug and Pharmaceutical Research Program" (DPRP). The loan is repayable (along with interest) annually in 10 equal installments commencing August 1, 2012.

11 ACCOUNTING STANDARD (AS-17) ON SEGMENT REPORTING

(a) Primary Segment
The Company has identified "Pharmaceuticals Research & Development" as the only primary reportable business segment.

	Year ended 31st March 2010 Rs. in Thousand	Year ended 31st March 2009 Rs. in Thousand
(b) Secondary Segment (by Geographical Segment)		
Royalty Income – India	**28,459**	28,405
Sale of Technology - Outside India	**315,609**	323,014
Total Income from Operations	**344,068**	351,419

In view of the interwoven / intermix nature of business, other segmental information is not ascertainable.

12 ACCOUNTING STANDARD (AS-20) ON EARNINGS PER SHARE

	Year ended 31st March 2010 Rs. in Thousand	Year ended 31st March 2009 Rs. in Thousand
Loss used as Numerator for calculating Earnings per Share	**215,534**	91,405
Weighted Average number of Shares used in computing basic earnings per share	**207,116,391**	207,116,391
Weighted Average number of shares used in computing diluted Earnings per Share	**207,116,391**	207,116,391
Nominal / Face Value Per Share (in Re.)	**1**	1
Basic Earnings Per Share (in Rs.)	**(1.04)**	(0.44)
Diluted Earnings Per Share (in Rs.)	**(1.04)**	(0.44)

13 Other information required under Para 3 and information with regard to matters specified in paragraph 4 of Part II to Schedule VI of the Companies Act, 1956 is stated to the extent applicable to the Company.

14 As per the best estimate of the management, no provision is required to be made as per Accounting Standards (AS-29) as notified by Companies (Accounting Standard) Rules, 2006 in respect of any present obligation as a result of a past event that could lead to probable outflow of resources, which would be required to settle the obligation.

15 Disclosure with respect to Accounting Standards (AS-18) on related party disclosure, as notified by Companies (Accounting Standard) Rules, 2006, is as per Annexure - "A" annexed.

Schedules Forming Integral part of the Financial Statements as at March 31, 2010

16 ACCOUNTING STANDARD (AS-19) ON OPERATING LEASES

(a) The company has obtained premises for its business operations (including furniture and fittings, therein as applicable) under operating lease or leave and license agreements. These are generally not non-cancelable and range between 11 months to 5 years under leave and license, or longer for the lease and are renewal by mutual consent on mutually agreeable terms.

(b) Lease payments are recognised in the Profit and Loss Account under "Rent" in Schedule 14.

17 The Company has not entered into any forward exchange contracts being derivative instruments.

As at the year end, foreign currency exposures that have not been hedged by a derivative instrument or other wise are given below :

a) Amounts receivable in foreign currency on account of the following :

		As at 31st March, 2010		As at 31st March, 2009	
	Currency	**Amount in Thousand**		Amount in Thousand	
Reimbursement of expenses	Euro	**€ 27.1**	**INR 1,640**	€ 61.6	INR 4,162
b) Amounts payable in foreign currency on account of the following :					
Import of Goods & Services	US Dollar	**$ 217.7**	**INR 9,752**	$ 253.5	INR 12,893
	Swiss Franc	—	—	CHF 14.0	INR 623
	Euro	**€ 129.3**	**INR 7,824**	€ 96.3	INR 6,504
	Pound	**£ 36.7**	**INR 2,496**	£ 116.9	INR 8,520
	JPY	**JPY 38.8**	**INR 18**	JPY 725.9	INR 377
	NZD	**NZD 0.4**	**INR 12**	—	—

18 OUTSTANDING DUE FROM COMPANY UNDER SAME MANAGEMENT

	Balance As at 31st March, 2010	**Maxi. Balance 2009-10**	Balance As at 31st March, 2009	Maxi. Balance 2008-09
		Rs. in Thousand		Rs. in Thousand
Sun Pharma Global Inc. BVI	—	—	—	252,826
Sun Pharmaceutical Industries	**5,036**	**5,391**	—	—

19 ACCOUNTING STANDARD (AS-15) ON EMPLOYEE BENEFITS

Contributions are made to Recognised Provident Fund/ Government Provident Fund, Family Pension Fund, ESIC and other Statutory Funds which covers all regular employees. While both the employees and the Company make predetermined contributions to the Provident Fund and ESIC, contribution to the Family Pension Fund are made only by the Company. The contributions are normally based on a certain proportion of the employee's salary. Amount recognised as an expense in respect of these defined contribution plans, aggregate to Rs. 8,721 Thousand (Previous Year Rs 7,066 Thousand).

	Year ended 31st March 2010 Rs in Thousand	Year ended 31st March 2009 Rs in Thousand
Contribution to Provident Fund	**8,631**	6,973
Contribution to Employees State Insurance Scheme (E.S.I.C.)	**39**	52
Contribution to Labour Welfare Fund	**3**	2
Contribution to Employee Deposit Linked Insurance (E.D.L.I)	**48**	39

Contributions made to LIC of India's Recognised Group Gratuity Fund scheme in respect of gratuity is in excess by Rs. Nil (Previous Year Rs. 675 Thousand) as compared to the actuarial valuation obtained from independent actuary as at the year end. Actuarial Valuation for Compensated Absences is done as at the year end and the provision is made as per Company rules amounting to Rs. 12,227 Thousand (Previous Year Rs. 10,417 Thousand) and it covers all regular employees. Major drivers in actuarial assumptions, typically, are years of service and employee compensation. Commitments are actuarially determined using the 'Projected Unit Credit' method. Gains and Losses on changes in actuarial determination are accounted for in the Profit and Loss Account.

Schedules Forming Integral part of the Financial Statements as at March 31, 2010

In respect of gratuity (Funded):	Rs. in Thousand (Dr/ (Cr))	
Reconciliation of liability recognised in the Balance Sheet		
Present value of commitments (as per Actuarial Valuation)	**(26,341)**	(10,565)
Fair value of plan assets	**17,369**	11,240
Net Asset / (Liability) in the Balance Sheet	**(8,972)**	675
Movement in net liability recognised in the Balance Sheet		
Net liability as at beginning of the year	**(675)**	(2,795)
Net expense recognised in the Profit and Loss Account	**14,587**	2,120
Contribution during the year	**(4,940)**	—
Net Asset / (Liability) as at the end of the year	**(8,972)**	675
Expense recognised in the Profit and Loss Account		
Current service cost	**1,214**	927
Interest cost	**905**	604
Expected return on plan assets	**(1,246)**	(827)
Actuarial (gains)/ losses	**13,714**	1,416
Expense charged to the Profit and Loss Account	**14,587**	2,120
Return on plan assets		
Expected return on plan assets	**1,246**	827
Actuarial (gains)/ losses	**146**	126
Actual return on plan assets	**1,392**	953
Reconciliation of defined-benefit commitments		
Commitments as at the beginning of the year	**10,565**	7,547
Current service cost	**1,214**	927
Interest cost	**905**	604
Paid benefits	**(203)**	(55)
Actuarial (gains)/ losses	**13,860**	1,542
Commitments as at the end of the year	**26,341**	10,565
Reconciliation of plan assets		
Plan assets as at beginning of the year	**11,240**	10,342
Expected return on plan assets	**1,246**	827
Contributions during the year	**4,940**	—
Paid benefits	**(203)**	(55)
Actuarial (gains)/ losses	**146**	126
Plan assets as at the end of the year	**17,369**	11,240

The actuarial calculations used to estimate commitments and expenses in respect of gratuity are based on the following assumptions which if changed, would affect the commitment's size, funding requirements and expense.

Discount rate	**8.00%**	7.75%
Expected return on plan assets	**8.00%**	7.75%
Expected rate of salary increase	**6.00%**	6.00%
Mortality		LIC (1994-96) Ultimate

	Rs in Thousand (Dr / (Cr))		
	Year ended		
	31st March 2010	31st March 2009	31st March 2008
Experience adjustment			
On plan liabilities	**14,484**	417	957
On plan assets	**146**	126	73
Present value of benefit obligation	**(26,341)**	(10,565)	(7,547)
Fair value of plan assets	**17,369**	11,240	10,342
Excess of (obligation over plan assets) / plan assets over obligation	**(8,972)**	675	2,795

Category of Plan Assets

The Company's Plan Assets in respect of Gratuity are funded through the Group Schemes of the Life Insurance Corporation of India.

The estimate of future salary increases, considered in the actuarial valuation, taken on account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

Contribution expected to be made by the Company during financial year ending March 31, 2011 is Rs.14,226 Thousand as per premium intimation received from LIC of India.

As, this is the third year in which the AS-15 has been applied, the amounts of the present value of the obligation, fair value of plan assets, surplus or deficit in the plan and experience adjustment arising on plan liabilities and plan assets for the previous two years only has been furnished.

20 Previous years' figures are restated / regrouped / rearranged wherever necessary in order to confirm to current years' groupings and classifications.

Schedules Forming Integral part of the Financial Statements as at March 31, 2010

Accounting Standard (AS-18) " Related Party Disclosure " **Annexure : 'A'**

Names of related parties and description of relationship

1. Key Management Personnel

Mr. Dilip S Shanghvi, Chairman & Managing Director
Dr. T. Rajamannar, Whole time Director
Mr. Sudhir V. Valia, Director

2. Enterprise under significant Influence of Key Management Personnel

Sun Pharma Global Inc. BVI.
Sun Pharma Global FZE
Sun Pharmaceutical (Bangladesh) Ltd.
Sun Pharma De Mexico SA DE C.V.
SPIL De Mexico SA DE C.V.
Sun Farmaceutica Ltda – Brazil
Sun Pharmaceutical Industries Inc.
Sun Pharmaceuticals UK Ltd
ALKALOIDA Chemical Company ZRT
(Formerly known as ALKALOIDA Chemical Company Exclusive Group Limited)
Caraco Pharmaceutical Laboratories Ltd.
Caraco Pharma Inc.
Zao "Sun Pharma Industries Limited"
Sun Pharmaceutical Peru S.A.C.
OOO "Sun Pharmaceutical Industries" Ltd.
Sun Pharmaceutical Industries (Australia) PTY. Ltds.
Sun Pharmaceuticals France
Sun Pharmaceuticals Germany GmbH
Sun Pharmaceuticals Italia S.R.L.
Sun Pharmaceutical Industries (Europe) B.V.
Sun Pharmaceutical Spain, SL.
Sun Pharmaceuticals (SA) (Pty) Ltd-South Africa
Sun Development Corporation I
Chattem Chemical Inc.
TKS Farmaceutica Ltda.
Sun Global Canada Pty. Ltd.
Sun Pharmaceutical Industries Ltd.
Universal Enterprises Pvt. Ltd.
Sun Petrochemicals Pvt Ltd.
Shantilal Shanghvi Foundation
Sun Speciality Chemicals Pvt Ltd.
Navjivan Rasayan (Gujarat) Pvt Ltd.
Sun Pharma Exports
Sun Pharmaceutical Industries
Sun Pharma Sikkim
Aditya Acquisition Company Ltd.
Aditya Thermal Energy Pvt. Ltd.
Sun Fastfin Services Pvt. Ltd.
Alfa Infraprop Pvt. Ltd.
SPARC Bio-Research Pvt. Ltd.

Particulars	31st March 2010 Rs. in Thousand	31st March 2009 Rs. in Thousand
Sun Pharmaceutical Industries Ltd		
Reimbursement of Expenses	**25,920**	26,068
Purchase of Goods / DEPB	**13,588**	11,286
Rent Paid	**552**	—
Fees for use of Technology	**12,400**	13,139
Reimbursement of Expenses incurred	**1,126**	2,588
Corporate Guarantee given / (Released) to bank	**(1,25,000)**	125,000
Outstanding Balance Receivable / (Payable) (Net)	**(47,083)**	(26,746)
Sun Pharma Global Inc. BVI		
Sale of Technology	**—**	46,036
Sun Pharma Global FZE		
Sale of Technology	**315,609**	276,978
Outstanding Balance Receivable / (Payable) (Net)	**(421,474)**	(123,716)
Sun Pharmaceutical Industries		
Purchase of Goods	**399**	491
Fees for use of Technology	**18,878**	14,458
Reimbursement of Expenses incurred	**—**	2
Outstanding Balance Receivable / (Payable) (Net)	**5,036**	395
Sun Pharmaceutical Industries Inc.		
Reimbursement of Expenses	**27**	—
Outstanding Balance Receivable / (Payable) (Net)	**(27)**	—
Sun Petrochemicals Pvt. Ltd.		
Purchase of Fixed Assets	**285**	—
Remuneration to Key Managerial Personnel		
Remuneration	**19,914**	12,077
Sitting Fees	**240**	200

Balance Sheet Abstract and Company's General Business Profile

Information required as per Part IV of Schedule VI to The Companies Act, 1956

I Registration Details

Registration No.	Balance Sheet Date	State Code
04/047837	31st March, 2010	04

II Capital Raised during the year (Rs in Thousand)

Public Issue	Right Issue
NIL	NIL
Bonus Issue	**Private Placement**
NIL	NIL

III Position of Mobilisation and Deployment of Funds (Rs in Thousand)

Total Liabilities	Total Assets
228,416	228,416

Sources of Funds

Paid-up Capital	Reserves and Surplus
207,116	339,766
Secured Loans	**Unsecured Loans**
NIL	21,300

Application of Funds

Net Fixed Assets	Investments
629,148	NIL
Net Current (Liabilities) / Assets	**Accumulated Losses**
(466,606)	(405,640)

IV Performance of the Company (Rs in Thousand)

Total Income	Total Expenditure
347,404	562,842
Profit/ (Loss) Before Tax	**Profit / (Loss) After Tax**
(215,438)	(215,534)
Earning per share Rs.	**Dividend Rate**
(1.04)	NIL

V Generic Names of Three Principal Products of the Company (as per monetary terms) - N.A.

For and on behalf of the Board

DILIP S. SHANGHVI
Chairman & Managing Director

SUDHIR V. VALIA
Director

MEETAL S. SAMPAT
Company Secretary

Dr. T. RAJAMANNAR
Wholetime Director

Mumbai, 22nd May, 2010

Corporate Governance

In compliance with Clause 49 of the Listing Agreement with Stock Exchanges, the Company submits the report on the matters mentioned in the said Clause and lists the practices followed by the Company.

1. Company's Philosophy on Corporate Governance

The Company's philosophy on Corporate Governance is guided by strong emphasis on transparency, accountability, responsibility, fairness, integrity, consistent value systems, and delegation across all facets of its operations leading to sharply focused and operationally efficient growth. The Company's beliefs on Corporate Governance are intended at supporting the management of the Company for competent conduct of its business and ensuring long term value for shareholders, as well as customers, suppliers, employees and statutory authorities.

The Company is committed to implement the standards of good Corporate Governance and endeavors to preserve and nurture these core values in all its activities with an aim to increase and sustain its corporate value through growth and innovation.

2. Board of Directors

The present strength of the Board of Directors of your Company is six Directors.

Composition and category of Directors is as follows:

Category	Name of the Directors	Inter-se Relationship between Directors
Promoter Executive Director	Mr. Dilip S. Shanghvi (Chairman and Managing Director)	Brother-in-law of Mr. Sudhir V. Valia
Non-Promoter Executive Director	Dr. T. Rajamannar (Whole - Time Director)	—
Non Executive & Non Independent Director	Mr. Sudhir V. Valia	Brother-in-law of Mr. Dilip S. Shanghvi
Non Executive Independent Directors	Mr. S. Mohanchand Dadha	—
	Prof. Dr. Goverdhan Mehta	—
	Prof. Dr. Andrea Vasella	—

Number of Board Meetings held and the dates on which held: Five Board meetings were held during the year, as against the minimum requirement of 4 meetings.

The dates on which the meetings were held are as follows: 23rd May 2009, 20th July 2009, 11th September 2009, 24th October 2009, and 23rd January 2010.

Attendance of each Director at the Board meetings, last Annual General Meeting (AGM), and number of other Directorship and Chairmanship/Membership of Committee of each Director, is given below:

Name of the Director	Number of Board meetings held during the year	Attendance Particulars for the year ended 31st March, 2010		*No. of other directorships and committee memberships / chairmanships as of 31st March, 2010		
		Board Meetings	Last AGM held on 11th September, 2009	Other Director-ships	Committee Memberships **	Committee Chairmanships **
Mr. Dilip S. Shanghvi	5	5	Yes	1	1	—
Mr. Sudhir V. Valia	5	5	Yes	5	1	—
Dr. T. Rajamannar	5	4	Yes	—	—	—
Mr. S. Mohanchand Dadha	5	5	Yes	2	2	—
Prof. Dr. Goverdhan Mehta	5	5	Yes	1	1	
Prof. Dr. Andrea Vasella	5	5	Yes	—	—	—

Note:

* The above list does not include Directorships, Committee Memberships and Committee Chairmanships in Private, Foreign and Section 25 Companies.

**The Committee Memberships and Chairmanships in other Companies include Memberships and Chairmanships of Audit and Shareholders'/ Investors Grievance Committee only.

3. Code of Conduct

The Board of Directors have laid down a code of conduct for all Board members and senior management of the Company. All the Directors and senior management personnel have affirmed compliance with the code of conduct as approved and adopted by the Board of Directors and a declaration to this effect has been annexed to the Corporate Governance Report. The code of conduct has been posted on the website of the Company www.sunpharma.in.

4. Audit Committee

The Audit Committee comprises of three independent non-executive Directors viz. Mr. S. Mohanchand Dadha, Prof. Dr. Goverdhan Mehta and Prof. Dr. Andrea Vasella. Mr. S. Mohanchand Dadha is the Chairman of the Audit Committee. The constitution of Audit Committee also meets with the requirements under Section 292A of the Companies Act, 1956. Ms. Meetal S. Sampat, Company Secretary of the Company is the Secretary of the Audit Committee.

The terms of reference of the Audit Committee interalia include overseeing the Company's financial reporting process, reviewing the quarterly/ half yearly/ annual financial statements, reviewing with the management the financial statements and adequacy of internal audit function, recommending the appointment/ re-appointment of statutory auditors and fixation of audit fees, reviewing the significant internal audit findings/ related party transactions, reviewing the Management Discussion and Analysis of financial condition and result of operations and also statutory compliance issues relating to financial statements. The Committee acts as a link between the management, external and internal auditors and the Board of Directors of the Company.

Executives from the Finance Department, Representatives of the Statutory Auditors and Internal Auditors are also invited to attend the Audit Committee Meetings.

The Committee has discussed with the external auditors their audit methodology, audit planning and significant observations/ suggestions made by them.

In addition, the Committee has discharged such other role/ function as envisaged under Clause 49 of the Listing Agreement of the Stock Exchange and the provisions of Section 292A of the Companies Act, 1956.

Five Audit Committee Meetings were held during the year ended 31st March, 2010. The dates on which Meetings were held are as follows:

23rd May 2009, 20th July 2009, 11th September 2009, 24th October 2009 and 23rd January 2010.

The attendance of each Member of the Committee is given below:

Name of the Director	Chairman/Member	No. of Audit Committee Meetings attended
Mr. S. Mohanchand Dadha	Chairman	5
Prof. Dr. Goverdhan Mehta	Member	5
Prof. Dr. Andrea Vasella	Member	5

5. Remuneration Committee

The Remuneration Committee comprises of three Non-Executive and Independent Directors Mr. S. Mohanchand Dadha, Prof. Dr. Goverdhan Mehta and Prof. Dr. Andrea Vasella as Members of the Committee. Mr. S. Mohanchand Dadha is the Chairman of the Committee. Ms. Meetal Sampat, Company Secretary is the Secretary of the Remuneration Committee.

The terms of reference of the Remuneration Committee includes approval of remuneration of Whole-Time Directors, and review of compensation structure/ remuneration policy of the Company.

Five meetings of the Remuneration Committee were held during the year ended on 31st March, 2010. The dates on which Meetings were held are as follows:

23rd May, 2009, 20th July, 2009, 11th September, 2009, 24th October, 2009 and 23rd January 2010.

The attendance of each Member of the Committee is given below:

Name of the Director	Chairman/Member	No. of Remuneration Committee Meetings attended
Mr. S. Mohanchand Dadha	Chairman	5
Prof. Dr. Goverdhan Mehta	Member	5
Prof. Dr. Andrea Vasella	Member	5

(a) Details of remuneration paid to all the Directors for the year:

No remuneration is paid to Mr. Dilip S. Shanghvi, Chairman & Managing Director of the Company.

The details of the remuneration paid/payable to the Directors during the year 2009-2010 are given below:

(Amount in Rs.)

Directors	Salary #	Bonus	Perquisites* / Benefits	Sitting Fees	Total
Mr. Dilip S. Shanghvi	—	—	—	—	—
Dr. T. Rajamannar	12,182,556	1,560,000	6,172,097	—	19,914,643
Mr. Sudhir V. Valia	—	—	—	240,000	240,000
Mr. S. Mohanchand Dadha	—	—	—	400,000	400,000
Prof. Dr. Goverdhan Mehta	—	—	—	540,000	540,000
Prof. Dr. Andrea Vasella	—	—	—	540,000	540,000

Salary includes Special Allowance.

* Perquisites include House Rent Allowance, Leave Travel Assistance, Medical Reimbursement, contribution to Provident Fund and such other perquisites payable to the Director.

Besides this, the Whole-Time Director is also entitled to encashment of leave and mediclaim and Gratuity at the end of tenure, as per the rules of the Company.

The Non-Executive Directors are paid sitting fees at the rate of Rs.20,000/- for attending each meeting of the Board and/or of Committee thereof.

Notes: -

a) The Agreement with Mr. Dilip S. Shanghvi, Chairman & Managing Director, is for a period of 5 years. Either party to the agreement is entitled to terminate the Agreement by giving to the other party 30 days notice in writing.

b) Dr. T. Rajamannar, has been appointed as the Whole-time Director of the Company for a period of three years effective from 4th June, 2007. As per terms of his employment, his appointment is terminable by giving 3 months notice, by either party. The remuneration to Dr. T. Rajamannar, Whole-Time Director has been approved by the shareholders of the Company and by the Central Government vide its letter nos. 12/9012007-CL-VII dated 17.01.2008, 16.02.2008 and 04.03.2008. The members at the Fourth Annual General Meeting have also approved the re-appointment and remuneration of Dr. T. Rajamannar as Whole Time Director for further period of three years effective from 4th June, 2010.

c) The Company presently does not have a scheme for grant of stock options either to the Executive Directors or employees.

d) There is no separate provision for payment of severance fees to Whole-time Director(s).

(b) Details of Equity Shares held by Non-Executive Directors

Name of Director	No. of Shares
Mr. Sudhir V. Valia (including shares held jointly)	1839600
Mr. S. Mohanchand Dadha (including shares held jointly)	29428
Prof. Dr. Goverdhan Mehta	Nil
Prof. Dr. Andrea Vasella	Nil

6. Shareholders'/Investors' Grievance Committee

The Shareholders'/Investors' Grievance Committee comprises of Dr. T. Rajamannar, Prof. Dr. Goverdhan Mehta, Prof. Dr. Andrea Vasella as members with Mr. Sudhir V. Valia, Non-Executive Director, as the Chairman of the Committee.

The Committee, inter alia, approves issue of duplicate certificates and oversees and reviews all matters connected with the transfer of securities. The Committee looks into shareholders' complaints like transfer of shares, non receipt of balance sheet, non receipt of declared dividends, etc. The Committee oversees the performance of the Registrar and Transfer Agents, and recommends measures for overall improvement in the quality of investor services. The Board of Directors has delegated the power of approving transfer of securities to M/s. Link Intime India Pvt. Ltd. Register and Share Tranfer Agents of the Company, and/or the Company Secretary of the Company.

The Board has designated Ms. Meetal Sampat, Company Secretary as the Compliance Officer and as the Secretary of the Shareholders'/Investors' Grievance Committee of the Company.

Five meetings of the Shareholders'/Investors' Grievance Committee were held during the year ended 31st March, 2010. The dates on which Meetings were held are as follows: 23rd May 2009, 20th July 2009, 11th September 2009, 24th October 2009 and 23rd January 2010.

The attendance of each Member of the Committee is given below:

Name of the Director	Chairman/ Member	No. of Shareholders'/ Investors' Grievance Committee Meetings attended
Mr. Sudhir V. Valia	Chairman	5
Dr. T. Rajamannar	Member	4
Prof. Dr. Goverdhan Mehta	Member	5
Prof. Dr. Andrea Vasella	Member	5

Investor Complaints:

The total numbers of complaints received from the shareholders during the year under review, were NIL.

7. Ethics & Compliance Committee

The Ethics & Compliance Committee comprises of three, Non-Executive and Independent Directors Prof. Dr. Goverdhan Mehta, Mr. S. Mohanchand Dadha, and Prof. Dr. Andrea Vasella as Members of the Committee. Prof. Dr. Goverdhan Mehta is the Chairman of the Committee. Ms. Meetal Sampat, Company Secretary is the Secretary of the Ethics & Compliance Committee.

The brief terms of reference of the Ethics & Compliance Committee include to set forth the policies, recommend changes and monitor the implementation and review compliance by the Company's directors, officers and employees with the Company's Code of Conduct, Prevention of Insider Trading Rules and such other applicable policies of the Company as the Committee or the Board may consider necessary.

Five meetings of the Ethics & Compliance Committee were held during the year ended on 31st March, 2010, on the following dates:

23rd May 2009, 20th July 2009, 11th September 2009, 24th October 2009 and 23rd January 2010.

The attendance of each Member of the Committee is given below:

Name of the Director	Chairman/ Member	No. of Ethics & Compliance Committee Meetings Attended
Prof. Dr. Goverdhan Mehta	Chairman	5
Mr. S. Mohanchand Dadha	Member	5
Prof. Dr. Andrea Vasella	Member	5

8. Executive Committee

The Company has formed an Executive Committee of its Board of Directors with effect from 24th October, 2009. The Committee comprises of three non-executive Directors – Prof. Dr. Andrea Vasella, Mr. Sudhir V. Valia and Prof. Dr. Goverdhan Mehta as Members of the Committee. Prof. Dr. Andrea Vasella is the Chairman of the Committee. Ms. Meetal Sampat, Company Secretary is the Secretary of the Executive Committee.

The brief terms of reference of the Executive Committee include reviewing the on going capital expenditure and the investments made, to review research projects and monitor the implementation of the research projects and to review strategy for Business Development of the Company and such other such other matters as the Committee or the Board may consider necessary.

Two meetings of the Executive Committee were held during the year ended on 31st March, 2010, on the following dates:

24th October, 2009 and 23rd January 2010.

The attendance of each Member of the Committee is given below:

Name of the Director	Chairman/ Member	No. of Executive Committee Meetings Attended
Prof. Dr. Andrea Vasella	Chairman	2
Mr. Sudhir V. Valia	Member	2
Prof. Dr. Goverdhan Mehta	Member	2

9. Subsidiary Companies

The Company does not have any subsidiary company.

10. General Body Meetings

(i) Location and time of the Annual General Meetings (AGM) held during the last 3 years, are as follows:

Year	Meeting	Location	Date	Time	Special Resolutions passed at AGM, during last three years
2006-07	Second AGM	Chandarva Hall, Welcom Hotel, R. C. Dutt Road, Vadodara - 390 007 Gujarat	05-09-2007	11.45 A.M	Approval of appointment and remuneration of Dr. T. Rajamannar, Whole Time Director.
2007-08	Third AGM	Hotel Taj Residency, Akota Gardens, Akota, Vadodara – 390 020, Gujarat.	06-09-2009	11.30 A.M	Approval for payment of Commission to Non Executive & Independent Directors of the Company
2008-09	Fourth AGM	The Gateway Hotel, Akota Gardens, Akota, Vadodara – 390 020, Gujarat.	11-09-2009	11.45 A.M	Approval for re-appointment and remuneration of Dr. T. Rajamannar, Whole Time Director for further period of three years.

(ii) Postal Ballot

During the year the Company did not pass any resolution by Postal Ballot and does not have any business that requires Postal Ballot.

11. Disclosures

* No transaction of a material nature has been entered into by the Company with Directors or Management and their relatives, etc. that may have a potential conflict with the interests of the Company. The Register of contracts containing transactions, in which directors are interested, is placed before the Board of Directors regularly. The transaction with the related parties are disclosed in the Annexure A attached to the Annual Accounts.
* There were no instances of non-compliance by the Company on any matters related to the capital markets or penalties/ strictures imposed on the Company by the Stock Exchange or SEBI or any statutory authority during the last three financial years.
* In the preparation of the financial statements, the Company has followed the Accounting Standards as notified by Companies (Accounting Standard) Rules, 2006.
* The Company has laid down procedures to inform Board members about the risk assessment and its minimization, which are periodically reviewed to ensure that risk control is exercised by the management effectively.
* During the year under review, the Company has not raised funds through any public, rights or preferential issue.
* Adoption/ Non Adoption of the Non- mandatory requirements:

(i) The Company has not fixed a period of nine years as the tenure of Independent Directors on the Board of the Company.

(ii) The Company has formed Remuneration Committee of the Board of Directors of the Company.

(iii) The Company does not send half-yearly financial results to the household of each shareholder as the same are published in the newspapers and also posted on the website of the Company and the websites of the BSE and NSE.

(iv) The Company's Board comprise of perfect mix of Executive and Non Executive Independent Directors who are Company Executives and/ or Professionals having in depth knowledge of pharmaceutical industry and/ or expertise in their area of specialisation.

(v) The Company's Board of Directors endeavor to keep themselves updated with changes in global economy and legislation. They generally attend various workshops and seminars to keep themselves abreast with the changes in business environment.

(vi) At present the Company does not have a mechanism for evaluating its Non-Executive Directors by peer group.

(vii) The Company has not adopted whistle blower policy. However the Company has not denied access to any employee to approach the management on any issue. The Company has adopted a Code of Conduct for its Board of Directors and senior management which meets the requirements of the Whistle Blower Policy.

12. Means of Communication

* **Website:** The Company's website www.sunpharma.in contains a separate dedicated section 'Financials' where shareholders information is available. Full Annual Report is also available on the website in a user friendly and downloadable form. Apart from this, official news releases, detailed presentations made to media, analysts etc. are also displayed on the Company's website.
* **Financial Results:** The annual, half-yearly and quarterly results are regularly posted by the Company on its website www.sunpharma.in. These are also submitted to the Stock Exchanges in accordance with the Listing Agreement and published in all English Editions and Gujarati Edition of 'Financial Express'.
* **Annual Report:** Annual Report containing inter alia Audited Annual Accounts, Directors' Report, Auditors' Report, and other important information is circulated to Members and others entitled thereto. The Management's Discussion and Analysis (MD&A) Report forms part of the Annual Report.
* **Corporate filing:** Announcements, Quarterly Results, Shareholding Pattern etc. of the Company regularly filed by the Company, are also available on the website of The Bombay Stock Exchange Ltd. - www.bseindia.com, National Stock Exchange of India Ltd. - www.nseindia.com, and Corporate Filing & Dissemination System website - www.corpfiling.co.in.

13. General Shareholder Information

13.1 Annual General Meeting:

- **Date and Time** : Saturday, 24th July, 2010 at 3.30 pm.
- **Venue** : Chandarva Hall, Welcom Hotel, R. C. Dutt Road, Vadodara – 390007, Gujarat.

13.2 Financial Calendar (tentative)
: Results for quarter ending 30th June 2010 – Last week of July 2010.
: Results for quarter ending 30th September 2010 – Last week of October 2010.
: Results for quarter ending 31st December 2010 – Last week of January 2011.
: Audited Results for year ended 31st March 2011 – 3rd or 4th week of May 2011.

13.3 Details of Book Closure For Equity Shareholders : From Tuesday, 20th July, 2010 to Saturday, 24th July, 2010 (both days inclusive).

13.4 Dividend Payment Date : N.A.

13.5 (i) Listing of Equity Shares on Stock Exchanges : The Equity Shares of the Company are listed on The Bombay Stock Exchange Ltd., (BSE) and The National Stock Exchange of India Ltd. (NSE).

(ii) Payment of Listing Fee : Listing Fees for the year ended 2010-11 have been paid, within the stipulated time, to The Bombay Stock Exchange Ltd., and The National Stock Exchange of India Ltd, where the Company's Equity Shares continue to be listed.

13.6 Stock Code:

Equity Shares

(a) Trading Symbol The Bombay Stock Exchange Ltd., (Demat Segment): **SUNPHADV 532872**

Trading Symbol National Stock Exchange (Demat Segment): **SPARC**

(b) Demat ISIN Numbers in NSDL and CDSL for Equity Shares of Re.1/- each **ISIN No. INE232I01014**

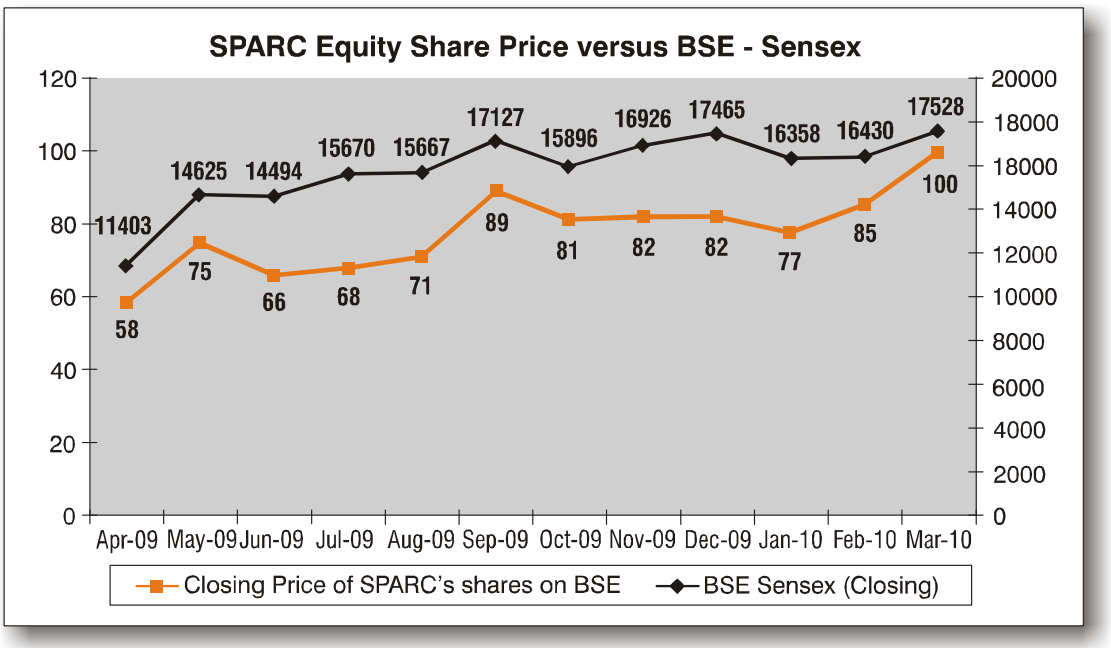
13.7 Stock Market Data

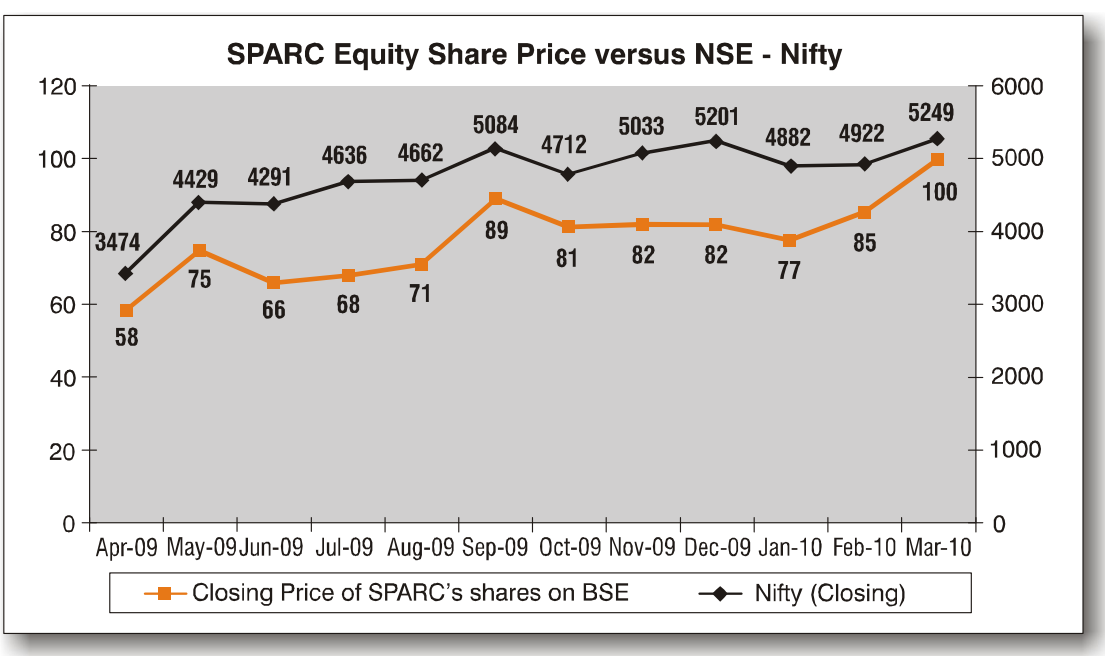
The Equity Shares of the Company are listed on The Bombay Stock Exchange Ltd., (BSE) and National Stock Exchange of India Ltd., (NSE).

Equity Shares of Re.1/- each :

	Bombay Stock Exchange Ltd. (BSE) (in Rs.)		National Stock Exchange of India Ltd., (NSE) (in Rs.)	
	Month's High Price	Month's Low Price	Month's High Price	Month's Low Price
April 2009	74.00	48.25	74.95	48.60
May 2009	84.50	57.00	84.80	57.00
June 2009	88.80	65.20	88.70	65.50
July 2009	71.90	57.00	72.50	57.30
August 2009	78.65	65.60	78.60	65.30
September 2009	89.40	68.80	89.50	69.00
October 2009	97.40	73.50	98.40	72.10
November 2009	91.70	72.50	91.60	74.25
December 2009	95.10	80.60	95.40	80.80
January 2010	93.80	74.20	94.00	73.40
February 2010	90.95	74.45	91.40	74.55
March 2010	104.30	83.90	104.30	83.80

(Source: BSE and NSE website)





(Source: BSE and NSE website)

13.8 Share price performance in comparison to broad-based indices – BSE Sensex and NSE Nifty.

Share price performance relative to BSE Sensex based on share price on 31st March, 2010.

	% Change in		
PERIOD	**SPARC SHARE PRICE**	**BSE SENSEX**	**SPARC RELATIVE TO SENSEX**
Year-on-Year	89.63%	80.54%	9.09%
2 Years	18.49%	12.04%	6.45%

Share price performance relative to Nifty based on share price on 31st March, 2010.

	% Change in		
PERIOD	**SPARC SHARE PRICE**	**NIFTY**	**SPARC RELATIVE TO NIFTY**
Year-on-Year	88.64%	73.76%	14.88%
2 Years	18.93%	10.87%	8.06%

(Source: Compiled from data available on BSE and NSE website)

13.9 Registrars & Transfer Agent

(Share transfer and communication regarding share certificates, dividends and change of address)

Mr. N. Mahadevan Iyer,
Link Intime India Pvt. Ltd.,
C-13, Kantilal Maganlal Estate,
Pannalal Silk Mills Compound, L.B.S. Marg,
Bhandup (West), Mumbai – 400 078.
E-Mail: sparc@linkintime.co.in
rnt.helpdesk@linkintime.co.in
Tel: 022- 25946970-78, Fax : 022- 25946969

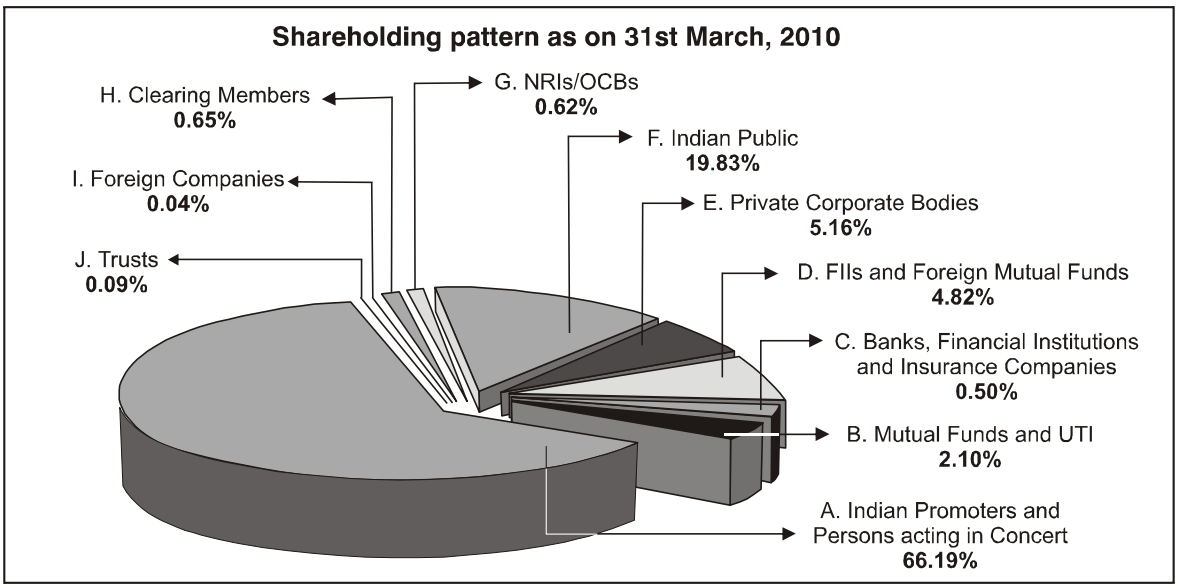
13.10 Share Transfer System

Presently, the share transfers which are received in physical form are processed and transferred by Registrar and Share Transfer Agents and the share certificates are returned within a period of 15 to 16 days from the date of receipt, subject to the documents being valid and complete in all respects and confirmation in respect of the request for dematerialisation of shares is sent to the respective depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) expeditiously.

13.11 Distribution of Shareholding as on March 31, 2010

No. of Equity Shares held	**No. of Accounts**		**Shares of face value Re.1/- each**	
	Numbers	**% to total accounts**	**Numbers**	**% to total shares**
Upto 5000	63576	98.554	20480886	9.889
5001 - 10000	435	0.674	3246539	1.567
10001 - 20000	202	0.313	2940929	1.42
20001 - 30000	71	0.11	1798455	0.868
30001 - 40000	46	0.071	1583103	0.764
40001 - 50000	26	0.04	1188909	0.574
50001 - 100000	45	0.07	3321993	1.604
100001 and above	108	0.167	172555577	83.313
Total	**64509**	**100.00**	**207116391**	**100.00**

13.12 Shareholding Pattern as on 31st March, 2010 of Equity Shares as per Clause 35 of the Listing Agreement.



Particulars	Percentage	No. of Shares
A. Indian Promoters and Persons acting in concert	66.19%	137091275
B. Mutual Funds and UTI	2.10%	4359193
C. Banks Financial Institutions and Insurance Companies	0.50%	1027302
D. FIIs and Foreign Mutual Funds	4.82%	9989483
E. Private Corporate Bodies	5.16%	10685755
F. Indian Public	19.83%	41063066
G. NRIs / OCBs	0.62%	1279519
H. Clearing Members	0.65%	1338587
I. Foreign Companies	0.04%	91183
J. Trusts	0.09%	191028
Total	**100.00%**	**207116391**

13.13 Dematerialisation of Shares

About 99.13% of the Equity shares of the Company have been de-materialised up to 31st March, 2010.

Liquidity:

Your Company's equity shares are fairly liquid and are actively traded on The Bombay Stock Exchange Ltd. (BSE), and National Stock Exchange of India Ltd., (NSE). Relevant data for the **average daily turnover** for the financial year 2009-2010 is given below:

	BSE	NSE	BSE + NSE
In no. of share (in Thousands)	427.04	550.23	977.27
In value terms (Rs. Millions)	35.76	47.15	82.91

(Source: BSE and NSE website)

13.14 Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity:

The Company has not issued any GDRs/ ADRs / warrants or any other convertible instruments, during the year.

13.15 R&D - Plant locations :

1. SPARC, Tandalja, Vadodara, Gujarat – 390 020.
2. SPARC, 17/B, Mahal Industrial Estate, Mahakali Caves Road, Andheri (East), Mumbai - 400 093.
3. 907/4, GIDC, Makarpura, Vadodara, Gujarat - 390 010.

13.16 Investor Correspondence

(a) For transfer/dematerialisation of Shares, payment of dividend on Shares, and any other query relating to the shares of the Company	**For Shares held in Physical Form** Mr. N. Mahadevan Iyer, Link Intime India Pvt. Ltd., C-13, Kantilal Maganlal Estate, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai – 400 078. E-Mail: sparc@linkintime.co.in rnt.helpdesk@linkintime.co.in Tel: 022- 25946970-78, Fax : 022- 25946969 **For Shares held in Demat Form** To the Depository Participant.
(b) E-mail id designated by the Company for Investor Complaints.	secretarial@sparcmail.com
(c) Any query on Annual Report	**Ms. Meetal S. Sampat** 17/B, Mahal Industrial Estate, Mahakali Caves Road, Andheri (East), Mumbai - 400 093. meetal.sampat@sparcmail.com secretarial@sparcmail.com

For and on behalf of the Board

DILIP S. SHANGHVI
Chairman & Managing Director

SUDHIR V. VALIA
Director

DR. T. RAJAMANNAR
Whole - Time Director

Place: Mumbai
Date : 22nd May, 2010

Annexure to Corporate Governance for the year ended 31st March, 2010

DECLARATION OF COMPLIANCE WITH CODE OF CONDUCT

I, Dilip S. Shanghvi, Chairman & Managing Director of Sun Pharma Advanced Research Company Limited ("the Company") hereby declare that, to the best of my information, all the Board Members and senior management personnel of the Company have affirmed their compliance and undertaken to continue to comply with the Code of Conduct laid down by the Board of Directors of the Company for Board members and senior management.

For Sun Pharma Advanced Research Company Ltd.,

Dilip S. Shanghvi
Chairman & Managing Director

Date: 22nd May, 2010

AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT

To The Members of
Sun Pharma Advanced Research Company Limited,

We have examined the compliance of conditions of Corporate Governance by Sun Pharma Advanced Research Company Limited, ("the Company") for the year ended on March 31, 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No. 117366W)

K. A. Katki
Partner
(Membership No. 038568)

Place: Mumbai
Date: May 22, 2010